

REPORT OF THE STUDY TEAM
ON
AGRICULTURAL CREDIT INSTITUTIONS
IN
ORISSA



RESERVE BANK OF INDIA
AGRICULTURAL CREDIT DEPARTMENT
BOMBAY

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Chapter	Paragraph	Page
	INTRODUCTION	1
1.	AGRICULTURAL PROFILE	9
	2. Geographical regions	9
	3. Administrative divisions	10
	4. Climatic Conditions and rainfall	11
	5. Rivers	11
	6. Soils	11
	7. Population	11
	10. Land use	12
	11. Pattern of land holdings	13
	12. Land tenure	14
	13. Consolidation of holdings	14
	14. Fertilizer use	14
	16. Cropping pattern	16
	20. High-yielding varieties programme	22
	21. Development programmes	22
	22. Concluding remarks	22
2.	ORISSA STATE CO-OPERATIVE BANK	24
	5. Owned funds	25
	6. Deposits	26
	7. Borrowings	27
	8. Loans and advances	27
	10. Recovery	28
	11. Working results	29
	12. Cost of management	29
	14. Board of Directors	29
	17. Managing Director	30
	18. Supporting staff	31
	21. Recruitment of staff	33
	22. Training	34
	24. Supervision	34
	25. Role as an apex bank	35
	28. Concluding remarks	37

3. CENTRAL CO-OPERATIVE BANKS

2.	Number of central co-operative banks	38
4.	Owned funds	40
6.	Share linking	42
7.	Share linking for other type of business	43
8.	Deposits	44
10.	Deposit mobilization — Difficulties	47
11.	Deposit mobilization — Suggestions	48
12.	Branch net-work	48
17.	Utilization of credit limits	52
18.	Reliance on borrowings from the Reserve Bank	53
20.	Linking of borrowings with deposit mobilization.	55
21.	Financial disciplines—Non-overdue cover	55
22.	Seasonality discipline	56
25.	Advances to small farmers	57
26.	Medium-term credit limits	58
29.	Weavers finance	64
30.	Small scale industries	64
31.	Loans and advances	64
39.	Credit requirements met	69
43.	Overdues	73
44.	Working results	74
45.	Surplus resources with banks	74
46.	Audit Classification	75
47.	Rehabilitation	76
48.	Management	76
49.	Board of Directors	76
50.	Organizational set-up	76
55.	Head Office personnel	81
57.	Branch personnel	82
59.	Cadre for key personnel	82
65.	Supervision	86
68.	Concluding remarks	87

4.	PRIMARY CREDIT INSTITUTIONS	89
6.	Primary Credit Societies in Orissa	91
7.	Coverage	93
11.	Reorganization of PACS	96
14.	On-the-spot studies	100
16.	Coverage	102
25.	Loan business	113
29.	Extension facilities	116
30.	Grain loans	116
35.	Conversion facilities	121
36.	Overdues	121
41.	Integrated Tribal Development Project Agencies	127
45.	Action for recovery	130
47.	Non-credit business	132
58.	Marketing of produce	138
62.	Working of TDCC	140
65.	Financial position	142
66.	Deposits	143
69.	Working results	145
71.	Viability	147
75.	PACS/LAMPS as agents of LDBs	151
76.	Office and godown	151
77.	Bye-laws	151
78.	Management	152
79.	Staff	152
81.	Staff of LAMPS	154
84.	Cadre Scheme	155
86.	Cadre — scales of pay	156
87.	Cadre fund	157
88.	Cadre Scheme — Suggestions	157
98.	Financial assistance	162
99.	Farmers Service Societies	163
101.	Coverage	163
103.	Staff	166
106.	Credit business	168

107.	Non-credit activities	169
109.	Concluding remarks	170
5.	ESTIMATES OF POTENTIAL FOR PRODUCTION AND INVESTMENT CREDIT IN AGRICULTURE	172
2.	Production credit estimates	172
5.	Production credit estimates under District Credit Plans	175
7.	Estimates of credit requirements by Directorate of Agriculture	176
10.	Realistic credit estimates	182
14.	Credit gaps	184
16.	Medium-term credit requirements	187
6.	ALTERNATIVE INSTITUTIONAL ARRANGEMENTS	189
3.	Regional rural banks	190
5.	Commercial banks	192
6.	Agricultural Development Branches	192
10.	Financing agriculture through PACS	196
15.	Dual financing	200
16.	Commercial banks' resources	201
18.	Alternative institutional agencies	201
7.	RECOVERY OF DUES AND REHABILITATION	207
2.	Dimension of problem	207
6.	Chronic overdues	212
7.	Natural calamities	212
8.	Stabilization arrangements	214
10.	Recovery of co-operative dues	215
8.	WORKING OF CO-OPERATIVE RICE MILLS IN ORISSA	226
2.	Objectives for setting up rice mills in co-operative sector	226

SECTION I	228
6. Economics of rice mills	228
7. Setting up/commissioning of rice mills — Delays	228
10. Paddy procured by societies	229
11. Paddy procurement policy	231
14. Procurement of paddy — Arrangements and problems	233
17. Miller's levy quota — Government price	235
18. Arrangements for finance	238
20. Operation cost of rice mill units	239
23. Storage problem	240
24. Storage agents	241
25. Management	241
28. Viability	243
29. Recovery of co-operative dues	243
30. Societies & claims on government	243
31. Conclusion	243
SECTION II	244
36. Paddy procurement — Demarkation of area	246
37. Installation of additional capacity	247
38. Modernization of rice mill units	247
39. Miller's levy quota	247
40. Planning for procurement and sales	248
42. Rice mill — Staff	248
45. Institutional finance	249
46. Co-operative societies as collection agents and recovery of co-operative dues	249
48. Rehabilitation of defunct weak units	251
49. Storage	251
50. Conclusion	251
9. FINANCING OF POTATO CROP	253
2. General	253
7. Financing of crop	257
16. Storage facilities	264

10.	HANDLOOM (COTTON) WEAVERS	
	CO-OPERATIVE SOCIETIES	271
	2. Handloom weaving in India	271
	5. Handloom industry in Orissa	273
	12. Coverage	276
	15. Procurement of yarn	281
	18. Arrangements for marketing	282
	22. Credit sales	285
	23. Rebate claims	285
	28. Financial assistance by State Government	288
	31. Institutional finance	291
	35. Refinance from the Reserve Bank	292
	40. Supervision	294
	41. Departmental set-up	295
	43. Viability	297
	46. Working of Sambalpuri Bastralaya Co-operative Society Ltd., Bargarh	298
	49. Apex weavers society	300
	51. Unorganised weavers	301
	52. Co-operative spinning mills	302
	54. State level committee	303
	55. Development cells	303
11.	RELATED ISSUES	305
	2. Arrangements for marketing	305
	8. Consumers Co-operative Federation	308
	12. Interest margins	310
	14. Twenty-Point Programme	312
	15. Co-operative training	313
	20. Set-up of Registrar's Office	315
	24. Deofficialisation of the move	317
	26. Audit	318
	30. Implementation	320
	SUMMARY OF FINDINGS & RECOMMENDATIONS	322
	ANNEXURES (i — 36)	

MAP OF
ORISSA
SHOWING DISTRICT BORDERS,
STATE CAPITAL AND
DISTRICT HEADQUARTERS



STATE BORDERS
DISTRICT BORDERS
STATE CAPITAL
DISTRICT HEADQUARTERS

INTRODUCTION

The Reserve Bank of India in consultation with the Government of India and the Government of Orissa constituted in May 1979 a Study Team on Agricultural Credit Institutions in Orissa with a view to examining, among other things, factors inhibiting the growth of the co-operative credit structure in the state. The Study Team was required to suggest measures to bring about the desired improvement in the working of agricultural credit institutions which would enable them to lend adequate support to the programmes of the state in the field of agriculture in particular.

Terms of reference

2. The terms of reference to the Study Team are as under :

- (i) To examine the financial position and operational efficiency of the state and central co-operative banks which may include an examination of lending policies and procedures relating to production, investment and also consumption credit, arrangements for supervision over the affiliated institutions, etc., and to suggest measures for resources mobilization and an effective programme for reorganisation and rehabilitation of the above banks, where necessary, with a view to enabling them to lend adequate support to the development of agriculture and allied activities and ensuring adequate flow of credit, particularly to small and marginal farmers and other weaker sections.
- (ii) To study the staffing pattern and existing arrangements for training of staff in the state and central co-operative banks and to suggest improvements where necessary.
- (iii) To suggest supplementary institutional arrangements in case the institutions at the base or intermediate levels of the co-operative credit structure are unable to lend

adequate credit support to agriculture and allied activities.

- (iv) To study the financial position and working of base level institutions, namely, primary agricultural credit societies, farmers' service societies and large-sized multi-purpose societies and their effectiveness in giving adequate support to the long-term credit structure and to suggest measures for improving their coverage and viability.
- (v) To study the problems of tribal areas and credit institutions operating in such areas and to suggest measures for improvement.
- (vi) To examine the position of overdues at various levels of the co-operative credit structure and to suggest measures including administrative arrangements necessary for recovery of co-operative dues.
- (vii) To examine other issues incidental or related to the above terms of reference and make suitable recommendations as the Team may deem necessary.

Composition of the Study Team

3. The composition of the Study Team is as under :

- | | | |
|----|--|----------|
| 1. | Dr M. V. Hate
Executive Director
Reserve Bank of India | Chairman |
| 2. | President
Orissa State Co-operative Bank Ltd.
(Dr J. C. Rout) | Member |
| 3. | Chairman
Orissa State Co-operative Land
Development Bank Ltd.,
(Late Shri N. C. Panda/Shri L. K. Lenka) | Member |
| 4. | President
Berhampore Co-operative Central
Bank Ltd.
(Shri Ramnath Das) | Member |

- | | | |
|-----|--|----------------------|
| 5. | Secretary
Government of Orissa
Agriculture & Co-operation Department.
(Shri M. P. Modi/Shri R. Srinivasan) | Member |
| 6. | Director
Government of Orissa
Harijan & Tribal Welfare Department
(Shri P. K. Mishra/Shri R. M. Das) | Member |
| 7. | Registrar of Co-operative Societies
Government of Orissa
(Shri S. B. Mahopatra/Shri M. Y. Rao/
Shri K. B. Varma) | Member |
| 8. | A representative of the Government
of India, Ministry of Agriculture
& Co-operation [Shri M. G. K. Murthy,
Director (Credit)/Shri M. Karunanidhi,
Dy. Commissioner (A.C.)] | Member |
| 9. | A representative of the Government
of India, Ministry of Rural Reconstruction
(Kum. Jyoti Pande, Deputy Secretary/
Shri Atul Sinha, Deputy Secretary) | Member |
| 10. | A representative of the Government
of India, Ministry of Finance
Department of Economic Affairs
Banking Division
(Shri Dinesh Chandra, Director) | Member |
| 11. | A representative of the Reserve
Bank of India
Department of Banking Operations
and Development
(Dr M. R. Kotdawala, Joint Chief Officer/
Shri M. L. Inasu, Joint Chief Officer) | Member |
| 12. | Joint Chief Officer
Agricultural Credit Department
Reserve Bank of India
(Shri R. A. Sugavanam) | Member-
Secretary |

Note : The names of the incumbents to the posts who became members of the Study Team are given in brackets.

4. Dr S. Misra from Orissa, a member of the Reserve Bank's Local Board, Eastern Region participated in the first meeting on a special invitation from the Chairman. He was invited with a view to getting benefit of his expertise and experience of local problems.

5. The Managing Directors of the Orissa State Co-operative Bank and the Orissa State Co-operative Land Development Bank and the Deputy Chief officers of the Reserve Bank's Regional Offices of the Agricultural Credit Department and the Department of Banking Operations & Development at Bhubaneshwar were associated with the meetings of the Study Team as special invitees.

6. Besides the special invitees noted in paragraphs 4 and 5 above, the senior officers of various government departments as well as co-operative institutions in Orissa were invited for the meetings of the Study Team as and when the subjects relating to their departments/institutions were considered. Their association was considered necessary to get the benefit of their views in the matter. Accordingly, Secretary-cum-Commissioner, Food & Civil Supplies Department; Director, Institutional Finance, Finance Department; Director, Agricultural Department; Director of Textiles; Joint Registrar of Co-operative Societies (Credit); Managing Directors of Orissa State Co-operative Handloom Weavers Society, Orissa State Co-operative Marketing Federation and Tribal Development Co-operative Corporation of Orissa and Director of Agricultural Refinance & Development Corporation, Bhubaneshwar were invited for the meetings.

Methodology of the Study

7. In the first meeting held on 15 November 1979, the Study Team decided on a broad plan of work and collection of data on the various aspects of the terms of reference on the basis of proformas prepared by the secretariat.

8. The Study Team also decided in its meetings held from time to time to conduct certain field studies which were considered

necessary to enable it to get a first-hand information on the nature and dimensions of the problems faced by the institutions in the field. The types of field studies which were undertaken are noted below :

- (i) A study of the working of the primary co-operative agricultural credit societies and large-sized agricultural multi-purpose societies;
- (ii) Problems of co-operative rice mills;
- (iii) Problems of financing of handloom weavers co-operative societies;
- (iv) Scope for financing potato crop and problems relating to the marketing and storage facilities;
- (v) Dual financing availed of by the borrowers from co-operative and commercial banks/regional rural banks;
- (vi) High proportion of medium-term loans to short-term loans.

The guidelines and proformas for the above studies were provided by the secretariat of the Study Team with the approval of the Chairman.

9. The study mentioned at item (i) in paragraph 8 was taken up by the officers of the Co-operation Department of the Government of Orissa, Orissa State Co-operative Bank, central co-operative banks in Orissa, the regional office of the Reserve Bank's Agricultural Credit Department at Bhubaneswar and the secretariat of the Study Team. The studies mentioned at items (ii) to (iv) were undertaken by the officers of the secretariat under the supervision of the Member-Secretary. The studies at items (v) and (vi) were taken up by the regional office of the Reserve Bank's Agricultural Credit Department at Bhubaneswar. The study at item (vi) was also entrusted to the concerned central co-operative banks.

Meetings of the Study Team

10. The Study Team held five meetings at Bhubaneswar and the sixth meeting, which was the final one, in New Delhi. In the first meeting held on 15 November 1979 the Study Team decided on a broad plan of work. In the second and third meetings held on 3 July and 5 November 1980, the Study Team considered various agenda notes prepared on the basis of field studies which were undertaken during the intervening period. In the third meeting held on 5 November 1980 as well as in the fourth meeting held on 17 February 1981, the Study Team inter-alia discussed with the Chief Executives of the central co-operative banks of the state with a view to ascertaining their operational and other problems in the field. In the fifth meeting held on 21 May 1981, a few draft chapters of the report prepared by the secretariat were considered. In the sixth and final meeting held on 21 July 1981 in New Delhi, the Study Team considered the entire draft report, including the chapters submitted earlier which had been revised in the light of the observations made by the members in the fifth meeting. The report was finalised and signed by the members at this sixth meeting held in Delhi on 21 July 1981 and the Chairman was authorised to carry out suitable changes in the Report, on the basis of the observations/suggestions made by the members, for submission to the Reserve Bank of India.

11. The Chairman of the Study Team accompanied by the Member-Secretary also undertook field visits to a few LAMPS, a co-operative rice mill, a co-operative cold storage, etc., to obtain a first-hand information about their working.

Pattern of the report

12. The report consists of 11 chapters as under :

- I. Agricultural Profile
- II. Orissa State Co-operative Bank
- III. Central Co-operative Banks
- IV. Primary Credit Institutions
- V. Estimates of Potential for Production and Investment Credit in Agriculture

- VI. Alternative Institutional Arrangements
- VII. Recovery of Dues and Rehabilitation
- VIII. Working of Co-operative Rice Mills in Orissa
- IX. Financing of Potato Crop
- X. Handloom (cotton) Weavers Co-operative Societies
- XI. Related Issues

The report also contains a summary of findings and recommendations.

Acknowledgement

13. We are grateful to the officers of the state government as well as the Chief Executives of the central co-operative banks and other institutions who participated in the discussions and offered their valuable suggestions which enabled the Study Team to get an insight into the various difficulties faced in dispensation of the agricultural credit and recovery thereof as well as working of the co-operative institutions.

14. We are also grateful to the Orissa State Co-operative Bank, central co-operative banks, commercial banks, regional rural banks in Orissa and the various departments of the Orissa State Government particularly Departments of Agriculture and Co-operation and regional offices of the Reserve Bank's Agricultural Credit Department and Department of Banking Operations and Development at Bhubaneshwar for their co-operation in furnishing the data sought for from them.

15. We also place on record our gratitude to the officers of the Department of Co-operation of the state government, Orissa State Co-operative Bank, central co-operative banks and the officers of the regional office of the Agricultural Credit Department at Bhubaneshwar for undertaking studies on our behalf. We would particularly like to acknowledge the services of Shri F. C. Panda and Shri R. Patro, Managing Director and General Manager respectively of the Orissa State Co-operative Bank and Shri N. Biswal, Additional Registrar of Co-operative Societies (Audit), Government of Orissa, Shri G. Pattanaik, Joint Registrar (Credit)

and Shri G. S. Rao Pattanaik, Deputy Registrar of Co-operative Societies (Credit) in arranging meetings and field visits for the Study Team.

16. The Team would like to place on record its sincere appreciation for the work done by the secretariat in collecting the various 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 Shri A. G. Sule, Assistant Chief Officer, and Shri H. N. Bhohe, Rural Credit Officer who spared no pains in completing the work.

17. The rest of us would like to place on record appreciation of the services rendered by Shri R. A. Sugavanam, Member Secretary in the scrutiny and analysis of data and in drafting the report.

Chapter 1

AGRICULTURAL PROFILE

This chapter deals with geo-physical features and agricultural situation obtaining in Orissa which have a bearing on the observations and suggestions made in the later chapters. A separate province of Orissa was formed on 1 April 1936 with the transfer of certain areas of composite provinces of the then Bihar and Orissa, Madras Presidency and Central Provinces and Berar Province. In June 1948, i.e., after independence, princely states numbering 23 from Orissa and 3 from Chhathisgarh State Agencies were merged in Orissa.

Geographical regions

2. The state can be divided into 4 geographical regions, viz. (i) coastal plain, (ii) eastern ghats, (iii) central table land and (iv) northern plateau. The deltas formed by the three rivers, viz., Mahanadi, Baitarni and Brahmani constitute the coastal plain which is very fertile and is well-suited for intensive cultivation. The eastern ghats are in the southern part of the state and covered by dense forests. The central tableland includes a number of erosional plains and river basins which are suited to agriculture. The northern plateau is hilly and covered by dense forests. The districts of the state are distributed between these regions as shown in Table 1.

TABLE 1

Geographical Region	District
(i) Coastal plain	Balasore, Cuttack, Puri and part of Ganjam
(ii) Eastern ghats	Phulbani, part of Ganjam and Koraput
(iii) Central tableland	Two-thirds of Sambalpur and Balangir and part of Kalahandi
(iv) Northern plateau	Mayurbhanj, Keonjhar and part of Dhenkanal and Sundargarh

Administrative divisions

3. The state has been divided into 3 revenue divisions and 13 districts. These 13 districts comprise 56 sub-divisions and 314 development blocks. There are 46,992 inhabited villages with 3830 grampanchayats. The distribution of blocks, grampanchayats and villages among the districts is given in Table 2.

TABLE 2

District	No. of blocks	No. of gram-panchayats	No. of villages
1. Balasore	19	284	4376
2. Balangir	20	212	2622
3. Cuttack	41	591	6570
4. Dhenkanal	16	229	3093
5. Ganjam	29	400	4590
6. Kalahandi	18	234	2806
7. Keonjhar	13	172	2065
8. Koraput	42	474	6216
9. Mayurbhanj	26	255	3954
10. Phulbani	15	152	4579
11. Puri	29	370	4810
12. Sambalpur	29	310	3695
13. Sundargarh	17	139	1548
	314	3822*	50924**

* Information in respect of 8 grampanchayats is not available.

** Includes some of the uninhabited villages.

(Source : Table 4.11 — Statistical Outline of Orissa — 1978)

Climatic conditions and rainfall

4. The state has a tropical climate. The average rainfall is 148 cms and a large part of it is received between June and October. The rain is, however, not evenly distributed. While the northern plateau gets an average rainfall of 177 cms, the eastern ghats region receives an average rainfall of 135 cms. Between the districts, the average rainfall varies between 165 cms in Mayurbhanj District and 130 cms in Ganjam District. Parts of the state are affected periodically either by drought or floods. The state is also affected by cyclones occasionally.

Rivers

5. The important rivers in the state are Mahanadi, Baitarni, Brahmani and Suvarnarekha. While these rivers contribute to the fertility of the river valleys, they also cause damage on account of floods.

Soils

6. The state can broadly be divided into high land, medium land and low land on the basis of elevation. The dominant types of soils are red, red-yellow, laterite and alluvial.

Population

7. The statement at Annexure 1 gives, according to the 1971 census, district-wise position of total population with density per sq. km., population per household, rural population, scheduled castes and scheduled tribes and classification of working population. Complete details of the 1981 census are not available but provisional district-wise data available on total population, rural population and the density of population are given in Annexure 1. During the decennial 1971-1981, the population of the state has increased from 219.45 lakhs to 262.72 lakhs i.e., by 19.7 per cent. The rural population has also increased from 200.99 lakhs to 231.66 lakhs during the period and it constitutes 88 per cent of the total population as against 92 per cent in 1971. The all-India average of

rural population in 1971 stood at 80.13 per cent and is lower than the 1981 average for the state. Between the districts, the concentration of rural population as per 1981 census is the highest in Phulbani District at 95 per cent of the total and the lowest in Sundargarh District at 69 per cent. The scheduled tribe population numbering 50.7 lakhs accounts for 23 per cent of the total population and the state has the second highest population of scheduled tribes in the country. The scheduled tribe population constitutes more than 50 per cent of the total population in Koraput, Mayurbhanj and Sundargarh districts, while it forms a substantially large proportion of the total population in the districts of Kalahandi, Keonjhar, Phulbani and Sambalpur. The scheduled caste population at 33.11 lakhs forms 15 per cent of the total population and is, by and large, evenly spread over the state.

8. The density of population for the state is 141 per sq. km. as against the all-India average at 182 per sq. km. The density of population has increased to 169 per sq. km. as per 1981 census and amongst the districts it ranges between 414 per sq. km. in Cuttack District and 64 per sq. km. in Phulbani District. The average population per household in the state as per 1971 census is 5.24 and it is the lowest in Phulbani District at 4.61 and the highest in Balasore District at 5.88.

9. Seventy-seven per cent of the working population depends on agriculture, of which cultivators account for 49 per cent and agricultural labourers 28 per cent. The percentages of cultivators and agricultural labourers to the total population in Orissa are 15.35 and 8.83 respectively which are almost equal to the respective all-India averages at 14.27 and 8.67.

Land use

10. The statement at Annexure 2 indicates the district-wise position of land use for the year 1979-80. Out of the total geographical area of 155.40 lakh hectares, the area covered by forests is 66.40 lakh hectares forming 43 per cent of the total area. The area under cultivable waste (2.64 lakh hectares), miscellaneous

tree crops (4.20 lakh hectares), and pastures/grazing lands (5.60 lakh hectares) aggregate 12.44 lakh hectares forming 8 per cent of the total geographical area. Further, 8.90 lakh hectares forming 5.7 per cent of the total geographical area are not available for cultivation. The net area sown is 59.70 lakh hectares, while the gross cropped area is 81.66 lakh hectares forming 38.4 per cent and 52.6 per cent respectively of the total geographical area. The gross irrigated area at 16.24 lakh hectares forms 19.9 per cent of the gross cropped area. The irrigation facilities are relatively good in the four districts of Cuttack, Ganjam, Puri and Sambalpur.

Pattern of land holdings

11. The district-wise position, as per Agricultural Census of 1970-71, of the total number of operational holdings with their size-wise break up and the proportion of the operational holdings to total number of holdings as also the proportion of the area represented by such holdings to the total cropped area is given in Annexure 3. The state is having a large number of small and fragmented land holdings. The average size of land holdings for the state is 1.89 hectares as against the all-India average of 2.30 hectares. As among the districts, the average size of land holdings ranges between 3.95 hectares in Kalahandi District and 1.22 hectares in Cuttack District. Seventy-four per cent of the total holdings are upto 2 hectares and the area under such holdings is 24.68 lakh hectares forming 38 per cent of the total area. The percentage of land holdings between 4 and 10 hectares is 9 and it accounts for 28 per cent of the area. Those having land holdings above 10 hectares are 4 per cent of the total holdings but account for 13 per cent of the area. Among the districts, the highest percentage of land holdings upto 2 hectares is 87 in Ganjam accounting for 53 per cent of the area while the lowest percentage of land holdings upto 2 hectares is in Sundargarh at 37 accounting for 26 per cent of the area. The above position has undergone some changes as may be seen from the census of 1976-7. The detailed data on Agricultural Census 1976-7 have, however, not been

published, but provisional district-wise data on the number and area of operational holdings and the average size of holdings, are available and are also presented in Annexure 3. According to 1976-7 census, the number of operational holdings has gone up by 1.83 lakhs to 35.90 lakhs as compared to 1970-71. The area has, however, declined by 6.97 lakh hectares i.e., by 10.8 per cent. The average size of holdings has also declined to 1.60 hectares as compared to 1.89 hectares in 1970-71.

Land tenure

12. The state had different land revenue systems in view of the fact that it had been formed with the merger of areas from the different provinces as well as princely states. The land records are also not up-to-date and as such difficulties are experienced in identifying the operational holdings of the cultivators. In the tribal areas, the absence of recognised title to land in possession with tribals is the main difficulty confronted in the identification of holdings. The Orissa Land Reforms Act in 1960 which was amended in the years 1971 and 1975-6 provides for the regulation of tenancy and also imposes ceilings on the land holdings.

Consolidation of holdings

13. The fragmentation of holdings is a constraint on intensification of cultivation. The consolidation of land holdings was taken up on hand for the first time during the Fourth Plan period in January 1974 with the passing of the Act, viz., Orissa Consolidation of Holdings and Prevention of Fragmentation of Land Act, 1972. By the end of 1979-80, out of the total area of 8.19 lakh hectares programmed to be covered, the actual achievement was 0.47 lakh hectares. The remaining area of 7.72 lakh hectares as well as an additional area of 11.40 lakh hectares are proposed to be covered under the programme during the Sixth Plan period (1980-81 to 1984-5).

Fertilizer use

14. The per hectare chemical fertilizer (NPK) consumption of the state in 1979-80 is 8.3 kgs as against the all-India average

of 25 kgs per hectare. Within the state, the consumption varies from district to district as may be seen from Table 3. During 1979-80, the fertilizer consumption was the highest in Sambalpur District at 18.90 kgs per hectare while it was the lowest in Kalahandi District at 0.62 kg. per hectare. The state government proposes to increase the average consumption of fertilizers to 20.6 kgs per hectare by the end of Sixth Five-Year Plan.

TABLE 3

District	Fertilizer consumption (NPK) in kgs per hectare			
	1976-7	1977-8	1978-9	1979-80
1. Balasore	8.91	11.07	11.43	9.01
2. Balangir	7.50	8.01	11.33	9.42
3. Cuttack	13.70	14.02	12.72	12.01
4. Dhenkanal	4.90	2.89	5.46	3.45
5. Ganjam	14.99	18.96	14.35	17.25
6. Kalahandi	0.64	0.63	0.55	0.62
7. Keonjhar	2.11	3.18	2.53	2.80
8. Koraput	2.55	2.09	2.17	3.07
9. Mayurbhanj	3.49	2.53	3.91	3.62
10. Phulbani	1.49	2.93	3.52	2.66
11. Puri	10.42	7.49	9.80	7.63
12. Sambalpur	19.29	14.92	18.59	18.90
13. Sundargarh	5.36	1.90	4.89	5.05
State	8.59	8.15	8.68	8.29

15. The adoption of other improved agricultural practices such as plant protection, preparatory tillage, water management etc., is also low, which calls for concerted extension services. The Government is already seized of the problem and has been making

efforts to make its extension agencies active so as to enable the cultivators in the far-flung area to derive the benefit of their services.

Cropping pattern

16. The area under different crops in the state for the years 1976-7 and 1979-80 is given in Table 4.

TABLE 4

Crop	Area in thousand hectares			
	1976-7		1979-80	
	Area	% to total	Area	% to total
(1)	(2a)	(2b)	(3a)	(3b)
A. Foodgrains				
Rice	4380	60.75	4117	50.42
Jowar	33	0.46	23	0.28
Bajra	6	0.08	8	0.10
Maize	124	1.72	129	1.58
Ragi	255	3.54	267	3.27
Small Millets	217	3.01	209	2.56
Wheat	55	0.76	51	0.62
Gram	28	0.39	41	0.50
Tur	41	0.57	76	0.93
Other pulses	898	12.46	1534	18.79
Sub-total	6037	83.74	6455	79.05

(1)	(2a)	(2b)	(3a)	(3b)
B. Non-foodgrains				
Groundnut	105	1.46	175	2.14
Sesamum	112	1.55	181	2.22
Castor seed	24	0.33	41	0.50
Rape & Mustard	66	0.92	145	1.78
Linseed	18	0.25	34	0.42
Ginger	3	0.04	4	0.05
Chillies	53	0.74	64	0.78
Turmeric	17	0.24	22	0.27
Cotton	5	0.07	5	0.06
Jute	47	0.65	46	0.56
Mesta	38	0.53	38	0.47
Potato	7	0.10	8	0.10
Sugarcane	45	0.62	47	0.58
Tobacco	15	0.21	18	0.22
Others	617	8.55	883	10.80
Sub-total	1172	16.26	1711	20.95
<hr/>				
Total	7209	100.00	8166	100.00

Four-fifths of the total cropped area is under foodgrains cultivation. Paddy alone accounts for 50 per cent of the total cropped area. The area under paddy cultivation has come down in 1979-80 by 2.63 lakh hectares as compared to that in 1976-7. Whereas paddy is the major crop, the other important crops in the state are pulses, oilseeds, jute, mesta, sugarcane, coconut and turmeric.

17. The data on average per hectare yield of major crops in the state for the years 1970-71 to 1979-80 are given in Table 5. The per hectare yield of the various crops has not shown any improvement over the years. There were widespread natural calamities experienced in a large part of the state during 1976-7

TABLE 5

Crop	Yield per hectare in quintals									
	1970-1	1971-2	1972-3	1973-4	1974-5	1975-6	1976-7	1977-8	1978-9	1979-80
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
A. Foodgrains										
Rice	9.17	7.79	8.90	9.30	7.14	9.67	7.35	9.81	10.07	10.74
Jowar	6.10	7.60	6.93	7.50	5.80	6.62	5.70	6.54	7.40	5.40
Bajra	4.10	4.80	4.80	3.40	3.30	4.86	4.05	4.38	5.17	4.50
Maize	8.20	8.40	7.83	8.20	7.50	9.84	8.30	8.57	9.25	6.10
Ragi	9.01	9.33	8.66	8.20	6.42	7.30	5.48	7.06	7.55	5.40
Small Millets	4.02	4.70	4.62	4.40	4.20	4.38	4.00	4.51	4.46	3.10
Wheat	14.23	18.46	16.67	15.90	15.73	17.10	17.73	18.86	17.88	16.10
Gram	6.00	4.70	5.18	5.10	5.10	4.87	4.32	4.99	5.24	4.20
Tur	6.30	4.90	5.36	5.00	4.90	5.45	4.00	5.30	5.15	4.00
B. Non-foodgrains										
Groundnut	12.40	14.10	13.95	14.80	13.70	12.30	11.32	12.16	13.33	7.00
Sesamum	4.90	4.90	5.06	5.00	4.40	4.50	3.90	4.61	4.80	2.60

Castor	7.30	8.10	8.06	6.30	5.70	5.50	4.81	4.89	5.53	3.70
Rape & Mustard	4.70	4.60	4.75	4.20	3.93	4.70	3.94	4.41	4.50	2.70
Linseed	3.80	4.53	4.19	4.20	3.30	4.30	3.70	4.09	4.31	4.00
Ginger	13.00	5.60	10.24	9.60	4.30	11.10	7.83	7.70	8.49	10.40
Chillies	6.40	7.30	7.36	6.90	5.50	6.00	5.90	5.00	6.64	8.20
Turmeric	12.10	10.60	11.72	11.30	8.50	7.40	6.13	6.40	7.37	6.60
Cotton*	0.90	0.90	0.60	1.00	1.00	1.14	1.11	1.12	1.12	1.00
Jute	7.50	7.40	9.18	7.00	7.10	7.70	8.70	8.63	8.91	7.00
Mesta	5.30	5.70	5.12	5.00	4.80	5.40	5.00	5.41	5.55	4.90
Potato	107.90	79.16	51.73	77.19	80.70	86.16	70.50	67.51	72.11	57.30
Sugarcane	55.89	62.60	65.20	58.72	62.50	65.57	62.00	60.47	61.09	60.70
Tobacco	8.70	8.40	8.62	8.00	7.20	6.60	4.70	4.30	4.90	4.70

* Yield in bales of 180 kgs

1977-8 and 1979-80. The average yield of important food crops like rice, ragi and maize are below the all-India averages at 13.17, 10.95 and 10.43 quintals per hectare for the respective crops. Among the non-food crops, the average yield per hectare only in respect of groundnut and sesamum is above the all-India averages at 8.46 and 2.11 quintals per hectare respectively. The main forest products in Orissa are sal, teak, rosewood, lac, tusser silk, medical plants and kendu leaves.

18. The district-wise data for the year 1979-80 regarding area under important crops and yield thereof are given in Annexure 4. In the Annexure, data relating to rice are divided into Autumn, Winter and Summer rice. It will be seen therefrom that of total area under rice, 75 per cent is accounted for by winter rice and average yield per hectare is 12.06 quintals for the state as a whole. Among the districts, the average yield of winter rice is the highest at 16.73 quintals per hectare in Ganjam District and is the lowest at 7.43 quintals per hectare in Kalahandi District.

19. In terms of the *Kharif* programme of 1979 launched by the Agricultural and Co-operation Department, the State Government had targetted for 1979-80, coverage of 61.58 lakh hectares under *kharif* crops and 34.07 lakh hectares under *rabi* crops. The district-wise distribution of the targetted area and achievement thereagainst are as in Table 6.

TABLE 6

Area in '000 hectares

District	Targetted programme		Achievement	
	<i>K'arif</i>	<i>Rabi</i>	<i>Kharif</i>	<i>Rabi</i>
(1)	(2)	(3)	(4)	(5)
1. Balasore	437	182	419 (96)	155 (85)
2. Balangir	420	160	375 (89)	138 (86)
3. Cuttack	724	688	610 (84)	530 (77)

(1)	(2)	(3)	(4)	(5)
4. Dhenkanal	385	201	374 (97)	123 (61)
5. Ganjam	515	387	441 (86)	287 (74)
6. Kalahandi	505	306	462 (91)	223 (73)
7. Keonjhar	278	104	254 (91)	79 (76)
8. Koraput	857	294	723 (84)	229 (78)
9. Mayurbhanj	445	138	410 (92)	86 (62)
10. Phulbani	191	145	178 (93)	104 (72)
11. Puri	450	435	429 (95)	305 (70)
12. Sambalpur	647	236	569 (88)	146 (62)
13. Sundargarh	305	129	242 (79)	22 (17)
State	6158	3407	5486 (89)	2427 (71)

Note : Figures in brackets indicate percentage of achievement

While the *Kharif* target has been achieved to a large extent in all the districts, achievement in *rabi* programme is below the average state performance in Dhenkanal, Mayurbhanj, Sambalpur and Sundargarh Districts. The achievement in Sundargarh District is only 17 per cent of the target. The *rabi* crop is equally important as the *kharif* crop in Cuttack, Ganjam, Kalahandi, Phulbani and Puri districts.

High-yielding varieties programme

20. The details in respect of high-yielding varieties programme are given below :

HYP Crop	Achievement Fifth Plan	In '000 Hectares		
		Target		
		1978-9	1979-80	1980-81
Paddy	647	1100 (867)	1220 (942)	1500
Wheat	66	200 (60)	100 (49)	150
Maize	36	38 (36)	45 (41)	55
Jowar	3	8 (8)	10 (5)	13

Note : Figures in brackets indicate achievements.

During the Sixth Plan period i.e., 1980-81 to 1984-5, 16.90 lakh hectares are proposed to be covered under high-yielding variety of paddy.

Development Programmes

21. The details of schemes sanctioned by the Agricultural Refinance and Development Corporation and financial assistance provided therefor as on 30 June 1980 are given in Annexure 5.

Concluding remarks

22. There is a wide disparity within the state in the development of agriculture. While the districts of Cuttack, Ganjam, Puri and Sambalpur and to some extent, also the districts of Balasore and

Balangir have relatively better irrigation facilities, the remaining seven districts are not having the said advantage. Besides, these remaining seven districts are having hilly terrain, comparatively less fertile soil and are predominantly inhabited by tribal people. Considerable efforts are, therefore, necessary to remove the wide regional disparities. Agriculture is the mainstay of the economy of the state and it is, therefore, necessary that the plane of cultivation is raised to increase production and the standard of living of the rural poor. Credit is one of the important requirements for raising agricultural production and supporting the allied activities. We have, in the chapters that follow considered the present position obtaining in meeting credit requirements with a view to suggesting various measures to ensure the smooth flow of credit to meet the needs adequately.

Chapter 2

ORISSA STATE CO-OPERATIVE BANK

In the earlier chapter we have indicated broadly the position regarding the agricultural situation, geo-physical conditions etc., obtaining in the state. The co-operatives are the main institutional agencies in the state lending support for meeting the production credit and medium-term investment credit requirements. The short-term co-operative credit structure in the state consists of 3 tiers, viz., the apex co-operative bank at the state level, central co-operative banks at the intermediate level and the primary credit societies at the base level. We have reviewed in this chapter the performance of the apex level co-operative credit institution, viz., the Orissa State Co-operative Bank.

2. The apex bank was originally registered as the Orissa Provincial Co-operative Bank Ltd., in April 1948. The name of the bank was changed to the Orissa State Co-operative Bank Ltd., (OSCB) in the year 1952. The head-quarters of the bank was at Cuttack till September 1975 and it was shifted to Bhubaneswar, the new capital of the state, in October 1975. In July 1966 the bank was included in the second schedule to the Reserve Bank of India Act, 1934.

3. The membership of the bank as on 30 June 1980 stood at 233, comprising central co-operative banks, apex co-operative societies, other co-operative societies, other institutions and the state government. Of the total membership, more than 75 per cent i.e., 176 primary co-operative credit societies have been enrolled as nominal members for the purpose of availing of the loan from the World Bank (International Development Association) for construction of storage facilities i.e., godowns.

4. The financial particulars of the OSCB for the period 1975-6 to 1980-81 (upto December 1980) are given in Annexure 6. Before

commenting on the progress of the bank during the period under review, it would be of interest to know the performance of the bank in relation to the all-India position in respect of some of its major aspects of the business. A comparison of the averages representing the major aspects of the business of the bank as on 30 June 1980 with the relevant all-India averages is made in Table 1.

TABLE 1

Rs Lakhs

Particulars	Position as	
	Average as	
	on 30 June 1980	on 30 June 1980
	OSCB	All-India
Paid up share capital	371	334
Share capital from state government	115	85*
Total reserves	395	741
Owned funds	766	1075
Deposits	3022	5192
Outstanding borrowings	3777	1715
Total loans issued	9975	7898
Total loans & advances outstanding	6762	4708
Overdues	2	557
Percentage of overdues to demand	0.03	11.8

* As on 30-6-1979

The performance of the OSCB in respect of the paid up share capital, loans issued and recoveries is better than the all-India position. In other respects it is below the all-India average. In the paragraphs that follow we have made an analysis of the progress achieved by the bank during the period 1975-6 to 1980-81 (upto 31-12-1980).

Owned funds

5. The paid up share capital of the bank registered an increase of Rs 279 lakhs from Rs 124 lakhs on 30 June 1976 to Rs 403

lakhs on 31 December 1980. During the period, share capital contribution from the state government has increased by Rs 95 lakhs i.e., from Rs 20 lakhs on 30 June 1976 to Rs 115 lakhs on 31 December 1980. The reserves of the bank have increased by Rs 204 lakhs from Rs 191 lakhs on 30 June 1976 to Rs 395 lakhs on 30 June 1980. The increase in the reserves is mainly accounted for in the Agricultural Credit Stabilization Fund which stood at Rs 284 lakhs (including the state government loan of Rs 51 lakhs besides the subsidy) i.e., an increase of Rs 143 lakhs during the period under review. The bank has made good progress in building up its owned funds particularly the share capital part of it.

Deposits

6. Although the deposits of the bank as on 30 June 1980 were below the all-India average, it is noteworthy that the deposits of the bank have, during the period under review, risen three-fold from Rs 1091 lakhs on 30 June 1976 to Rs 2894 lakhs on 31 December 1980. The proportion of fixed deposits, at Rs 2625 lakhs, to the total deposits is quite high forming 98 per cent of the total deposits as on 31 December 1980. The higher proportion of fixed deposits is a continuing phenomenon over the entire period under review. Although the bank has been successful in building up large deposits, the higher proportion of fixed deposits is a little disquieting feature inasmuch as it results in increasing the average cost of raising the funds in view of higher rates of interest required to be paid on term deposits. The proportion of fixed deposits to total deposits could be reduced if more current deposits are canvassed. The state government can help in this regard by asking the government/semi-government institutions, local bodies etc., to place their funds with the OSCB in current accounts. As the OSCB is having only 2 offices i.e., a head office and a branch office for mobilizing deposits, the scope for canvassing deposits from individuals is limited. The Deposit Insurance Scheme has been introduced in the state from the year 1977-8.

Borrowings

7. The borrowings of the bank increased from Rs 642 lakhs on 30 June 1976 to Rs 3777 lakhs on 30 June 1980. The percentage of borrowings to outstanding advances has increased from 43 to 56 during this period. The maximum involvement of the bank during the period 1975-6 to 1979-80 in the short-term agricultural loans ranged between Rs 370 lakhs and Rs 665 lakhs. The involvement of the bank in medium-term agricultural loans ranged between Rs 175 lakhs and Rs 400 lakhs.

Loans and advances

8. The loans issued by the apex bank increased from Rs 2589 lakhs in 1975-6 to Rs 9975 lakhs in 1979-80 registering a four-fold increase in its advances. The loans issued for short-term agricultural purposes have also registered a welcome increase from Rs 1324 lakhs to Rs 3185 lakhs. The advances for approved medium-term agricultural purposes increased during the period from Rs 260 lakhs to Rs 469 lakhs. In 1975-6 there were no loans for medium-term conversion purposes, but in 1979-80 the amount of such loans aggregated Rs 939 lakhs. The other factor which has helped the OSCB to increase its lending is financing of minor irrigation schemes for dug-wells, fisheries and dairy development under the Agricultural Refinance and Development Corporation's (ARDC) schemes from the year 1976-7. The major financing under the ARDC schemes is for minor irrigation purposes.

9. The position regarding outstanding advances as on 30 June 1976 and 1980 for various purposes is given in Table 2. Besides the short-term agricultural, medium-term agricultural, medium-term conversion finance and long-term agricultural finance, the bank is also providing non-agricultural finance to the apex societies like marketing federation, consumer federation, Tribal Development Corporation, handloom/powerloom societies, co-operative sugar mills, etc. The bank has made good strides in increasing its loan business and in the diversification of its loan portfolio. The Orissa Co-operative Societies Act, however, does

TABLE 2

Purposes	Rs Lakhs	
	Advances outstanding as on 30 June	
	1976	1980
Seasonal agricultural operations	633	2263
Medium-term ' approved ' agricultural purposes	482	931
Medium-term conversion	127	951
Short-term non-agricultural purposes	43	131
Long-term loans	26*	664**
Others	193	1749
Total	1504	6760

* Loans for distillery/storage

** Loaning under ARDC Schemes

not permit the state co-operative bank to advance loans to individuals even for non-agricultural purposes. An enabling provision may be made in the Act/Rules to enable the state co-operative bank as also the central co-operative banks to make such advances. The apex bank should, however, make such advances in accordance with the instructions issued by the Reserve Bank in this behalf in its circular dated 19 September 1979.

Recovery

10. The recovery performance of the bank is very satisfactory as may be seen from Table 1 in paragraph 4.

Working results

11. The bank has been working at profit during the period under review and its profit during the period 1975-6 at Rs 10.40 lakhs increased further to Rs 55.16 lakhs in 1979-80. The dividend declared during the period ranged from 3 per cent in 1975-6 to 6½ per cent in 1979-80.

Cost of management

12. The percentage of cost of management to the working capital which was at 0.41 per cent in 1975-6 has come down in the following years and it is around 0.30 per cent during the years 1976-7 to 1979-80, which is considered satisfactory. The relevant all-India average for the year 1978-9 was 0.68 per cent.

13. In the foregoing paragraphs we have seen the progress achieved by the OSCB over a period of 5 years which is quite praise-worthy. We now refer to the management aspect of the bank in the following paragraphs.

Board of Directors

14. The strength of the Board of Directors is 21. Of these 21 members, 17 directors are the Presidents of the central co-operative banks and 3 are government nominees, viz., the Registrar of Co-operative Societies, the Director of Agriculture and Food Production and the Director of Textiles. The Managing Director is ex-officio member of the Board but he has no voting rights.

15. In the composition of the Board we find that there is no representation to other types of societies which are also members of the state co-operative bank. It is, therefore, suggested that the strength of the Board of Directors may be increased from 21 to 25 by amending the State Act, if necessary. Of these additional 4 seats, 3 seats i.e., one each may go to the Chairman of Orissa State Co-operative Land Development Bank, the Orissa State Co-operative Marketing Federation and the Orissa State Co-operative Consumers Federation while a representative of other co-operative institutions may be elected to the fourth seat.

16. Besides the Board of Directors, there are other sub-committees, viz., Executive Committee, Loan Committee, Appointments Committee, Central Cadre Committee and the Building Committee. We suggest that instead of having a separate Loan Committee and an Appointments Committee, there could be only an Executive Committee to deal with the matters relating to the loans and appointments in the bank.

Managing Director

17. The post of Managing Director of the bank is being held since long by an officer on deputation from the Co-operation Department of the Government of Orissa. Generally officer of the rank of the Joint Registrar of Co-operative Societies is being posted as Managing Director of the bank. Although, we have nothing against the persons holding the charge of the post of Managing Director, the Study Team feels that as a matter of policy, the post of the Managing Director should be held by an officer of the bank itself. Normally, the posting of a deputationist is subject to the convenience of his parent Department and he is, therefore, liable to be shifted to suit the Department's convenience rather than that of the institution in which he is working. The present incumbent to the post, however, has not been disturbed for a long time and he is in position from July 1975, but this can be taken as an exception to the general practice. The other reason for suggesting the change in the policy of placing the officer on deputation from the government is that he could be more amenable to pressure from the state government for obvious reasons. It is not in the interest of an institution to have an officer on deputation all the time as the career prospects of the bank's own employees are affected. Since the term of an officer on deputation is at times not decided earlier and is generally for a short period, it comes in the way of his taking a long-term view as he is not sure of following it up to see the results thereof. Further, the officer may not necessarily have the background of the working of the bank and such lack of knowledge may prove disadvantageous to the institution itself. Moreover, the working of the co-operative

bank which has been becoming of late complex, calls for the services of a person with sufficient banking experience and suitable qualifications. In view of the position explained above, we suggest that the Managing Director of the state co-operative bank should preferably be an employee of the bank itself and action may be initiated for filling up the post by replacing the deputationist in course of time. The minimum desirable academic qualifications for the post of Managing Director may be either a first or second class post graduate degree with specialisation in Economics/Commerce/Banking and practical experience in an officer's capacity in a banking institution. However, in the case of candidates from state/central co-operative banks or officers of Co-operation Department having requisite banking experience, relaxation can be made in regard to educational qualifications.

Supporting Staff

18. The Managing Director is assisted by General Manager and host of other officers and staff in discharge of his duties. The bank has created certain sections for attending to various items of work. It may be noted here that the Reserve Bank of India and the Agricultural Credit Department had undertaken a staffing pattern study in the state and while making our recommendations for rearrangement of the various sections in the bank on the lines of the Divisions as given in Annexure 7 we have drawn on their findings. The work in each Division indicated in Annexure 7 may be further divided into sections. The section in the head office dealing with banking operations may be converted into a branch of the bank instead of treating the unit as a section of the head office.

19. Excepting the posts of Managing Director and General Manager the remaining posts of officers may be grouped into 4 categories as under :

Grade I	—	Managers
Grade II	—	Deputy Managers
Grade III	—	Assistant Managers/Inspecting Officers
Grade IV	—	Section Officers

The Managing Director himself can directly deal with Administration and Establishment and Planning and Development Divisions while the General Manager may look after the other two Divisions viz., Inspection and Supervision and Operations and Accounts under the overall supervision of the Managing Director. Each Division may be in-charge of a Manager assisted by Deputy/Assistant Managers looking after a group of sections in the Division. The sections which could be formed with the grouping of more than one subject, as may be relevant and convenient, mentioned under the Divisions may be brought under the charge of section officers. If any subject matter is important, the concerned section could be directly placed under the charge of an Assistant Manager, an officer in Grade III. The Officer-in-charge of the branches both at head office and Cuttack may be of the grade of the Deputy Managers. The Inspecting Officers will be attached to the Inspection and Supervision Division and they will be undertaking the inspections of the central co-operative banks and other affiliated institutions. Each section may have a suitable complement of clerical and sub-ordinate level staff depending on the work-load in the section. There should be a separate Statistical Cell in the Division of Operations and Accounts managed by an officer with suitable statistical qualifications who could be of the rank of a Deputy Manager.

20. The bank has already undertaken financing of Agricultural Refinance and Development Corporation (ARDC) schemes and the implementation of the programme of construction of godowns for the primaries with financial assistance provided by the International Development Association. While the work relating to the actual construction of godowns is being executed with the appointment of technical staff with qualifications of Civil Engineering, the bank does not have any officer staff with requisite technical qualifications to monitor the ARDC schemes like minor irrigation, fisheries, animal husbandry. It is, therefore, considered necessary that the Technical Cell under the Planning and Development Division should have at least one or two officers who are subject matter specialists.

Recruitment of staff

21. In the matter of recruitment of non-officer staff, minimum educational qualifications could preferably be a university degree. As regards recruitment in the officers grade for the posts of Deputy Managers and above to that of the General Manager, the educational qualifications may preferably be a first class graduate or second class post graduate. The officers of the rank of Assistant Managers and Inspecting Officers may preferably be graduates with a higher second class degree or post graduate. As for Section Officers, they may preferably be second class graduates. It may be stated here that there is a proposal to have a common cadre for key personnel for the district central co-operative banks in the state to cover their cadre of officers from the rank of Secretaries to that of the Accountants which will be managed by the OSCB. According to the scheme, the central co-operative banks will be divided into two categories on the basis of working capital. The Central co-operative banks having working capital of Rs 500 lakhs and above will be placed in Grade 'A' and the others in Grade 'B'. There will also be two scales of pay for the secretaries depending on the grade of the bank. Besides the secretaries, there are other categories of officer staff of central co-operative banks who are to be included in the cadre but their scales of pay have not been decided as yet. The cadre officers are to be treated as employees of the apex bank but no indication in the relevant rules is available as to whether there will be officers in the OSCB of the similar rank as those in the cadre for central co-operative banks and whether such posts are interchangeable. The Study Team is of the opinion that such interchangeability is necessary. At the same time posts from the level of Deputy Managers and above suggested by us may not be covered by cadre personnel but may be available for promotion to the cadre personnel. We recommend that keeping in view our observations contained in this report the proposal relating to the staffing pattern may be decided by the state government and the state co-operative bank in consultation with the Reserve Bank's Agricultural Credit Department. We have dealt with the cadre scheme in detail in Chapter III on central co-oper-

tive banks. For filling up the posts in the officers grade, a suitable quota between the staff candidates and direct recruits from the open market may be fixed. In the case of staff candidates, there could be suitable relaxations in the educational and other qualifications in view of the experience gained by them in the bank. The qualifications suggested earlier may be made applicable in the case of candidates recruited in future and may not be made applicable to the staff presently in position.

Training

22. The bank has been paying attention for the training of its officers and all the key officer personnel have received training in one type of course or the other. It is, however, equally important to lay emphasis on the in-service training of both officers and other staff. Before being posted to a regular desk, the staff member concerned may be given a job-oriented training within the organisation to enable him to familiarise himself with the work in the institution. The officers and other staff may continue to be sent for training in various courses conducted in different training institutions from time to time. The section in the general administration, looking after arrangement for training, should ensure the training of its officer and non-officer staff.

23. With a view to providing job-oriented training for the officer and non-officer staff of the state and central co-operative banks, the OSCB may take the initiative in organising short duration courses at the existing training establishments in different parts of the state, taking into account the number of officer and non-officer staff who may require such training. It is understood that the OSCB has already taken the necessary lead in this regard and organized one such course for the benefit of the staff of the central banks.

Supervision

24. The Orissa State Co-operative Bank is expected to inspect the indebted institutions. For the purpose it has recruited inspecting officers. However, with the taking over of the work relating

to the construction of godowns, the services of the inspecting officers are being utilized for the purpose of execution of the project work. Consequently the work relating to the inspection of indebted institutions is presently not being attended to regularly. The OSCB is also expected to guide the lower tiers and for such a promotional role continuous guidance from the bank is essential. The inspecting officers, therefore, should be in a position to inspect each institution once in a year and should also pay one or two visits in addition to that for the regular inspection. The present strength of 5 inspecting officers could be considered adequate for the purpose. The inspections and visits to the affiliated institutions regularly are very much necessary to ensure proper end-use of funds and implementation of the policies laid down by the bank.

Role as an apex bank

25. The Study Team has observed in the foregoing paragraphs that the bank has made appreciable progress in its financial position and its operational efficiency is also satisfactory. It could be expected to provide leadership to help the lower tiers to function effectively. Further, we are of the opinion that the bank should involve itself closely in reorganisation of primary agricultural credit societies also. The co-operative banks are not involving themselves in the programme of reorganisation of primaries, which subject is discussed in detail in Chapter IV, although the banks have a big stake in its success. If the primary credit structure continues to be weak, the flow of credit from the higher financing agencies will be adversely affected. The state co-operative bank could involve itself in the work of reorganisation of societies by pursuing the matter at a higher level with the Registrar of Co-operative Societies and the Co-operation Department if it is found that reorganisation work is not progressing satisfactorily in a particular area. The OSCB may obtain such information from the central co-operative banks requiring them to report on the present position of implementation of the reorganisation scheme in their respective areas with special reference to aspects such as (a) whether the criteria laid down by the Co-operation Department for viability and potential viability of

the societies have been taken into consideration for identifying the societies, (b) the number of societies which are to be weeded out either by amalgamation or liquidation and (c) ascertaining the position relating to number of societies actually amalgamated and liquidated.

26. With a view to helping the co-operatives in the state, the state co-operative bank has created a credit development fund by making allocations out of its profits and the amount to the credit of the fund stood at Rs 8.77 lakhs as at the end of June 1980. The objective of the fund is to improve the operations of credit at the level of central co-operative banks, primary societies and urban banks and provide them financial assistance for such of these activities and programmes which may help to improve strengthen and expand the credit movement in the state. It is heartening to note that the bank has taken the initiative in constituting such a fund to help the co-operative institutions in the state. We suggest that the fund might be utilised for helping the central co-operative banks which are having many of their branch premises in a very bad shape but are not in a position to take up the work of giving a face-lift to their branches on their own. The Orissa State Co-operative Bank could provide assistance for the purpose to such central co-operative banks. Besides, the fund could be utilized for servicing the cadre authorities both in respect of the common cadre for key personnel of central co-operative banks and the secretaries for the primary credit societies as suggested by us later in the relevant chapters.

27. The concept of performance budgeting helps in realistic planning, management control and appraisal of achievements. The OSCB has accepted this concept and it is endeavouring to introduce the system of performance budgeting in its working. We suggest that for an orderly planned growth it will be desirable to make the system an integral part of the bank's planning process and working. Apart from enabling the bank to give a proper desired direction to its working at every stage the system can also involve the staff at all levels in the planning and implementation

process. The OSCB may also urge the central co-operative banks to introduce the system of performance budgeting in their working.

Concluding remarks

28. Keeping in view the appreciable performance of the OSCB both in regard to improvement in the financial position and operational efficiency, the bank could be relied upon to provide leadership to the lower tiers in meeting the requirements of agricultural credit adequately in the state. In the chapter to follow we shall examine the role played by the central co-operative banks and the primary agricultural credit societies also in extending credit for agricultural operations.

Chapter 3

CENTRAL CO-OPERATIVE BANKS

As noted in Chapter 2 central co-operative banks (ccbs) are the intermediate level co-operative credit institutions in the state catering to the credit requirements of agriculture through the primary credit societies at the base level. One of our terms of reference requires an examination of the financial position and operational efficiency of ccbs and other related aspects of their working with a view to suggesting measures which would help them to lend adequate support to the development of agriculture and allied activities as also to ensure that the credit requirements particularly of small and marginal farmers and other weaker sections are met adequately. We have in this chapter confined our observations and findings to the working of the central co-operative banks and have suggested measures for their improvement, where necessary.

Number of central co-operative banks

2. The state has 13 districts which are served by 17 central co-operative banks. The names of the central co-operative banks and the districts in which they are functioning are indicated in Table 1 on page 39. There are more than one central co-operative bank functioning in three districts, viz., Cuttack, Ganjam and Puri in the coastal region. There is predominance of tribal population in the area of 5 central co-operative banks, viz., Keonjhar, Koraput, Mayurbhanj, Baudh and Sundargarh.

3. The comparative financial position of the central co-operative banks during the period 1975-6 to 1979-80 is given in Annexure 8 and the financial position of each of them as on 30 June 1980 and 31 December 1980 is given in Annexure 9. The comparative

TABLE 1

District	Name of the central co-operative bank
(1)	(2)
1. Balasore	1. Balasore
2. Balangir	2. Bolangir
3. Cuttack	3. Cuttack-United
	4. Banki
4. Dhenkanal	5. Angul-United
5. Ganjam	6. Berhampore
	7. Aska
6. Kalahandi	8. Bhawanipatna
7. Keonjhar	9. Keonjhar
8. Koraput	10. Koraput
9. Mayurbhanj	11. Mayurbhanj
10. Phulbani	12. Baudh
11. Puri	13. Khurda
	14. Nayagarh
	15. United Puri-Nimapara
12. Sambalpur	16. Sambalpur
13. Sundargarh	17. Sundargarh

averages with reference to seven important aspects of the financial position of central co-operative banks in the state *vis-a-vis* the all-India averages for the year 1979-80 are given in Table 2. The central co-operative banks in Orissa are lagging behind the all-India position in respect of all the important aspects of the financial position. Only in respect of overdues the position is better in the banks in Orissa. The progress made by central co-operative banks during the period 1975-6 to 1980-81 (upto 31 December 1980) is discussed in the paragraphs that follow.

TABLE 2

Item	Rs Lakhs	
	Average per ccb as on 30 June 1980	
	Orissa	All-India
1. Owned funds	103	175
2. Share capital	74	100
3. Deposits	220	584
4. Borrowings	355	307
5. Loans outstanding	557	769
6. Loans issued	520	985
7. Overdues	90	282

Owned funds

4. The total owned funds of the banks increased from Rs 897 lakhs in 1975-6 to Rs 1751 lakhs at the end of 30 June 1980 in 1979-80 and further to Rs 1892 lakhs as on 31 December 1980. Of the total owned funds of Rs 1751 lakhs, the share capital of the banks aggregated Rs 1263 lakhs of which the state government share capital contribution at Rs 491 lakhs forms 39 per cent of the total paid up share capital. This position is indicative of the fact that the share capital contribution by the state government has helped the banks considerably to build up their owned funds. The extent of state government's assistance by way of contribution to the share capital of ccbs as on 30 June 1980 is given in Table 3.

TABLE 3

Rs Lakhs

Bank	Paid up share capital as on 30 June 1980		
	Total	Of which from state government	Percentage of col. 3 to 2
(1)	(2)	(3)	(4)
1. Angul United	114	34	30
2. Aska	67	29	43
3. Bolangir	74	30	41
4. Balasore	103	40	39
5. Banki	48	13	27
6. Baudh	39	18	46
7. Berhampore	68	29	43
8. Bhawanipatna	90	34	38
9. Cuttack United	120	35	29
10. Keonjhar	54	24	44
11. Khurda	64	32	50
12. Koraput	73	30	41
13. Mayurbhanj	59	25	42
14. Nayagarh	59	28	47
15. Sambalpur	119	42	35
16. Sundargarh	36	15	42
17. United Puri- Nimapara	77	37	48
State	1263	491	39

5. In respect of share capital, four banks, viz., Angul-United Balasore, Cuttack-United, and Sambalpur exceed the all-India average of Rs 100 lakhs whereas 3 banks, viz., Bolangir, Bhawani-patna and United Puri-Nimapara equal or exceed the state average

of Rs 74 lakhs. As regards the percentage of share capital contribution from the state government, barring 5 banks, viz., Angul-United (30%), Banki (27%), Bhawanipatna (38%), Cuttack-United (29%) and Sambalpur (35%), the remaining 12 banks either equal or exceed the state average of 39 per cent. Normally, the Reserve Bank does not sanction loans to state governments for share capital contribution to the central co-operative banks in excess of 50 per cent of the total paid up capital exceptions being made in the case of banks which are brought under a rehabilitation programme or are in the tribal areas or in the areas covered by special programmes subject to an overall ceiling in absolute amount of Rs 50 lakhs. Some of the banks viz., Baudh, Khurda, Nayagarh and United Puri-Nimapara have nearly reached a saturation point in terms of percentage in regard to receipt of further share capital contribution from the state government. The contention of the central co-operative banks is that they are finding it difficult to increase their share capital despite the increase in the loan business due to lower share linking in respect of borrowings by the weaker sections. On the basis of information available 5 banks viz., Balasore Berhampore, Bhawanipatna, Sundargarh, and United Puri-Nimapara have maintained their share linking at 10 per cent of the borrowings irrespective of the fact whether such loaning is for weaker sections or not. In the case of these banks, therefore, there cannot be any short-fall in the collection of share capital on account of their lendings to the weaker sections. Two banks, viz., Banki and Baudh have not indicated the position in this behalf. The remaining 10 banks have reduced their sharelinking to 5 per cent in respect of borrowings by weaker sections.

Share linking

6. The Reserve Bank has since issued instructions that from 1 July 1981, share linking in respect of borrowings by primary agricultural credit societies for weaker sections may also be 1 : 20 i.e., 5 per cent of the borrowings at the level of the central co-operative banks. If the proportion of advances to the weaker sections is larger the quantum of paid up share capital from members will be comparatively smaller and this situation, in turn,

will slow down the process of building up of owned funds. In the circumstances, contributions from the state government towards the share capital will have to be more liberal. The Reserve Bank, in turn, may also consider revising the existing norm of limiting the share capital loan assistance to the state government for contribution up to 50 per cent of the concerned central bank's share capital as otherwise the central co-operative bank would receive a lesser amount of share capital as explained hereafter. For instance, supposing the share capital of a central co-operative bank as on 30 June 1980 is Rs 100 of which a sum of Rs 50 is from the state government, it has no eligibility for further share capital contribution from the state government. If the bank collects in the following year, additional share capital aggregating Rs 15 from societies, of which a sum of Rs 5 is from the weaker sections then on the basis of the norm of limiting the share capital contribution from the State Government to a central co-operative bank at 50 per cent, the bank will be eligible for a further share capital contribution of Rs 15 and not Rs 20 which it would have received but for the shortfall of Rs 5 on account of share capital contribution from the weaker sections. It is, therefore, recommended that while considering the eligibility for the state government's share capital contribution to ccbs, the Reserve Bank may make an exception only in respect of share capital of 5 per cent collected from the weaker sections by contributing twice the amount as against its normal contribution of an equal amount. The contribution of government to the share capital of the banks will, however, be on the basis of the usual norms relating to the borrowing programme of the banks, the need therefor, etc.

Share linking for other types of business

7. In addition to the limits for loan business of societies, central co-operative banks are also sanctioning cash credit accommodation to them for their non-credit business for which the share linking is nil or nominal, say hardly 2 to 2½ per cent. No doubt the central co-operative banks would be able to add to their owned funds by increase in such a share linking but the issue has to be

considered from the view-point of societies also. As discussed later in Chapter IV, the societies have not been able to get adequate margin on their non-credit business as certain items, such as fertilizers, controlled commodities etc., are to be sold at predetermined prices leaving little scope for societies to decide as to the economic prices they could charge therefor. Thus, if the share linking on the cash credit accounts is imposed, the financial position of societies will be affected adversely. We, therefore, suggest that in respect of such business, the state government may be required to provide to the societies, only at one time, the assistance by way of share capital, say upto 5 per cent of the cash credit limits sanctioned for non-credit business to the societies. The societies in turn could utilise such assistance to contribute to the share capital of the central co-operative banks for their borrowings by way of cash credit.

Deposits

8. The deposits of central co-operative banks have increased from Rs 14.17 crores as on 30 June 1976 to Rs 37.46 crores as at the end of 30 June 1980 giving an average annual growth rate of 28 per cent. The deposits of the banks aggregated Rs 38.45 crores as on 31 December 1980, indicating a growth of Rs 99 lakhs during the period of six months. The proportion of deposits from co-operatives to total deposits as on 30 June 1976 and 30 June 1980 has been 57 per cent and 51 per cent respectively showing a decline of 6 per cent. Among the banks, the position varies as may be seen from Table 4. The average annual growth rate of 28 per cent in deposits for the banks in the state during the period of four years from 1975-6 to 1979-80 is quite satisfactory. In the case of 8 central co-operative banks out of 17, the average annual growth rate in deposits is equal to or more than the state average of 28 per cent. Though Berhampore Central Co-operative Bank collected the highest deposits in absolute amount of Rs 5.02 crores by the end of June 1980, the annual growth rate of its deposits is the lowest at 14 per cent. In the case the remaining 8 central co-operative banks,

TABLE 4

				Rs Lakhs	
Bank	Deposits as on 30 June		Average annual growth rate (in per cent) 1976-80	Percentage of deposits from co-operatives to total deposits as on 30 June	
	1976	1980		1976	1980
(1)	(2)	(3)	(4)	(5)	(6)
1. Angul-United	84 (75)	263 (64)	33	68	36
2. Aska	138 (73)	318 (186)	23	53	59
3. Bolangir	48 (33)	117 (90)	25	69	77
4. Balasore	78 (51)	177 (118)	23	65	67
5. Banki	45 (19)	94 (50)	20	42	53
6. Baudh	25 (14)	141 (74)	54	56	52
7. Berhampore	294 (146)	502 (230)	14	49	46
8. Bhawanipatna	58 (26)	194 (69)	35	45	36
9. Cuttack-United	106 (67)	360 (189)	36	63	53
10. Keonjhar	45 (31)	118 (53)	27	69	45
11. Khurda	50 (34)	123 (99)	25	68	80

(1)	(2)	(3)	(4)	(5)	(6)
12. Koraput	50 (41)	205 (111)	42	82	54
13. Mayurbhanj	90 (67)	231 (153)	26	74	66
14. Nayagarh	40 (18)	143 (62)	37	45	43
15. Sambalpur	161 (47)	451 (159)	29	29	35
16. Sundargarh	41 (31)	151 (72)	39	76	48
17. United Puri- Nimapara	65 (45)	159 (106)	25	69	51
State	1418 (800)	3746 (1916)	28	57	51

Note : Figures in brackets indicate deposits from co-operatives.

viz., Aska, Bolangir, Balasore, Banki, Keonjhar, Khurda, Mayurbhanj and United Puri-Nimapara the average annual growth rate is not unsatisfactory as it ranges between 27 and 20 though it is below the state average.

9. As against the proportion of deposits from co-operatives at 51 per cent of the total deposits as on 30 June 1980 for the state as a whole, the said proportion is less than 51 per cent in the case of 7 central co-operative banks. The percentage of deposits from within the co-operative structure showed a sharp decline over the period 1975-6 to 1979-80 in respect of 4 central co-operative banks, viz., Angul-United, Keonjhar, Koraput, and Sundargarh while in the case of 7 central co-operative banks, i.e., Baudh, Berhampore, Bhawanipatna, Cuttack-United, Mayurbhanj, Nayagarh and

United Puri-Nimapara the decline is not very significant. In the case of remaining 6 ccbs, viz., Aska, Bolangir, Balasore, Banki, Khurda and Sambalpur the proportion of deposits from co-operatives to the total deposits has increased in 1979-80 compared to that in the year 1975-6. Of these 6 banks, the deposits from co-operatives in Bolangir and Khurda banks are as high as 77 and 80 per cent of the total deposits in 1979-80 as against 69 and 68 per cent respectively in 1975-6.

Deposit mobilization — Difficulties

10. Although, the growth of deposits is quite appreciable, the deposits per central co-operative bank are below the national average because of the banks' low level of deposits in the earlier years. It would, therefore, be necessary to launch a vigorous drive to mobilize additional deposits with a view to reaching the national average. In this context, mobilization of deposits from individuals and institutions other than co-operative institutions which are statutorily required to keep their funds with the central co-operative banks, is more important. It is complained by central co-operative banks that the deposit mobilization from government/semi-government institutions and other local bodies is handicapped in the absence of these bodies according recognition to the central co-operative banks for placing their funds with these banks. In the areas of certain banks, particularly those in tribal areas, mobilization of deposits from individuals is a difficult proposition as tribals generally do not have surplus funds as they are used to meet their requirements by selling agriculture/minor forest produce at weekly 'hats'. Obviously in such areas collection of deposits from individuals is a slow process and will continue to be so for some time to come. Another factor which reportedly comes in the way of the banks in mobilizing deposits is the small savings schemes of the government, for which the government machinery at the field level, like Block Development Officers, Sub-Divisional Officers etc., is actively involved in canvassing deposits. For instance, in the areas of the various major irrigation projects where:

large compensations have been/are being paid to the affected parties, the banks face keen competition from the above government functionaries.

Deposit mobilization — Suggestions

11. Although we concede that the banks' efforts in deposit mobilization from other than co-operatives are adversely affected for the reasons mentioned earlier it is necessary for the banks to adopt an aggressive salesmanship in canvassing deposits. The banks should take up an exercise to identify areas for deposit potential and concentrate their efforts in these areas. The various schemes of deposits should be suitably publicized by advertisement, circulation of pamphlets/handbills etc. It may be noted here that the central co-operative banks have an advantage over commercial banks insofar as the rates of interest on deposits are concerned which fact, however, is not generally given adequate publicity. The central co-operative banks should, therefore, highlight such favourable features to attract deposits from individuals in particular. At the same time, the state government may accord recognition to the central co-operative banks for being considered by the government/semi-government institutions as well as local bodies etc., for placing their funds with the ccbs. Such recognition, in turn, would help utilization of such funds within the state itself. As for the competition from small savings schemes of the state government the banks would be able to face it only if they could resort to aggressive collection of deposits.

Branch net-work

12. Branch net-work of the banks and the get-up of the branches are the other factors which have a bearing on deposit mobilization. The position of banks' branch net-work is as shown in Table 5. As on 30 June 1976, the total number of branches (including head offices) of the central co-operative banks which numbered 105, increased to 168 as on 30 June 1980 and further to 184 as on 31 December 1980. Of the 314 blocks, as on 31 December 1980, 138

TABLE 5

Bank	No. of Branches including H.O. as on 30 June		No. of blocks in the area of the bank	No. of blocks not cove- red by branches
	1976	1980		
(1)	(2)	(3)	(4)	(5)
1. Angul-United	8	13	16	3
2. Aska	7	11	7@	—
3. Bolangir	4	6	20	14
		(9)		(11)
4. Balasore	8	12	19	7
		(14)		(5)
5. Banki	5	7	6	—
		(10)		
6. Baudh	4	6	15	9
7. Berhampore	8	12	22	10
8. Bhawanipatna	3	8	18	10
		(10)		(8)
9. Cuttack-United	8	19	35	16
		(23)		(12)
10. Keonjhar	4	6	13	7
11. Khurda	4	7	10	3
		(8)		(2)
12. Koraput	6	10	42	32
13. Mayurbhanj	6	10	26	16
		(11)		(15)
14. Nayagarh	4	7	8	1
15. Sambalpur	13	19	29	10
16. Sundargarh	5	6	17	11
17. United Puri-Nimapara	8	9	11	2
State	105	168	314	151
		(184)		(138)

@ Serves partly another 5 blocks in the area of Berhampore Central Co-operative Bank.

Note : Figures in brackets under col. 3 indicate the number of branches as on 31 December 1980 while those under col. 5 indicate the number of blocks not covered by branches on that date.

blocks remained uncovered by the branches of central co-operative banks (on the assumption that each branch/head office is presently at the headquarters place of the blocks). Bank-wise branch network indicates that all the blocks in the areas of Aska and Banki banks only are having branches of the banks. In the case of four banks, viz., Angul-United, Khurda, Nayagarh and United Puri-Nimapara the short-fall in the coverage of number of blocks is 3 or less. In the areas of remaining central co-operative banks the short-fall in coverage of blocks in absolute number ranges between 32 (Koraput) and 5 (Balasore). The short-fall in coverage in terms of percentage is more than 50 in the areas of 6 central co-operative banks, viz., Bolangir, Baudh, Keonjhar, Koraput, Mayurbhanj and Sundargarh. Of these 6 banks, barring Bolangir, the other banks are serving predominantly tribal areas. In the case of Sundargarh Central Co-operative Bank, however, more than 50 per cent of its area is ceded to commercial banks and hence its coverage of the remaining area by its branches could be considered as adequate. Unless the banks increase the net-work of their branches they will not be able to exploit the deposit potential in their areas. The question that needs consideration is what are the constraints in widening the branch net-work. It is quite likely that in some areas the banks may consider that adequate potential is not available to enable the branch to work at profit. Another reason could be the inability of the bank to open a new branch despite available business potential on account of its own poor financial position.

13. The Study Team on Agricultural Credit Institutions in Madhya Pradesh which submitted its report in April 1976, has linked up the concept of viability of a central co-operative bank to the number of branches. The Study Team has observed that although the viability is an economic concept, it should not be construed to mean that a central co-operative bank can attain it by unduly limiting its size and cost of its operations. For then a central co-operative bank will not be in a position to adequately serve the objectives for its establishment unless it ensures an efficient organisational set-up and a good branch net-work so as to

maintain a close contact with the affiliated societies and their cultivating members as also the depositing public. Continuing, the Study Team also has noted that a bank cannot be expected to maintain uneconomic branches perpetually on its own and has, therefore, suggested that the number of branches required for a central co-operative bank may be decided on the basis of business potential in its area. Accordingly, the Study Team observed that a branch of a central co-operative bank can effectively serve and supervise the operations of about 20 primary agricultural credit societies each having a prospect of reaching short-term loan business of Rs 2 lakhs. Thus, the Team assumed that a central co-operative bank will need one branch to provide short-term agricultural business of Rs 40 lakhs.

14. In regard to short-term agricultural loan business potential for sustaining a branch of a bank, we suggest that it should not be less than Rs 50 lakhs, which business could be expected to be generated by say 20 PACS or 10 smaller types of LAMPS. This higher level of loan business compared to that assumed by the Madhya Pradesh Study Team is considered necessary in view of the continually increasing cost of management.

15. Keeping the above position in view, if we decide that the number of branches required by a central co-operative bank should be linked with reference to the business potential only, it is quite likely that the branch network may not spread over the large area, thereby defeating the objective of close contact with its clientele. At the same time, as the number of branches has a direct relation with the viability of a central co-operative bank, we suggest that opening of a full-fledged branch of a bank may be linked with the business potential in the area of respective branches and the opening of extension counters, pay offices or smaller branches manned by one or two staff members in each of such office, assisted by a peon may be considered for mobilizing deposits and for facilitating depositing and drawals of money by the societies in their areas. In the case of primary agricultural credit societies we are expecting them to act as multi-purpose societies increasing their

transactions with the banks necessitating their frequent visits for remitting the sale proceeds and drawals on the cash credit limits sanctioned for non-credit and other business. While the societies in the area of small branches will not face any difficulty insofar as remittances are concerned, they will have difficulties in regard to borrowings on their cash credit limit which will necessarily have to be allowed after proper scrutiny. Such small branches will not be in a position to undertake the responsibility and, therefore, only a full-fledged branch would have to allow drawals. If considered feasible, the bigger branch could advise small branches to effect payments to the societies.

16. In regard to the inability of a central co-operative bank to set up the branches on account of their poor financial position as well as their inability to give a suitable face-lift to their branches so as to attract the attention of the public, the Orissa State Co-operative Bank may initially make available funds to the central co-operative banks concerned as suggested in paragraphs 26 of Chapter 2. In the areas of central co-operative banks which are serving predominantly tribal areas, assistance may also be provided from the Tribal Sub-Plan, partly as subsidy and partly as loan.

Utilization of credit limits

17. The sanction of short-term agricultural credit limits for seasonal agricultural operations by the Reserve Bank on behalf of the central co-operative banks has increased from Rs 1030 lakhs in 1975-6 to Rs 2735 lakhs in the year 1979-80, registering an increase of Rs 1705 lakhs. The utilization of the limits during the last 5 years by these banks is given in Table 6. It may be seen from the table that the utilization of credit limits has considerably improved in 1979-80 in respect of all banks, as the percentage of utilization in all the cases was above 60.

TABLE 6

Percentage of Utilization	Number of banks				
	1975-6	1976-7	1977-8	1978-9	1979-80
Above 90 to 100	1	4	2	11	9
Above 75 to 90	6	5	3	3	4
Above 60 to 75	5	4	8	2	4
Above 50 to 60	2	3	2	—	—
50 and below	3	1	2	1	—

Reliance on borrowings from the Reserve Bank

18. The reliance of the central co-operative banks on the Reserve Bank for their lendings in respect of short-term agricultural loans for the State as a whole, which was at 43 per cent in 1975-6 has increased to 49 per cent in 1979-80 as may be seen from Table 7 given on page 54.

19. It may be observed from Table 7 that the maximum outstanding borrowings from the Reserve Bank and the loan outstandings at the central co-operative bank level are on different dates and they have no correlation. Further, the borrowings from the Reserve Bank are exclusive of the central co-operative banks borrowings from the apex bank which are not in all the cases necessarily equal to the borrowings from the Reserve Bank of India, as the apex bank involves its own funds also in its lendings. The exercise made in Table 7 is, therefore, only broadly indicative of the reliance of the central co-operative bank on the Reserve Bank borrowings for sustaining their loan business. The reliance on the Reserve Bank of India borrowings for the state as a whole has increased from 43 per cent in 1975-6 to 49 per cent in 1979-80. The position varies from bank to bank. The relevant percentages in 1979-80 range between 80

TABLE 7

Rs Lakhs

Bank	Loans out- standing as on 30 June		Maximum outstandings against RBI limit for SAO		Reliance on RBI Borro- wings as on 30 June (per cent)	
	1976	1980	1976	1980	1976	1980
1. Angul-United	80	226	40	150	50	66
2. Aska	111	134	80	93	72	69
3. Bolangir	100	197	45	90	45	46
4. Balasore	104	453	34	302	33	67
5. Banki	58	146	21	90	36	62
6. Baudh	43	122	19	73	44	60
7. Berhampore	155	354	60	160	39	62
8. Bhawanipatna	65	261	44	133	68	51
9. Cuttack-United	118	327	15	168	13	51
10. Keonjhar	44	92	24	74	55	80
11. Khurda	62	146	21	75	34	51
12. Koraput	69	242	20	153	29	63
13. Mayurbhanj	69	175	16	70	23	40
14. Nayagarh	92	235	44	158	48	67
15. Sambalpur	250	440	147	303	59	69
16. Sundargarh	33	39	—	18	—	46
17. United Puri- Nimapara	101	241	31	126	31	52
State	1513	3831	651	1891	43	49

(Keonjhar) and 40 (Mayurbhanj). Compared to the position in 1975-6, there has been a decline in terms of percentage in the reliance on the Reserve Bank borrowings in the case of only two

banks, viz., Aska (72 per cent to 69 per cent) and Bhawanipatna (68 per cent to 51 per cent). In respect of remaining 15 banks it has increased and the increase is more than double in the case of 3 central co-operative banks, viz., Cuttack-United (13 per cent to 51 per cent), Balasore (33 per cent to 67 per cent) and Koraput (29 per cent to 63 per cent).

*Linking of borrowings
with deposit mobilisation*

20. With a view to increasing central co-operative banks' involvement out of their own resources in lendings for seasonal agricultural operations, the Reserve Bank has introduced a scheme of linking of borrowings with their efforts for deposit mobilisation. Under the scheme, concessional rate of refinance from the Reserve Bank is available to the full extent of the 'aggregate level' fixed on the basis of certain norms. The banks, which have been covered by the scheme, it is noted, have been able to comply with the requirements of the scheme to avail of the full concessional refinance on their borrowings. The ccbs which have reached a short-term agricultural loan business of Rs 1 crore are normally included in the scheme and till then such banks get entire credit limit sanctioned by the Reserve Bank at a concessional rate of interest. Presently, 6 central co-operative banks, viz., Banki, Baudh, Keonjhar, Koraput, Mayurbhanj and Sundargarh are outside the purview of the scheme of which barring Banki Central Co-operative Bank, 5 banks are from the tribal areas.

Financial disciplines—

Non-overdue cover

21. The central co-operative banks are required to maintain non-overdue cover (nodc) for their borrowings against the limits sanctioned by the Reserve Bank of India. The position in this behalf for the period 1975-6 to 1979-80 is given in Table 8. Although in the years from 1975-6 to 1977-8 quite a number of banks have defaulted in the maintenance of non-overdue cover, the position has improved in the year 1978-9 when only 5 central

TABLE 8

Year	No. of banks defaulted in providing nodd
1975-6	6
1976-7	11
1977-8	8
1978-9	5
1979-80	3 (Bolangir, Baudh and Keonjhar)

co-operative banks defaulted in providing non-overdue cover. The position has shown further improvement in the year 1979-80 when only 3 banks failed to provide non-overdue cover. However, Baudh and Keonjhar central co-operative banks have failed in providing non-overdue cover for 5 and 4 years respectively during the five-year period.

Seasonality discipline

22. According to the seasonality discipline each central co-operative bank is required to recover and remit to state co-operative bank, at least an amount equivalent to 40 per cent of the current *kharif* demand under short-term agricultural loans or 30 per cent of the total demand under short-term agricultural loan as on 31 March to be able to operate on its limit from 1 April every year. Similarly, a central bank has to recover and remit to the state co-operative bank at least an amount equivalent to 40 per cent of the total demand in respect of short-term agricultural loans for the year to be able to operate on its limit from 1 July of the next year. In the year 1978-9, three central co-operative banks, viz., Berhampore, Khurda and United Puri-Nimapara failed to comply with seasonality discipline as at the end of 31 March 1979. In the year

1979-80, however, all the central co-operative banks complied with seasonality discipline on both the dates i.e., 31 March and 30 June 1980.

23. As regards the date for seasonality discipline fixed at 31 March, it is contended by the banks particularly in Ganjam district that although the paddy crop is harvested early, the cultivators do not sell it immediately but keep in pits until May and then remove it for sale. Hence, it becomes difficult to recover the dues even at 40 per cent/30 per cent by 31 March. We suggest in this behalf that if there are any such peculiar conditions obtaining in the areas of a particular central co-operative bank, the Reserve Bank may consider either shifting the date for seasonality norm to a date later than 31 March or reduce the percentage as may be warranted provided the concerned central co-operative bank furnishes such facts and figures, as may be called for, to the satisfaction of the Reserve Bank.

24. In the context of seasonality discipline, the Orissa State Co-operative Bank (OSCB) has contended that although the central co-operative banks meet the requirements of recoveries and remittance at a fixed percentage, the OSCB is not in a position to operate on the Reserve Bank limits on their behalf for want of non-overdue cover. We suggest that the OSCB, in such cases may advance funds out of its own resources at a pooled rate to enable the ccbs to meet the credit requirements.

Advances to small farmers

25. The central co-operative banks are normally required to provide a minimum of 20 per cent of their advances, granted during the financial year, to the small and marginal farmers. This condition has been complied with by the banks and in fact such advances of these banks in 1979-80 range between 85 and 29 as may be seen from Table 9 on page 58. It may be seen from the Table that the central co-operative banks have been financing the small farmers to an appreciable extent. These banks have a good rapport with the state authorities and other special agencies through whose help the advances to small farmers are being intensified.

TABLE 9

Bank	Advances to small farmers — percentage to total advances
1. Angul-United	81
2. Aska	54
3. Bolangir	29
4. Balasore	37
5. Banki	82
6. Baudh	66
7. Berhampore	71
8. Bhawanipatna	47
9. Cuttack	60
10. Keonjhar	68
11. Khurda	85
12. Koraput	47
13. Mayurbhanj	54
14. Nayagarh	82
15. Sambalpur	39
16. Sundergarh	49
17. United Puri-Nimapara	50

Medium-term credit limits

26. The medium-term credit limits sanctioned by the Reserve Bank of India increased from Rs 134 lakhs in the calendar year 1976 to Rs 145 lakhs in the year 1980. In the year 1976, 14 central co-operative banks had been sanctioned limits while in 1980, 13 central co-operative banks had been sanctioned limits. The ccbs which had not been sanctioned medium-term credit limits in 1980 are Bolangir, Baudh, Khurda and United Puri-Nimapara. The position regarding the utilisation of limits by the banks is given in Table 10 on page 59.

27. It may be mentioned here that in 1978 and 1979, aggregate medium-term credit limits of Rs 214.95 lakhs and Rs 299.00 lakhs were sanctioned on behalf of 15 and 17 central co-operative banks respectively. Of the credit limits of Rs 299.00 lakhs sanc-

TABLE 10

Percentage of utilisation	Number of central co-operative banks				
	1976	1977	1978	1979	1980
Above 90 to 100	8	2	5	6	6
Above 75 to 90	4	7	1	5	—
Above 60 to 75	1	—	4	5	4
Above 50 to 60	—	2	4	1	—
Above 50	1	4	1	—	3

tioned in 1979 as much as Rs 175 lakhs i. e., about 60 per cent had been for financing dug-wells. The limits sanctioned in 1980 came down to Rs 145 lakhs as the Reserve Bank considered that the central co-operative banks might not be in a position to organizationally handle such a large programme for dug-wells and since the scheme was mainly for the benefit of weaker sections it would be advisable to approach Agricultural Refinance and Development Corporation for the purpose where the duration of the loan period could be allowed for longer period than 5 years.

28. In regard to the utilization of loans for dug-wells, which form a major portion of the medium-term credit limit, a study had been conducted by the Reserve Bank when instances of partial and a few instances of full misutilization in the districts of Kala-handi, Koraput and Dhenkanal had been observed. The partial misutilization was particularly in the context of non-plastering of the walls of the wells and construction of parapet and platform. It is reported by the banks that although the borrowers draw on the second or third instalments particularly the latter, they are not in a position to utilize the same as the cement is not readily available for plastering and constructing parapet and platform. In some cases, the third instalment is not taken by the borrowers if the cement is not available leaving the wall incomplete. While we urge the central co-operative banks to ensure proper end-use of credit through their supervisory machinery, the state government

TABLE 11

Bank	Loans issued					
	Total		Of which			
			Short-term Agricultural i.e., Seasonal Agricultural Operations		Medium-term (Agricultural)	
	1975-6	1979-80	1975-6	1979-80	1975-6	1979-80
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1. Angul-United	122 (199)	790 (802)	59 (80)	246 (226)	47 (86)	274 (368)
2. Aska	145 (229)	291 (441)	99 (111)	160 (134)	45 (104)	70 (179)
3. Bolangir	91 (170)	672 (484)	68 (100)	266 (199)	12 (36)	83 (157)
4. Balasore	152 (163)	854 (920)	140 (104)	624 (453)	9 (15)	230 (331)
5. Banki	67 (98)	217 (332)	50 (58)	141 (146)	13 (33)	75 (147)
6. Baudh	67 (87)	323 (388)	43 (43)	117 (122)	17 (25)	97 (169)
7. Berhampore	283 (399)	388 (634)	183 (155)	288 (389)	83 (222)	50 (224)

Rs Lakhs

Loans issued (contd.)			Proportion of Medium-term (Agricultural) loans to short-term (Agricultural) loans	
Of which medium-term conversion				
	1975-6	1979-80	1975-6	1979-80
(1)	(8)	(9)	(10)	(11)
1.	.. (31)	142 (153)	80	111
2.	Nil (8)	44 (47)	45	44
3.	Nil (27)	59 (73)	18	31
4.	Nil (33)	Nil (49)	6	37
5.	Nil (2)	Nil Nil	26	53
6.	Nil (13)	61 (66)	40	83
7.	Nil (7)	7 (10)	45	17

(1)	(2)	(3)	(4)	(5)	(6)	(7)
8. Bhawanipatna	94 (153)	436 (638)	55 (65)	233 (261)	30 (48)	91 (198)
9. Cuttack-United	224 (202)	840 (1019)	155 (118)	356 (328)	10 (25)	137 (239)
10. Keonjhar	75 (120)	209 (329)	59 (44)	90 (92)	13 (69)	34 (117)
11. Khurda	116 (227)	522 (439)	74 (62)	195 (146)	23 (42)	94 (109)
12. Koraput	69 (88)	419 (481)	48 (69)	251 (299)	6 (6)	53 (102)
13. Mayurbhanj	128 (122)	415 (460)	65 (69)	183 (174)	42 (44)	60 (173)
14. Nayagarh	112 (153)	407 (529)	176 (92)	260 (235)	28 (53)	57 (161)
15. United Puri- Nimapara	100 (168)	266 (364)	95 (101)	189 (241)	3 (17)	22 (43)
16. Sambalpur	423 (350)	1679 (992)	348 (250)	493 (440)	27 (64)	59 (163)
17. Sundargarh	54 (79)	167 (215)	33 (33)	40 (39)	15 (35)	30 (48)
State	2322 (3007)	8846 (9470)	1652 (1553)	4133 (3878)	423 (926)	1617 (2926)

CENTRAL CO-OPERATIVE BANKS

63

(1)	(8)	(9)	(10)	(11)
8.	Nil (34)	98 (118)	55	39
9.	1 (26)	170 (184)	6	38
10.	.. (6)	65 (71)	22	38
11.	1 (18)	30 (36)	31	99
12.	Nil (8)	45 (51)	13	21
13.	Nil (1)	60 (63)	65	33
14.	Nil (5)	65 (65)	37	22
15.	Nil (39)	12 (35)	3	12
16.	Nil (20)	72 (90)	8	12
17.	Nil (7)	17 (22)	45	75
State	2 (285)	955 (1133)	26	39

Note : (1) .. Indicate figures below Rs 1 lakh.

(2) Figures in brackets indicate outstandings.

at the same time has also to ensure that a borrower gets the supply of cement on a priority basis. The state government may even consider introducing an arrangement of linking of supply of cement to the borrowers by direct payment of the cost of cement to the approved dealer by the central co-operative banks out of the instalment of loan payable to the borrowers. This arrangement is feasible as the requirement of cement will be known to the state government in advance when it draws upon annual plan for dug-wells. The banks' supervisory machinery is also required to be strengthened particularly in the areas of those banks which have taken up the dug-well loan programme on a large scale.

Weavers finance

29. The short-term credit limits for financing production and marketing activities of the handloom weavers societies aggregated Rs 23.08 lakhs in 1975-6 on behalf of 11 central co-operative banks. The limits sanctioned for 1979-80 aggregated Rs 105.73 lakhs on behalf of 13 central co-operative banks. Barring three central co-operative banks, viz., Aska (85 per cent), Bolangir (54 per cent), Baudh (37 per cent) the utilization is 100 per cent of the limits sanctioned. The four central co-operative banks, viz., Bhawani-patna, Keonjhar, Koraput and Sundargarh did not apply for any limit.

Small Scale Industries

30. By and large, financing for small scale industries is not taken up by the central co-operative banks. Further, wherever such financing is done by the central co-operative banks, it is nominal. The Reserve Bank sanctioned a credit limit of Rs 6.35 lakhs to the Nayagarh Central Co-operative Bank in 1979-80 and Rs 2.40 lakhs to the Sambalpur Central Co-operative Bank in 1980-81 for the purpose.

Loans and advances

31. The position regarding loans issued by central co-operative banks in 1975-6 and 1979-80 and the outstandings as on 30 June of each of the two years is given in Table 11 given on page 60.

32. The total loans issued by central co-operative banks have increased from Rs 23.22 crores in 1975-6 by nearly 4 times during the four-year period to Rs 88.95 crores in 1979-80. Similarly, the outstandings have increased from Rs 30.05 crores as at the end of June 1976 to Rs 94.72 crores as on 30 June 1980. The short-term loans issued for seasonal agricultural operations have increased from Rs 16.52 crores in 1975-6 to Rs 41.33 crores in 1979-80 i.e., about two and half times during the 4-year period. Similarly, there has been an increase in medium-term loans for approved agricultural purposes from Rs 4.23 crores to Rs 16.17 crores during the same period. The annual average growth rate during the period 1975-6 to 1979-80 in respect of total loans issued, as also in respect of short-term (agricultural) loans for seasonal agricultural operations and medium-term (agricultural) loans issued is given in Table 12 on page 66.

33. For the state as a whole the average annual growth rate in respect of total loans issued for the period 1975-6 to 1979-80 works out to 40 per cent. Among the banks, the growth rate varies from 65 (Bolangir) to 8 (Berhampore) per cent. In the case of 8 banks, the average annual growth rate is more than the state average. In the case of another 7 banks, although it is less than the state average it ranges between 39 and 28 per cent. The growth rate is meagre at 8 per cent in respect of Berhampore bank.

34. The average annual growth rate during the same period in respect of loans issued for seasonal agricultural operations for the state as a whole works out to 25 per cent and among the banks it ranges between 51 (Koraput) and 5 (Sundargarh) per cent. Ten banks have a growth rate equal to or more than the state average. The Cuttack-United and United Puri-Nimapara banks have satisfactory growth rate of 23 and 19 per cent respectively. The remaining five banks which have a growth rate of 13 per cent and below are Aska (13), Berhampore (12), Keonjhar (11), Sambalpur (9) and Sundargarh (5).

TABLE 12

Bank	Average annual growth rate in respect of		
	Total loans issued	Short-term agricultural (SAO) loans issued	Medium-term agricultural loans issued
(1)	(2)	(3)	(4)
1. Angul-United	59	43	55
2. Aska	19	13	12
3. Bolangir	65	41	62
4. Balasore	54	45	122
5. Banki	34	30	55
6. Baudh	48	28	54
7. Berhampore	8	12	(-) 12
8. Bhawanipatna	47	43	32
9. Cuttack-United	39	23	92
10. Keonjhar	29	11	27
11. Khurda	46	27	70
12. Koraput	57	51	72
13. Mayurbhanj	34	29	9
14. Nayagarh	38	36	19
15. Sambalpur	41	9	22
16. Sundargarh	33	5	19
17. United Puri-Nimapara	28	19	67
State	40	25	40

35. In the case of medium-term loans for approved agricultural purposes also, the average annual growth rate has been 40 per cent during the period 1975-6 to 1979-80 for the state as a whole. In respect of Berhampore bank, there has been a decline in the medium-term loans issued and in respect of the remaining

16 banks the growth rate ranges between 122 (Balasore) and 9 (Mayurbhanj). In the case of 9 of these 16 banks, the average annual growth rate exceeds 50 per cent.

36. The proportion of medium-term agricultural loans issued to total short-term agricultural loans issued has increased from 26 per cent in 1975-6 to 39 per cent in 1979-80. Among the banks, the proportion in 1979-80 is equal to or exceeds the state average of 39 per cent in the cases of 7 banks, viz., Angul-United (111), Aska (44), Banki (53), Baudh (83), Bhawanipatna (39), Khurda (99) and Sundargarh (75). The proportion of medium-term loans to short-term loans is observed to be relatively high in Orissa. With a view to finding out the reasons for such a phenomenon, a brief study was undertaken at our instance in the areas of six central co-operative banks, viz., Angul-United, Baudh, Bolangir, Berhampore, Cuttack-United and Sambalpur. The study was conducted by the Regional Office of the Reserve Bank of India at Bhubaneswar and the concerned central co-operative banks in June 1981. The study has revealed that due to intensive extension work undertaken by special agencies like SFDA, Tribal Development Agency, Integrated Rural Development Programme Agencies, etc., to provide credit facilities for weaker sections, the loans for medium-term agricultural purposes, such as dairy, sheep breeding, goat rearing, etc., have been showing a rising trend. As a large amount of subsidy is available in respect of these investments credit, the members of co-operative societies have been evincing interest in borrowing loans for supplementing their income. The loans for minor irrigation purposes, however, constitute a large proportion of the total medium-term loans as the state government has been making special efforts to exploit the underground water potential by sponsoring massive dug-wells programme. In the normal course, the increase in irrigation facilities is expected to result in a corresponding increase in the demand for production credit. However, during the field studies conducted as above, it is noticed that the demand for production credit has not increased proportionately. The findings of the study have revealed that the cultivator is reluctant to increase his loans commitments when the

medium-term loans are already outstanding. In the case of the study conducted in the area of Baudh Co-operative Central Bank, it has been observed that the cropping pattern in the area has not materially changed and the major crop grown is paddy. Further, chilly, onion and turmeric are grown on a reduced scale. The finance availed of by the borrowers for raising these crops had no significant bearing on the increase in the quantum of short-term loans issued/outstanding. But in some other areas it is also observed that the cultivators have been able to diversify their cropping pattern and take cash crops as well as *rabi* crops. The higher income which is generated in such a cropping pattern has enabled cultivators to take care of their production credit requirements out of their own resources. This apart, the quantum of medium-term loans is very large compared to the quantum of additional production loan needed by the cultivators. The other reasons for a reduced demand for production credit are failed wells, non-utilization of the *ayacut* area properly, absence of motivation by extension agencies for adopting improved practices of cultivation, etc. The general consensus of the findings of the field studies, however, is that the demand for production loans will build up in due course when the cultivators are motivated to use modern practices of cultivation.

37. The banks' advances for other types of loans particularly to small-scale industries, weavers, rural artisans have been relatively insignificant though they are picking up. In regard to small-scale industries, where the industrial co-operative societies are functioning, their requirements are generally met by the Khadi and Village Industries Commission. In regard to individual entrepreneurs, it is reported that the necessary amendment to the state Co-operative Societies Act and Rules, enabling the banks to enrol them as members, has not yet been carried out. We suggest that such an enabling provision may be expeditiously incorporated in the Act/Rules on the lines suggested by us in paragraph 9 of Chapter 2. The advances to weavers societies may increase with the implementation of suggestions made by us in Chapter 10.

38. The loans to rural artisans were, by and large, not given until 1979-80 as the societies were reportedly not enthusiastic about such finance. The Registrar of Co-operative Societies issued a circular in April 1979 to all the central co-operative banks to initiate action for financing rural artisans. According to the said circular the central co-operative banks are required to identify the rural artisans with the help of both the societies and government field machinery and also to set up a sub-committee for industrial finance, if not already set up. Thus, a beginning has been made in 1979-80 in right earnest for providing finance to rural artisans and the financing for the purpose is reportedly picking up as the banks and societies together are drawing up the action plan for enrolling rural artisans as members of the societies and providing them the necessary finance. The 5 central co-operative banks, viz., Angul-United (Rs 4.91 lakhs), Banki (Rs 5 lakhs), Bhawanipatna (Rs 2 lakhs), Cuttack-United (Rs 5 lakhs) and Sambalpur (Rs 15 lakhs) were sanctioned an aggregate limit of Rs 32 lakhs for the purpose by the Reserve Bank. In 1980-81, however, only 3 banks, viz., Angul-United (Rs 3 lakhs), Banki (Rs 5 lakhs) and Sambalpur (Rs 15 lakhs) obtained a credit limit of Rs 23 lakhs for the purpose.

Credit requirements met

39. Loans for short-term agricultural purposes have increased appreciably. The credit requirements met by the ccbs at their level are Rs 40 crores on the basis of the highest outstandings reached during the year 1979-80 and Rs 50 crores on the basis of loans issued (Rs 41 crores) during 1979-80 plus overdues (Rs 9 crores) as on 30-6-1979 in respect of short-term agricultural production loans as may be seen from Table 13. If the figure of the highest outstandings is taken note of, then the credit requirements met work out to Rs 40 crores only. We are of the opinion that we should take note of the loans issued for the purpose as also add the overdues under short-term agricultural loans as at the close of the previous year under such loans for reckoning the credit requirements met by the banks on the analogy

TABLE 13

Rs Lakhs

Bank	Highest outstand- ings reached (1979-80)	SAO Credit requirements met		
		Loans issued in 1979-80	SAO overdues as on 30-6-79	Total
(1)	(2)	(3a)	(3b)	(3c)
1. Angul-United	218	246	43	289
2. Aska	182	160	65	225
3. Bolangir	206	266	64	330
4. Balasore	450	624	67	691
5. Banki	153	141	14	155
6. Baudh	122	117	19	136
7. Berhampore	343	288	82	370
8. Bhawanipatna	285	233	67	300
9. Cuttack-United	330	356	59	415
10. Keonjhar	106	90	20	110
11. Khurda	149	195	10	205
12. Koraput	242	252	40	292
13. Mayurbhanj	175	183	15	198
14. Nayagarh	235	260	15	275
15. Sambalpur	480	493	247	740
16. Sundargarh	38	40	7	47
17. United Puri- Nimapara	240	189	67	256
State	3954	4133	901	5034

that banks would have issued finance at least to the extent of the repayment of the overdues, if not more. Accordingly, the credit requirements met by the banks work out to Rs 50 crores.

40. If we assume that the ccbs will maintain the annual growth rate of not less than 30 per cent (i.e., little more than the state average of 25 per cent already achieved during the four-year period from 1975-6 to 1979-80 as may be seen from Table 12) the banks will be able to reach a lending level of Rs 187 crores by the end of 1984-5. The bank-wise position regarding the credit requirements which will be met by them on the basis of the above average annual growth rate of 30 per cent is given in Table 14.

TABLE 14

Rs Lakhs

Bank	Credit requirements of SAO met in 1979- 80 (col. 3c of Table 13)	Level of SAO loans estimated to be reached by 1984-5 (@30% annual growth rate)
(1)	(2)	(3)
1. Angul-United	289	1075
2. Aska	225	837
3. Bolangir	330	1227
4. Balasore	691	2570
5. Banki	155	577
6. Baudh	136	506
7. Berhampore	370	1376
8. Bhawanipatna	300	1116
9. Cuttack-United	415	1544
10. Keonjhar	110	409
11. Khurda	205	763
12. Koraput	292	1083
13. Mayurbhanj	198	737
14. Nayagarh	275	1023
15. Sambalpur	740	2753
16. Sundargarh	47	175
17. United Puri- Nimapara	256	952
Total	5034	18723

In the case of 5 banks, viz., Aska, Berhampore, Keonjhar, Sambalpur and Sundargarh the average annual growth rate in four-year period is 13 per cent or below. These banks will have, therefore, to strive hard to achieve a growth rate of 30 per cent expected by us. The task of achieving the growth rate of 30 per cent will not be a difficult proposition for them if the banks streamline their working. The central co-operative banks will be able to reach a level of loaning of Rs 187 crores for seasonal agricultural operations by the end of 1984-5. Whether this level of financing will meet the requirements of credit for the purpose adequately or not will be dependent on the credit potential and the institutional credit requirements in the areas of the banks. This aspect has been discussed elaborately in Chapter 5.

41. The position relating to the loans and advances discussed in the preceding paragraphs indicate that the banks in general have made appreciable progress in building up their loan business. Their average annual growth rate during the four-year period 1975-6 to 1979-80 for the total loans issued as well as the medium term agricultural loans issued, has touched the level of 40 per cent. However, there are a few banks like Aska and Berhampore in particular which are lagging behind in achieving such a high growth rate in building up their loan business. It would be necessary for the state co-operative bank to pay particular attention in helping these banks to achieve a higher growth rate particularly in respect of short-term loans for seasonal agricultural operations. The other banks which need such attention, although to a lesser degree, are Keonjhar, Sambalpur and Sundargarh.

42. In building up the loan business, there are certain factors which inhibit the expansion of credit business. These have been highlighted later in Chapter 4 on the basis of on-the-spot studies of primary level institutions and we have offered suggestions to remedy the situation. We are confident that with the active support of both the state government and the state co-operative bank, the management of the ccbs will be in a position to build up their loan business further.

Overdues

43. The overdues of the banks as on 30 June 1976 which aggregated Rs 10.11 crores increased to Rs 15.26 crores as on 30 June 1980. Although the overdues have increased in absolute amount, in terms of percentage of overdues to demand the position has shown improvement as may be seen from the bank-wise statement given in Table 15.

TABLE 15

Rs Lakhs

Bank	Overdues as on 30 June		Percentage of over- dues to demand as on 30 June	
	1976	1980	1976	1980
1. Angul-United	70	143	40	36
2. Aska	68	102	35	34
3. Bolangir	93	99	56	37
4. Balasore	48	92	24	18
5. Banki	20	19	78	12
6. Baudh	23	38	60	25
7. Berhampore	85	190	29	38
8. Bhawanipatna	63	127	52	40
9. Cuttack-United	89	106	33	24
10. Keonjhar	25	48	34	27
11. Khurda	30	45	43	20
12. Koraput	61	72	46	29
13. Mayurbhanj	15	38	18	15
14. Nayagarh	31	16	27	6
15. Sambalpur	170	239	36	30
16. Sundargarh	34	26	41	25
17. United Puri- Nimapara	86	126	44	43
Total	1011	1526		

The percentage of overdues to demand as on 30 June 1976 ranged between 78 (Banki) and 18 (Mayurbhanj). The position has shown considerable improvement in 1979-80 when the percentage of overdues to demand barring in respect of 2 banks, viz., United Puri-Nimapara (43%) and Bhawanipatna (40%) is below 40 per cent in the case of all other banks and ranges between 38 (Berhampore) and 6 (Nayagarh).

Working results

44. Not all the central co-operative banks have been working at profit during the period of 5 years from 1975-6 to 1979-80. Some of the banks have suffered loss or have worked at no profit/no loss. The bank-wise position for the years 1975-6 and 1979-80 is given in Table 16 on page 75, along with the information relating to the dividend declared in these years. In 1975-6, none of the banks worked at loss although 6 ccbs did not earn any profit. In the year 1979-80, 15 out of 17 banks have worked at profit. In the case of remaining two ccbs although they have been shown as having worked at no profit/no loss basis, it is reported that whatever profit earned by them has been transferred totally to provide for overdue interest reserve. Only a few ccbs are declaring dividend and the percentage of dividend so declared is 3 and below. The cost of management at the ccb level averaged 1.4 per cent of the working capital during 1978-9. Among the banks it ranged between 1.6 per cent (Sambalpur and United Puri-Nimapara) and 0.9 per cent (Baudh).

Surplus resources with banks

45. As regards the earning capacity of the central co-operative banks, it may be noted that the Reserve Bank has recently appointed a Study Group under the Chairmanship of Dr M. V. Hate, Executive Director, Reserve Bank of India, to look into the problem of surplus resources with the state and central co-operative banks and suggest, among others, avenues for profitable deployment of own resources by the banks in legitimate activities and the measures to be taken in this behalf. The banks in the state could

TABLE 16

Bank	Rs Lakhs			
	1975-6	1979-80	Dividend declared (percentage)	
	Profit/ loss(-)	Profit/ loss (-)	1975-6	1978-9
(1)	(2)	(3)	(4)	(5)
1. Angul-United	4.74	4.64	2	—
2. Aska	2.60	4.39	3	1
3. Bolangir	—	1.43	—	—
4. Balasore	0.80	3.52	$\frac{1}{2}$	0.2
5. Banki	0.82	4.17	—	3
6. Baudh	—	4.36	—	3
7. Berhampore	6.75	6.57	$2\frac{1}{2}$	$2\frac{1}{2}$
8. Bhawanipatna	3.75	5.94	2	—
9. Cuttack-United	0.45	3.77	—	—
10. Keonjhar	0.64	2.65	1	—
11. Khurda	—	2.84	—	1
12. Koraput	—	—	—	—
13. Mayurbhanj	—	3.54	—	3
14. Nayagarh	1.57	6.19	2	—
15. United Puri- Nimapara	1.61	0.36	1	$\frac{1}{2}$
16. Sambalpur	2.35	—	—	—
17. Sundargarh	—	2.47	—	1

take advantage of the Study Group's recommendations, which may be available shortly, for deployment of their resources more profitably.

Audit classification

46. As regards audit classification, it is noted that in 1978-9, one ccb, viz., Bolangir was placed in audit class 'C' while 4 other

banks, viz., Keonjhar, Koraput, Khurda and Sundargarh were placed in audit class 'B'. The remaining 12 ccbs were placed in audit class 'A'. In 1979-80, however, all the banks have been placed in audit class 'A'.

Rehabilitation

47. From the foregoing paragraphs it will be seen that the ccbs have, by and large, shown overall improvement in their performance. Even the banks which were under rehabilitation till 1978-9 have been taken out of the rehabilitation programme on the basis of their financial position, etc. in 1979-80.

Management

48. We would now like to refer to the management and staffing pattern of these banks and offer our suggestions wherever necessary to remedy the situation.

Board of Directors

49. The Board of Directors generally consists of 13 members of which 10 are elected representing different affiliated societies and 3 are government nominees. Besides, there are a number of functional committees, dealing with the different aspects of working of the banks. We would like to suggest that a specific provision may be made in the bye-laws of the banks to provide for representation on the Board to the weaker sections of the farming community.

Organizational set-up

50. The Secretary of the bank is the chief executive, supported by other officer and non-officer staff. Below the level of secretaries, there is no uniform cadre of officers who are designated differently in different banks and have no uniformity in the nature of duties assigned to the posts having the same designation. The banks do not follow a uniform pattern in the division of work and creation of sections and sub-sections. The staff strength is being determined on an *ad hoc* basis mostly with reference to the work-load as reflected in the loans and advances port-folio without taking into

consideration the other items of work, such as correspondence, number of cases to be handled etc. No technical staff is being provided for formulation of schemes under special programmes. At the branch level there is no planning and uniformity in providing staff. Branches are generally working under the control of a Branch Manager, with supporting staff of one Assistant Accountant/Special Accountant or 2 to 4 clerks and Administrative inspectors depending on the number of blocks rather than the volume of business. The question of delegation of powers and responsibilities to the branch managers has not received due attention. Most of the work connected with loans and advances is being attended to by the Head Office.

51. The posts of secretaries of the banks barring that of one bank, viz., Balasore Central Co-operative Bank, are being held either by the officers of the Orissa SCB or the officers in the rank of Assistant/Deputy Registrar of Co-operative Societies on deputation. In many of the banks even in the cadre below the level of secretary there have been 2 to 3 officers in the rank of sub-assistant registrars on deputation from the state government.

52. Until recently, qualifications prescribed for the various posts in the banks differed from bank to bank. The banks generally recruit the staff after notifying the employment exchange and after conducting written tests and interviews. In February 1977 the Registrar of Co-operative Societies has prescribed qualifications, mode of recruitment, training etc., for each category of staff as indicated in Table 17 on page 78. It is reported that the banks are also required to seek prior permission of the Registrar of Co-operative Societies for filling the vacancies in the banks.

53. We suggest that the staff of a central co-operative bank may broadly be divided into 4 categories given on page 80. The minimum educational qualifications for recruitment to category IV could preferably be a graduate while for those in category II

TABLE 17

Qualifications fixed and training to be given to various categories of staff

Level	Qualification fixed	Training to be given
(1)	(2)	(3)
I. Peons	Class VII — should know cycling.	
II. Accounts Assistants	Matriculation — should know typing. (separate posts of typists, clerks, diarists, record keeper and other equivalent posts should be abolished and present incumbents redesignated)	Regular Accounts course in Junior Training Centre
III. Supervisors/ Assistant Accountants	Officers of level II will qualify for promotion and will be selected depending on their flair for field work or good knowledge of accounts	(a) <i>Supervisors</i> — Supervisors Course in Junior Training Centre (b) <i>Assistant Accountants</i> — Refresher Course in Accounts
IV. Administrative Inspectors/ Accountants	Direct recruitment and promotion from level III in equal numbers. Direct recruits—Graduates Promotees — Selection (Contd.)	<i>Admn. Inspectors</i> D. R. — Junior Basic Course in Junior Training Centre (Contd.)

(1)	(2)	(3)
	depending on flair for field or office work.	Promotees — Refresher course in Co-operative Training College. <i>Accountant</i> Diploma in Accounts & Cost Management in Co-operative Training College
V. Branch Manager/ Area/ Zonal Officer	(First Executive Grade) No direct recruitment — Promotion from level IV	Diploma Course/ short-term Orientation Course in Co-operative Banking/Marketing
VI. Chief Accountant/ Executive Officer/ Development Officer	No direct recruitment — Promotion from level V	VMNICM/RBI Short-term Course for officers or any equivalent course.
VII. Additional/ Joint/ Deputy Secretary	No direct recruitment — Promotion from level VI	In addition to training at VI, orientation training in personnel management including Labour Laws
VIII. Secretary	Promotion from level VII or on deputation from (<i>Co td.</i>)	In addition to training at VI, (<i>Contd.</i>)

(1)	(2)	(3)
	State Co-operative Bank/ Government	orientation training in personnel management including Labour Laws

Category	Designation
I	Secretary, Manager, Chief Accountant, Executive Officer and Development Officer.
II	Assistant Manager, Assistant Development Officer, Assistant Executive Officer, Assistant Chief Accountant.
III	Section Officer, Branch Managers.
IV	Supervisors, Account Assistants, Clerks, Cashiers, Typists etc.

and III, a second class degree could be prescribed. For the posts in category I, the candidates may preferably be graduates with first class or post graduates. The secretary may also have experience in the working of a bank for say five years. The qualifications suggested earlier may be made applicable in the case of candidates recruited in future. For filling up the posts at officers' level, there may be a suitable quota between the staff candidates and direct recruits from the open market. In the case of staff candidates there could also be relaxations in the educational qualifications in view of their experience in the institution itself.

54. Besides providing training to the officers and staff in the training institutions, it is necessary to have an arrangement in every bank for in-service i.e., job-oriented training which could be given to each candidate before being posted on a regular desk.

Head office personnel

55. The items of work at head office may be broadly divided into four divisions, viz., (1) Administration and Establishment (2) Operation and Accounts, (3) Loans and Supervision and (4) Development and Planning as indicated in Annexure 10. Each division may be placed in charge of an officer in Category I. The subjects mentioned under each division may be suitably grouped into different sections and may be placed in charge of either an officer in category II or III depending on its importance as also volume duly supported by adequate number of assistants and clerks in category IV. Depending on the scope for undertaking activities like dairy, fisheries, poultry, industrial activities etc., the banks may consider setting up of a technical cell duly supported by technical staff which may undertake formulation of developmental schemes and render guidance for such activities. A statistical cell under the Operation and Accounts Division may be placed under a Statistical Officer of the rank of an officer in Grade II in view of its importance. The officer concerned should have suitable qualifications in the subject of statistics.

56. Presently for delegation of powers among different categories of officers of central co-operative banks, no guidelines have been formulated. It is essential to delegate powers amongst various functionaries in the bank with a view to involving them more intimately in the working of the institution. Such a delegation of authority besides toning the efficiency of the concerned officer will help the institution as well in expeditious disposal of work. We suggest that a committee of 3 or 4 central co-operative banks' representatives could be formed under the auspices of the state co-operative bank to formulate the guidelines for the delegation of authority. These guidelines will then ensure uniformity in such delegation of powers in all the banks.

Branch Personnel

57. The branches functioning as full-fledged branches may be the basic units for mobilising resources as well as deployment of funds profitably and for productive purposes. The branch manager may maintain close contacts and co-ordination with the local extension and technical staff of government departments such as agriculture, irrigation, animal husbandry etc., for discharge of his duties. The post of branch manager, who will be equivalent to the rank of Section Officer in Category III, should be interchangeable. The staff of the branch may comprise of a Branch Manager, an Accounts Assistant and two cashiers-cum-clerks-cum-typists. Besides, the supervisors/inspectors in the area of a branch may be attached to the branch and they may work under the overall control of the branch manager. In the case of smaller branches suggested by us earlier primarily for deposit mobilization, the staff requirement could be one/two personnel from category IV and a peon.

58. A branch manager may be made responsible for overall development of business of his branch. He should have authority to allow disbursement of loans to the societies in his area against credit limits sanctioned for various purposes by the head office. Further, he may also be vested with authority to sanction advances against the security of fixed deposit receipts. All branch managers should also actively involve themselves in the recovery drive apart from their day-to-day work. With a view to exercising proper control over supervisors, the branch manager may ensure receipt of their tour programmes, tour diaries, etc., in time and examine the visit notes and inspection reports. He may also make a surprise check over their work.

Cadre for key personnel

59. It may be pointed out here that a scheme for cadre of key personnel of central co-operative banks has been prepared for introduction in the state from 1 July 1979. The scheme intends to cover key personnel from the rank of secretary to that of an accountant i.e., secretary, additional/deputy/assistant secretary, development officer, executive officer, marketing development officer,

branch manager, accounts officer, chief accountant and accountant. It is also proposed to cover any other post in the central co-operative bank as may be decided by the cadre committee. The cadre will be managed by a committee called cadre committee, constituted at the apex bank level, consisting of the President of the apex bank, Registrar of Co-operative Societies, four directors of the apex bank selected by rotation for a period of one year by the Managing Committee and the Managing Director of the apex bank. The President and the Managing Director of the apex bank will be the president and member-secretary respectively of the cadre committee.

60. The persons selected and inducted into the cadre will be treated as employees of the apex bank from the date of joining the cadre post, but their salaries etc., will be met by the concerned central co-operative bank. While for the day-to-day administration the cadre personnel will be subject to the control of the Board of the central co-operative banks in which they are working, the powers relating to transfer, disciplinary action etc., will be vested in the cadre committee. The cadre committee will be serviced by the apex bank and a cadre fund would be constituted at the level of apex bank to meet the expenses towards recruitment, training etc., of the cadre personnel. The fund will be constituted out of the subsidy and contribution that may be received from the state or central government, contributions from the central banks and apex bank. The deficit, if any, shall be met by the apex bank.

61. For the purpose of posting of secretaries, central co-operative banks have been divided into two grades, viz., A and B. A central bank having a working capital of Rs 500 lakhs and above will be treated as an 'A' grade bank while the others as 'B' grade banks. In regard to posting of secretaries to the banks in 'A' grade, only the employees of the central co-operative banks, apex bank and personnel from the Co-operation Department who are graduates will be considered for inclusion in the cadre. However, in the case of banks in 'B' grade direct recruits from the open market with first class post graduate degree or graduate with a

diploma in co-operation or business management or graduates having five years experience in a bank will also be considered for inclusion in the cadre.

62. The scheme is presently confined to the post of secretaries only. As stated in the preceding paragraph, there has to be selection of suitable officers for posting as secretaries to the central co-operative banks. This has, however, not been done so far except that some inspecting officers of the Orissa State Co-operative Bank and a few officers from the Co-operation Department have been accepted for being posted as secretaries. Thus the cadre scheme is not being implemented even at the secretaries' level in its proper spirit. Secondly, we find that in a majority of the central co-operative banks i.e., 9 out of 17, the officers of the rank of Assistant/Deputy Registrars are deputed by the Department to work as secretaries. The powers regarding appointment, posting, transfer etc., of these departmental officers are vested in the Co-operation Department subject to its convenience, which results in frequent changes in the incumbents to the posts of secretaries of the banks. The frequent transfers of officers are not conducive to a sustained progress and development of the institutions. Another adverse factor in the posting of an Assistant Registrar of Co-operative Societies in particular as secretary on deputation is that many a time, for obvious reasons, he finds it difficult to resist pressure of officers from the higher ranks in the government department, particularly the Co-operation Department. While the Co-operation Department officers could be considered for inclusion in the cadre, they should not be taken on deputation in a routine manner. Further, such officers shall have the benefit of an induction course in banking or of an in-service training course. It is necessary to initiate action to have a cadre of secretaries as envisaged under the cadre scheme so as to replace the existing deputationists in a phased manner.

63. The cadre personnel are to be treated as apex bank employees but it is not clear whether in the Orissa SCB there will be posts of similar category and that these will be interchangeable. In this

connection we would not like to make suggestions regarding cadre posts to be brought on par with those in the Orissa SCB, which is a matter of detail to be decided by the cadre committee. However, we are of the view that the cadre scheme should not be extended to cover all the categories of officers i.e., from secretaries to that of accountants as it would then entail considerable administrative work for the cadre committee and the whole scheme may become an unmanageable proposition. We, therefore, recommend that the cadre scheme may be confined to the officers in category I only mentioned in paragraph 53. The posts of deputy managers, managers, general manager and managing director in the state co-operative bank may be kept outside the purview of the cadre scheme but these posts may be considered as available for promotion to the officers from the cadre. Besides, it is also necessary to have a statutory backing for the cadre scheme so as to ensure that the managements of the central co-operative banks do not reject the staff posted to their banks except according to the procedure laid down for the purpose in the scheme. The representative of the State Government in the Department of Agriculture and Co-operation of the rank not below that of the Joint Secretary, preferably Secretary/Additional Secretary may also be included as a member of the cadre committee in addition to that of the Registrar of Co-operative Societies.

64. In this connection it may be stated that the Reserve Bank of India in the Agricultural Credit Department has completed a study of the staffing pattern of the state and central co-operative banks in the state and it would, therefore, be appropriate to rationalise the scheme for key personnel and the staffing pattern by mutual consultations among the state government, the state co-operative bank and the Reserve Bank's Agricultural Credit Department. Our observations and recommendations in regard to the staffing pattern given in the earlier paragraphs may, however, be kept in view by all concerned while finalising the staffing pattern.

Supervision

65. In the area of some banks, administrative inspectors and supervisors work under the direction of the branch managers while in some other banks they work under the zonal officers. At the head office, supervisors, administrative inspectors and zonal officers are directly under the control of the executive officer. In the case of bank the supervisors are even working under the control of the government agency like Block Development Officers. Thus, there is no set pattern for deployment of field staff or control over them. The supervisors and administrative inspectors are treated alike. The supervisors are entrusted with other *ad hoc* items of work, with the result that they are not in a position to visit/inspect societies. The average number of societies per supervisor is between 8 and 10 societies. As regards inspections, not all the banks are taking up inspection of the PACS. According to the rules, the Registrar of Co-operative Societies has to empower the supervisors to inspect the PACS. Further, a Co-operative Extension Officer (CEO) of the Department is expected to inspect annually each society under his jurisdiction. There is no arrangement for supervision over non-agricultural credit societies and this work is generally attended to by the officials of the Co-operation Department.

56. It hardly needs to emphasize that in the absence of proper supervision by a higher financing agency, it would not be possible to ensure proper end use of credit and implementation of policies laid down by it. The Team is of the opinion that the financial supervision over the affiliated societies should be the responsibility of the central co-operative banks. The financial supervision broadly includes functions such as helping the society staff in the preparation of loan applications and scrutiny thereof, ensuring compliance with the terms stipulated for sanction of loans, watching their disbursements, utilisation, recoveries, examination of books of account and ensuring their proper maintenance, revision of land register and above all inspection of the society and follow up of the compliance thereof for rectification of defects. We, therefore, urge the state government to amend the Co-operative Societies Ac

to enable the supervisory staff of the central co-operative banks to undertake the inspection of societies without requiring the authorisation of the Registrar of Co-operative Societies for the purpose. The administrative functions which mainly relate to ensuring that the society's work is carried out in conformity with the co-operative principles, society's bye-laws as also the provisions of Co-operative Societies Act and Rules and the Departmental instructions could be attended to by the staff of the Co-operation Department.

67. The charge per supervisor may broadly be 8 to 10 societies having a business of around Rs 20 lakhs. Besides the volume of business, communication facilities, scope for promotional and developmental activities etc., may be kept in view for fixing the charge per supervisor. The charge per inspector, who will be ranked above the supervisors, could be suitably fixed by the concerned banks, so as to ensure close supervision over the work of supervisors. The inspectors could also be allocated the work of inspection of societies with bigger turnover, in their areas. Further, whenever the supervisors and the inspectors are required to handle the work relating to weavers' societies or similar such societies where certain technical knowledge regarding their working is necessary, the concerned field staff members may be provided with familiarisation training to enable them to have idea about the technicalities required to be looked into. If the bank could afford, and the number of such special type of societies warrant such an appointment, a few supervisors with suitable technical knowledge could be recruited.

Concluding remarks

68. We have noted that the central co-operative banks have in general made satisfactory progress in improving their financial position and loan business. We have no doubt that with some more efforts and streamlining of their loan policies and procedures as also the staffing pattern, the banks would be in a position to lend greater support in meeting the credit requirements of various sectors in their areas. It is, however, quite likely that in view of

their lower base of achievement, the other institutions may be required to lend a supporting hand to meet the credit requirements adequately. We have examined this issue in later chapters in the context of our estimates of credit potential in the state. However, before examining this aspect, we have in the chapter that follows reviewed the performance of the base level institutions which are the channel for purveying credit to agriculturists.

Chapter 4

PRIMARY CREDIT INSTITUTIONS

We have noted in Chapters 2 and 3 that the upper two tiers of the co-operative credit structure, viz., apex and intermediate have made appreciable progress both in regard to their financial position and in building up the machinery poised for taking up the responsibility of meeting the credit needs of agriculture on a larger scale than hitherto. However, their efforts will not bear any fruit and the flow of credit will not reach the cultivators if the organization at the base level i.e., the primary credit institutions which have direct links with the ultimate borrowers is not equally equipped and prepared for the task. This chapter reviews the performance of the base level co-operative credit structure in Orissa and contains suggestions to remedy the situation and strengthen the structure where necessary.

2. The momentous changes brought about in the agricultural sector after Independence generated an enormous demand for credit. During the period of the first three five-year plans, the co-operatives were the main, if not the sole, agencies dispensing credit to agricultural sector, since in terms of their rural base as well as bias and infrastructural facilities they were considered as the most suitable agencies for the purpose. The official policy of development of co-operatives and efforts made thereunder led to a substantial progress of co-operative credit but it failed to keep pace with the ever increasing demand for agricultural credit. The All-India Rural Credit Review Committee (1969), therefore, came to the conclusion that the progress of agriculture cannot be tied down to the progress of co-operative credit and recommended a multi-agency approach by assigning a definite role to the commercial banks in the field of agricultural credit.

3. Even after adoption of the multi-agency approach in the field of agricultural and rural credit in the 1970s by inducting

commercial banks in a big way and later in 1975 by the establishment of regional rural banks, it has been recognised that the co-operatives at the primary level, organised on the basis of an association of cultivators with the village as the base, having close contacts with the members, satisfied most of the conditions required for dispensation of agricultural finance and are, therefore, the most appropriate agencies for reaching millions of farmers spread over thousands of villages in the country. The extent of the impact of co-operative credit, therefore, depends very much on the strength and efficiency of the primary credit societies which have direct links with the cultivators. It has been conceded that a sustained development of agriculture cannot be ensured without the existence of strong, viable and professionally managed institutions at the base level providing, not only credit but also inputs of agriculture and allied services.

4. Up to 1972-3 primary agricultural credit societies (PACS) were the only base level co-operative institutions in the country. In the year 1971 the Banking Commission observed that the resources channelised through co-operative institutions for rural development mainly benefited comparatively bigger farmers. With a view to meeting the needs of small and marginal farmers and agricultural labourers in an integrated manner, the National Commission on Agriculture (1971) suggested a new set-up in the shape of Farmers Service Societies (FSS). These societies with a bigger area of operation than the PACS in order to ensure viability, a majority representation to the weaker sections in the managing committees and having a high grade managing director and technical staff of their own are envisaged to reach the benefits of the modern techniques in farming to the weaker sections. The FSS are expected to provide not only timely and adequate credit but also arrange for availability of package of inputs and custom services along with technical guidance and supporting services for storage, processing and marketing etc., preferably at one contact point. More recently, the Committee to Review the Arrangements for Institutional Credit for Agriculture and Rural Development appointed by the Reserve Bank under the Chairmanship of

Shri B. Sivaraman, known as the CRAFTICARD Committee, in its report submitted in January 1981 has recommended that the reorganization of PACS be continued and completed on a predetermined schedule and further steps be taken to develop them as multi-purpose service organizations.

5. Yet another agency operating at the base level is the large-sized agricultural multi-purpose co-operative societies (LAMPS) functioning in the predominantly tribal areas. The Government of India decided in 1971 to launch six-pilot tribal development projects in four states, viz., Andhra Pradesh, Bihar, Madhya Pradesh and Orissa with a view to increasing the pace of economic development in the predominantly tribal areas. Simultaneously the Government of India appointed a committee under the Chairmanship of Shri K. S. Bawa, the then Joint Secretary in the Union Ministry of Agriculture known as the Bawa Committee to examine the co-operative organizations in the project areas and to make recommendations for strengthening the existing structure or setting up of new specialised institutions for taking up various activities such as credit, marketing, distribution, etc. The Bawa Committee felt that the tribals should not be required to approach different institutions for their needs and recommended organisation of integrated credit-cum-marketing societies, viz., large-sized multi-purpose societies (LAMPS) at the primary level to provide short, medium and long-term as well as consumption credit, undertake supply of agricultural production requisites, distribution of consumer goods, collection and marketing of agricultural and minor forest produce and that such services should be organized at the 'hat' (i.e., market place) level which are frequented by the tribals at regular intervals.

Primary credit societies in Orissa

6. Thus, the co-operative credit structure at the primary level at present consists of three types of institutions, viz., PACS, FSS (with the majority representation in the management to weaker sections) and LAMPS (in the predominantly tribal areas, with majority representation in the management to the tribals). In

Orissa, action for organization of FSS and LAMPS was initiated in 1976-7 and 1975-6 respectively. At the end of June 1980, there were 2793 primary credit societies in Orissa comprising 2566 PACS, 222 LAMPS and 5 FSS. The overall position of the primary credit institutions for the year 1974-5 and 1979-80 as also the position in respect of the three types of institutions for the year 1979-80 is given in Annexure 11. The comparative position of important averages/percentages in respect of the three types of institutions in Orissa for the year 1979-80 and their relation in totality to the all-India averages for that year are given in Table 1.

TABLE 1

Particulars	Position for the year 1979-80				
	Orissa			All primary societies	
	PACS	LAMPS	FSS	Orissa	All-India
(1)	(2)	(3)	(4)	(5)	(6)
1. No. of societies	2566	222	5	2793	96263
<i>I. Average</i>					
2. Membership per society	656	2527	1400	806	562
3. Borrowing members per society	237	973	600	296	199
4. Indebted members per society	437	1581	800	529	259@
5. Defaulting members per society	200	604	400	233	142@

(1)	(2)	(3)	(4)	(5)	(6)
6. Share capital					
(i) per society Rs	50000	190090	140000	61296	51587
(ii) per member Rs	76	75	100	76	92
7. Deposits					
(i) per society Rs	6313	19820	40000	7447	23242
(ii) per member Rs	10	8	29	9	41
8. Loans issued					
(i) per society Rs	193453	572072	700000	224454	159594
(ii) per borrowing member Rs	818	588	1167	759	802
II. Percentages					
1. Borrowing members to total members	36.1	38.5	42.9	36.7	35.4
2. Defaulting members to indebted members	45.8	38.2	50.0	44.0	54.7@
3. Overdues to outstandings	30.2	20.3	24.3	28.2	44.3
4. Societies having paid secretary/manager to total societies	98.6	100.0	100.0	98.7	66.6@

@ Figures for the year 1978-9

For all primary credit societies taken together, the averages per society for the state exceed the corresponding all-India averages in respect of total membership, borrowing and indebted membership.

Coverage

7. Although the coverage is satisfactory for the state as a whole compared to the all-India position as indicated in the preceding paragraph, it is not satisfactory in respect of scheduled caste and scheduled tribe population which together constitute 38 per cent of the total population as per 1971 census. The relevant particulars relating to coverage, borrowing, indebted and default-

ing membership of the primary societies of these categories as on 30 June 1980 are given in Table 2.

TABLE 2

Number in thousands

Particulars	Total	Scheduled caste		Scheduled tribes	
		No.	% to col. 2	No.	% to col. 2
(1)	(2)	(3a)	(3b)	(4a)	(4b)
1. Rural households	4389	662	15.1	1014	23.1
2. Membership	2251	367	16.3	573	25.5
3. Borrowing membership	826	118	14.3	149	18.0
4. Indebted membership	1477	194	13.1	253	17.1
5. Defaulting membership	650	98	15.1	134	20.6
<i>Percentage of</i>					
6. Item 2 to item 1	51.3	55.4		56.5	
7. Item 3 to item 2	36.7	32.2		26.0	
8. Item 4 to item 1	33.7	29.3		25.0	
9. Item 4 to item 2	65.6	52.9		44.2	
10. Item 5 to item 4	44.0	50.5		53.0	

The position in Table 2 reveals that the proportion of borrowing and indebted members from amongst these categories together to the total borrowing and indebted members of primary societies was lower at 32 and 30 per cent respectively compared to their percentage to the total population

at 38 signifying less than proportionate coverage of these categories. As against the coverage of total rural households at 51.3 per cent the coverage of tribal households is higher at 56.5 per cent. The membership, borrowing membership and indebted membership from amongst the tribals at 26, 25 and 44 per cent of the tribal households was, however, smaller than the corresponding percentages of all households at 37, 34 and 66 per cent respectively.

8. The average share capital contributed by a member in Orissa at Rs 76 is less by about 17 per cent compared to the all-India average. However, the average size of share capital per society in the state is higher than that for the country as a whole. The state averages per society and per member in respect of deposits at Rs 7447 and Rs 9 respectively are extremely poor compared to the corresponding all-India averages of Rs 23242 and Rs 41. The average number of defaulting members per society at 233 is high compared to the all-India position of 1978-9 at 142.

9. Among the three types of societies in Orissa the average share capital per member is the highest at Rs 100 in the case of FSS, so also the average deposit per member at Rs 29 which is 3 and 4 times the relevant average in PACS and LAMPS respectively. The percentage of borrowing membership to total membership is the highest at 43 in respect of FSS followed by LAMPS at 39. The percentage of defaulting members to indebted members is low at 38 in respect of LAMPS and is below the average for all primaries. As against this, half of the indebted members of FSS are defaulters.

10. As may be seen from Annexure 11, the total number of primary societies including LAMPS and FSS has come down from 3352 in 1974-5 to 2793 in 1979-80. There is reduction in the total number of societies during the period particularly due to organization of LAMPS in tribal areas and FSS from 1975-6 and onwards. The area of operations of the three types of institutions, viz., PACS, LAMPS and FSS cover on an average 12, 72 and 29 villages respectively. Over the period 1974-5 to 1979-80 the primary credit

societies have made substantial progress in the issue of loans. The total loans issued have more than trebled from Rs 19.30 crores in 1974-5 to Rs 62.69 crores in 1979-80. The short-term loans for seasonal agricultural operations (Rs 40.95 crores) and medium-term loans for approved agricultural purposes (Rs 20.58 crores) together accounted for 98 per cent of the total loans issued during 1979-80. The societies have been able to increase their share capital from Rs 9.21 crores to Rs 17.12 crores both on account of increase in the loan business and contributions from the state government. The societies, however, have not been able to build up adequate reserves. The deposits of the societies remained stagnant at about Rs 2 crores during the period. The primary societies have shown an improved recovery performance over the period. Though the percentage of overdues to demand is high at 41 per cent, it has declined from 58 per cent in 1974-5. In absolute amount the overdues have increased from Rs 21.19 crores in 1974-5 to Rs 25.67 crores in 1979-80 as against an increase in the loans outstanding from Rs 35.52 crores to Rs 91.12 crores over the period. The cost of management of the societies has almost trebled during the period from Rs 1.03 crores in 1974-5 to Rs 3.01 crores in 1979-80, the major portion thereof (59 per cent) being accounted for by salaries. Of the 2728 active societies, 1803 or 66 per cent of the total were working at profit, the average amount of profit per society being Rs 10,000. The remaining 925 societies were working at loss, the average loss per society being Rs 13,000.

Reorganization of PACS

11. Towards building up a strong and viable primary structure a programme of reorganization of the PACS into viable units has been in operation in the state for quite some time and detailed guidelines for reorganization of PACS have been issued initially in November 1977. The reorganisation programme has aimed at reducing the number of PACS to 2130 and organization of 353 LAMPS in tribal areas by the end of the Fifth Plan period. A few FSS were also to be set up in non-tribal areas where the PACS

were weak. The tribal population is concentrated in 118 blocks out of 208 blocks spread over 9 districts. The organization of LAMPS commenced in 1975-6 and by the end of 1976-7, 223 LAMPS had been organized. One LAMPS in Mayurbhanj district was wound up in 1978-9. Thus, at the end of June 1980, there were 222 LAMPS as shown in Table 3, 46 of which covered a block each and the others were organized at the rate of 2 to 3 LAMPS per block.

TABLE 3

District	No. of blocks		No. of LAMPS in the area		
	Total	Covered by LAMPS	Block level	Small	Total
1. Balasore	19	1	1	1	2
2. Ganjam	29	5	4	2	6
3. Kalahandi	18	2	—	6	6
4. Keonjhar	13	10	3	16	19
5. Koraput	42	42	29	27	56
6. Mayurbhanj	26	26	6	47	53
7. Phulbani	15	12	2	22	24
8. Sambalpur	29	3	—	9	9
9. Sundargarh	17	17	1	46	47
Total	208	118	46	176	222

Five FSS, (2 during 1976-7 and 3 during 1977-8) have also been organized. Two of these are in Cuttack district and one each in Balangir, Puri and Sambalpur districts. Thus, as at the end of June 1980 as against the target of 2130 PACS and 353 LAMPS, there were 2566 PACS, 222 LAMPS and 5 FSS functioning in the state. District-wise data for 1979-80 are not readily available but it will be seen from the information available for 1975-6 to 1978-9 given in Table 4 that the number of PACS in effect has increased during the period in the non-tribal districts.

TABLE 4

District	PACS				LAMPS				FSS	
	1975-6	1976-7	1977-8	1978-9	1975-6	1976-7	1977-8	1978-9	1977-8	1978-9
1. Balasore	246	254	247	254	—	1	2	2	—	—
2. Balangir	219	219	219	233	—	—	—	—	1	1
3. Cuttack	544	564	563	561	—	—	—	—	2	2
4. Dhenkanal	187	194	194	198	1	—	—	—	—	—
5. Ganjam	543	549	526	518	—	6	6	6	—	—
6. Kalahandi ..	110	110	110	103	6	6	6	6	—	—
7. Keonjhar	91	79	31	31	8	19	19	19	—	—
8. Koraput ..	247	258	198	112	—	55	56	56	—	—
9. Mayurbhanj	149	54	4	3	13	53	54	53	—	—
10. Phulbani	92	40	40	40	3	24	24	24	—	—
11. Puri ..	525	572	552	555	—	—	—	—	1	1
12. Sambalpur ..	175	175	175	164	—	9	9	9	1	1
13. Sundargarh ..	84	65	64	16	13	47	47	47	—	—
Total	3212	3133	2923	2788	44	220	223	222	5	5

12. Thus, the progress in the reorganization of societies has not been very satisfactory. Recognising this fact, the Registrar of Co-operative Societies, Orissa, in his circular dated 23 August 1979 to the District Collectors has observed that while LAMPS have been organized in area covered by the Tribal Sub-Plan, in non-tribal areas PACS are continuing as before. The Registrar, while emphasizing the need to reorganize and create viable PACS has stated that the basic objective of reorganization is to create a strong society at the base level which should (i) function as a mini-bank, (ii) provide credit to farmers, artisans etc., for both agricultural and selected non-agricultural purposes which would generate employment, (iii) provide agricultural requirements including facilities like the hiring of tractor, power-tiller, sprayers and pump-sets, (iv) provide marketing facility and (v) provide consumer articles.

13. While no hard and fast rules or formulas have been prescribed by the state government for reorganization of the PACS, as conditions vary from area to area, the following broad norms have been suggested by it which could be taken into account while reorganizing the societies.

- (i) Each society should cover at least 2000 hectares and/or an average of 2000 agricultural households.
- (ii) Each society should be capable of advancing at least Rs 2 lakhs by way of short-term loan.
- (iii) Each society should have a full-time well paid secretary.
- (iv) The area of operation should be normally one or two grampanchayats and as far as possible it should be coterminus with that of grampanchayat/s.
- (v) In areas, where the co-operative structure is weak or there is a large number of Harijans and tribals, 3 to 4 societies could be amalgamated to create a strong society.
- (vi) In irrigated areas farmers service societies could be organized for which central co-operative banks should submit proposals.

The work relating to reorganization was to be completed within 3 months from the date of the letter i.e., by November 1979. A task force under the Chairmanship of the District Collector and consisting of Deputy Registrar of Co-operative Societies, President of the central co-operative bank/s and all the concerned Assistant Registrars of Co-operative Societies was to be constituted for the purpose. Following the Registrar's instructions, the reorganization gathered some momentum and the total number of active primaries was reduced to 2728 by the end of June 1980. The state government may pursue action to complete the reorganization programme expeditiously. The state and central co-operative banks have a big stake in the success of the reorganization programme. These banks should, therefore, actively involve themselves in the work of reorganization as indicated by us in paragraph 25 of Chapter 2 with a view to ensuring that the programme is completed expeditiously in their areas.

On-the-spot studies

14. With a view to having a clear picture of the base level co-operative credit institutions in the state before suggesting measures for improving their coverage and viability it was felt necessary to undertake on-the-spot studies of a few select institutions of each of the three types functioning in the state. As regards the FSS, we have drawn on the study undertaken by the Reserve Bank in March 1980 of all the 5 FSS in the state with a view to assessing their performance. As regards PACS and LAMPS, the study was entrusted to five agencies, viz., the Co-operation Department, the Orissa State Co-operative Bank, central co-operative banks, the regional office of Reserve Bank's ACD at Bhubaneswar and the Secretariat of the Study Team to have a cross section of views. A total of 107 societies i.e., 80 PACS and 27 LAMPS with a combination of good and indifferent societies were selected on a random sampling basis by the regional office, ACD in consultation with the state co-operative bank and the Registrar of Co-operative Societies, Orissa. Data have, however, been received only in respect of 65 PACS and 22 LAMPS. The data presented in respect of PACS and LAMPS studied relate to the period 1978-9. The number of societies studied in the various districts is given in Table 5.

TABLE 5

District	No. of societies studied		
	PACS	LAMPS	FSS
1. Balasore	8	—	—
2. Balangir	6	—	1
3. Cuttack	11(5)	—	2
4. Dhenkanal	5(1)	—	—
5. Ganjam	11(6)	1	—
6. Kalahandi	3	1	—
7. Keonjhar	1	3	—
8. Koraput	—	4(2)	—
9. Mayurbhanj	—	6	—
10. Phulbani	1(1)	2(1)	—
11. Puri	15(1)	—	1
12. Sambalpur	4(1)	1	1
13. Sundargarh	—	4(2)	—
Total	65(15)	22(5)	5

Note : Figures in brackets indicate the number of societies in respect of which study reports were not received.

15. Of the 22 LAMPS studied, jurisdiction of 7 extended over a whole block. However, in regard to the number of villages and population covered or size of business, there is no significant difference between the block level or smaller LAMPS. No distinction has, therefore, been made between the two models while presenting the data. The data collected in respect of FSS by the Reserve Bank is on different lines and, therefore, while the findings of our study of PACS and LAMPS are given together, the findings of study on FSS are presented separately.

Coverage

16. The total number of villages covered by the PACS studied is 845 at an average of 13 villages per society. The number of villages in the area of operation of PACS varies between 1 and 38. The villages are generally situated within a radius of 10 kms from the society but in some cases the distance of the farthest village is even 20 to 22 kms. The societies' membership of 56041 forms 63 per cent of rural households (88919) in the villages covered by them. The LAMPS cover 1852 villages at an average of 84 villages per society. The jurisdiction of LAMPS normally extends to between 40 and 130 villages. One small-sized LAMPS, however, covers only 9 villages whereas one block level LAMPS in Ganjam district covers as many as 256 villages. The villages are generally situated within a radius of 20 kms from the head quarters or a branch of LAMPS. However, in a few cases the villages are beyond 30 kms and in 2 cases, as far away as 45 kms. There are 133819 rural households in the villages covered by LAMPS and their membership at 54008 forms 40 per cent of the rural households.

17. The particulars relating to the coverage, borrowing, indebted and defaulting membership of societies and average per society are given in Table 6. The averages per society in respect of membership, borrowing membership etc., are high for the LAMPS as compared to PACS due to large area of operation of the former. However, while the average of the villages and rural population covered by the former is over 6 times the number covered by the latter, the membership, average borrowing membership is only 3 or 3.5 times of the PACS indicating thereby the lower coverage by the LAMPS. The proportion of borrowing members to total membership is almost equal for both types of societies. However, effective coverage of rural population i.e., proportion of indebted members to rural households is higher in the case of PACS. The proportion of defaulters among the indebted members, which is high, is more or less same for both types of societies.

TABLE 6

	PACS		LAMPS	
	No.	Average per PACS	No.	Average per LAMPS
1. Villages covered	845	13	1552	84
2. Rural households	88919	1368	133819	9264
3. Membership	56041	862	54008	2455
4. Borrowing membership	15169	233	15197	691
5. Indebted membership	26603	409	33049	1502
6. Defaulter members	14601	225	17397	791
<i>Percentage of</i>				
7. Item 3 to item 2	63.0		40.4	
8. Item 4 to item 3	27.1		28.1	
9. Item 5 to item 2	29.9		24.7	
10. Item 5 to item 3	47.5		61.2	
11. Item 6 to item 5	54.9		52.6	

18. Among the societies, the coverage is as in Table 7 given on page 104. Although the coverage of rural households can be considered satisfactory, there is ample scope, particularly in the areas of LAMPS for enrolling new members. The effective coverage is far from satisfactory in both the types of societies. In about 50 per cent of both the types of societies the percentage of defaulting members exceeds 50.

19. As indicated earlier in paragraph 11, the LAMPS have been organized in blocks with predominant tribal population. The coverage of such tribal population by LAMPS studied may be seen from Table 8 given on page 105.

TABLE 7

		No. of societies with percentage			
		Up to 30	From 30 to 50	From 50 to 75	Above 75
1. Membership to rural households	PACS	6	13	26	20
	LAMPS	8	5	9	—
2. Borrowing members to total membership	PACS	34	19	10	2
	LAMPS	9	5	8	—
3. Indebted members to total membership	PACS	9	25	24	7
	LAMPS	—	6	8	8
4. Defaulting members to indebted members	PACS	15	19	20	11
	LAMPS	4	7	9	2

The tribal population forms 57 per cent of the total population in the areas of LAMPS. However, as against the total coverage of rural households at 40.4 per cent, the coverage of tribal households is only 30.6 per cent. Membership from amongst the tribals forms 43 per cent of the total. While 28 per cent of the total number of members are borrowers, the percentage is high at 45 amongst tribals. Of the total members from amongst tribals, 96 per cent are indebted to LAMPS, 50 per cent of them being defaulters.

20. The main factors responsible for lower coverage, general as well as effective, are summarised below :

(i) Non-agriculturists families do not evince interest in joining the societies which mainly provide agricultural credit. The

TABLE 8

	Total	Of col. (1) belonging to Scheduled tribes	Percentage of col. (2) to col. (1)
	(1)	(2)	(3)
1. No. of rural households	133819	76086	56.9
2. Membership	54008	23260	43.1
3. Borrowing membership	15197	10558	69.5
4. Indebted members	33049	22247	67.3
5. Defaulting members	17397	11124	63.9
<i>Percentage of</i>			
6. Item 2 to item 1	40.4	30.6	
7. Item 3 to item 2	28.1	45.4	
8. Item 4 to item 2	61.2	95.6	
9. Item 5 to item 4	52.6	50.0	

managements, dominated by agriculturists, also do not encourage their enrolment for fear of losing their hold in the society. The managements show apathy in enrolling small farmers as members, fearing defaults by such farmers.

(ii) Although the condition relating to linking of share holding to borrowing has been relaxed in the case of small farmers/weaker sections, the central co-operative banks are reluctant to extend corresponding relaxation for the societies in respect of their borrowings from the central co-operative banks.

(iii) Cultivating families having off-farm income from the family members following other vocations as also affluent farmers do not need credit from the societies. Such cultivators are enrolled as members with a view to obtaining sureties or for securing votes etc., in elections by prospective candidates seeking election to the managing committees. In a few cases there is more than one member from the same family. Though this helps in increasing membership, the borrowing/indebted membership remains unchanged.

(iv) The secretaries particularly in the areas of those societies which have a large number of villages spread over a wide area with inadequate communication facilities, find it difficult to make personal contact with all members for their production plans. This creates difficulty in the preparation of normal credit limit (NCL) statements for all their members. Besides, the NCL statements are prepared around the month of January. Since this is the period for recovery of *kharif* dues, the indebted members, to skip repayment, avoid meeting the secretary of the society.

(v) Although the principle of limited liability is now accepted, a few societies in some areas like those in Ganjam district are still having unlimited liability. Such provisions discourage a cultivator from becoming a member of the society.

(vi) Some societies refuse to sanction a limit exceeding Rs 2000 per cultivator forcing those in need of larger credit to seek alternative sources. In some societies mortgage of land is insisted upon for loans exceeding Rs 2000 even for agricultural operations. This condition discourages members from approaching the society for finance and also keeps away the prospective borrowers from enrolling as members. Insistence by the societies on lifting of 'B' component before release of cash component also reduces the borrowing membership, particularly when the cultivation is on the traditional plane where the use of fertilizers is relatively insignificant.

(vii) The minimum recovery condition by the central co-operative banks discourages cultivators from joining the society as they apprehend difficulties in obtaining credit from the societies on their enrolment in the event of the society failing to achieve the stipulated recovery percentage.

(viii) The procedure for sanction and disbursal of loans is considered cumbersome and time-consuming which dissuades the members from obtaining loans from societies, particularly when individually loans could be available from commercial banks in a facile manner. The commercial banks also do not generally insist on production of a 'no dues' certificate from the co-operative societies before extending credit to the cultivators. The borrowers find it easier to obtain additional credit or a second loan, if necessary, from the commercial banks as the branch managers have sufficient delegation of powers in this regard. Cultivators also do not have to pay towards the share capital contribution for their borrowings from commercial banks. Further, in the case of eligible small farmers the loans from commercial banks could be had under the Differential Rate of Interest Scheme at a very low rate.

(ix) Although land holdings are divided between family members on paper, in practice the families exist as joint families. In such cases, in the event of default by one family member, the society on the basis of personal knowledge avoids providing credit to other members of the family. No such discipline is being followed by commercial banks as they lack such personal knowledge about the status of the borrowers. It is also alleged that commercial banks increase the limits to borrowers to cover up the short-fall in recoveries, thereby enticing the cultivators to approach them.

(x) The co-operative societies do not provide consumption loans and loans to weavers/rural artisans on the plea that there is no provision for this purpose in their bye-laws thus keeping away the non-cultivator weaker sections from their fold.

21. Besides the general factors mentioned above for lower coverage, some factors, mentioned below, relate to LAMPS in particular :

(i) A large number of tribals resort to 'shifting cultivation' making it difficult to bring them in the co-operative fold.

(ii) As the question of membership of service co-operative societies which were merged or liquidated at the time of organization of LAMPS, has not been sorted out so far, it has not been possible to absorb the non-defaulting members of these societies in the new LAMPS.

(iii) Some of the LAMPS have been organised by conversion of forest marketing societies, whose primary function was procurement of minor forest produce. The tribals were then required to pay a nominal sum of Re 1 for being eligible to deliver produce to the forest marketing society. Contribution to the share capital of LAMPS instead of nominal payment as hitherto is not appreciated by the tribals, though the share capital could be paid in instalments and interest-free loan of Rs 40 to each tribal is available for the purpose.

(iv) The LAMPS are supposed to act as agents of the Tribal Development Co-operative Corporation of Orissa Ltd., (TDCC) in procuring minor forest produce. However, the TDCC does not appoint all the LAMPS as its agents and all those appointed are not necessarily given agency to procure all types of minor forest produce. This position had been observed during our visit to LAMPS in Phulbani district. In the circumstances tribals are not required to approach LAMPS for sale of minor forest produce which in turn keeps away the tribals from the LAMPS for whom they are primarily meant and organized.

(v) The tribals rely heavily on middlemen known as 'Panaos' in their dealing with others and do not act independently in deciding to join the co-operatives.

(vi) Moreover, tribals are not very enthusiastic in getting indebted, although the borrowings could help them to adopt new techniques of cultivations to increase agricultural production and returns therefrom.

(vii) Consumer goods are sold by LAMPS to tribals on a cash and carry basis and no credit facility is available in this regard.

22. The following suggestions are made with a view to helping the societies to improve their general as well as effective coverage :

(i) At the outset it may be stated that the Registrar of Co-operative Societies in terms of his circular dated 1 May 1979 has advised the banks and societies to take the following steps to overcome some of the present disabilities which are affecting the coverage by societies :

- (a) The maximum borrowing power of an individual member may be raised from Rs 2000 to Rs 5000.
- (b) The member shall be eligible for a loan up to 10 times the value of shares held by him subject to a maximum limit as may be fixed by the Registrar. Further, members belonging to undivided family shall not be given in aggregate a loan in excess of the amount admissible to an individual member.
- (c) For granting loans for traditional crops, the banks should not insist on lifting of fertilizers by cultivators in *Kharif* season.
- (d) Although the banks may not insist on minimum recovery performance on the societies to enable them to finance new and non-defaulting members, care should be taken not to slacken the efforts towards recovery, otherwise banks themselves might become ineligible for credit limits from higher financing agencies.
- (e) In the case of crop loan, mortgage of land may not be insisted upon as the charge is automatically created as per provisions of the Orissa State Co-operative Societies Act.

- (f) With a view to minimising the time gap in disbursement of loans, attention has been invited to the guidelines issued by the Reserve Bank under which if credit limit statements could not be prepared in time, the society may allow a member to avail himself of 50 per cent of cash component and 100 per cent of 'B' component sanctioned to him in the previous year pending revision of the credit limit and its approval by the central bank. Further, in the selected societies which have advanced loans of more than Rs 2 lakhs and have achieved 60 per cent collection in the last 3 years, a cash credit system could be introduced on an experimental basis. In the case of such societies, pass books are to be issued to their members giving the individual total credit requirements for *kharif* and *rabi* crops. On production of this pass book along with the drawal application, the secretary of a society could immediately disburse both cash and kind component. Such loans will be advanced by the society out of its own funds and it can claim reimbursement from the central co-operative bank thereafter.

(ii) According to the procedure recommended by the Registrar in item (i) (f) above, the time lag between the application for loan by the members and actual disbursement would no doubt get reduced but then this procedure is to be adopted on a selective basis. It is, therefore, necessary to consider measures for minimizing the time lag between the application for loan and disbursal thereof in general. While the discipline in regard to the maintenance of time lag between the repayment and issue of fresh loans might not be dispensed with, the efforts should be made to reduce it to a reasonable level. The societies may be allowed to disburse loans on the basis of credit limits already sanctioned without submitting a demand application. The societies may be sanctioned cash credit accommodation by the bank at the same rate as is allowed for agricultural loans which can be operated initially for disbursement of loans. The adjustment in the cash credit account may be made on receipt of disbursement statements. When the disbursement

statement is received, it may be subjected to a close scrutiny by the bank and the secretary of the society may be held responsible in case irregularities are noticed in the operations. A trial may be given to this arrangement on an experimental basis in a few select societies having a full-time paid secretary for the individual unit.

(iii) Since the timely preparation of NCL statement for all the members is a difficult proposition, it could be considered valid initially for 3 years and any change as may be indicated by the cultivators themselves, could be carried out later. The disbursements against such NCL, however, presuppose the availability of up-to-date land records with the society to avoid financing of ghost acreages. Not all the societies have up-to-date land record registers with them and the societies largely depend on their local knowledge about the landholdings of the members. It is necessary to maintain an up-to-date land record register by every society.

(iv) The bye-laws of the societies should be amended to provide finance to rural artisans, weavers, etc.

(v) Before financing intending borrowers, a commercial bank should invariably obtain a certificate from the society of his area to the effect that he is neither a member nor a borrower/defaulters of that society. The society should furnish such a certificate within a certain time limit, say 15 days, from the date of request by the bank. The society should also maintain a record of individuals on whose behalf such certificates have been issued so that at a later date when any of these individuals approach the society for finance, necessary caution can be exercised by referring to the register and making relevant enquiries from the commercial bank. This would help in avoiding double financing.

(vi) The suggestion at (v) above might be adopted as an interim measure till each cultivator is issued a pass book for agricultural borrowing as has been introduced in a few states like Punjab, Haryana.

(vii) In the case of LAMPS, depending on its area of operation, it may either be required to open a suitable number of branches or otherwise its size might be suitably rationalised. The branches should be located at 'hat' centres which are frequented by tribals for marketing purposes.

(viii) The LAMPS should make efforts to enrol non-defaulting members of liquidated societies in its area.

(ix) The scales of finance for short-term agricultural loans may be fixed in such a manner so as to include an entitlement for consumer goods from the fair price shop of the LAMPS.

(x) In the case of LAMPS, issue of consumption finance is limited to landless tribals and the tribals having land up to $\frac{1}{2}$ acre. It is suggested that issuing of such finance to the other category of members also at a higher rate of interest i.e., say 3 per cent above the rate charged to the former category of members could be considered.

23. Another factor which is generally affecting the coverage particularly effective coverage in respect of both PACS and LAMPS is the Differential Interest Rate Scheme introduced by the commercial banks for meeting the financial requirements of the weakest among the weaker sections of the community like small/marginal farmers/tribals. In view of the concessional rate of interest at 4 per cent charged under the scheme, the eligible beneficiaries are tempted to approach commercial banks for their credit requirements, thereby adversely affecting the coverage and loan business of co-operatives. It may be noted here that the quantum of credit provided by the commercial banks under the DIR scheme is very insignificant but it has built up an atmosphere that commercial banks' terms of finance are more beneficial to the borrowers. These banks provide finance under the DIR scheme only up to 1 per cent of their total advances to various activities in the core sectors and hence the beneficiaries under the scheme are restricted. The Study Group on Interest Rates in the Co-operative Credit

Structure appointed by the Reserve Bank under the Chairmanship of Shri K. Madhava Das, the then Executive Director had observed that it would not be possible for the co-operatives to reduce their rates of interest to as low as 4 per cent even to the weaker among the small farmers unless very large assistance for the purpose was made available by the concerned state government.

24. With a view to creating a climate that the co-operatives are also providing finance at a cheaper rate like that of the commercial banks, the state government may come forward to provide interest subsidy to the co-operatives equivalent to the difference between their normal rate of interest and the concessional rate of interest on advances. Such advances may be confined to that class of borrowers similar to those covered under the DIR scheme of the commercial banks.

Loan business

25. The outstanding loans at the PACS level aggregated Rs 162.59 lakhs at an average of Rs 2.50 lakhs per society, short-term loans for agricultural operations being Rs 1.78 lakhs per society. In the case of LAMPS, the aggregate loans outstanding are Rs 142.31 lakhs of which Rs 70.98 lakhs are for short-term agricultural purposes. The total loans outstanding and short-term agricultural loans outstanding per LAMPS work out to Rs 6.47 lakhs and Rs 3.23 lakhs respectively. The position of short-term agricultural loans and total loans outstanding between the societies is shown in Table 9 given on page 114. A majority of PACS has short-term agricultural credit business of less than Rs 2 lakhs. Forty per cent of PACS studied have not even reached total loan business of Rs 2 lakhs. In the case of LAMPS the majority of societies has short-term agricultural loan business as also total loan business less than the average of Rs 3.23 lakhs and Rs 6.47 lakhs respectively.

26. The medium-term loans outstanding form 26 per cent of the total outstandings in the case of PACS. As for LAMPS, the

TABLE 9

	Rs Lakhs					
	No. of societies with outstandings					
	below 1	1-2	2-3	3-5	5-10	above 10
	(1)	(2)	(3)	(4)	(5)	(6)
<i>PACS</i>						
Total loans	5	18	23	12	5	2
S. T. Agri. loans	16	30	14	3	2	—
<i>LAMPS</i>						
Total loans	—	2	2	6	9	3
S. T. Agri. loans	1	3	7	7	4	—

proportion of medium-term loans to total loans outstanding is still higher at 33 per cent. In 19 PACS and 2 LAMPS the proportion of medium-term loans exceeds 50 per cent of the total while in another 11 PACS and 8 LAMPS the proportion ranges between 35 and 50. In the case of PACS, the higher proportion is attributed to loans advanced for dug-wells and for allied activities like purchase of milch cattle etc., to supplement their income. In the areas of LAMPS the medium-term loans for allied activities like purchase of milch cattle and goats as also for dug-wells have been issued on a large scale in view of the availability of heavy subsidy from the Tribal Development Agencies.

27. The PACS and LAMPS are also issuing long-term loans for dug-wells under Agricultural Refinance and Development Corporation's Schemes. The Ground Water Cell of the Orissa Lift Irrigation Corporation estimated in 1976 that the available ground water potential in the state could support about 22 lakhs small

dug-wells fitted with indigenous water lifting device (tinda) or 5.50 lakhs standard dug-wells fitted with pump sets. As against the above estimates the number of dug-wells in the state stood at 2.81 lakhs only at the end of 1978-9. With a view to increasing the utilisation of potential at a rapid rate, the state government has been drawing block-wise/district-wise annual programmes and allocating targets to the various agencies for implementation. The state government has adopted a 'squad' approach for dug-well loaning to exploit the available water potential. Accordingly, credit 'melas' i.e., gatherings are arranged when loan applications for dug-wells are sanctioned and cash towards the first instalment of the loan is paid to the loanees at such gathering itself. Although the state government has laid down elaborate procedure for scrutiny of applications either in advance or at the 'mela' itself which requires the institutional as well as departmental functionaries to be present at the 'mela' with the various registers, 'no dues' certificates from other institutions, it is reported that many a time a few functionaries of the institutions are not able to attend the 'melas'. Further, the anxiety to fulfil targets to make the 'mela' successful, results in perfunctory scrutiny of loan applications and sacrificing or relaxing the norms/disciplines prescribed for such loaning. It is also reported that such credit 'melas' are held without having regard to the period when loans for dug-wells should be advanced. With a view to eliminating such possible lapses, the state government might fix the dates for holding such meetings, well in advance so as to enable the concerned financial institutions to ensure proper scrutiny of loan applications and completion of other formalities.

28. The state government's extension agencies as also the staff of the LAMPS could help the societies in building up the loan business by making the tribals as also other weaker sections in the areas of LAMPS aware of the various facilities available to them particularly the element of subsidy for various purposes which, besides reducing their loan burden would go a long way in improving their economy. The target laid down by the state government in the state's Sixth Plan for bringing at least 50 per

cent of the families of scheduled castes and scheduled tribes above the poverty line should also not be lost sight of in this connexion. The suggestions made by us for improving the coverage in paragraphs 22 and 24 would also help, on implementation, in achieving the target set by the state government as also to bring about an increase in the loan business of the societies.

Extension facilities

29. It is a general complaint that the extension staff is normally not available for providing guidance and other facilities to cultivators, particularly in interior areas. It is reported that the state government is aware of this criticism and has initiated action to improve the position appreciably in the near future.

Grain loans

30. A scheme known as 'grain gola' scheme was introduced in Orissa in the year 1958 which envisaged the organization of societies serving a group of 5 to 10 villages, the area being co-terminus with that of the grampanchayats. The share capital of the societies was held in the form of grain which was contributed by the agriculturists and the grampanchayats while the state government deposited some grain with the society. The grain was lent for consumption and seed purposes as well as for payment of wages. The loan was required to be repaid with 25 per cent interest thereon, in the form of grain at the next harvest or within a year. These societies were later reorganized as cash-cum-grain credit societies. These grain transactions have remained outside the control and supervision of central co-operative banks and a large number of borrowers of grain credit have become defaulters and consequently ineligible for any production credit.

31. The Study Team on Overdues of Co-operative Credit Institutions, 1974, had endorsed the recommendations of the Expert Group on Institutional Arrangements for Orissa appointed by the Government of India in 1972 regarding relief to the grain loan defaulters and continuance or otherwise of the scheme in some areas of the state. The grain credit was, by and large, favoured

to be continued in those pockets where the economy was not fully monetized.

32. The Government of Orissa has been pursuing the matter and envisaged repayment of overdue paddy loans with interest to grampanchayats. The borrower members were also given facility of repaying overdue loans either in the shape of grain or cash over a period of five years and were allowed fresh finance if they repaid the first instalment of 20 per cent of the overdue loans. It is noted from the statistical statement published by the Registrar of Co-operative Societies, Orissa for the year 1978-9 that there are still 99 grain-gola societies spread over 7 districts. Of these, only 11 societies in five districts are active. The details in respect of these societies are given in Table 10 on page 118.

33. The state government has noted that after introduction of crop loan system and consumption credit there is not much demand for grain loan. Now the purchases of grain out of cash collection in lieu of paddy have been stopped. The Registrar of Co-operative Societies has issued a circular in January 1980 to do away with the grain loans and advised the societies that there should be a separate account termed as 'Grain loan converted to cash' which should have a separate Demand, Collection and Balance position and should find place separately in receipt and expenditure, profit and loss and balance sheet accounts. The government has extended certain facilities in regard to collection of overdue paddy loans. Accordingly, grain loans together with interest thereon not exceeding the principal amount is to be converted into cash, at the government price for common paddy as on 30 June 1979, from the year 1980-81. The rate of interest on converted loan is fixed at 5 per cent per annum. While repayment of converted loan is allowed in instalments, a loanee will be eligible for fresh finance on repayment of the first instalment itself. The information called for relating to such transactions after issue of circular dated 22 January 1980 is not readily available. However, the district-wise data on liabilities of the grain-gola societies to grampanchayats as also their overdues against the members as on 30 June 1978 are available and are indicated in Table 11 on page 120.

TABLE 10

District	No. of societies	Membership	Share capital	Reserves	Deposits	Borrowings	Loans outstanding	Overdues	Rs Thousands			
									Profit		Loss	
									No.	Amt.	No.	Amt.
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
<i>Active Societies</i>												
1. Cuttack	6	2290	24	23	88	—	230	230	1	6	2	5
2. Dhenkanal	1	554	19	—	6	166	144	23	—	—	1	2
3. Ganjam	1	96	5	8	—	33	1	—	1	2	—	—
4. Mayurbhanj	1	128	3	8	2	—	59	59	1	8	—	—
5. Puri	2	783	51	5	4	70	206	180	2	7	—	—
<i>Dormant Societies</i>												
1. Balasore	1	1441	21	22	7	—	157	112	—	—	—	—

2. Cuttack	56	3983	26	188	231	2	471	471	—	—	—	—
3. Dhenkanal	1	37	—£	—	—	—	—	—	—	—	—	—
4. Ganjam	5	1793	32	12	8	53	98	98	—	—	—	—
5. Keonjhar	1	54	4	3	—	—	2	2	—	—	—	—
6. Mayurbhanj	2	132	1	2	—	—	9	9	—	—	—	—
7. Puri	22	3147	104	8	78	560	681	681	—	—	—	—
Total	99	14438	290	279	424	884	2058	1865	5	23	3	7

£ Less than Rs 500

GRAIN LOANS

TABLE 11

Quantity in '000 Quintals
Value in '000 Rupees

District	No. of of gram- panchayats	No. of of societies	Liabilities of societies to grampanchayats				Liabilities of societies against members				
			Principal		Interest		No. of mem- bers	Principal		Interest	
			Quantity	Value	Quantity	Value		Quantity	Value	Quantity	Value
1. Balasore	70	104	9	686	4	276	NA	12	989	12	989
2. Balangir	109	NA	34	2471	22	1567	49853	68	4978	61	4433
3. Cuttack	NA	74	1	50	1	44	7344	13	932	11	780
4. Dhenkanal	156	72	15	1114	6	362	42799	96	7367	49	3738
5. Ganjam	NA	NA	5	374	6	458	13396	19	1500	6	518
6. Kalahandi	91	NA	22	1567	1	50	17854	59	4770	43	2955
7. Keonjhar	97	102	1	85	5	362	46440	42	3362	42	3362
8. Koraput	42	NA	7	473	4	261	12830	30	2438	15	990
9. Mayurbhanj	153	169	22	1658	6	414	NA	64	5156	37	2994
10. Phulbani	NA	NA	3	220	3	211	5841	19	1512	19	1512
11. Puri	NA	22	2	143	—	—	4076	14	1064	14	956
12. Sambalpur	87	110	16	1112	6	299	20778	35	2833	24	1911
13. Sundargarh	75	84	11	796	9	634	20091	26	2109	26	2109
Total	880	737	148	10749	73	4938	241302	497	39010	359	27247

During the course of on-the-spot studies, it was reported that the societies' managements in some areas are finding it difficult to trace some of the old loanees as also to convince them of the benefit of converting their grain loan account into cash.

34. We recommend that the process of conversion of grain loans into cash as proposed by the Registrar of Co-operative Societies may be expedited by all concerned so that with the repayment of first instalment of the converted loan, the concerned borrower will be able to take a fresh loan. This position, in turn, will help increasing the business of societies.

Conversion facilities

35. The villages in the areas of a few PACS and LAMPS have been affected by natural calamities during the years 1974-5, 1976-7 and 1977-8. Relevant data in regard to the conversions effected are given in Table 12 on page 122. It will thus be observed that out of 845 villages covered by the PACS and 1552 villages covered by the LAMPS, only 8, 15 and 9 per cent of the villages were affected during the 3 years. Of these, 31 villages in Dhenkanal district and 6 in Kalahandi district were affected successively in 1976-7 and 1977-8. The *kharif* crops had been affected by the natural calamity in all these years and conversion operations were completed before March. The conversion operations were generally completed within 2 months and fresh finance issued to most of the cultivators, who availed of conversion facilities, for raising crops during the succeeding crop season.

Overdues

36. The overdues of PACS aggregated Rs 71.02 lakhs of which Rs 60.61 lakhs or 85 per cent represented overdues under short-term loans. Overdues over 3 years at Rs 22.34 lakhs form 31 per cent of the total overdues. In the case of LAMPS also the overdues under short-term agricultural loans at Rs 28.35 lakhs form 75 per cent of the total overdues at Rs 38.31 lakhs. Overdues over 3 years form 18 per cent of the total. It may be noted here

TABLE 12

Rs Thousands

122

PRIMARY CREDIT INSTITUTIONS

District	No. of societies involved	No. of villages		Loans eligible for conversion		Conversions sanctioned by the CCB		Conversions effected by the societies	
		Total	Affected	No. of members	Amount	No. of members	Amount	No. of members	Amount
(1)	(2)	(3a)	(3b)	(4a)	(4b)	(5a)	(5b)	(6a)	(6b)
PACS									
				1974-5					
1. Balangir	1	7	5	27	13	27	13	27	13
2. Dhenkanal	2	28	28	127	65	127	65	127	65
3. Ganjam	1	13	13	17	14	17	14	17	14
4. Kalahandi	2	46	46	345	223	345	223	345	223
5. Keonjhar	1	9	9	116	37	116	37	116	37
6. Phulbani	1	32	32	81	28	81	28	81	28
7. Puri	4	37	32	420	232	420	232	420	232
8. Sambalpur	1	16	16	95	42	95	23	95	23
Total	13	188	181	1228	654	1228	635	1228	635

PACS**1976-7**

1. Balangir	1	7	5	26	8	26	8	26	8
2. Cuttack	5	77	49	260	98	260	98	260	98
3. Dhenkanal	5	60	60	360	148	360	148	356	146
4. Ganjam	2	25	25	213	212	213	212	213	212
5. Kalahandi	1	32	15	32	14	32	14	31	13
6. Keonjhar	1	9	9	130	43	130	43	130	43
7. Phulbani	1	32	32	321	101	321	101	321	101
8. Puri	11	97	83	1326	658	1326	658	1326	650
9. Sambalpur	1	16	15	12	6	12	5	12	5
Total	28	355	293	2680	1288	2680	1287	2675	1276

LAMPS

1. Keonjhar	1	45	36	NA	93	NA	26	NA	26
2. Mayurbhanj	4	347	76	345	123	345	123	345	123
3. Phulbani	1	107	107	462	84	462	84	462	84
Total	6	499	219		300		233		233

CONVERSION FACILITIES

(1)	(2)	(3a)	(3b)	(4a)	(4b)	(5a)	(5b)	(6a)	(6b)	124
PACS			1977-8							
1. Dhenkanal	3	37	37	268	88	208	66	136	49	
2. Kalahandi	2	46	13	69	39	69	39	69	39	
Total	5	83	50	337	127	277	105	205	88	PRIMARY CREDIT INSTITUTIONS

that the LAMPS have commenced business only from 1975-6/1976-7. The percentage of overdues to demand ranges between 7 and 91 in the case of PACS whereas in the case of LAMPS it ranges between 17 and 78. The position in this regard is given in Table 13.

TABLE 13

Percentage of overdues to demand	No. of societies	
	PACS	LAMPS
Below 20	14	1
20 to 30	9	6
30 to 40	15	4
40 to 60	14	6
60 to 75	2	2
Above 75	3	1
	57	20

Note : Particulars relating to percentage of overdues to demand are not available in respect of 8 PACS and 2 LAMPS.

37. The members' defaults are generally wilful. In a few cases, embezzlement of funds or fraudulent loaning by the managements/secretaries of PACS has also led to overdues. The rivalries among the factions are also responsible for overdues inasmuch as the faction in opposition to the management encourages defaults to discredit the management. The condition relating to minimum recovery percentage by the society for being eligible for fresh finance has added to the overdues as a few borrowers do not repay and keep waiting to see whether the society would be eligible for fresh finance before making repayment, not realising that their own failure to repay promptly itself may make the society ineligible for fresh finance.

38. In the case of tribals, the single crop generally raised by them is utilised for consumption purposes. It is, therefore, necessary to raise their level of economy by providing them subsidiary occupations to supplement their agricultural income. The arrangements for procurement of minor forest produce as well as agricultural produce need to be streamlined. It is observed in the case of LAMPS undertaking this activity that the recoveries have been effected by them out of the purchase price paid to the members for the minor forest produce and agricultural produce delivered by them.

39. On the basis of size of land holdings, the relationship of borrowing/indebted membership and of defaulting membership to indebted membership can be seen at a glance in Table 14 given on page 127. Before commenting on the data above, it may be mentioned that the data in respect of size of land holdings are not wholly reliable particularly in the case of LAMPS. The LAMPS do not have up-to-date record of members' land holdings. The members do not generally declare their land holdings until they approach the society for loan and even then they confine their declarations to the extent they want to borrow. In some cases only *purchas* (a paper containing indication of land holding) are available with the members which do not contain any details about the location or size of land holding. In such cases, the loaning is done on the basis of local knowledge on the part of the societies' managements. Loaning is also sometimes done on the basis of the number of bullocks/he-buffaloes available with the cultivator on the presumption that a cultivator with a pair of bullocks will have 4 acres of land, which a pair of bullocks can plough.

40. It is observed that the percentage of borrowers as also of indebted members is more amongst the bigger land holders. The percentage of defaulters, however, is more or less the same amongst all groups of cultivators and it is more or less the same for PACS and LAMPS. This position is indicative of the fact that as far as defaults are concerned, all classes of cultivators behave in the same

TABLE 14

		Size of holding				Total
		Up to 3 acres and tenants	3 to 5 acres	5 to 10 acres	Above 10 acres	
1. Percentage of borrowing members to total members	PACS	32	46	49	53	38
	LAMPS	44	33	26	67	39
2. Percentage of indebted members to total members	PACS	53	60	60	64	56
	LAMPS	53	67	60	95	62
3. Percentage of defaulting members to indebted members	PACS	55	53	63	58	56
	LAMPS	60	59	61	61	60
4. Percentage of defaulted amount to outstandings	PACS	33	37	46	39	43
	LAMPS	30	27	39	37	32

manner in so far as repayments are concerned. The only difference is that the bigger cultivators form a small percentage of total defaulters but account for higher percentage of defaulted amount.

Integrated Tribal Development

Project Agencies

41. In view of the inadequacy of the tribal development blocks for achieving the integrated development of the tribal area, a sub-plan approach was introduced with the basic idea of the area development with a focus on development of individual tribal. Accordingly, the unit for area development was made larger com-

prising 3 to 4 blocks or a revenue sub-division. This basic unit has been named as Integrated Tribal Development Project (ITDP). The ITDP is expected to prepare a plan depicting the totality of development efforts, financing out of funds flowing from state plan, central plan and institutional agencies. Thus, these agencies are expected to look into allround development of the tribal people in the area under their jurisdiction. At present, however, the agencies' help to the LAMPS is mostly in the form of releasing subsidies as provided under the tribal sub-plan, as and when their claims are received duly certified by the concerned Block Development Officer.

42. The subsidies are available for various purposes such as purchase of milch cattle, goat rearing, sheep breeding, dug-wells, inputs etc. The LAMPS complain that the ITDP authorities at times do not sanction their claims for subsidy as the funds are not available for the purpose. Besides, the insistence on identification of small/marginal farmers by the Block Development Officer is also causing delay in obtaining the subsidies resulting in the beneficiary being required to pay interest on the loan amount equivalent to the subsidy. The LAMPS, therefore, want the subsidy to be placed with the central banks to avoid such a situation. On the other hand, the ITDP authorities explained that the identification of the beneficiary by the Block Development Officer is necessary as the LAMPS do not have up-to-date records of landholdings of their members. It is also pointed out that if a small or a marginal farmer is also having off-farm income exceeding Rs 2400, he is not considered as a small farmer. A scrutiny, therefore, is necessary by the ITDP at its end to ensure that the benefits are derived only by eligible borrowers. Thus, if the subsidy is placed with the central banks, the ITDP may not be in a position to find out the adjustments which would be made by central banks and the LAMPS on behalf of the beneficiaries. As regards the denial of subsidy for certain approved purposes, it is pointed out that this has been due to the non-availability of funds for the purpose with the ITDP and such claims are considered at a subsequent date when fresh funds are available.

43. While the identification of the beneficiaries by the Block Development Officer may not be objected to, there should be a built-in mechanism to ensure that there is no delay in the release of subsidy to the eligible beneficiaries. This might necessitate the identification of the beneficiaries and a clearance from the ITDP regarding the availability of the subsidy for the purpose before the loans are advanced.

44. During the Sixth Five-Year Plan period the objective of the Tribal Sub-Plan is to ensure that at least 50 per cent of the tribal families be taken above the poverty line by the end of the Plan period i.e., 1984-5. From this view-point the beneficiaries under the various types of programmes in respect of various income generating schemes in different sectors are to be identified. The state government proposes to adopt the following strategy for development of tribal areas in the state in connexion with agriculture and allied activities :

- (a) Perspective plans will be prepared for core sector schemes like sericulture, horticulture, minor irrigation including dug-wells and water harnessing structures, animal husbandry and bee-keeping, etc;
- (b) Efforts will be made to make effective arrangements for procurement and marketing of minor forest produce and surplus agricultural produce of the tribals with a view to ensuring fair price to the tribal population;
- (c) Processing units will be set up to utilise the raw materials available in the tribal areas;
- (d) It is well-known that shifting cultivation is widespread in the state. About 15 lakh hectares of land are under *podu* cultivation (i.e., shifting cultivation) out of which 9 lakh hectares are suitable for horticultural plantation along hill slopes. Steps will be taken to cover as many *podu*-ravaged areas as possible with the resources available under horticultural plantations;
- (e) Emphasis will be given on development of sericulture in tribal areas. Extensive plantation of Arjun and Assan

trees will be taken up for the development of sericulture. Mulberry plantation and Eri plantation will also be taken up in tribal areas wherever climatic condition is found to be suitable for such plantation;

- (f) Under animal husbandry sector, emphasis will be given for multiplication of small animals under up-gradation programme. Artificial insemination will be undertaken in a big way. Arrangements for supply of small animals to tribals will be streamlined;
- (g) Agricultural operation in the lands available with the residential schools of Harijan and Tribal Welfare Department will be geared up to ensure that the inmates of the residential schools get vegetables free of cost throughout the year. These institutions will serve as demonstration-cum-training units in the tribal areas. Besides, to the extent possible, poultry units will also be set up in some of these institutions.

The emphasis in regard to institutional finance and assistance is more on the animal husbandry schemes in particular and effective arrangements for procuring and marketing of minor forest produce and surplus agricultural produce. We have already suggested streamlining of the marketing arrangements. The assistance by way of loans is yet to be quantified by the concerned Department of the State Government and there should be no difficulty for the societies to meet these requirements. In the case of scheduled caste population similar emphasis is being given in the Sixth Five-Year Plan of the State Government.

Action for recovery

45. Overdues over 1 year are high at 55 per cent of the total overdues in respect of both the PACS and LAMPS. The managements of a few PACS are taking steps to recover the dues by persuasive methods. The PACS and LAMPS have initiated action in a large number of cases for recovery of such overdues by filing arbitration cases. There are, however, delays in obtaining awards as well as in execution thereof. The delays are primarily on account

of paucity of staff in the Co-operation Department. In the case of execution of petitions, there is a general reluctance on the part of concerned staff to proceed in the matter for fear of facing untoward situation on the spot which also dissuades the societies from filing a large number of cases for coercive action. The number of suit cases filed during the year, suits pending, awards pending execution at the end of 1978-9 are given in Table 15.

TABLE 15

Rs Lakhs

		Suit cases filed during 1978-9	Suit cases pending award as on		Awards pending execution as on	
			30-6-78	30-6-79	30-6-78	30-6-79
PACS	No.	2288	1382	855	1109	1068
	Amount	23.43	11.84	6.06	9.09	11.73
LAMPS	No.	1517	875	1129	962	973
	Amount	10.65	4.11	4.29	8.65	7.42

The managements of LAMPS also favour persuasive methods for recovery but the main problem is establishment of contacts with the borrowers in the absence of poor communication facilities and wide area of operation. The recovery position of some of the LAMPS having their own transport like jeep is satisfactory.

46. The following measures may help to have better recovery performance :

(i) While continuing to use persuasive methods for recovery of overdues, managements of societies should not hesitate to resort to coercive methods to realise dues in respect of recalcitrant defaulters and ensure follow-up thereof to create a climate that recoveries would be made unhesitatingly even by coercive methods.

(ii) The state government should strengthen its machinery dealing with coercive action to expedite disposal of suit filed cases as well as execution petitions. The state government may consider delegating powers of sale officers to the supervisors of central co-operative banks in order to expedite execution of petitions. The necessary police protection at the time of execution should also be made available.

(iii) The small farmers should be encouraged to have some subsidiary occupation to supplement their agricultural income and increase their repaying capacity.

Non-credit business

47. The non-credit business of societies is generally confined to distribution of fertilizers and supply of consumer goods. The PACS are normally dealing in controlled cloth, miscellaneous consumer articles like soap, stationery etc. and a few societies also supply foodgrains. The LAMPS, in addition to above items, supply kerosene oil and other consumer necessities required by the tribals. The relevant data in respect of PACS and LAMPS in the state are furnished in Table 16.

TABLE 16

	PACS	LAMPS
1. No. of societies	2566	222
2. <i>Of (1) undertaking distribution of farm requisites</i>		
(i) No. of societies	1613	219
(ii) Value (Rs lakhs)	688	256
(iii) Average per society (Rs '000)	27	115
3. <i>Of (1) undertaking supply of consumer goods</i>		
(i) No. of societies	1434	221
(ii) Value (Rs lakhs)	476	641
(iii) Average per society (Rs '000)	18	288

About 63 per cent of the PACS have undertaken distribution of agricultural inputs whereas supply of consumer goods is undertaken by 56 per cent of the societies. The average value of non-credit business transacted per PACS is Rs 45 thousand. In the case of LAMPS only 3 societies have not distributed farm requisites and one society has not undertaken supply of consumer goods. The average volume of non-credit business per LAMPS is Rs 4.03 lakhs.

48. As regards the societies studied, the total non-credit business handled by 62 PACS, for which data are available, aggregated Rs 82.53 lakhs at an average of Rs 1.33 lakhs per society; of the total business, two PACS alone handled business of Rs 35.96 lakhs. As many as 35 PACS transacted business of less than Rs 50 thousand during 1978-9. The business of other PACS ranges between a meagre Rs 6 thousand and Rs 4.45 lakhs. The total non-credit business of LAMPS aggregated Rs 28.02 lakhs during 1978-9 at an average of Rs 1.23 lakhs per LAMPS. The volume of business of LAMPS ranges between Rs 0.54 lakh and Rs 5.79 lakhs. The distribution of societies according to the volume of non-credit business handled during 1978-9 can be seen from Table 17.

TABLE 17

Rs Lakhs

	Volume of business handled					
	Less than 0.50	0.50 to 1	1 to 2	2 to 3	3 to 5	Above 5
PACS	35	15	6	1	3	2
LAMPS	—	7	6	7	1	1

Normally the profit earned by a society on its non-credit business is less than Rs 1000. In some cases it is around Rs 5000. The maximum profit earned on this business is Rs 32000. Not all the societies, however, earned profit on non-credit business. There are a few societies which incurred losses.

49. A society dealing in fertilizers gets a margin of Re 1 to Rs 2 per quintal depending on the type of fertilizer. Till recently, fertilizers were given on consignment basis and they were being reportedly dumped with the societies without taking note of their demand. The sealed fertilizer bags are not weighed at the time of delivery to the societies and the societies, in turn, insist on cultivators lifting the bags without weighment. Weighment cannot, however, be altogether avoided and when retail sales are effected shortages in weighment come to notice. The sealed bags in stock when weighed also have shown shortages of even up to 5 kgs per bag. Inadequate and sub-standard godown facilities also result in considerable damage to the accumulated stocks in the godown. Fertilizers like ammonium-sulphate turn watery [with storage causing shortage as also damaging other stocks. The margin available to societies is inadequate to cover these shortages.

50. As per the practice followed by the societies, the salesman is liable for the shortages which are shown as recoverable from him in the books of account. In practice the societies avoid recoveries and carry forward the entries from year to year. If these recoverables are to be borne by the societies, they will incur losses particularly in fertilizer business. The fertilizers are now supplied on cash and carry basis and societies are provided with the cash credit accommodation by the central co-operative banks for purchase of fertilizer stocks. The sale price of fertilizers is fixed and the margin available to societies is meagre to take care of interest charges payable on cash credit accommodation and shortages. Further, in the areas of LAMPS, some villages are not easily accessible or are even totally cut off from other areas during the rainy season necessitating stocking of fertilizers for a longer time increasing the interest burden on LAMPS on its cash credit accommodation.

51. Thus the fertilizer business continues to be a losing proposition for the societies even under the new arrangement. Further, though the societies are free to indent for fertilizers as per their choice and requirements, in practice pressure is brought on them by the Regional Co-operative Marketing Societies and Agriculture/Co-operation Departments to lift larger stocks and of types as are available with the Marketing Societies.

52. If the societies are to earn reasonable profits on fertilizer business, the societies should be allowed to lift stocks according to their own estimates of requirements. Further, if the fertilizers are to be sold at a predetermined price, the margin should be suitably enhanced to enable the societies to defray expenses such as interest on borrowings, rent for the godown, salary of a salesman, etc., on this business and also allow margin for reasonable shortages depending on the variety of the fertilizer. In the areas of LAMPS and for that matter even in the case of PACS where due to inaccessibility of their areas in rainy season, stocking of fertilizers is to be done much in advance, a note thereof may have to be taken to allow a little higher margin than at present to cover the charges towards interest, shortages, etc. Further, the state government should take a decision about fertilizer liabilities recoverable from the secretaries/salesmen of the societies as there is no point in showing the amount as an asset in the balance sheet of the societies from year to year. We suggest in this behalf that the government may decide on the reasonable shortages that could be allowed and write off the equivalent amount and initiate action to recover the balance in suitable instalments.

53. In respect of cloth, the margin on controlled cloth is around 7 per cent while in non-controlled cloth it is 10 per cent. However the volume of business has not been very large.

54. The other non-credit business i.e., foodgrains and other consumer articles except in the case of a few societies had been negligible till June 1979. The societies are now required to undertake distribution of foodgrains, kerosene oil and sugar. These

commodities are not to be purchased in the open market. The Civil Supplies Department supplies these stocks, particularly those which are controlled, through their approved stockists which include private traders also. In these activities societies are inconvenienced to a great extent in obtaining stocks and distribution thereof. Besides, the societies are also required to obtain various types of licences and deal with different authorities for the purpose. Not all the society personnel are aware of these requirements. Further, the margins are inadequate to defray expenses on this account and no shortages are being allowed which are inevitable in retail sales to a large number of customers. The problem is more acute in the case of LAMPS which are, by and large, situated in the areas with relatively limited communication facilities covering a large area of operation.

55. The LAMPS are expected to cater to all the requirements of the tribals and supply of essential consumer articles is one of their functions. Before setting up of the LAMPS in the tribal areas, the Tribal Development Co-operative Corporation of Orissa (TDCC) had set up fair price shops dealing, among others, in various consumer goods such as controlled cloth, rice, sugar, kerosene oil etc., to meet the requirements of tribals. The LAMPS have now taken over this business. In some areas, the shops run by the TDCC have either been closed down or handed over to the LAMPS. As stated in the earlier paragraph the societies are required to obtain licences, follow certain procedures while dealing in consumer etc., business. The LAMPS are, by and large, unaware of various formalities and face difficulties on these accounts. While procurement of consumer articles from the wholesale co-operative stores or similar such organizations pose no difficulties, procurement of controlled commodities like rice, sugar, kerosene oil etc., presented many difficulties. The necessary quota of these items has to be obtained from the civil supplies authority. The procedure for procurement of commodities is also cumbersome. The societies have first to obtain release order from the civil supplies authority at the block level and after depositing the cost of stock in the government treasuries or the approved bankers, they have to approach the

stockists' godowns for lifting the stocks. If at the time of their visit the stocks are not available in the godowns, they have to come again till the stocks are obtained. Godown staff is normally reluctant to arrange for weighment before lifting of stocks. As the head office, particularly of LAMPS is situated far away from the storage godowns, the societies have to incur heavy expenses in visiting the godown repeatedly. Further, the stocks are to be procured periodically subject to availability undergoing the difficulties every time. The staff of societies are generally paid only a fixed travelling allowance which does not cover the actual expenses incurred. In view of the difficulties explained above, the policy of payment of fixed travelling allowance needs to be reconsidered.

56. Another difficulty faced by the societies is transport of stocks to their godowns. Owing to uncertainties of obtaining stocks, the societies cannot make prior arrangement for transport. Further, in the case of LAMPS the stocks are required to be taken to branches and sale centres, wherever they are established. It may be noted here that the LAMPS are required to open sale centres for distribution of controlled commodities to the tribals within their easy reach if the branches of LAMPS are away from the villages. The transport charges admissible from the government range between Re 0.50 and Re 1 per km. per quintal load. Actual expenditure incurred is far more than this rate particularly in the area of LAMPS. In the case of one LAMPS an exercise has been made to find out the transport charges incurred over those admissible as per rules of the state government and it is noted that such excess expenditure was of the order of Rs 2000 in 1979-80. The government also does not allow any loading/unloading charges which are to be borne by the societies themselves. The state government should examine this aspect and allow reasonable transport charges including an element of loading/unloading charges.

57. The margin on controlled commodities is meagre. A margin of Rs 2 per quintal of bag is allowed on rice/wheat while in the case of sugar it is Rs 3 per quintal. A commission of Rs 24 is available on 200 litres of kerosene oil. The cost of barrels, which

ranges between Rs 150 and Rs 180 depending on the quality, is to be borne by the society. The barrel is serviceable for not more than 6 months. Thus, on the sales turnover, the margin available is hardly 3 per cent. No allowance is admissible for any shortages/spillages, which is stated to be about 1 kg. to 2 kgs in the case of foodgrains and 1 to 2 litres in the case of kerosene oil. The margin available after meeting the interest burden on cash credit accommodation is wiped out by the shortages, unless the shortage is recovered from the salesman. Since shortages are recoverable from the salesman, some of them resort to unfair practices such as under-weighment, collection of extra money under some pretext to cover their losses. The state government should review the arrangement and allow a reasonable amount of shortages and higher margins. The income to the societies from the business should be adequate to leave the societies some surplus after defraying the expenses involved, including reasonable shortages.

Marketing of produce

58. None of the PACS is undertaking marketing of members' produce. The Regional Co-operative Marketing Societies (RCMS) in the state which are the base level marketing societies make outright purchases of agricultural produce in the open market. These marketing societies have no arrangements with the primary credit societies for marketing their members' produce. Even where primaries procure agricultural produce on their behalf e.g., in the case of paddy they do so on an outright purchase basis. In the case of LAMPS, besides agricultural produce they are procuring minor forest produce (mfp) also. The LAMPS preferred to procure agricultural produce such as paddy and niger seeds on behalf of RCMSs. Otherwise they have to arrange for its sale on tender basis with the approval of Deputy Registrar of Co-operative Societies to parties other than co-operatives. The volume of business handled by the societies differed according to the area of operation. The value of agricultural produce handled by LAMPS is around Rs 0.50 lakh in some LAMPS while it is nil or negligible in the case of other LAMPS. In regard to minor forest produce it is around Rs 0.25 lakh. In exceptional cases it touched a level of Rs 10 lakhs.

59. Although, the procurement of minor forest produce is an important activity, not all the LAMPS are undertaking procurement thereof either on account of its non-availability or availability in a negligible quantity. The LAMPS which are organized by conversion of forest produce co-operative marketing societies used to obtain lease of forest for procurement of forest produce in their own names and arranged for the sale thereof on their own account. The other LAMPS acted as agents of the government/co-operative agencies which obtained the lease of forest. The state government, however, has decided that the Tribal Development Co-operative Corporation of Orissa will be the main lessee and the LAMPS will act only as its agents within their respective area of operation. This arrangement is, however, not working satisfactorily. The TDCC besides appointing the LAMPS as its agents continues to make purchases through its own branches in the areas of its agents, i.e., LAMPS. At times, the LAMPS are not allowed to enter into this business or their procurement is restricted to only certain selective items of minor forest produce. The TDCC is operating in the areas of LAMPS on the plea that the LAMPS are inexperienced in the business and may not be able to procure adequate quantity to fulfil their commitment.

60. Besides this half-hearted policy, the LAMPS reported that the prices fixed by TDCC for procurement are also not realistic and the LAMPS have to obtain clearance from the TDCC for variation in the prices. The prices of minor forest produce are subject to market fluctuations, as a result of which LAMPS are finding it difficult to compete with the local traders procuring the produce. Though there are restrictions on private agencies dealing in this business, they manage somehow to circumvent the prohibitory orders. The branches of TDCC are also not prompt in providing funds to LAMPS. As agents of the TDCC, the LAMPS are entitled to a commission of 3 per cent on *ad valorem* basis, loading/unloading charges at Re 0.40 per quintal, weighment and packing in gunny bags at Re 0.50 per quintal and stitching charges of Re 0.10 per bag. The commission and charges paid are not adequate to defray the expenses. The TDCC bears the actual

procurement price paid to the tribals, forest royalty and the purchase tax, if any.

61. The TDCC should not resort to such half-hearted policy in procurement of minor forest and instead encourage LAMPS to undertake the business. Another factor affecting such business of LAMPS in the areas near the border of Andhra Pradesh is disposal of the produce by the tribals in that state where they are able to get better prices and have to pay lower taxes. The jute grown in the areas bordering Andhra Pradesh is sold by the members of LAMPS in that state as the LAMPS are not able to procure it in the absence of instructions from the TDCC. During 1977-8, jute worth Rs 0.45 lakh was sold through the societies in Andhra Pradesh. However, the societies in Andhra Pradesh buy goods from their own members only and tribals in Orissa therefore sell their produce to members of societies in Andhra Pradesh obviously at a lower price.

Working of TDCC

62. In the context of procurement and marketing of minor forest produce by the LAMPS, it is necessary to refer briefly to the working of the Tribal Development Co-operative Corporation of Orissa set up by the state government with the specific objective of undertaking (i) disbursement of production-cum-consumption loan to the tribals, (ii) procurement of tribal produce, (iii) supply of basic consumer goods and other necessities to the tribals and (iv) to arrange for marketing of produce to primary societies. It may be recalled in this connexion that in the year 1964 the Government of Orissa started a departmental purchase-cum-sale scheme and fair price shops with a view to preventing exploitation of tribals by money-lenders and traders. Subsequently, in the year 1968-9, the government set up an apex organization known as the Orissa State Tribal Development Society and in 1972, the name of the society was changed to the Tribal Development Co-operative Corporation of Orissa Ltd. The change in the nomenclature has not made any substantive change in the objectives spelt out above. The basic objective of the organization is

to supply essential consumer articles at reasonable prices through a chain of fair price shops and ensuring fair price to tribals for their minor forest produce and agricultural produce. It is also intended to give a fillip to the forest marketing co-operative societies or any other field level organizations which might be working at grass-root level so that the tribals are freed from the clutches of money-lenders and traders over a period of time in a phased manner. The object of transformation of departmental scheme into a corporate organization is also to enable the organization to avail of institutional sources of funds which would help the organization to enlarge its scope of activities as well as to ensure flexibility in its working which is considered necessary in a commercial-cum-service organization.

63. The TDCC is now expected to act as the apex organization for handling the minor forest produce and as regards collection of minor forest produce, the lease will be obtained in the name of the TDCC and the LAMPS. It is also the intention of the state government to entrust the collection of agricultural produce to TDCC. As already explained earlier the experience of the LAMPS in handling the minor forest produce procurement business as agents of TDCC has not been satisfactory. The TDCC, besides having paucity of experienced personnel to handle the business on commercial lines, has not been able to build up its field level organizations. Further, instead of entrusting the procurement of mfp only to the LAMPS, the TDCC in its anxiety to maintain its branches and the staff employed by it, is adopting an unhealthy policy of allowing its own branches also to undertake the procurement in the name of fulfilling its commitments to the parties for supplying requisite quantity of minor forest produce. It is, therefore, necessary that the TDCC should strengthen its own organization both at the head office and at the field level and establish the necessary infrastructure to enable the LAMPS to act as its fullfledged agents every year for all types of produce available in their areas. The problem relating to the surplus staff resulting from the closure of certain centres could be sorted out in consultation with the Co-operation Department so as to find ways to absorb them in the

LAMPS itself. But it is necessary that a solution to this is not deferred indefinitely which is detrimental to the interests of both the institutions.

64. The TDCC is also expected to take up marketing of agricultural produce in the areas of LAMPS. We should like to suggest in this behalf that before considering to enter into such an arrangement with the LAMPS, a decision should be taken about the role of the Regional Co-operative Marketing Societies (RCMSs) operating in these areas which are presently affiliated to the Orissa State Co-operative Marketing Federation. We would prefer a tie-up arrangement between the LAMPS and RCMSs as far as agricultural produce is concerned, instead of introducing a third agency like TDCC in the business.

Financial position

65. The average owned funds of PACS and LAMPS per society are Rs 0.75 lakh and Rs 2.08 lakhs respectively. The government contribution to the share capital has been received by all the societies. While the average contribution is Rs 31 thousand per society in the case of PACS, it is Rs 71 thousand for LAMPS. The number of societies according to the size of government share capital contribution is given in Table 18.

TABLE 18

Rs Thousands

	Size of government share capital contribution				
	Less than 15	15 to 25	25 to 50	50 to 100	Above 100
PACS	28	24	11	2	—
LAMPS	1	—	5	12	4

The share capital contribution is initially kept in the savings bank deposit with the concerned central co-operative bank and released as per orders of the Co-operation Department. This practice, it is stated, is being followed to ensure proper utilization of the amount by the societies. The share capital contribution from the government is for strengthening the owned funds position of the societies to enable them to earn better returns. In case, the owned funds are used in the business, they help to bring down their borrowings on which the societies have to pay interest at rates much higher than those allowed on savings deposits. Further, though the practice complies technically with the condition laid down by the Reserve Bank for loans to state governments out of its LTO Fund that the share capital contribution should be disbursed within a period of 3 months, the purpose behind making such a contribution is not fully served in the practice followed.

Deposits

66. The deposits mobilised by the societies are meagre at an average of Rs 14 thousand per PACS and Rs 34 thousand per LAMPS. Of the 65 PACS and 22 LAMPS studied, 16 PACS and 3 LAMPS have not mobilised any deposits whereas one society of each type collected deposits exceeding Rs 3 lakhs. The deposits range between a meagre Rs 1 thousand and Rs 1.40 lakhs (PACS) and Rs 1.18 lakhs (LAMPS). The distribution of these societies according to the size of deposits is shown in Table 19.

TABLE 19

	Rs Thousands					
	Size of deposits					
	Nil	Less than 25	25 to 50	50 to 100	100 to 200	Above 200
PACS	16	43	1	3	1	1
LAMPS	3	11	3	1	3	1

The average deposit per member works out to Rs 16 in the case of PACS and Rs 14 in the case of LAMPS. The societies could build up deposits if a scheme of thrift deposit is introduced. When the societies take up the marketing activity on behalf of their members, it would be possible for them to build up deposits by insisting on compulsory deductions of a fixed amount from out of the sale proceeds payable to their members. Further, apart from raising deposits by compulsory deduction as suggested above, the societies should go all out to canvass deposits from members. In this connexion, we would like to refer to the experiment made by the Berhampore Central Co-operative Bank to encourage tapping of deposits by the societies. The bank has termed about a dozen societies, where the deposit potential is considered adequate, as 'mini banks' which are given a commission of 2 per cent by way of incentive if deposits are attracted by them and placed with the central co-operative bank. The building up of deposits will result in two distinct advantages, namely, reducing the reliance on outside borrowings, particularly from the Reserve Bank of India, in meeting the credit requirements for agriculture in the state and also incidentally on the recovery of dues. Both the above points are further explained in the paragraphs that follow.

67. In the year 1974-5, when the outstandings of the primary agricultural credit societies under short-term loans as on 30 June 1975 were Rs 27 crores, the outstanding borrowings from the Reserve Bank of India for seasonal agricultural operations were Rs 2.04 crores constituting 8 per cent of the outstanding loans. In the year 1979-80, the outstandings of the primary agricultural credit societies were Rs 53 crores for short-term purposes as on 30 June 1980 as against the outstanding borrowings of Rs 19 crores from the Reserve Bank of India constituting 36 per cent of the outstanding loans. This position is contrary to the all-India trend where the reliance on the Reserve Bank borrowings has come down from 62 per cent in 1971-2 to 45 per cent in 1979-80. Although the percentage of reliance on the borrowings from the Reserve Bank of India is less in Orissa State in comparison to the all-India

position, yet it has to be noted that contrary to the all-India position, the reliance on the Reserve Bank borrowings in Orissa is showing a rising trend. If the societies build up their deposits, it will enable them to involve their own funds to a greater extent thus reducing their dependence on funds from the Reserve Bank of India.

68. The building up of deposits will involve the members more actively in the working of the concerned society as they will have the sense of belonging to the society. In order to ensure a certain degree of safety to their deposits with the society, the depositor-members will exercise a healthy influence on the loanees for repayment of their dues.

Working results

69. Most of the societies visited were working at profit and the amount of profit generally ranged between Rs 2000 and Rs 10000. A distribution of the societies according to the size of profit/loss is given in Table 20.

TABLE 20

Rs Thousands

	No. of societies working at						
	Profit				Loss		No profit
	Less than 2	2 to 5	5 to 10	10 and above	Less than 5	5 and above	
PACS	8	15	15	11	3	1	12
LAMPS	1	3	3	12	—	2	1

Two PACS and 2 LAMPS had earned profit exceeding Rs 50000 and Rs 75000 respectively. However, none of the societies except 1 PACS in Puri district has declared dividend during 1978-9. In addition to the above PACS, 1 LAMPS had declared dividend during 1977-8 whereas one PACS each in Balangir, Cuttack and Puri districts had declared dividend during 1976-7.

70. For the state as a whole, the data relating to working results of PACS and LAMPS are presented in Table 21.

TABLE 21

	PACS	LAMPS
1. Total number	2566	222
2. Societies working at profit		
(i) Number	1647	152
(ii) Amount (Rs lakhs)	148	31
(iii) Average per society (Rs '000)	9	20
(iv) Percentage of 2 (i) to 1	64	68
3. Societies working at loss		
(i) Number	854	70
(ii) Amount (Rs lakhs)	101	18
(iii) Average per society (Rs '000)	12	26
(iv) Percentage of 3 (i) to 1	33	32

Of the 2566 PACS in the state 1647 or 64 per cent of the PACS were working at an average profit of Rs 9 thousand per society whereas another 854 or 33 per cent of the PACS had incurred on an average, a loss of Rs 12 thousand per society. In the case of LAMPS proportion of societies working at profit or loss was not significantly different. The average profit and loss per LAMPS was, however, much higher at Rs 20 thousand and Rs 26 thousand respectively.

Viability

71. In the case of PACS a minimum short-term loan business of Rs 2 lakhs is considered necessary for the purpose of viability of the unit. Until 1978-9, a margin of 2.5 per cent was available to a PACS on its agricultural loan business. The Reserve Bank advised the co-operatives to revise upwards, the rates of interest on loans to ultimate borrowers on reintroduction of the interest tax by the Government of India in 1980-81 and again in 1981-2, on revision in the interest rates on deposits. The co-operatives, have, however, been exempted from payment of interest-tax resulting in an increase of the overall margin available on short-term loan business from 5 per cent to 6.5 per cent. Earlier, 5 per cent margin, according to the recommendations of the Study Group on Interest Rates in the co-operative credit structure, was expected to be shared amongst the three tiers at the rate of 0.50 to 0.75 per cent by the apex bank, 2 to 2.25 per cent by the central co-operative banks and 2.50 per cent by the primaries. Of the increased margin of 1.5 per cent a larger portion is expected to be retained by the primary societies. Thus the margin of the primary societies is expected to go up from 2.5 per cent to 3.25 per cent. The margin of 3.25 per cent will give the society a return of Rs 6500 on its short-term loan business of Rs 2.00 lakhs and will be just adequate to defray the estimated expenditure of Rs 6500 per annum as given on Page 148. Further, it may be noted here that the maximum salary of the Secretary in the time-scale will reach a level of Rs 500 p.m. and the above earnings of Rs 6500 will then fall short of the expenses which would touch a level of Rs 8300 per annum. The government of India in the Ministry of Agriculture and Irrigation (Department of Rural Development) in its circular letter No. WR/1502/79-Credit I dated 9 August 1979 has pointed out that the deficits in the cadre fund would gradually decrease as the business of the society goes up and the society will break even at the level of Rs 3.50 lakhs of short-term business. However, with the increased margin of 3.25 per cent, the society may break even at the level of short-term loan business of a little over Rs 2.50 lakhs. While reorgani-

	Expenses per annum Rs	
Secretary @Rs 350 p.m.	4200	On the basis of pay scales prescribed under the revised cadre scheme
Peon/Watchman @Rs 100 p.m.	1200	
Rent — Office/Godown @Rs 50 p. m.	600	
Stationery, lighting, audit fees, etc.	500	
	6500	

zing the PACS it is, therefore, necessary to keep in view this position and allow to retain such PACS which are likely to reach a level of short-term loan business of at least Rs 2.50 lakhs in the next five years. While the earnings from the short-term loan business as above will be sufficient for meeting the expenses, the society will not be able to strengthen its reserves and declare a reasonable dividend on the share capital unless the society has an additional business by way of medium-term loans at about Rs 60000 (25% of short-term loan business) which will give it an additional return of Rs 1500 for the purpose. It may be noted here that the viability norm has been worked out on the assumption that the co-operatives would have increased the rate of interest as advised by the Reserve Bank. We, however, understand that such an increase in the rate of interest has not been effected in Orissa, which would mean that the increased margin assumed by us will not be available to the primaries necessitating enhancement of the viability norm with reference to the short-term loan business. The state government will, therefore, have to consider increasing the rate of interest or alternatively increase the norm of loan business for the viability.

72. If a PACS takes up the non-credit business, it needs at least a salesman who draws a salary of around Rs 150 p.m. Besides, there will be additional expenses say of the order of Rs 1200 on transport, stationery, lighting, insurance etc. The total expenses on this account on a conservative basis will not be less than Rs 3000 per annum (i.e., salary of Rs 1800 plus other expenses at Rs 1200). To defray these expenses a non-credit business of at least Rs 0.50 lakh is required if the average margin on different items like foodgrains, textiles, general merchandise, consumer articles, fertilizers etc. works out to 6 per cent.

73. As regards LAMPS, on the basis of staffing pattern, the expenses on credit and non-credit business will be as under in respect of Head Office and a branch :

Head Office		Branch	
Managing Director	650 x 12=Rs 7800@	Branch Manager	350 x 12=Rs 4200*
Accounts Clerk/ Branch Manager	350 x 12=Rs 4200	Salesman-cum-stenographer	150 x 12=Rs 1800
Peon	100 x 12=Rs 1200	Peon-cum-watchmen	100 x 12=Rs 1200
Watchman	75 x 12=Rs 900		
	Rs 14100		Rs 7200

@The maximum pay in the case of Managing Director of a smaller LAMPS is Rs 830 p.m. and for a bigger LAMPS it is Rs 1025 p.m.

*The maximum pay is Rs 500 p.m.

Assuming that of the Head Office expenses only salaries of Managing Director (Rs 7800), peon (Rs 1200) and other expenses at Rs 1100 (as shown in the case of PACS in paragraph 71) which amount to Rs 10100, are to be sustained by short-term credit business, the minimum loan business required will be at least Rs 3.10 lakhs which will give a return of Rs 10075 (margin 3.25 per cent). Thus, a LAMPS with short-term credit business of say, Rs 3.25 lakhs will not be able to declare any dividend or strengthen its reserves, unless it has also a medium-term loan business of at least Rs 1 lakh which will give it additional earnings of Rs 2500. Thus in the case of LAMPS, where the salary of the Managing Director is high, a minimum short-term loan business of Rs 3.25 lakhs is necessary even with only 3 personnel. If the other staff i.e., accountant, storekeeper-cum-salesman and watchman/peon is to be maintained, the non-credit business of at least Rs 1.50 lakhs is necessary giving an average return of 6 per cent so that it will give a return of Rs 9000 to meet the expenses on salaries (Rs 4200—Rs 1800—Rs 900) and miscellaneous items (Rs 1200) aggregating Rs 8100. For each branch, the staffing pattern which is similar to that of PACS, we have assumed that its expenses will be the same as worked out for a PACS and therefore it should have a minimum short-term business of Rs 2.00 lakhs initially which should increase further to Rs 2.50 lakhs. Similarly as indicated in paragraph 72, the non-credit business should be of the order of Rs 0.50 lakh, with an average margin of 6 per cent.

74. On the above basis, for viability of a LAMPS with only the Head Office, the minimum short-term loan business required is Rs 3.25 lakhs and a non-credit business of Rs 1.50 lakhs. With the addition of each branch, it should have a further loan business of Rs 2.50 lakhs and a non-credit business of Rs 0.50 lakh. Assuming that for a block level LAMPS a minimum of 10 branches are necessary, the viability norm will be a short-term loan business of Rs 28 lakhs and non-credit business of Rs 6.50 lakhs (We have, in this connexion not taken into account the higher salaries of Managing Director of a block level LAMPS).

PACS/LAMPS as agents of LDBs

75. With a view to establishing functional co-ordination between the short-term and long-term wings of the co-operative credit structure as advised by the Reserve Bank of India as also helping the primary credit societies to improve their earning capacity, we suggest that the societies may be appointed as agents of the land development banks for disbursement/recovery of long-term credit in their areas on the lines of the guidelines given by the Reserve Bank. Such a functional co-ordination between the two agencies would not only help the borrowers by enabling them to obtain their production and investment credit requirements at one contact point, but would also be of mutual advantage to both the wings of the co-operative credit structure by ensuring better supervision and monitoring of credit.

Office and Godown

76. The societies have the offices as well as godowns in premises either rented or their own. The National Co-operative Development Corporation has sanctioned a scheme for construction of godowns-cum-residence for the societies, for which assistance is being provided by the World Bank. The funds for the purpose are being channelised through the Orissa State Co-operative Bank and the central co-operative banks. The State Co-operative Bank has taken up the responsibility for construction of godowns for which purpose it has already set up a technical cell in its own office with field staff attached to the central co-operative banks. The PACS will be charged interest at 9.50 per cent on the cost of godown-cum-residence. The scheme will benefit the societies which face the problem of inadequate space.

Bye-laws

77. The bye-laws of the PACS in the state are not uniform and besides many progressive features are absent from the bye-laws of the societies. There is, therefore, need to adopt uniform bye-laws incorporating these features by all the societies in the state. In this regard, the Reserve Bank has already circulated to the state

government model bye-laws for adoption by the PACS in the states. The state government may take necessary action expeditiously for adoption of these model bye-laws by the PACS.

Management

78. The managing committees of the societies, which were visited, consisted of 11 members. There was generally no defaulter on the managing committees. However, in a few cases where managing committee members were defaulters, no action has been taken to debar such members from being on the boards, of the societies. The bye-laws of the societies do not specifically provide for representation of weaker sections on the managing committees. Adoption of the model bye-laws suggested in the above paragraph would help in overcoming the present lacunae. In the case of LAMPS, the bye-laws provide for at least 8 out of 11 members of the managing committee to be from the scheduled tribe members. The managing committees of 3 LAMPS had a defaulter-member each. The Co-operation Department should take prompt action to disqualify such defaulting members. The bye-laws of LAMPS provided for the first board to be nominated by the Registrar of Co-operative Societies with a proviso for extension of the term of nominated board for a further period of 3 years. As the LAMPS have been established only 3-4 years ago, the managing committees are mostly nominated. The process for election of new managing committees has been initiated in various districts.

Staff

79. In the case of PACS, besides the Secretary, each society has a minimum of one more employee as a watchman and/or peon. In most of the societies visited, the number of other employees is 3 i.e., Assistant Secretary/Salesman and two peons/watchmen. The salary of a secretary, a salesman and a peon is generally around Rs 200, Rs 150 and Rs 75 per month respectively. In Orissa the cadre scheme for secretaries of PACS is in vogue on a bank-wise basis. The majority of societies are having secretaries from the common cadre and in a majority cases their qualification is

matriculation. There are 2 grades in the cadre of secretaries. For instance, in the case of societies in the area of Cuttack-United Central Co-operative Bank, the grades are Rs 200 to Rs 300 for Grade I Secretaries and Rs 180 to Rs 250 for Grade II Secretaries. No dearness allowance is admissible on this pay. The qualifications for secretaries in Grade I are intermediate or graduate with co-operative training and for those in Grade II, matriculate or its equivalent with co-operative training. For administration of the cadre, each bank has formulated rules and constituted a cadre committee appointed by the managing committee of the concerned central co-operative bank. The cadre committee generally consists of the president of the bank, 3 elected directors of the bank representing primary agricultural credit societies and the Deputy Registrar of Co-operative Societies. The secretaries of the banks are ex-officio secretaries of the cadre committees. For meeting the cost of secretaries a fund is created at the level of the banks, to which contributions are collected as under :

(a) Central co-operative bank will contribute at $\frac{1}{5}$ of the interest on all agricultural loans issued in a year through the societies included in the cadre scheme.

(b) The society will contribute $\frac{2}{3}$ of the net interest earned by it during the year i.e., interest received and due from members minus interest paid and due to the central co-operative bank.

(c) The managerial subsidies received from the government are to be credited to the cadre fund.

(d) Any other contributions as the banks may decide will also be added to the fund.

80. All the primary agricultural credit societies affiliated to the banks are eligible to join the scheme and the banks reserve to themselves the right to deny loan to such of those societies which may opt to remain out of the purview of the common cadre scheme. Although the cadre scheme is in vogue, not all societies have joined the scheme. Further, contributions collected in the cadre fund are not received regularly. The societies generally meet the salaries

of their secretaries in the first instance from their earnings and these payments are treated as contributions to the cadre fund.

Staff of LAMPS

81. The staffing pattern for the LAMPS is envisaged as under :

At Headquarters		At Branch	
1. Managing Director	1	1. Branch Manager-cum-Accountant	1
2. Accountant-cum-HQ Branch Manager	1	2. Salesman-cum-Storekeeper	1
3. Storekeeper-cum-salesman	1	3. Peon-cum-watchman	1
4. Peon	1		
5. Watchman	1		
	5		3

The staff strength in some of the LAMPS visited exceeds the above staffing pattern for the following reasons :

(i) The services of procurement assistants employed by the erstwhile forest marketing societies for procurement of forest produce have been retained by the LAMPS.

(ii) The original staff of the erstwhile service co-operative societies, which are converted into branches of the LAMPS has been retained.

(iii) The TDCC at the time of handing over the fair price shops to the LAMPS required them to take over the staff employed by it.

(iv) LAMPS which have opened sale centres for distribution of controlled items such as foodgrains, sugar, kerosene oil etc., have employed staff to manage these centres.

82. As an interim arrangement the officers of the Co-operation Department in the rank of Sub-Assistant Registrar and Co-operative Extension Officer are posted with the LAMPS as Managing Directors. The total emoluments of these officers exceed Rs 1000 in almost all the cases. The deputation of Co-operation Department officials of the rank of Sub-Assistant Registrars and Senior Inspectors, particularly the former had created problems of supervision as Co-operative Extension Officer of the block is an official of a subordinate rank in the Department. Besides, the emoluments of the deputationists are on a high side and the managerial subsidy is not adequate to compensate the LAMPS for meeting the cost of the Managing Director. It is, therefore, necessary to expedite replacement of the deputationists in a phased manner.

83. The staffing pattern of LAMPS envisages appointment of staff for procurement purposes on an *ad hoc* basis. It is felt that for handling procurement business there should be at least one additional hand on a permanent basis over the one envisaged in paragraph 81 above. The provision of conveyance to a LAMPS with a larger area is also necessary to enable the Managing Director to visit frequently the branches at least once a week as envisaged to sort out their problems as also for collection of cash and returns, etc.

Cadre Scheme

84. With a view to ensuring uniformity in service conditions and improving the efficiency of the societies, the Registrar of Co-operative Societies, Orissa vide his circular dated 13 March 1980 has prepared fresh rules for the cadre scheme for secretaries of societies to be introduced from 1 April 1980. The scheme is to be applied to viable PACS of limited liability formed after implementation of the Action Plan (*vide* RCS's circular dated 23 August 1979 referred to in paragraph 12) and to those existing societies which have loan business of Rs 2 lakhs. The cadre committee has to examine the viability position of each PACS and the list is to be approved by the committee constituted under the chairmanship of the Collector (i.e., set-up for Action Plan) for inclusion in the cadre scheme.

85. The cadre scheme will be introduced bank-wise and for administration thereof a cadre committee consisting of 5 directors will be formed headed by the President of the central co-operative bank and other members including (i) the Deputy Registrar of Co-operative Societies, (ii) the project director of SFDA/CADA/DPAP/IRDP/ or Collector's nominee and (iii) 2 other directors of the bank who will retire by rotation after every two years. The Secretary of the bank will act as the member-secretary of the committee. The cadre scheme will include three types of functionaries, viz., (i) Secretaries of the reorganized viable PACS, (ii) branch managers of LAMPS/FSS and (iii) Managing Directors of LAMPS and FSS. The minimum educational qualifications for recruitment to the post of secretary and branch manager is intermediate in either science or arts or commerce. There could, however, be relaxations in educational qualifications in respect of those candidates who have undergone co-operative training and have adequate experience. In the case of Managing Directors of LAMPS/FSS the posts are to be held by Sub-Assistant Registrars/ Senior Inspectors of co-operative societies until the cadre is built up. However, no minimum educational qualifications have been indicated in the cadre rules for recruitment to the post of Managing Director.

Cadre-scales of pay

86. The following scales of pay have been stipulated for the various personnel in the cadre :

Scale of pay

- (i) *Secretaries of PACS and Branch
Managers of LAMPS and FSS*

Rs 200—10—250—15—400, D.A. Rs 60.00, Medical Allowance Rs 10.00, House Rent Rs 10.00, Fixed T.A. Rs 20.00.

- (ii) *Managing Directors of smaller
LAMPS and FSS*

Rs 400—15—460—E.B.—20—540—E.B.—25—640,
D.A. Rs 100; House Rent Rs 30.00, Medical Allowance

Rs 10.00, Fixed T.A. Rs 50.00

(iii) *Managing Directors of Block
Level LAMPS*

Rs 500—20—600—E.B.—30—720—E.B.—35—825,
D.A. Rs 100, House Rent Rs 30.00, Medical Allowance
Rs 10.00, Fixed T.A. Rs 60.00.

Cadre fund

87. Under the state government scheme each central co-operative bank has to create a cadre fund to meet the expenditure of the cadre personnel and the PACS, LAMPS and FSS have to contribute 1.25 per cent of their total borrowings from the central co-operative bank, while the central co-operative bank has to contribute 0.25 per cent of the total borrowings made by the societies from it. The state government shall meet the deficit on a tapering basis for a period of 3 years and in the case of weak central co-operative banks the state co-operative bank is to meet a part of their share to the fund.

Cadre scheme — Suggestions

88. Although the revised cadre scheme was to be introduced from 1 April 1980, it has not yet been given effect to in view of the fact that the reorganization programme has not been completed. Besides, the banks also have the fear that deficits on account of cadre fund may work out very heavy and since the state government's assistance is confined only for a period of 3 years on a tapering basis the banks will have to bear the full burden of the deficit in subsequent years. In this connexion, we make the following suggestions for consideration of the state government to make the scheme a workable proposition. :

(i) In the long run it should be possible for the societies to shoulder the entire financial burden of the cadre scheme. This would be possible only when the primaries are viable. It is, therefore, necessary that the action on the reorganization of societies is expedited and completed immediately.

(ii) The societies which are considered potentially viable may also be included in the cadre scheme instead of restricting the scheme only to the societies identified as viable. In the course of time all the viable primary credit societies should be covered by the scheme.

(iii) In terms of circular dated 9 August 1979 issued by the Ministry of Agriculture and Irrigation (Department of Rural Development), Government of India, the rate of contribution by co-operatives to the cadre fund will be a minimum of 1.5 per cent of the advances at the level of central co-operative bank, of which the share of PACS will be not less than 1 per cent and central bank and state co-operative bank taken together at 0.5 per cent. The share between the state co-operative bank and the central bank may be apportioned by the state government depending on the strength of the institutions concerned. It may be seen from paragraph 87 that the Government of Orissa has fixed the rate of contribution by the PACS at 1.25 per cent and the share of contribution by the central bank at 0.25 per cent only. No specific percentage of contribution has been fixed for the apex bank. However, it is expected to meet a part of the share of contributions in respect of weak central co-operative banks. The rates of contribution thus fixed by the Government of Orissa may not, in principle, be deemed to be at variance with those fixed under the Government of India scheme as they satisfy the two criteria, viz., that the co-operatives should contribute not less than 1.5 per cent and the share of PACS will be not less than 1 per cent. Even then if any difficulty is envisaged on this account, the Government of Orissa may fix the rates of contribution from the co-operatives on par with the rates mentioned in the Government of India's circular under reference. However, we are of the view that if the rates of contribution are linked to the borrowings of the societies, there will be considerable short-fall in collection of contribution from the societies in particular. For instance, if a society does not borrow in a particular year or borrows only to a very limited extent because of its relatively better resource position or for any other reason, the contribution from the societies to the cadre fund will

be negligible. It is, therefore, considered desirable to link up contribution by the societies to their advances to the members during the year or the outstandings at the end of the year whichever is higher and that of central co-operative banks to the advances made by them to the societies.

89. The present scheme envisages creation of cadre fund at the bank level. We are of the opinion that if the funds are created at the bank level, the burden of the state government in meeting the deficits will be very high. Instead, if the cadre fund is created at the state level, it would be possible to set off surplus contributions collected in the area of a particular bank against the deficit in the area of another bank. This will considerably narrow down the deficits in the cadre fund which could then be met by the state government. With a view to ensuring that the contributions to the cadre fund do not fall in arrears, the recovery of such contributions should be given precedence over the recovery of interest, other charges, etc., and should have a first charge on the remittances by societies/central co-operative banks. The fund could be maintained at the state level by the state co-operative bank which could in turn make suitable allocations to the various banks for meeting the expenses of the cadre personnel.

90. With a view to having uniformity in approach in the implementation of the cadre scheme, supervision and control over the cadres of secretaries throughout the state should rest with a state level authority. While the secretaries of primary credit societies for administrative purpose will form a part of the cadre in the areas of respective banks, all secretaries should be deemed, in principle, to be the employees of a State Level Cadre Society which may be registered under the Co-operative Societies Act of the state to give it a corporate status. The Committee of Management of the State Level Cadre Society may be headed by the Chairman of the Orissa State Co-operative Bank (OSCB) and may include as members, the Registrar of Co-operative Societies or his nominee, two presidents of the central co-operative banks not represented by the chairman of the OSCB, one of these banks being necessarily

from the tribal areas and the Director of Harijan and Tribal Welfare Department. The Managing Director of the OSCB could act as a convenor of the Committee. The OSCB should provide secretarial assistance for administering the cadre scheme and should also bear the cost of secretarial assistance. Under this arrangement, the secretaries will not be the employees of the central co-operative banks but the banks will be able to exercise control over the secretaries on behalf of the State Level Cadre Society. The secretaries will function under the direct control of the board of management of PACS in which they are posted and will be primarily responsible to them.

91. At the bank level, the cadre may be managed by a Bank Level Cadre Committee under the Chairmanship of President of the central co-operative bank and comprising a Deputy Registrar of Co-operative Societies, 2 to 3 chairmen of the reorganized societies/LAMPS, a representative of the marketing societies in the district to be nominated by the state government. It is reported that the LAMPS are not recognised by TDCC as its agents as they do not have any control over the secretaries of LAMPS. In the tribal areas, therefore, the cadre committee may also include a representative of the TDCC.

92. In the present scheme there is no provision for having different grades of secretaries or branch managers. This would mean that the secretaries drawing similar salaries will be required to handle the volume of business which has no relevance to their emoluments. It is, therefore, considered necessary that there should be two grades of secretaries with different scales of pay who may be posted to the societies depending on the level of loan business. For instance, societies having loan business of Rs 2 lakhs and above could be posted with the secretary with the present grade referred to in paragraph 86 while a society which is having a loan business below Rs 2 lakhs but is considered potentially viable could be provided with a Secretary with a scale lower than what has been proposed in the present scheme. As and when the business of the society increases beyond the level of Rs 2 lakhs,

the category of 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.

93. In the matter of recruitment of supervisors/clerks/cashiers in the banks as well as in the Co-operation Department as clerks/co-operative extension officers, etc., preference could be given to the secretaries by giving suitable weightage to their service in the societies. This will help in attracting personnel of suitable qualifications to man the posts of secretaries of the societies.

94. In the case of LAMPS there has been no mention about the minimum educational qualifications which are considered necessary for the managing director of small LAMPS or the block level LAMPS. We are sure that it is not the state government's intention to continue to depute its own personnel to man these posts for an indefinite time. It is very much necessary to lay down the qualifications for the posts of managing directors and initiate action for their recruitment in a phased manner.

95. While recruiting candidates to the posts of secretaries/branch managers/managing directors, the staff already in service of the societies may be considered for absorption subject to their suitability. As regards training, the candidates recruited from the open market may be provided job-oriented training before posting so that they are equipped to discharge their responsibility on posting in the societies.

96. It has been mentioned in paragraph 91 earlier that at the bank level the cadre personnel of the PACS may be managed by a Cadre Committee. In such cases the general practice would be to treat the secretaries as employees of the cadre authority. However, a different opinion has been expressed that the secretaries might be treated as employees of the concerned central co-operative bank to enable it to exercise better control over the secretaries. The employees would also have security of service, better promotional avenues, etc. On a close examination of this view, it has been

observed that the state government has already proposed a relatively better scale of pay to the secretaries than hitherto in force. We have also recommended that the secretaries may be given preferential treatment in the matter of filling up the posts not only in the central co-operative banks but also in the Co-operation Department. The representation given to the central co-operative bank on the cadre authority for administration of the cadre would ensure that the central co-operative bank can have its say in recruitment and other policy matters concerning the secretaries. If the secretaries of all the societies in the area of a central bank are taken as bank employees, it is likely that non-viable or even potentially viable societies would cast a heavy burden on the central co-operative banks as the contributions from these societies would not be adequate to defray the salaries of the secretaries. The state government or central government may not be able to meet the short-fall in the cadre fund in case the secretaries are treated as bank's employees.

97. The general consensus of the Study Team has been in favour of the scheme for cadre personnel of the primary credit societies under a separate cadre authority and the direct control of the committees/boards of the primary credit societies who would be responsible for writing their confidentials. However, one view was expressed that it would be preferable for purposes of better control to treat the secretaries of the PACS as employees of the concerned central co-operative bank.

Financial assistance

98. It is suggested that with a view to helping the societies to build up their own resources the state government may contribute up to Rs 25,000 to each of the reorganized PACS and up to Rs 50,000 to each of the LAMPS towards the share capital. The Reserve Bank may give loans for the purpose out of its Long-Term Operations Fund to the state government subject to the condition that each of such unit has been accepted as a viable or potentially viable unit under the reorganization plan and the independent secretary/branch manager/managing director is

posted to each of the unit / branch under the common cadre scheme.

Farmer's Service Societies

99. The Farmers Service Societies in Orissa are of the smaller model, organized by converting a service co-operative society or by amalgamation of 2 or more such societies into FSS. The action for organizing these societies was initiated in 1976-7 and as at the end of June 1979 there were five FSS in the state spread over four districts, viz., Balangir (1), Cuttack (2), Puri (1) and Sambalpur (1). Of the five FSS, 3 are sponsored by 2 regional rural banks and the remaining two by the Cuttack-United Central Co-operative Bank and the United Commercial Bank. The area of operation of FSS extends between 15 and 50 villages.

100. A smaller model of FSS is expected to cover not less than 10,000 rural population and a gross cropped area of around 10,000 hectares so as to provide the short-term production credit potential of at least Rs 10 lakhs. All the five FSS cover the rural population of more than 10,000. While Gopabandhu FSS in Sambalpur district covers a total population of about 30,000, the population covered by the other 4 FSS ranges between 12,200 and 13,500. As regards the area of operation, the Gopabandhu FSS covers a gross cropped area of 13,328 hectares. In the case of remaining 4 FSS, the coverage ranged between 6,235 hectares (Luhasinga) and 2,040 hectares (Kandarpur) which area is inadequate to generate production credit business of Rs 10 lakhs needed by the FSS to attain viability. Thus, while all the 5 FSS satisfied the criteria of population coverage, the gross cropped area covered by 4 of them needs to be augmented by extending their area of operation to adjoining villages.

Coverage

101. The particulars relating to cultivating households, membership and borrowing membership of the FSS are given in Table 22. The FSS covered 29 per cent of the total rural households in their areas. Their performance in coverage of weaker section households

TABLE 22

FSS	Sponsored by	Cultivating households		Membership		Borrowing membership	
		Total	Weaker sections	Total	Weaker sections	Total	Weaker sections
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1. Luhasinga (Balangir)	Bolangir RRB	2441	1354	455	455	265	176
2. Kandarpur (Cuttack)	Cuttack- United CCB	1427	1402	1363	1341	745	745
3. Sri Jagannathpur (Cuttack)	UCO Bank	2810	2610	111	108	49	47
4. Saraswatipur (Puri)	Puri RRB	1685	1520	1539	1272	1192	805
5. Gopabandhu (Sambalpur)	Bolangir RRB	4805	2134	389	310	119	54
Total		13168	9020	3857	3486	2370	1827

Percentage of						
	Rural households covered	Weaker section households covered	Weaker section in total membership	Weaker section households effectively covered	Borrowers amongst weaker section members	Weaker section in borrowing membership
	(9)	(10)	(11)	(12)	(13)	(14)
1.	19	33	98	13	40	66
2.	96	96	98	53	56	100
3.	4	4	97	2	44	96
4.	91	84	83	53	63	68
5.	8	15	80	3	17	45
	29	39	90	20	53	77

COVERAGE

at 39 per cent is, however, higher than the coverage of total rural households. Between the FSS, the total coverage of households as also coverage of weaker section households is relatively meagre in Shri Jagannathpur and Gopabandhu FSS. The coverage in Luhasinga FSS also is not satisfactory. While the total borrowing membership forms 61 per cent of the total membership, the relevant proportion is little less at 53 per cent in respect of weaker sections.

102. These FSS have been organised by converting/amalgamating the service co-operative societies which had also a number of non-defaulting members. The liquidation/amalgamation process even after a lapse of more than 2 years has not been completed in all the cases thereby the non-defaulter members of these service co-operative societies have not been able to borrow from the FSS. Besides, in the area of Shri Jagannathpur FSS, a dairy and a poultry co-operative societies are functioning. These two functional societies have adversely affected the prospects of expansion of activities of the FSS.

Staff

103. Besides the provision of credit, full package of services and technical guidance, a farmers service society is expected to undertake all activities conducive to the economic betterment of its members including development and financing of subsidiary occupations, financing of rural artisans, processing and marketing of agricultural produce etc. The activities envisaged of the FSS call for a high level of managerial and technical competence generally not available with the PACS. It is also a bigger unit than the PACS. Each FSS is, therefore, required to have a well qualified and experienced managing director and technical staff comprising 3 subject matter specialists, one each in agriculture, animal husbandry, poultry, plantation etc. The managing director is to be appointed by the state government in consultation with the financing bank whereas the technical staff is to be deputed by the state government. Except in the case of Sri Jagannathpur FSS financed by United Commercial Bank, departmental staff of the rank of

Sub-Assistant Registrar or Senior Inspector of Co-operative Societies are posted by the state government as managing directors without consulting the financing banks. The technical staff has also not been posted to any of the FSS. The FSS are thus, not equipped to undertake the functions envisaged of them. It is necessary to ensure availability of infrastructural facilities for the societies before they are organized. The state government may now at least take steps to provide the requisite technical staff to enable them to provide extension services and technical guidance to the cultivators, particularly to weaker sections in taking up allied activities for betterment of their living conditions. In the absence of such staff the objective for which these societies are organized will be defeated. Presently, in the absence of technical staff the activities of the FSS are mostly restricted to credit business and distribution of agricultural inputs and consumer goods.

104. With a view to creating favourable conditions for the flow of credit, services and technical guidance to the weaker sections, the FSS scheme envisages that the control of FSS may vest in the Board of Directors on which two-thirds of the elected members may be representatives of weaker sections. The bye-laws of FSS adopted in Orissa, however, provide for only 4 out of 7 elected members to represent persons owning not more than 3 acres of land or landless labourers. The societies are presently having nominated Boards as all the first Board of Directors are nominated by the Deputy Registrar for a period of 4 years. Except for Saraswatipur FSS in Puri district, the nominated Boards do not have 4 members belonging to the weaker sections. Thus the requirement regarding representation of weaker sections on the Boards is not fulfilled in 4 out of 5 FSS in the state. The bye-laws of the FSS may, therefore, be suitably amended according to the general norms and ensure adequate representation to the weaker sections as per the norms.

105. The state government may expedite action to complete liquidation/amalgamation process to help the non-defaulting members of service co-operative societies to join the FSS. Appoint-

ment of technical staff will also create a favourable climate in increasing the coverage inasmuch as availability of technical guidance for improving agricultural production and for allied activities could motivate the prospective members to join the society and take advantage of the services available.

Credit business

106. As on the 30 June 1979, Luhasinga and Kandarpur FSS, which are organized in November and December 1977 respectively, have been functioning for more than a year whereas the remaining 3 FSS, viz., Sri Jagannathpur, Saraswatipur and Gopabandhu have more or less completed two years of existence. The scheme envisages an FSS to reach the level of Rs 10 lakhs of production credit business needed for attaining viability in a phased manner over a period of 5 years i.e., it should reach a loan business of Rs 2 lakhs in the first year and increase it by a like amount in each of the subsequent four years. The particulars relating to loans issued by the 5 FSS for various purposes are given in Table 23.

TABLE 23

FSS	Rs Lakhs					
	Agricultural		Non-agri. pur-poses	Consump-tion loans	Rural artisans	Total
	S.T.	M.T./L.T.				
1. Luhasinga	2.65	3.92	0.03	—	—	6.60
2. Kandarpur	2.26	—	0.21	—	—	2.47
3. Sri Jagannathpur	0.20	—	—	—	0.01	0.21
4. Saraswatipur	4.70	—	0.32	0.06	0.95	6.03
5. Gopabandhu	0.77	—	0.31	—	—	1.08
Total	10.58	3.92	0.87	0.06	0.96	16.39

Luhasinga, Kandarpur and Saraswatipur FSS have reached the production credit business to the level expected with reference to their period of operation. The short-term agricultural loans issued by Sri Jagannathpur and Gopabandhu FSS are, however, meagre at Rs 20 thousand and Rs 77 thousand respectively which fall far below the expected level of business of Rs 4 lakhs as they have completed two years of operation. The existence of a large number of defaulters of the erstwhile service co-operative societies in the area of operation of these two FSS is reported to be the reason for their unsatisfactory loan business. The total credit business of these societies is also very small. The Saraswatipur FSS is issuing consumption loans and loans to rural artisans to a sizeable extent. None of the other FSS has issued consumption loans or loans to rural artisans. The non-agricultural loans issued by 4 FSS are mainly for purchase of milch animals, poultry farming etc., which in fact are medium-term agricultural loans. It is reported that the gross cropped area in the jurisdiction of the FSS barring Gopabandhu is not adequate to provide them minimum loan business of Rs 10 lakhs to exist as viable units.

Non-credit activities

107. The non-credit activities of the FSS have been restricted to distribution of agricultural inputs and consumer goods. Only Saraswatipur FSS has been undertaking marketing of agricultural produce for its members. The volume of non-agricultural credit business of these FSS is given in Table 24 on page 170. While Sri Jagannathpur FSS has not undertaken any non-credit business, the volume of business transacted by Luhasinga FSS is meagre. The business of Kandarpur FSS is restricted to distribution of agricultural inputs. Only in the case of Saraswatipur FSS, the business transacted is sizeable. The Luhasinga, Kandarpur and Saraswatipur FSS are also providing some custom services. The Luhasinga FSS provides hand sprayers to the members on hire whereas the other two FSS provide tractors/cane crushers on hire.

108. Of the five FSS, barring Saraswatipur FSS, the four FSS are working more or less on the lines of PACS. The Saraswatipur

TABLE 24

Rs Lakhs				
FSS	Distribtuion of		Market- ting of agri. produce	Total
	Agri. inputs	Consu- mer goods		
1. Luhasinga	0.10	0.31	—	0.41
2. Kandarpur	2.48	—	—	2.48
3. Sri Jagannathpur	—	—	—	—
4. Saraswatipur	2.71	1.47	0.23	4.41
5. Gopabandhu	0.58	0.80	—	1.38
Total	5.87	2.58	0.23	8.68

FSS alone is undertaking some of the activities expected of FSS. The various aspects discussed above such as inadequate gross cropped area in their jurisdiction, failure to speed up amalgamation proceedings, preponderance of defaulters in their area of operation, non-appointment of technical staff and inadequate business are all inter-related, the cumulative effect being non-fulfilment of the objectives for which the FSS are organized, viz., provision of credit and a package of services to the members, particularly the small farmers and other weaker sections for their economic betterment. Thus the FSS in the state have, by and large, failed to provide better services than the PACS to the rural population in their areas.

Concluding remarks

109. The primary credit societies in the state had issued loans of the order of Rs 13.54 crores for seasonal agricultural operations

during 1974-5. The loans for the purpose issued during 1979-80 aggregate Rs 40.95 crores registering an annual growth rate of 25 per cent as in the case of central co-operative banks. The overdues of the primaries against the members in respect of short-term loans stood at Rs 20.97 crores as on 30 June 1979. Had the overdues been cleared by the members, the societies would have made fresh advances to them at least to the extent of these overdues. The short-term credit requirements for production purposes met at the primary level during 1979-80 can, therefore, be reasonably placed at Rs 61.92 crores. As against the above, the production credit requirements met by the central co-operative banks during 1979-80 have been Rs 50 crores as indicated in Chapter 3. The primaries thus depend on the higher financing agencies to the extent of 81 per cent of their requirements for production credit. With the various measures being undertaken/recommended by us for strengthening the primaries, increasing coverage/effective coverage etc., it can be reasonably expected that the primaries will be in a position to maintain their own involvement at the present level of percentage in meeting the production credit requirements in the years to come. In Chapter 3, we have estimated that the central co-operative banks will be in a position to meet the production credit requirements to the tune of Rs 186 crores by 1984-5. Assuming that the dependence of primaries on the central financing agencies is to the extent of only 80 per cent as at present, the primaries would be in a position to supplement, out of their own resources, the finance made available by the central co-operative banks and meet the production credit requirements of the order of Rs 232 crores during 1984-5.

110. Further, once the state government ensures that the base level institutions are reorganized to retain only viable and potentially viable societies and they are provided with the services of the full-time paid and trained secretaries with suitable strengthening of the capital base, they could be expected to ensure free flow of credit from the higher financing agencies to the ultimate beneficiaries. We have in the next chapter assessed the credit potential in the state and later considered the alternative institutional agencies' support required, where necessary, keeping in view the capabilities of the three-tier of the co-operative credit system.

Chapter 5

ESTIMATES OF POTENTIAL FOR PRODUCTION AND INVESTMENT CREDIT IN AGRICULTURE

We have, in the earlier chapters estimated the extent to which the co-operative credit structure will be able to provide production credit by the end of the Sixth Plan period i.e., 1984-5. It may be noted here that one of the terms of reference of the Study Team requires us specifically to suggest measures which will enable the central co-operative banks (ccbs) to lend adequate support to the development of agriculture and allied activities in the state. With a view to assessing the adequacy or otherwise of the estimated credit support from the co-operatives, an exercise has been made by us in this chapter to estimate the credit potential for production and investment for agriculture in the areas of the banks and assess the magnitude of the responsibility devolving on them. While the field of our enquiry mainly relates to the requirements of short-term agricultural loans for production purposes, we have also estimated the requirements for investment credit of medium-term nature for such of the agricultural purposes for which there is scope in the state.

Production credit estimates

2. The production credit requirements for agriculture have been estimated in the past on a different basis by different authorities. The Working Group on Fifth Five-Year Plan had projected the demand for short-term agricultural credit from institutional sources on the basis of Rs 250 per hectare of irrigated area and Rs 125 per hectare of unirrigated area and estimated that the credit requirements for Orissa would be Rs 89 crores by 1978-9. The National Commission on Agriculture (NCA) while projecting the demand, had assumed higher per hectare scales of Rs 600 for irrigated area and Rs 450 for the unirrigated area. However, considering the limitations of financial, personnel and organizational

resources and the possibility of big landholders ploughing back the surpluses, the credit requirements were pruned by the Commission on the following considerations :

- (i) In irrigated area, 100 per cent coverage of all farmers and meeting the credit requirements (a) to the full extent in respect of small and marginal farmers and (b) to the extent of 75 per cent in respect of medium and large farmers.
- (ii) In unirrigated areas, 50 per cent coverage of all farmers and meeting the credit requirements (a) to the full extent in respect of small and marginal farmers and (b) to the extent of 50 per cent in respect of medium and large farmers.

The Sub-Working Group on Co-operative Short and Medium-Term Credit during Mid-Term Plan (1978-83) adopted the same basis as above and worked out the credit requirements for Orissa to be met by the institutional sources at Rs 146.44 crores by 1983.

3. The short-term production credit requirements of an area depend on the cropping pattern, proportion of area under each crop and the realistic outlay in respect of such crops. The realistic outlay per unit for the same crop will, however, vary from area to area depending on the soil condition, agricultural techniques and practices followed in various areas, etc. Generally the outlays are worked out district-wise on a uniform basis with reference to the agricultural practices followed or prescribed by the government extension agencies and standard scales of finance are fixed for different crops for adoption by the central co-operative banks. On the basis of area under different crops as reported by ccbs and the crop-wise scales of finance adopted by them, the production credit requirements for food and non-food crops in Orissa have been worked out at Rs 699.23 crores (Annexure 12).

4. The areas reported by the banks under various crops differ from those compiled by the Directorate of Agriculture and Food Production, Government of Orissa and reported by us in Chapter 1. According to the data furnished by the central co-operative

banks, the total area under food and non-food crops is 68 lakh hectares while the Agriculture Directorate has placed it at 80 lakh hectares. The variations in the areas under different crops may be seen in Table 1.

TABLE 1

Crop	Thousand Hectares					
	Area reported by					
	Central Co-operative Banks			Orissa Agriculture Directorate		
	Irri-gated	Unirri-gated	Total	Irri-gated	Unirri-gated	Total
Paddy	1040	3991	5031	1155	2962	4117
Wheat	35	11	46	44	7	51
Ragi	10	157	167	13	254	267
Pulses	157	330	487	49	1603	1652
Groundnut	67	167	234	49	126	175
Other oil seeds	31	205	236	60	486	546
Potato	27	1	28	8	—	8
Sugar cane	41	—	41	29	18	47
Jute	40	7	47	20	26	46
Other crops	150	307	457	256	794	1050
Total	1598	5176	6774	1683	6276	7959

The total credit requirements compared to that estimated by the ccbs will no doubt increase when we take into consideration the extra 12 lakh hectares reported by the Agriculture Directorate. However, keeping in view the variations in areas under different crops reported by the ccbs and the Agriculture Directorate it is noted that the ccbs have reported a relatively higher area under paddy and potato crops which have comparatively higher scales of finance. The additional credit potential in effect may then roughly increase by about Rs 50 crores raising the total credit potential to Rs 750 crores. It is, however, not possible to rework the credit potential estimated by the ccbs on the basis of data relating to the areas under various crops furnished by the Agriculture Directorate in the absence of data relating to areas on a bank-wise basis. As indicated in Chapter 3, there are 17 ccbs functioning in 13 districts and it is necessary to have estimates of credit potential on a bank-wise basis. Moreover, the variation in the credit requirements at Rs 750 crores which figure is roughly worked out by us on the basis of data furnished by the Agriculture Directorate, is not very significantly higher compared to that of the estimate made by ccbs at Rs 700 crores. Before we take a view of the credit requirements for the state we would also like to refer to similar estimates made by other agencies in this behalf.

Production Credit Estimates under District Credit Plans

5. The lead banks for various districts in the country had been entrusted with the preparation of District Credit Plans (DCPs) based not only on the existing infrastructural facilities but also taking into account the development projects envisaged during the plan period and the consequential changes expected, such as increase in irrigation facilities, use of highbreed/high yielding varieties and improved package of practices, etc. The objective of the DCPs is a planned approach to the economic development of the districts with considerable benefit to the poorer sections of the community. The first such district credit plan covered the period 1974-9. In the second phase, the District Credit Plans

have been prepared for a period of three years i.e., 1980-82. The concerned lead banks in Orissa have assessed the credit potential for each district. The potential for production credit requirements has been estimated on the basis of gross cropped area and the crop-wise scales of finance. The district-wise statement of the projected credit potential worked out in the District Credit Plans by the lead banks for Orissa is given in Annexure 13.

6. The crop loan requirements according to DCPs for the state as a whole excluding Ganjam District are Rs 544.16 crores as indicated in Annexure 13. In the DCP for Ganjam district, the crop loan requirements have not been indicated. We have, therefore, taken the estimate at Rs 112.14 crores for Ganjam district as indicated in Annexure 12 in respect of Aska and Berhampore ccbs functioning in that (Ganjam) district on the basis of the estimates worked out on central bank's scales of finance. The aggregate crop loan requirements under the DCPs then work out to Rs 656.38 crores. These estimates, however, do not substantially differ from those estimated by the ccbs at Rs 700.00 crores despite the fact that the DCPs have taken note of factors such as likely increase in irrigated areas, changes in the cropping pattern with the increase in irrigation facilities and use of improved practices, etc.

*Estimate of credit requirement
by Directorate of Agriculture*

7. One of the members of the Study Team felt that the credit estimates worked out by the ccbs as well as DCPs were low as the scales of finance adopted appeared to be inadequate to meet the ideal outlays for raising different crops. He felt that the scales of finance fixed should meet the ideal outlays on each crop for ensuring increased production. Keeping this in view, the Directorate of Agriculture, Government of Orissa, has made an estimate of production credit requirements by the end of Sixth Plan period i.e., by 1984-5 with reference to the approximate cost of cultivation per hectare for different crops. While working out these estimates, the Directorate has made the calculations taking into account

each category of farmers on the basis of the size of operational holdings and applied the scales of finance on a graded scale for each category as indicated in Table 2.

TABLE 2

Category of farmers	Operational holding size	Percentage of cultivated area of the state	Scale of finance suggested
(1)	(2)	(3)	(4)
1. Marginal farmers	Upto 1 hectare	15%	90%
2. Small farmers	1 to 2 hectares	25%	80%
3. Semi-medium farmers	2 to 4 hectares	28%	50%
4. Medium farmers	4 to 10 hectares	23%	40%
5. Large farmers	Above 10 hectares	9%	25%

The crop-wise credit estimates made on the basis of graded scales as indicated in Table 2 by the Directorate are reproduced in Table 3 given on page 178. The Directorate of Agriculture has stated that separate estimates of credit requirements for the hill areas and plain areas have not been suggested in Table 3, since cropping pattern in the hill areas is somewhat different from that in the plain areas and crop-wise credit requirements for irrigated and unirrigated areas have been indicated separately in columns 6 and 7. The estimated credit requirements as worked out by the Directorate of Agriculture aggregate Rs 1105 crores.

TABLE 3

Name of the Crop	Area targetted for 6th Plan ('000 hecets.)		Approximate cost of cultivation per hectare in Rupees		Estimated credit requirements (Rs in crores)		
	Irrigated	Unirri- gated	Irrigated	Unirri- gated	Irrigated	Unirri- gated	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
H. Y. Paddy	1030	800	2445	2075	156.14	102.92	259.06
Impr. Paddy	700	1600	1800	1630	78.12	161.70	239.82
Wheat	150	—	1976	—	18.38	—	18.38
Maize	10	173	2200	2050	1.36	21.99	23.35
Ragi	20	300	1500	1400	1.86	26.19	28.05
Pulses	200	2160	1000	934	12.40	125.08	137.48
Groundnut	100	240	2050	1950	12.71	29.02	41.73

Mustard	100	320	1210	1112	7.50	22.06	29.56
Til	—	392	—	914	—	22.21	22.21
Potato	25	—	4915	—	7.62	—	7.62
Vegetables	220	300	3000	2600	40.92	48.36	89.28
Sugarcane	70	—	6521	—	28.30	—	28.30
Jute	30	36	1877	1700	3.49	3.79	7.28
Cotton	5	15	2580	2519	0.83	2.34	3.17
Others	600	964	2241	1440	83.38	86.06	169.44
Total	3260	7300			453.01	651.72	1104.73

8. The targetted areas taken for estimation of the credit requirements by the Directorate of Agriculture are somewhat optimistic when viewed from the achievements in this behalf during the period 1975-6 to 1979-80. As against an overall increase of about 5 per cent only achieved during the period of 1975-6 to 1979-80 in raising the gross cropped area from 77.33 lakh hectares to 81.66 lakh hectares and irrigated area from 15.74 lakh hectares to 16.46 lakh hectares, the Directorate has assumed an increase of 33 per cent in the gross cropped area i.e., from 81.66 lakh hectares to 105.60 lakh hectares. The Directorate of Agriculture has further assumed that the area under irrigation would be doubled from 16.46 lakh hectares to 32.60 lakh hectares. The estimates by the Directorate of Agriculture are also on the basis of uniform scales of outlays. As noted by us in paragraph 3 above, the actual outlays differ from area to area depending on the soil, climatic conditions, agricultural practices, etc. As will be seen from the range of scales of finance (Annexure 12) adopted by the ccbs, the scales of finance differ considerably from district to district. Even then the scales of finance which are adopted by the ccbs, (the District Agricultural officers are also normally consulted for the purpose) are near about the outlays assumed under the ideal conditions by the Directorate of Agriculture as may be seen from the comparison made in Table 4 given on page 181, in respect of outlays and scales of finance for certain major crops. As will be seen from Table 2, the Agriculture Directorate has suggested that the scales of finance even for a marginal farmer should not be more than 90 per cent of the outlay. If we take note of this the scales of finance adopted by the ccbs compare very favourably with the outlays indicated by the Directorate of Agriculture in Table 4. Incidentally the ccbs do not differentiate between the categories of land holders for prescribing scales of finance and issue of loans.

9. Another important aspect which needs to be looked into while fixing the scales of finance relates to the repaying capacity of a borrower and for this purpose it is necessary to take note of the average yield and the prices at which the produce is likely to

TABLE 4

Crops	Outlays indicated by Directorate of Agri- culture per hectare		Range of scales of finance of CCBs per hectare	
	Irrigated Rs	Unirrigated Rs	Irrigated Rs	Unirrigated Rs
Paddy	1800 to 2445	1630 to 2075	1250 to 2450	560 to 1400
Wheat	1976	—	1250 to 1800	750 to 1600
Ragi	1500	1400	750 to 950	600 to 875
Pulses	1000	934	595 to 1000	400 to 900
Groundnut	2050	1950	1400 to 2225	1000 to 2175
Potato	4915	—	4500 to 6750	—
Sugarcane	6521	—	3700 to 5650	—

be sold to ensure repayment of the loan together with the interest thereon. This aspect does not seem to have been taken note of by the Directorate of Agriculture. In view of the position discussed above and particularly keeping in view the fact that scales of

finance adopted by ccbs, by and large, take care of the ideal outlays, we are not inclined to accept the estimates made by the Directorate of Agriculture.

Realistic credit estimates

10. We are of the view that it would be more realistic to accept the credit estimates worked out by ccbs at Rs 700 crores indicated in Annexure 12. The said estimates, however, cannot be deemed to be the requirements to be met entirely by the institutional sources as not all the cultivators require credit and, therefore, become members of the societies, not all the cultivators in need of credit resort to institutional agencies and not all the borrowers borrow to the full extent of outlays on crops raised by them. In the circumstances normally it is assumed that 40 to 50 per cent of the production credit requirements will be met by the institutional sources.

11. The question, however, is whether the assumption that 40 to 50 per cent of the production credit requirements would be met by the institutional sources could be valid for Orissa also. It may be stated here that the scales of finance which have been taken note of for working out the production credit requirements appear to be on the higher side if we take into account the average yield of crop and the prices therefor. Analysis of this factor has been attempted in the case of rice which is the major crop in the state with about 50 per cent of the area under the crop. Unlike other crops, rice is privileged to have the benefit of a guaranteed price from the government. The average yield per acre is 4 quintals which would give a return of Rs 400 only at the support price of Rs 100 per quintal. As against this the scales of finance range between Rs 330 and Rs 750 per acre. Obviously the scales of finance are excessive. Further the scales of finance include the kind component i.e., cost of fertilizers, pesticides, etc., the full use of which depends on the practices adopted in cultivation. As brought out in Chapter 1, irrigation facilities are not evenly distributed in the state which in turn is reflected in the use of fertilizers. Further, the average yield also varies from district to district (*vide* Annexure 4 of Chapter 1).

No doubt the ARDC has sanctioned a large number of minor irrigation schemes in Orissa and the state government's extension agencies are also actively extending support to the agriculturists in adopting improved techniques, etc., but the full impact of ARDC programmes and the efforts of the extension agencies might not be reflected in the field for at least another 3 to 4 years.

12. In the circumstances explained in the above paragraph, it is felt that in the case of Orissa the credit outlay to be met by institutions could be worked out on the basis of the scales indicated in Table 5.

TABLE 5

Percentage of irrigated area to gross cropped area	Name of district	Estimated credit requirements to be met by institutional sources at the rate of
(1)	(2)	(3)
30 to 35	Cuttack, Ganjam, Puri and Sambalpur	40 %
18 to 20	Balasore, Balangir, Sundargarh*	35 %
Below 10	Kalahandi, Keonjhar, Koraput, Mayurbhanj, Phulbani and Dhenkanal.	25 %

*Since Sundargarh district is having predominantly tribal population, the credit estimates are worked out at 30 per cent of the credit outlay.

13. Keeping the above position in view, the credit requirements which are required to be met by institutional sources work out to Rs 245 crores as shown in Annexure 14. The Sub-Working Group on Co-operative Short-term and Medium-term Credit during Mid-

term Plan (1978-83) had estimated that in Orissa the institutional credit will reach a level of Rs 146.44 crores by 1983. As against this, the DCPs have placed a target of Rs 106.34 crores to be reached by all the institutional agencies by 1982 of which Rs 69.15 crores i.e., roughly 65 per cent of the total are expected to be met by the co-operatives. The figures relating to the projection of credit requirements to be met by institutional sources up to the end of the Sixth Plan period i.e., 1984-5 are not available. However, the RBI in its approach paper for the Sixth Five-Year Plan has placed the resources available for lending by the co-operative credit system in the state at Rs 113 crores.

Credit gaps

14. While reviewing the performance of the central co-operative banks in Chapter 3 we have estimated that these banks would be in a position to reach a level of Rs 187 crores by the end of 1984-5 by maintaining an average annual growth rate of 30 per cent in respect of their lendings for seasonal agricultural operations. Taking this estimated level of lendings into consideration we have given in Table 6 on page 185, the credit gap that will remain in the area of each central co-operative bank at the end of 1984-5. The position in Table 6 reveals that in the case of areas served by 11 banks, if the reliance is only on central co-operative banks' finance the credit gap will remain at the end of 1984-5 to the tune of Rs 75.69 crores. As for the remaining areas served by 6 ccbs, viz., Angul-United, Balasore, Banki, Baudh, Bhawanipatna and Nayagarh, the central co-operative banks would be able to meet the requirements fully on their own.

15. The credit gaps in the areas of 11 ccbs referred to in the earlier paragraph will get reduced if the societies at the base level involve their own resources in meeting the credit requirements. In Chapter 4 we have noted that the involvement of base level institutions in short-term production credit is about 20 per cent. If the base level institutions maintain their involvement at the existing level of 20 per cent, the position relating to meeting the

TABLE 6

Rs Lakhs

Name of the bank	Credit requirements estimated to be met by institutional sources (Annexure 14 col. 4)	Credit support expected from ccbs by the end of 1984-5 with an average growth rate of 30 per cent (Table 14 of Chapter 3)	Credit gaps at the end of 1984-5 (col. 2-col. 3)
(1)	(2)	(3)	(4)
1. Angul-United	865	1075	Nil
2. Aska	1529	837	692
3. Bolangir	1298	1227	71
4. Balasore	2358	2570	Nil
5. Banki	438	577	Nil
6. Baudh	449	506	Nil
7. Berhampore	2957	1376	1581
8. Bhawanipatna	416	1116	Nil
9. Cuttack-United	3911	1544	2367
10. Keonjhar	576	409	167
11. Khurda	1061	763	298
12. Koraput	1460	1083	377
13. Mayurbhanj	802	737	65
14. Nayagarh	501	1023	Nil
15. Sambalpur	3531	2753	778
16. Sundargarh	763	175	588
17. United Puri-Nimapara	1537	952	585
Total	24452	18723	7569

credit requirements by co-operatives will show further improvement, reducing the estimated credit gaps, as shown in Table 7.

TABLE 7

Rs Lakhs

Name of the bank	Credit gaps (col. 4 of Table 6)	Finance by PACS at the rate of 20 per cent out of their own resources i.e., 25 per cent of the credit provided by ccbs	Credit gaps by end of 1984-5 (col. 2 — col. 3)
(1)	(2)	(3)	(4)
1. Aska	692	209	483
2. Bolangir	71	307	Nil
3. Berhampore	1581	344	1237
4. Cuttack-United	2367	386	1981
5. Keonjhar	167	102	65
6. Khurda	298	191	107
7. Koraput	377	271	106
8. Mayurbhanj	65	184	Nil
9. Sambalpur	778	688	90
10. Sundargarh	588	44	544
11. United Puri-Nimapara	585	238	347
Total	7569	2964	4960

With the involvement of resources by the PACS, the credit gap will be reduced from Rs 75.69 crores to Rs 49.60 crores. Even then the credit gap in the areas of a few banks amounting to Rs 49.60 crores will remain by the end of 1984-5. We have, therefore, to consider the alternative institutional arrangements which could supplement the efforts of the co-operatives in this behalf. This aspect has been dealt with later in Chapter 6.

Medium-term credit requirements

16. In regard to the estimation of investment credit requirements for medium-term approved agricultural purposes, a reference to which has been made by us in paragraph 1, we have accepted the estimates of investment credit made by the lead banks in their DCPs by reducing the same on an *ad hoc* basis by 50 per cent as they include long-term credit requirements also. The DCPs prepared by the lead banks have examined the scope for various activities allied to agriculture, the programmes for land development/minor irrigation, on hand as well as planned, and have estimated the requirement for investment credit for agriculture and allied activities at Rs 192.13 crores during the period 1980-82. These investment credit plans had been discussed and approved by all the agencies participating in the implementation of these plans and the state government agencies.

17. As noted in Chapter 3, during the Sixth Plan period the state government have decided to push up the schemes relating to animal husbandry for the benefit of tribal and scheduled caste population with a heavy dose of subsidy. This may, therefore, lead to further increase in demand for investment credit during the Sixth Plan period. Since the estimates in this behalf are not readily available, we assume on an *ad hoc* basis that the requirement of medium-term credit will increase from Rs 96 crores (i.e., 50 per cent of DCPs estimate of investment credit at Rs 192 crores) to Rs 150 crores by the end of 1984-5.

18. The question that needs consideration is how much finance the co-operatives will be in a position to provide for the purpose. In the DCPs prepared by the lead banks for 1980-82, the share of co-operatives had been placed at Rs 66.34 crores i.e., about 35 per cent of the total estimate at Rs 192 crores. If it is expected of the co-operatives to meet the medium-term credit requirements in the same proportion, they will have to meet the requirements to the extent of Rs 87.50 crores of our estimated amount of Rs 150 crores. We are of the view that, it would not be difficult for the ccbs to reach this level, taking note of the average annual growth

rate of 40 per cent achieved by them (paragraph 35 of Chapter 3) during the period 1975-6 to 1979-80 in providing loans for medium-term agricultural purposes. The loans issued by them for medium-term agricultural purposes aggregated Rs 29.26 crores in 1979-80. Taking into account the loans issued in 1979-80 at Rs 29.26 crores and the average annual growth rate even at a lower level of 30 per cent, the central co-operative banks will be in a position to reach a level of Rs 108 crores in 1984-5. Thus, even in the case of medium-term agricultural credit, the co-operatives will be able to meet the credit requirements substantially leaving the balance to be met by other institutional agencies, a reference to which has been made by us in the next chapter.

Chapter 6

ALTERNATIVE INSTITUTIONAL ARRANGEMENTS

In the previous chapter on estimates of potential for production and investment credit in agriculture, a detailed examination has been made of the credit potential which requires to be met by institutional agencies by the end of the Sixth Five-Year Plan, i.e., 1984-5. It has been observed therein that the co-operative credit structure in the areas of the nine central co-operative banks, viz., Aska, Berhampore, Cuttack-United., Keonjhar, Khurda, Koraput, Sambalpur, Sundargarh and United Puri-Nimapara will not be able to meet fully the estimated credit requirements and there would be credit gaps in the case of each central bank ranging between Rs 90 lakhs and Rs 1981 lakhs. In the areas of the remaining eight central co-operative banks, the co-operative credit structure may meet fully the estimated production credit requirements expected to be financed by institutional sources. In fact, the co-operative credit system in the areas of these eight central co-operative banks may attain a level of production loan business much in excess of the credit requirements estimated to be met by institutional sources. Thus, we find that in some parts of the state, the co-operative credit system will be in a position to meet the production credit requirements fully by the end of the Sixth Five-Year Plan period while in the remaining parts, the efforts of the co-operatives will have to be supplemented by other institutional agencies.

2. Besides co-operatives, commercial banks and Regional Rural Banks (RRBs) are the other institutional agencies operating in the sphere of rural and agricultural credit in the state. A brief account of their performance is given in the paragraphs that follow, before considering these alternative institutional agencies for supplementing the co-operative credit agencies in the areas of the nine central co-operative banks mentioned in paragraph 1 above.

Regional Rural Banks

3. The Regional Rural Banks are of recent origin and were organized in the country following the recommendations made in July 1975 by the Working Group appointed by the Government of India under the Chairmanship of Shri M. Narasimham, the then Additional Secretary to the Government of India in the Department of Economic Affairs. In Orissa, there are presently 8 RRBs of which 4 were organized between the period February and November 1976 and the other 4 between the period May 1980 and February 1981. The details regarding their dates of establishment, names of sponsoring banks, area of operation and particulars about their deposits and loans outstanding as on 31 December 1980 are given in Annexure 15. The latter 4 RRBs which have been functioning hardly for a year or less have yet to make an impact of their working. The performance of the other 4 RRBs, organized in 1976, during the period 1976-7 to 1979-80 is discussed in the paragraphs that follow.

4. The important particulars as on 30 June 1977 and 30 June 1980 in respect of 4 RRBs mentioned in the preceding paragraph are given in Table 1. The deposits mobilised by the 4 RRBs aggregated Rs 13.24 crores as on 30 June 1980. The deposits have increased further to Rs 15.68 crores as on 31 December 1980 (*vide* Annexure 15) giving an average of Rs 3.92 crores per RRB as against the all-India average of Rs 2.63 crores. The outstanding loans aggregated Rs 22.90 crores as on 30 June 1980 covering 3.66 lakh members. The outstanding loans increased to Rs 28.40 crores as on 31 December 1980 (*vide* Annexure 15) and ranged between Rs 9.93 crores (Balangir) and Rs 5.15 crores (Cuttack). Though the purposewise breakup of the outstanding loans as on 30 June and 31 December 1980 is not available, the major portion of the loans of the RRBs is for agriculture as may be seen from the position as on 30 June 1979 when, out of the total loans outstanding at Rs 13.97 crores, agricultural loans were Rs 10.45 crores forming 75 per cent of the total loans. The overdues as on 31 December 1980 (*vide* Annexure 15) were crores forming Rs 5.83 20 per

TABLE 1

Rs Lakhs

Particulars	Regional Rural Bank									
	Balangir		Cuttack		Koraput		Puri		Total	
	30-6-1977	30-6-1980	30-6-1977	30-6-1980	30-6-1977	30-6-1980	30-6-1977	30-6-1980	30-6-1977	30-6-1980
(1)	(2a)	(2b)	(3a)	(3b)	(4a)	(4b)	(5a)	(5b)	(6a)	(6b)
1. No. of branches	21	48	11	46	14	53	21	38	67	185
2. Deposits	20.12	259.17	21.27	397.00	12.23	241.78	45.00	426.00	99.62	1323.95
3. Loans outstanding										
(i) No. of Accounts ('000)	NA	163	1	35	4	118	9	50	14£	366
(ii) Amount	NA	866.17	3.05	384.00	23.83	520.00	55.00	519.50	81.88£	2289.67
4. Overdues	NA	100.76	—	83.00	—	38.00	—	NA	—	221.76*
£ Excludes Balangir RRB			* Excludes Puri RRB							

cent of the outstandings. Thus the performance of the 4 RRBs both in regard to deposit mobilisation and provision of credit can be deemed satisfactory.

Commercial banks

5. Besides the State Bank of India, other nationalised banks are operating in Orissa. Four commercial banks are acting as Lead Banks in the 13 districts of the state. The State Bank of India is a Lead Bank in 6 districts, United Commercial Bank in 4 districts, Bank of India in 2 districts and the Andhra Bank in 1 district. As on 30 June 1979 there were 724 offices of commercial banks* in Orissa, of which 454 were in rural areas, 159 in semi-urban areas and 111 in urban areas. Their total deposits aggregated Rs 283.50 crores and the total outstanding advances were Rs 200.00 crores giving a credit-deposit ratio of 70. The average population per branch office on the basis of 1971 Census was 30 thousand as against the all-India average of 20 thousand per branch as at the end of March 1980. The deposits per branch office worked out to about Rs 39 lakhs. Of the total outstanding advances of Rs 200.00 crores, advances for agriculture, both direct and indirect, were of the order of Rs 55.82 crores. The district-wise position in regard to the distribution of offices into rural, semi-urban and urban areas, deposits, advances, credit-deposit ratio, average of population, deposits and loans per branch office are given in Annexure 16. Of the agricultural advances outstanding at Rs 55.82 crores, advances to the extent of Rs 39.53 crores covering 3.65 lakhs accounts were issued directly; the district-wise break-up of direct advances as on 30 June 1979 is given in Table 2 on page 193.

Agricultural Development Branches

6. The State Bank of India has opened agricultural development branches (ADB) in identified areas wherein intensive development of agriculture and other allied activities can be undertaken. These branches are intended to bring about accelerated pace of progress in the farm sector by a systematic area approach. Each ADB is expected to cover a cluster of 100 villages with a population of about 1 lakh within a radius

* Commercial banks include RRBs also.

TABLE 2

District	Rs Crores	
	Direct finance for agriculture	
	No. of accounts	Amount
1. Balasore	14,397	1.63
2. Balangir	44,653	3.69
3. Cuttack	64,889	8.98
4. Dhenkanal	12,807	1.27
5. Ganjam	41,202	4.47
6. Kalahandi	12,320	1.11
7. Keonjhar	5,445	0.51
8. Koraput	57,249	4.24
9. Mayurbhanj	7,482	0.62
10. Phulbani	5,741	0.60
11. Puri	50,056	7.14
12. Sambalpur	42,350	4.71
13. Sundargarh	6,259	0.56
Total	364,850	39.53

of 40 kilometers and has to provide technical and general assistance besides credit for maximising the impact of lendings. The scope of the functions of the ADB has been subsequently extended to include provision of credit to other sectors of the rural economy. With a view to getting an idea about the performance of the ADBs *vis-a-vis* the role assigned to them, a field study was undertaken at the Team's instance by the regional office of the Reserve Bank's Department of Banking Operations and Development at Bhubaneswar in May 1981. The study of 2 branches undertaken, one each in Cuttack and Puri districts, was on a random sampling basis.

The findings of the study are brought out in the paragraphs that follow.

7. Commencing with 2 ADBs opened in the state in 1972, the number of ADBs at the end of February 1981 stood at 22. The ADBs are mainly purveying credit to the agricultural sector. Besides production credit, financial assistance for allied activities such as dairy farming, horticulture, goat rearing, poultry, pisciculture, etc., has been provided extensively by the ADBs. Each ADB has the technical staff which prepares different schemes suited to local conditions and also provides technical guidance to the beneficiaries. The ADBs organize functional societies such as milk producers' societies/fishermens' societies etc., where considered necessary. The details of credit provided by the ADBs in Orissa to the agricultural sector during the period 1978 to 1980 are given in Table 3.

TABLE 3

Year	No. of ADBs	Advances as at the end of December (Rs lakhs)		Percentage of col. 4 to col. 3
		Total To agricul- tural sector		
(1)	(2)	(3)	(4)	(5)
1978	15	1199.31	1144.65	95.4
1979	20	1674.10	1613.56	96.4
1980	20	2286.41	2153.11	94.2

8. The ADBs account for a substantial portion of agricultural credit provided by the State Bank of India as also the commercial banks in the state as may be seen from the comparative position given in Table 4.

TABLE 4

Rs Lakhs

Year	Total credit to agricultural sector in Orissa by			Percentage of	
	All commercial banks	SBI	ADB's	col. 4 to col. 2	col. 4 to col. 3
(1)	(2)	(3)	(4)	(5)	(6)
1978	3611.70	2753.00	1144.65	31.7	41.6
1979	6044.68	3906.00	1613.56	26.7	41.3

The ADBs have been able to lend substantially to the agricultural sector. It is, however, noted that their lendings are spread over very large areas covering 200 to 500 villages situated within a radius of 50 to 70 kilometres perhaps rendering post-disbursement supervision or follow-up of the end use of credit difficult. Obviously this might have resulted in poor recovery performance leading to increase in the overdues as may be seen from Table 5.

TABLE 5

Rs Lakhs

Year	Demand	Overdues	Percentage of overdues to demand
(1)	(2)	(3)	(4)
1977	370.17	105.66	28.5
1978	476.06	200.32	42.1
1979	710.20	256.96	36.2
1980	939.59	651.41	69.3

The percentage of overdues to demand has been as high as 69 in the year 1980.

9. Thus while ADBs have played an effective role in providing credit support for agriculture on a large scale, their recovery performance has been relatively unsatisfactory. In the circumstances there seems to be an urgent need for proper monitoring and effective supervisory arrangements.

Financing agriculture through PACS

10. The scheme of financing of agriculture by commercial banks through PACS was introduced in the state during *Kharif* 1972 season and as on 30 June 1980 the scheme was in operation in 8 districts, viz., Balasore, Cuttack, Kalahandi, Mayurbhanj, Phulbani, Puri, Sambalpur and Sundargarh. At present 133 primary credit societies, including LAMPS and FSS, are ceded to 7 commercial banks for financing through their 33 branches. During 1979-80, of the 133 societies, 131 were financed. The details regarding loans issued, outstandings and overdues for the years 1978-9 and 1979-80 in respect of societies ceded to commercial banks are given in Table 6. Thus, of the total outstanding advances of commercial banks as on 30 June 1979 at Rs 55.82 crores for agriculture, the outstanding advances against members for short-term and medium-term agricultural purposes of the co-operative societies ceded to commercial banks as on that date were only Rs 2.21 crores forming 4 per cent of the total agricultural advances. The outstanding advances through PACS have, however, almost doubled at Rs 4.08 crores as on 30 June 1980. The average business per society works out to Rs 1.30 lakhs. Of the 133 societies, 106 societies are having business of Rs 1.00 lakh and above, while another 20 societies are having business between Rs 50,000 and Rs 1.00 lakh. In the case of the remaining 7 societies the business is below Rs 50,000. The overdues against members which were Rs 54.09 lakhs as on 30 June 1979 forming 48 per cent of the demand had increased further as on 30 June 1980 to Rs 110 lakhs forming 55 per cent of the

TABLE 6

Rs Lakhs					
	Loans issued during the year		Loans outstanding as on 30 June		Overdues as on 30 June
	No. of societies	Amount	No. of societies	Amount	Amount
1978-9					
Short-term	124	83.24	129	99.91	} 59.09
Medium-term	104	107.04	110	120.59	
		190.28		220.50	
1979-80					
Short-term	131	127.67	133	178.72	} 109.90
Medium-term	109	142.77	123	229.11	
		270.44		407.83	

Note : District-wise data are not available.

demand. Among the banks, the percentage of overdues to demand was as high as 92 in the case of societies with the Allahabad Bank. In the case of 3 banks, viz., United Bank of India, Central Bank of India and United Commercial Bank, the percentage of overdues to demand ranged between 60 and 68. In the case of the State Bank of India it was 49 and in the case of Bank of India it was 39. The major cause of overdues is reportedly the unwillingness of the borrowers to repay their dues. The percentage of overdues to demand of the societies ceded to commercial banks has increased from 48 as on 30 June 1979 to 55 as on 30 June 1980, which is contrary to the trend observed in the case of co-operatives where the said percentage has come down from 57 as on 30 June 1975 to 41 as on 30 June 1980.

11. Of the 133 societies, 119 societies were functioning with full-time paid secretaries and the remaining societies were having part-time or honorary secretaries. Incidentally, in the case of societies ceded to Allahabad Bank which was having the highest percentage of overdues to demand, all the 6 societies ceded to it had full-time paid secretaries.

12. The total membership of the societies ceded to commercial banks as on 30 June 1980 stood at 1,20,334 of which 73,754 were borrowing members forming 61 per cent of the total membership. The average membership and borrowing membership per society worked out to 905 and 361 respectively. During 1979-80 the societies had disbursed short-term loans of the order of Rs 127.67 lakhs, of which 77 per cent of the loans were advanced to small farmers.

13. The review of performance of the societies ceded to commercial banks reveals that their average production loan business of Rs 1.30 lakhs is short of a minimum loan business of Rs 2 lakhs considered necessary for viability of a society. Thus the ceded societies have not been able to make substantial advances for meeting the production credit requirements of their members. The slow progress in this behalf perhaps could be attributed to the under-staffing of loan processing personnel and field staff with the branches of commercial banks as well as lack of sanctioning powers to the branch managers requiring all applications to be referred to head office. As the scheme has not been functioning well, there has been a demand in the state for its discontinuation or allowing the societies which so desire to revert to the central co-operative banks. It may be stated here that the Government of Orissa have already appointed a small working group comprising the Registrar of Co-operative Societies and the Director of Institutional Finance to review the working of the scheme. Their report has not yet been finalised. We urge the said Working Group to finalise their report expeditiously. The state government may take action on the report, when received, in consultation with the Reserve Bank of India. In the meanwhile, no more societies may be ceded to the commercial banks for financing.

14. In the context of alternative institutional agencies for meeting the estimated credit gaps in the areas of various ccbs, the question that needs consideration is of co-ordination of lending activities by the various agencies. When more than one agency is operating in the field simultaneously, certain problems come up which hinder the disbursal of credit by the concerned agencies. The Working Group on the Multi-agency Approach on Agricultural Finance appointed by the Reserve Bank of India (April 1978) has identified 5 basic problems in this behalf which are reproduced below :

- (a) the existence of a number of agencies retailing credit in a common area of operation — leading to unco-ordinated credit disbursal resulting in multiple financing, over-financing/underfinancing, financial indiscipline and diversion of scarce resources to unproductive purposes;
- (b) the inability of credit agencies to formulate and develop meaningful agricultural credit programmes on the basis of area approach;
- (c) problems of overlapping and duplication of banking facilities, and consequent wasteful expenditure, besides unhealthy competition;
- (d) problems in the recovery of credit, since more than one credit agency may have claims on the same income/security;
- (e) problems arising out of different systems, procedures and policies, security norms, service and supervision charges, varying interest rates, etc.

The Working Group has, therefore, observed that the problem is not only of strengthening of the institutional credit structure but also of an effective co-ordination of their lending activities. It hardly need be mentioned that the multi-agency approach in the sphere of agricultural credit has now been accepted for supplementing the efforts of the co-operative credit structure to ensure that the agricultural production in the country does not suffer for want of adequate and timely credit.

Dual financing

15. The institutions engaged in agricultural credit are to observe certain safeguards with a view to avoiding dual financing and consequently overfinancing. It was, however, noted during the field visits that the over-lapping of jurisdiction of various agencies engaged in the disbursement of agricultural credit has resulted in an unhealthy competition at the cost of essential safeguards in a bid to achieve the targets set for providing agricultural finance. The Team, therefore, considered it necessary to assess the existence of such dual financing in the state and for this purpose a field study was undertaken in Ganjam and Puri districts by the RBI's Agricultural Credit Department at Bhubaneswar covering 8 societies, i.e., 6 in Ganjam district and 2 in Puri district. The findings of the study have revealed that not only dual but even multiple financing was in vogue in agricultural lending. The instances of dual/triple financing were more pronounced in the case of investment credit for dug-wells programmes. The instances of dual financing were noticed in all the societies visited. Some of the glaring instances noticed are given hereafter. In respect of one of the societies in Ganjam district as many as 74 instances of double financing for crop loans by the CCB and commercial banks' branches were noticed. In the case of a society from Puri district, 59 members had availed of dual finance some of whom were defaulters. In Ganjam district, as many as 494 dug-well loan accounts which were subsidised by the SFDA during 1972 to 1978 were involved in dual financing and another 15 accounts in triple financing. Instances of dual financing for dug-wells by the ccbs and the co-operative land development banks were also noticed during the course of the study. The main cause for the wide-spread prevalence of dual financing of cultivators is the non-observance of even the elementary safeguard of obtaining 'no dues' certificates from the primary credit societies by other institutional agencies and *vice-versa*. In this connexion we have suggested in Chapter 4 certain procedures for avoiding dual financing by different agencies which may be adopted.

Commercial banks' resources

16. The outstanding advances of commercial banks which stood at Rs 182 crores as on 30-6-1979 may reach a level of Rs 355 crores by the end of 1984-5 with an average annual growth rate of 15 per cent. The commercial banks are required to deploy 40 per cent of their advances in priority sectors of which 40 per cent are to be for agricultural purposes. In Orissa, the agricultural lendings of the commercial banks are high at about 30 per cent of their total advances in the state. The commercial banks may maintain this level at least up to the end of the Sixth Five-Year Plan period and their lendings for agriculture by the plan period would go up to Rs 105 crores. Of this, not less than 50 per cent should be reserved for crop loans. It may be mentioned here that the district credit plans have projected the share of commercial banks for financing crop loans to reach a level of Rs 37 crores in 1982. The above level could well be achieved by the banks if the present annual growth rate of 15 per cent is maintained by them.

17. To facilitate financing of agriculture in the state by commercial banks, the state government has already enacted the Orissa Agricultural Provisions (Banks) Act, 1975 and subsequently framed rules under the Act broadly on the lines of the model bill recommended by the Expert Group i.e., Talwar Committee. The government has, however, not included the provision relating to removal of restrictions on alienation rights, vesting of such rights, the right to distrain and sell the crops and other moveables charged to the bank, noting of charge or mortgage created in favour of a bank in the Record of Rights, etc. It is learnt that these provisions are being examined by the state government. We suggest that the government may expedite inclusion of the above provisions in the Act/Rules. The state government has also proposed enactment of Public Money (Recovery of Dues) Act which covers lending by the commercial banks to agriculture and other sectors.

Alternative institutional agencies

18. We now offer our suggestions regarding alternative institutional agencies which may supplement the efforts of co-operative

credit structure in meeting the credit gaps fully by the end of 1984-5. The question that emanates at this stage is what should be the alternate agency to supplement the efforts of the co-operatives in the areas of 9 ccbs where the credit gaps have been identified by us. It may be mentioned here that the Dantwala Committee in its report, while recommending acceleration in the programme of establishment of RRBs has suggested that to start with, new RRBs may be established in the districts where the ccbs are not able to adequately serve PACS within their jurisdiction. The Reserve Bank has also taken a decision that while establishing RRBs priority should be given to districts having a weak banking structure. Further, while examining the question of setting up an RRB, the position as to what extent such a setting up of the RRB would impinge on the working of co-operatives is also to be assessed. In the areas of 9 banks where alternate agencies are to supplement the efforts of the co-operatives, the RRBs have already been established except in Sundargarh and preference may be given to them for supplementing the efforts of the co-operatives to bridge the credit gaps indicated *vide* Table 7. It will be seen from Table 7 that in the areas of 4 ccbs, viz., Keonjhar, Khurda, Koraput and Sambalpur the credit gaps range between Rs 65 lakhs and Rs 110 lakhs. In their areas, therefore, the regional rural banks could be expected to supplement the co-operatives in meeting the credit requirements fully by the end of 1984-5. However, as regards the areas covered by other 4 banks, viz., Aska, Berhampore, Cuttack-United and United Puri-Nimapara the credit gaps range between Rs 347 lakhs and Rs 1981 lakhs. In the areas of these banks, the credit gaps are quite substantial. If the gaps are to be met fully by 1984-5 it may be necessary, although the regional rural banks are operating, to induct the commercial banks also to supplement the efforts of co-operatives and regional rural banks, particularly against the background that the RRBs can finance the small farmers only. This leaves out the area of Sundargarh Central Co-operative Bank, the position of which is discussed in the paragraph that follows.

TABLE 7

Rs Lakhs			
Bank	Estimated credit gap at the end of 1984-5	District	Name of the RRB operating in the area
1. Aska	483	Ganjam	Rushikulya Gramya Bank
2. Berhampore	1237		
3. Cuttack-United	1981	Cuttack	Cuttack Gramya Bank
4. Keonjhar	65	Keonjhar	Baitarani Gramya Bank
5. Khurda	107	Puri	Puri Gramya Bank
6. Koraput	106	Koraput	Koraput Panchavati Gramya Bank
7. Sambalpur	90	Sambalpur	Bolangir Anchalik Gramya Bank
8. Sundargarh	544	Sundargarh	No RRB.
9. United Puri-Nimapara	347	Puri	Puri Gramya Bank
Total	4960		

19. In the case of Sundargarh Central Co-operative Bank, a large chunk of its area i.e., 9 blocks out of 17 blocks have been transferred to the commercial banks and the transferred area is said to be having a better potential for loan business. Out of 47

LAMPS in the district, 25 LAMPS have been ceded to commercial banks for financing. Our estimate of credit requirements at Rs 763 lakhs and a credit gap of Rs 544 lakhs estimated in Chapter 5 for Sundargarh Central Co-operative Bank is for the entire district and it is, therefore, quite likely that if the credit requirements are estimated only with reference to the area served by the Sundargarh Central Co-operative Bank, the institutional credit requirements may almost come down to Rs 350 lakhs i.e., less than half of the credit potential of Rs 763 lakhs. In consequence, the estimated credit gap for the area of the central co-operative bank will stand reduced from Rs 544 lakhs to Rs 175 lakhs (i.e., institutional credit requirements of Rs 350 lakhs less credit support of Rs 175 lakhs expected to be provided by the central co-operative bank). In that event, there will be no scope for an additional independent institutional agency like RRB to function on a viable basis in the area. Besides, since the area of operation of Sundargarh Central Co-operative Bank has already been truncated, it may not be further eroded by inducting another independent institutional agency like an RRB. According to us, the only alternative which can take care of the credit gap is the induction of commercial banks so that the Sundargarh Central Co-operative Bank will be in a position to continue to function as an independent co-operative institutional agency.

20. It will be seen from Annexure 15 that out of 13 districts in the state, RRBs have been established to cover the area of 10 districts. The remaining 3 districts are Dhenkanal, Phulbani and Sundargarh. In regard to the position obtaining in Sundargarh district, we have stated in the earlier paragraph that for the reasons mentioned therein an independent institution like RRB need not be established. In the case of other two districts i.e., Dhenkanal and Phulbani, the co-operative banking structure is strong and is expected to meet the estimated credit requirements on their own by the end of 1984-5. The central co-operative banks have also been financing the small farmers to an appreciable extent and have a good rapport with the state authorities as well as other special agencies with whose help the lendings to small farmers

are being intensified. The banks have also started financing rural artisans. In the circumstances, the scope for establishment of further RRBs in the state appears to be limited.

21. The question that needs consideration now relates to the basis that may be adopted for allocating the areas for financing by the alternate institutional agencies. As already stated, while making allocation of the areas, preference is to be given to the regional rural banks wherever they are established over the commercial banks. In the absence of data relating to cropping pattern and loaning by the co-operatives on a block-wise basis, we have not made block-wise estimates of credit requirements and credit gaps. Such an exercise may be made by the district authorities on the basis adopted by us in Chapter 5. The procedure in brief is to work out credit requirements on the basis of scales of finance multiplied by the area under different crops and assume institutional credit requirements at a percentage indicated against the respective districts in Table 5 of Chapter 5. To arrive at the credit gap, credit requirements met may be worked out by taking into consideration the quantum of production loans issued by the primaries during the year plus the overdues under these loans as at the end of previous year. The blocks with credit gaps at 50 per cent or above of the credit requirements and in absolute amount not less than Rs 25 lakhs may be considered for entry of RRBs/commercial banks for financing agriculture. To begin with, while allocating areas to RRBs/commercial banks for financing agriculture, priority may be given to those blocks where the credit gaps are 75 per cent and above. The blocks with percentage between 75 per cent and 50 per cent could be allocated later depending on the quantum of finance required to be met by RRBs/commercial banks. The work relating to the selection of blocks, formulation of proposals for entry of Regional Rural Banks and commercial banks may be entrusted to the District Level Co-ordination Committees.

22. It is quite likely that the Regional Rural Banks/commercial banks may not have at present adequate branch network in the

areas where they are expected to take up financing of agriculture. It is possible for the Government of Orissa to ensure opening of branches by the RRBs/commercial banks on a priority basis in such areas as the Reserve Bank has recently taken a decision to prepare branch expansion programme in consultation with the state governments, RRBs, Lead Banks, etc. The Reserve Bank has outlined its approach in a circular dated 8 September 1978 issued to the commercial banks.

23. It will be seen from the discussions in the chapter that co-operatives, supplemented by regional rural banks and commercial banks in some areas, will be in a position to meet fully the production credit requirements estimated by us by the end of the Sixth Five-Year Plan i.e., 1984-5. As regards the requirements for medium-term credit also, all the three agencies will provide the necessary credit along with the production credit requirements, under the same arrangement as envisaged for the short-term credit.

Chapter 7

RECOVERY OF DUES AND REHABILITATION

We have in the earlier chapter reviewed the performance of short-term co-operative credit structure as also the other institutional agencies functioning in the sphere of short-term agricultural credit *vis-a-vis* the estimated credit requirements for production and medium-term investment credit in agriculture during the Sixth Five-Year Plan period. The non-repayment by the due date of loans given to farmers is a serious constraint in the smooth flow of credit, both production and investment, undermining the efforts at the development and modernization of agriculture and consequently in increasing agricultural production. We have dealt in this chapter the term of reference which requires the Study Team to examine the position of overdues at various levels of the co-operative credit system in the state and to suggest steps including administrative measures necessary for recovery of co-operative dues.

Dimension of the problem

2. Unlike the general position obtaining in the short-term co-operative credit system in the country, the overdues in the short-term co-operative credit structure in Orissa have shown a declining trend over the period under review i.e., 1975-6 to 1979-80. The district-wise position of overdues of the central co-operative banks and primary credit societies *vis-a-vis* their internal resources as on 30 June 1976 and 1979 is given in Table 1 at pages 208 to 210. The information furnished in Table 1 is upto 1978-9 only as the district-wise data in respect of primaries are available as on that date.

3. Although the overdues have increased in absolute amount over the period, the percentage of overdues to demand has declined. The overdues at the central bank level increased from Rs 10.97 crores as on 30 June 1976 to Rs 13.83 crores on 30 June 1979

4. Dhenkanal : Angul-United	141	315	71	95 (142)	40	37 (36)	213	214	178	131	63	44	23	18
5. Ganjam ; (i) Aska	194	274	69	128 (102)	35	43 (34)	205	259	230	314	42	42	80	25
(ii) Berhampore	392	540	85	160 (190)	29	38 (38)								
6. Kalahandi : Bhavanipatna	96	251	64	98 (126)	52	44 (40)	110	139	140	222	72	66	53	24
7. Keonjhar	77	145	26	37 (48)	34	27 (27)	79	92	102	102	65	54	17	17
8. Koraput	80	176	61	60 (72)	46	25 (29)	84	131	122	109	69	43	49	45
9. Mayurbhanj	113	554	16	20 (38)	18	14 (15)	102	155	104	103	57	45	31	30
10. Phulbani : Baudh	45	161	24	33 (38)	60	28 (25)	40	68	67	72	73	49	8	11
11. Puri ; (i) Khurda	92	192	98	34 (44)	43	25 (20)	171	219	239	285	50	41	48	17
(ii) Nayagarh	88	186	32	22 (16)	27	11 (6)								
(iii) United Puri- Nimapara	145	223	90	89 (126)	44	38 (43)								

(1)	(2a)	(2b)	(3a)	(3b)	(4a)	(4b)	(5a)	(5b)	(6a)	(6b)	(7a)	(7b)	(8)	(9)
12. Sambalpur	255	491	176	315 (239)	36	35 (30)	187	222	310	402	53	50	142	35
13. Sundargarh	61	124	34	21 (26)	41	43 (25)	59	55	76	56	66	64	14	25
State	2314	4656	1097	1383 (1522)	37	32 (30)	1698	2157	2260	2581 (2567)	57	48 (41)	614 (507)	24 (20)

Note : Figures in brackets indicate data for 1979-80.

and further to Rs 15.22 crores on 30 June 1980. The overall percentage of overdues to demand has, however, declined during the period from 37 in 1975-6 to 30 in 1979-80. Among the banks, with the exception of Aska and Berhampore ccbs, both in Ganjam district and the Sundargarh ccb, the percentage of overdues to demand has declined in all the other banks. The number of banks with percentage of overdues to demand exceeding 40 declined from 8 in 1975-6 to 4 in 1978-9. In the case of 4 ccbs, the said percentage as on 30 June 1979 was below 20, the lowest percentage being in Nayagarh ccb at 14. In 1979-80 only in the case of United Puri-Nimapara ccb, the percentage of overdues to demand exceeded 40. The lowest percentage was 6, again in the case of Nayagarh ccb.

4. At the primary level, the overdues increased from Rs 22.60 crores on 30 June 1976 to Rs 25.81 crores on 30 June 1979, but declined marginally to Rs 25.67 crores on 30 June 1980. The declining trend in the percentage of overdues to demand is also observed at the primary level where such percentage at 57 in 1975-6 came down to 48 in 1978-9 and further to 41 in 1979-80. In regard to district-wise position at the primary level, data for which are available only upto 1978-9, it is observed that the percentage of overdues to demand has maintained a declining trend except in Ganjam district where it remained stagnant at 42. The decline in percentage is marginal in Sambalpur (53 to 50) and Sundargarh (66 to 64) districts. Though in general, there is a declining trend in the percentage of overdues to demand, the position is not deemed satisfactory in 5 districts, viz., Balangir, Kalahandi, Keonjhar, Sambalpur and Sundargarh where such percentage is 50 or above. The percentage of overdues is higher in Balangir at 70 followed by Kalahandi (66) and Sundargarh (64.). The percentage was the lowest at 29 in Balasore district.

5. At the end of June 1980, the overdues exceeded owned funds comprising paid-up share capital and reserves in the case of 4 ccbs, viz., Aska, Berhampore, Sambalpur and United Puri-Nimapara. The district-wise position at the primary level on 30

June 1979 indicates that in nine districts excluding Balasore, Dhenkanal, Koraput and Mayurbhanj, the overdues exceeded not only the owned funds of the societies but also their internal resources comprising owned funds and deposits.

Chronic overdues

6. The overdues over 3 years are generally considered chronic as they are indicative of the fact that the recoveries have not come in a reasonable time in the normal course. The overdues over 3 years on 30 June 1979 aggregated Rs 6.14 crores at the primary level, forming 24 per cent of the total overdues. The district-wise percentage of chronic overdues is highest at 45 in Koraput followed by Sambalpur (35) and Balangir and Mayurbhanj (30 each). In Balasore, Ganjam and Sundargarh districts, the percentage of such overdues at 25 marginally exceeded the state average at 24.

Natural calamities

7. In the normal course, on the assumption that credit has been put to proper end-use, the defaults in repayment of dues, which lead to overdues, are expected to arise only on failure of or damage to the crop due to natural calamities. Agriculture in the country is subject to natural calamities like drought and floods and agriculture in Orissa is no exception to this position. In Orissa, there were natural calamities which were widespread particularly in the years 1975-6, 1976-7 and 1979-80. The data in respect of areas affected by such natural calamities are available with reference to the grampanchayats and not on a village-wise basis as till the year 1979-80, *annewari* was being declared in Orissa on grampanchayat basis. Although declaration of *annewari* on a village-wise basis commenced recently (from 1979-80) we have for comparative purposes given in Table 2 the district-wise position of grampanchayats affected by natural calamities during the period 1975-6 to 1979-80. The percentages of grampanchayats with crop loss of 50 per cent or more of the normal yield was 48 in 1975-6, 60 in 1976-7 and 69 in 1979-80. The crop loss on a grampanchayat

TABLE 2

District	No. of gram- panchayats in the district	Number of grampanchayats where crop loss was more than 50 per cent of the normal yield during the year				
		1975-6	1976-7	1977-8	1978-9	1979-80
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1. Balasore	225	89 (40)	65 (29)	—	—	142 (63)
2. Balangir	213	176 (83)	135 (63)	7 (3)	58 (27)	195 (92)
3. Cuttack	594	130 (22)	323 (54)	108 (18)	10 (2)	362 (61)
4. Dhenkanal	229	167 (73)	211 (93)	37 (16)	5 (2)	218 (96)
5. Ganjam	408	204 (50)	161 (39)	210 (51)	1 (—)	286 (70)
6. Kalahandi	234	141 (61)	93 (40)	43 (18)	—	211 (91)
7. Keonjhar	170	80 (47)	153 (90)	—	—	153 (90)
8. Koraput	478	221 (46)	383 (80)	61 (13)	3 (1)	215 (45)
9. Mayurbhanj	254	71 (28)	99 (39)	2 (1)	—	232 (91)
10. Phulbani	152	130 (86)	137 (90)	—	—	98 (64)
11. Puri	367	133 (38)	278 (76)	2 (1)	21 (6)	140 (38)
12. Sambalpur	308	204 (66)	174 (56)	4 (1)	12 (4)	251 (81)
13. Sundargarh	139	88 (63)	104 (75)	—	—	137 (99)
Total	3831	1834 (48)	2316 (60)	474 (12)	110 (3)	2640 (69)

Note : Figures in brackets indicate percentages to total.

basis does not appear to be revealing the correct position as it is quite likely that some villages in their areas might not have suffered a similar loss. This position could be inferred from the fact that in 1979-80, while the number of villages with crop loss of 50 per cent or more were 26,253 constituting 52 per cent of the total number of villages, the percentage of grampanchayats constituted 69 of the total. Obviously, the crop loss in some of the villages within a grampanchayat area may not be 50 per cent or above.

Stabilization arrangements

8. If the crops are damaged, the repaying capacity of a borrower is adversely affected. With a view to helping such a borrower, the Reserve Bank of India has provided for conversion facilities which enables the borrower to defer repayment of his dues and repay the same in instalments in the following years. The banks in Orissa have been extending such facilities on occurrence of natural calamities and the quantum of conversion loans provided both by the ccbs and primaries during the 5-year period 1975-6 to 1979-80 is given in Table 3.

TABLE 3

	Rs Lakhs				
	1975-6	1976-7	1977-8	1978-9	1979-80
Central Co-op. Banks	10	426	76	3	955
Primary Societies	1	193	25	5	474

The conversion loans given at the primary level compared to those issued by the central banks are disproportionately less implying that the benefit of conversion facilities might not have been passed on by the primary societies to the affected cultivators. This position, however, is not substantiated by the field study of the primary credit societies as may be seen from the data furnished in Table 12

of Chapter 4 which indicates that the relief was normally provided to all the eligible borrowers. It was also observed that the conversion operations are normally completed within a period of 2 to 2½ months from the date of declaration of *annewari*. Fresh finance is also being provided to those borrowers for continuing their agricultural operations during the following season.

9. In view of such wide differences in the figures relating to loans issued at the level of central co-operative banks and primaries, the only explanation appears to be that figures reported at the primary level may not perhaps be correct. We, therefore, suggest that in future the statistical wing in the Registrar's Office may look into this aspect from the view-point of reporting of figures and the central banks should ensure through their supervisory staff that the societies do pass on the benefit of conversion to the ultimate borrowers.

Recovery of co-operative dues

10. Besides conversion facilities, the Reserve Bank has granted certain relaxations such as condonation of defaults of small amounts by small/marginal farmers, provision of fresh finance to societies irrespective of their recovery performance for financing new and non-defaulting members. These relaxations are aimed at ensuring that both the agriculturists and agricultural production do not suffer. However, the overdue, particularly due to wilful defaults, endanger the credit structure in the long run and choke the flow of credit if corrective steps are not taken promptly.

11. In Chapter 4, we have noted that some managements are persuading the borrowers to pay their dues voluntarily which is a welcome feature. However, the co-operatives are also expected to initiate coercive action against defaulters if recoveries are not forthcoming. The primary credit societies can file a suit against the defaulters for recovery of their dues under Section 68 of the Orissa Co-operative Societies Act 1962. This Section also provides for the higher financing agency proceeding against a defaulter if the society fails to take action. Normally, coercive action is

initiated when loans are overdue for one year and above. As on 30-6-1979, of the total overdues of Rs 25.81 crores at the primary level, Rs 17.34 crores were overdue for over 1 year. The data relating to suit filed/arbitration cases and execution of awards are given in Table 4.

TABLE 4

Rs Lakhs

	Cases pending as on 1-7-1978	Cases referred to during 1978-9	Cases settled during 1978-9	Cases pending as on 30-6-1979
<i>Suit filed/arbitration cases</i>				
(i) No. of cases	9,623	55,506	56,094	9,035
(ii) Amount involved	192	516	493	215
<i>Execution of cases</i>				
(i) No. of cases	67,777	29,475	38,820	58,482
(ii) Amount involved	710	364	422	652

12. The Table 4 reveals that there have been delays in the disposal of execution proceedings in particular. Before proceeding to analyse the causes for delay, we would like to refer to the procedure for arbitration and execution of awards in vogue. Besides the Registrar of Co-operative Societies or a person invested with powers in that behalf, the disputes can be disposed of by an arbitrator appointed by the Registrar of Co-operative Societies under Section 70 of the Orissa Co-operative Societies Act. The awards are to be sent for execution by sale officers with the prior consent for the award by the Deputy Registrar of Co-operative Societies. There is no provision in the state enactment for appointment of special recovery officers. The officers of the Co-operation Department of the rank of Sub-Assistant Registrars of Co-operative Societies as also Senior/Junior Inspectors of Co-operative Societies are appointed as sale officers for the execution of decrees.

13. It is noted that the Sub-Assistant Registrars, Senior Inspectors and Junior Inspectors who act as sale officers for execution of decrees are also appointed by the Registrar of Co-operative Societies as arbitrators to decide the disputes. In addition, they are required to look after their other regular items of work like implementation of the various Departmental programmes, administration of the Act and Rules and inspections. The strength of the staff is obviously not adequate to cope up simultaneously with the disputes referred to them for arbitration and execution of awards resulting in delays. Further, disposal of execution proceedings particularly involving immovable property like land or house are ineffective on account of non-availability of bidders at the time of auction. The society/ccb also finds it difficult to take possession of and sell the lands or give them on lease. In the meanwhile the funds of these institutions remain locked up in overdues. To overcome this situation we reiterate the suggestion made in this regard by the Overdues Study Team that the state government may themselves purchase the lands in auction, as with the authority at their command, they would not only be in a position to take possession of the lands but also be able to dispose them of by sale or lease on a long-term basis. The state government may set up a separate Fund for the purpose.

14. Besides the factors discussed in the previous paragraphs, as noted in earlier chapters particularly in Chapter 4, a few other factors such as inadequate and ineffective supervision by the higher financing agencies, dual financing/over-financing, absence of proper land records, etc., have contributed to the overdues in the co-operative credit structure. The absence of arrangements for linking of credit with marketing, which has been highlighted in subsequent Chapter Nos. 8 and 9 has also contributed to the problem of overdues. Thus, the overdues are a product of a combination of a variety of factors.

15. The question that now needs consideration is the nature of steps to be taken for dealing with the existing overdues, the recovery of which would facilitate the recycling of funds to benefit the

agriculture at large. No doubt, in Orissa the recovery performance has shown improvement during the period under review. However, overdues do exist and to ease the existing 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. It is necessary then to suggest norms for identification of non-wilful defaults. These norms, however, cannot take note of individual difficulties and should be such as could be considered for mass application. It may be stated here that similar Study Teams appointed by the Reserve Bank earlier for other states have, by and large, identified a non-wilful defaulter as the one who could not repay his dues because his crop was damaged by a natural calamity but in whose case stabilization assistance (subject to the declaration of *annevari* of six annas or less by the State Authority) might not have been extended. Even in such cases to avoid the benefit of such identification being taken by undeserving defaulters, exception was made in the case of those who had deceived the society by showing false land holdings or crops to secure higher loan amounts, whose agricultural income to the extent of 75 per cent is from cash crops, whose total agricultural income is above Rs 5000 per annum and those who are income-tax assesseees.

16. In Orissa although natural calamities have recurred, the stabilization facilities have been extended from time to time. Even then the possibility of a few borrowers being left out from the benefit of availing of such facility cannot be ruled out. It is quite possible that there may be some defaulters, particularly small and marginal, in whose cases only part of the loan might have been defaulted due to recurrence of natural calamities. Although we are reviewing the position obtaining during the period 1975-6 to 1979-80, it is noted that the incidence of natural calamity was quite extensive in the earlier two years i.e., 1973-4 and 1974-5. The incidence of natural calamities during the period 1973-4 to 1979-80 could be seen from the position analysed in Table 5.

TABLE 5

Total number of grampanchayats	3,831
<i>Number of grampanchayats where crop loss during the period 1973-4 to 1979-80 was 50 per cent or more of the normal yield during</i>	
(i) Any two years	2,973
(ii) Consecutive two years	2,065
(iii) Any three years	2,271
(iv) Consecutive three years	1,365
(v) Any four years	1,438
(vi) Consecutive four years	453
(vii) Any five years	483
(viii) Consecutive five years	73

Thus, while 2973 grampanchayats or 78 per cent of the total had been affected by severe natural calamity twice during the 7-year period, 59 per cent had witnessed severe calamity three times, 36 per cent having been affected for 3 years consecutively.

17. Keeping in view our above observations, it is recommended that identification of defaulters may be made with reference to the position of defaults during the period 1973-4 to 1979-80. 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* declared was 6 annas or less) during the period 1973-4 to 1979-80 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 the 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 is a small/marginal farmer and has made part repayment at least to the extent of 50 per cent of his original dues on his own and such outstanding defaulted amount does not exceed Rs 500. 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 society by showing false acreages and crops to secure higher finance, (b) whose gross agricultural income is above Rs 5000 per annum and (c) who are income-tax assesseees. Such an exception in identifying non-wilful defaulters is considered necessary with a view to excluding those defaulters who have deceived societies and/or are relatively affluent.

18. 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 1980-81 are normal or not. Further, if 1980-81 is a normal year they should be required to pay a minimum of 25 per cent of defaulted amount (principal) and 50 per cent if the year 1979-80 was also a normal year. The balance outstanding which is overdue under all types of loans i.e., short-term and medium-term agricultural purposes, may be allowed a period of 3 to 7 years for repayment and called as rehabilitation loan. The period of repayment may be decided assuming the repaying capacity at 60 per cent of the value of gross produce so as to ensure that the burden of instalments of rehabilitation loan together with the fresh loan, which will be advanced, remains within the assumed repaying capacity. In the cases where phasing of overdue loans is required to be made beyond 7 years, instead of writing off of the excess amount, it would be preferable to extend the period of such loans up to 10 years. A uniform rate of interest may be charged on such rehabilitation loan which should not be less than the highest rate (exclusive of penal rate) that was being charged on any of the existing overdue loans.

19. It is difficult to make an exercise to quantify the existing overdues which could be considered as non-wilful and eligible for rehabilitation facility. However, the funds of the co-operatives equivalent to that of overdues are already locked up and no separate financial assistance is, therefore, necessary for converting the defaulted amounts into rehabilitation loans. Although this may be the position, the liquidity of the concerned banks would not show immediate improvement as the funds would remain locked up for some time in the rehabilitation loans and they would continue to face the difficulties in providing adequate non-overdue cover for their borrowings from the higher financing agencies. Further, the non-wilful defaulters being eligible to borrow afresh, there will be demand for fresh finance resulting into further demand 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.

20. The 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 branch and the Co-operative Extension Officer. The reports of the Screening Committees may be confirmed jointly by the Deputy Registrar of Co-operative Societies and the Secretary of the bank and then put up for final sanction of the Board of 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. The Registrar of Co-operative Societies may provide suitable guidelines for assessment of repaying capacity keeping in view the yield of various crops and the prices thereof. The entire action on the lines indicated by us above, may be completed in the first half of 1981-2. The overdue loans from non-wilful defaulters for which rehabilitation facility will be provided, will be included in the demand from the year 1981-2 onwards according to the instalments fixed for their repayment.

21. On identification of non-wilful defaulters, those left out could be deemed as wilful defaulters. In some cases it is likely that the defaults may be subsisting for a longer period, say, over 3 years and could be deemed as chronic and, therefore, difficult of recovery in the normal course. We recommend that such overdues over 3 years in respect of wilful defaulters may be segregated from the total overdues and deemed as 'segregated overdues'. The segregation of overdues may be done both at the level of central co-operative banks and primary credit societies. The segregated overdues being chronic overdues, the recovery may take little longer time and with a view to giving relief to the institution concerned we suggest that the demand in respect of such overdues may be spread over a period of 5 years commencing from the year 1981-2. This would mean that of the segregated overdues, 1/5th will become the demand at the end of each co-operative year and the defaults if any under this figure may be treated as arrears of demand and added to the subsequent year's demand. We recommend this arrangement to be accepted by the higher financing agencies for deciding the eligibility of the institutions for sanction of credit limits only if the state government agrees to make good the short-fall between the actual recoveries and the demand so reckoned by way of sanction of a term loan of equivalent amount which may be repayable as and when the corresponding recoveries are made. The rate of interest on the loan may be at least 2 per cent above the normal borrowing rate of the central co-operative banks for short-term agricultural purposes. The higher rate is considered necessary to make the borrowings costly so that it acts as a disincentive to the banks to obtain such loan and will also help in checking the complacency on its part in effecting recoveries. The involvement of the state government would also make the government to exert pressure on the banks for recovery of defaults and actively associate itself in recovery drive. As far as societies are concerned no separate financial assistance is considered necessary except what has been recommended by us in paragraph 99 in Chapter 4 for share capital contribution.

22. Thus the overdue loans will get segregated into 3 categories, viz., (i) loans in respect of non-wilful defaulters, (ii) loans in respect

of chronic defaulters and (iii) other overdue loans. While the overdue loans in category (i) will get rehabilitation facilities, in the case of the other two categories immediate action for recovery will have to be initiated.

23. Our recommendations in the preceding paragraphs are aimed at easing the pressure of existing overdues on the co-operative institutions. However, it is necessary to consider ways and means to minimise the scope for overdues in future. In our earlier chapters we have highlighted the causes of overdues and have also offered suggestions to remedy the situation wherever warranted.

24. Additionally, it is necessary to take certain administrative measures as under :

(i) Presently there is no separate staff to attend exclusively to arbitration references and execution of awards. It is necessary to provide at every district head-quarters separate staff for attending to the cases relating to the arbitration/execution of awards depending on the volume of work in the respective district. We have in Chapter 11 recommended strengthening of the Registrar's office suitably and our observations here regarding the inadequacy of the staff for follow-up of cases relating to the coercive action may also be kept in view.

(ii) Besides the staff of the Co-operation Department, the supervisors/inspectores of the banks may also be considered for appointment as sale officers which would facilitate speedy recovery of co-operative dues.

(iii) With a view to checking the misappropriation and benami' loans, the system of issuing loans by way of non-transferable cheques (loan payment orders) drawn in favour of borrowing members of the societies and payable at bank's branches may be considered for introduction. It is likely that introduction of this system may cause difficulties particularly in the hilly terrain and at places where the bank's branch net-work is not widespread. We suggest that a beginning may be made on an experimental basis in a few societies which are situated within a radius of 10 kilometres of the bank's branches.

25. The major cause of overdues is generally wilful defaults. In the circumstances a proper atmosphere is required to be created to impress on the borrowers the importance of timely repayment of their dues. As pointed out by the Reserve Bank in its circular dated 21 October 1980 the state and central co-operative banks have an important role to play in this regard by educating borrowers and creating a climate for recovery of dues. It has been suggested that the borrowers who are prompt in repayment may be encouraged and made allies to put through the programme of the lending institutions, for propagating prompt repayments and the need for recycling of funds. It is further suggested that the importance of prompt repayment of co-operative loans should be stressed at every available forum, such as general body meetings of the societies/banks/unions besides exhibiting posters and issuing of literature at periodical intervals highlighting the advantages of the co-operative credit and responsibility of borrowers to their respective institutions. To make the propaganda effective in this regard, the assistance of the State Publicity Department and Co-operation Department could also be availed of.

26. The efforts of the co-operatives would not, however, succeed if the climate of recovery is vitiated. As a matter of fact the state government could help in a positive manner in building up such climate for recovery. In this connexion we are happy to note that the Government of Orissa has taken the initiative in creating such a climate for recovery during the year 1980-81. The Chief Secretary to the Government of Orissa addressed a letter to all the District Collectors in January 1981 requesting them to initiate action in launching a drive for collection of co-operative dues and also made arrangements through the Home Department to enable the sale officers and other public servants involved in this job to obtain the protection of police to carry out their duties. Further, at the political level the Hon. Minister of Agriculture and Co-operation Departments addressed letters to the non-official local leaders urging them to actively help in creating a climate of public opinion for timely collection of co-operative dues. We have no doubt that as a result of the efforts on the part of the

Government the recovery climate in Orissa will further improve and keep the level of the overdues to the minimum.

27. Recourse to the filing of arbitration cases should be a measure of the last resort. In this connexion, it is the experience that many a time pressures are exercised from influential quarters for suspension of recovery, staying of awards, etc. We urge that under no circumstances such pressures should be exerted by any quarter and the state government may positively put down such attempts on the part of others.

28. We are confident that the managements of banks and societies as also the Co-operation Department will wholeheartedly support the measures recommended for overcoming the problem of recoveries and help in implementing the programme of recoveries so as to ensure speedy recovery of loans and help in maintaining sustained growth in the co-operative field,

Chapter 8

WORKING OF CO-OPERATIVE RICE MILLS IN ORISSA

Orissa is one of the major paddy producing states of India. We have also stated in Chapter 1 that paddy alone accounts for 50 per cent of the total cropped area in the state. Out of a cultivated area of 81.66 lakh hectares in 1979-80 in the state, 41.17 lakh hectares are under paddy and the average annual production is about 45 lakh tonnes. The area under cultivation of paddy and production thereof in Orissa formed 11 per cent and 8 per cent of the area under the paddy and the total paddy production respectively for the country as a whole for the year 1977-8. The paddy crop is required to be processed before it can be marketed as rice and thus the processing activity becomes an integral part of paddy production. We have, therefore, dealt in this chapter with the working of co-operative rice mills which are undertaking processing of paddy into rice.

Objectives for setting up rice mills in co-operative sector

2. Initially, husking machines called 'hullers' numbering 30 were established in the state in the co-operative sector, which were engaged in custom milling. The Regional Co-operative Marketing Societies (RCMSs) in the state, which are engaged in general business like purchase and sale of agricultural produce, distribution of agricultural inputs, sale of consumer goods, etc., were also procuring paddy and getting it processed through huller units. This arrangement was found to be not working satisfactorily and was also uneconomical. The state government decided some time around 1960 to provide rice mill units in the co-operative sector to the RCMSs, with a view to saving cultivators from exploitation by private traders/sahukars and ensuring a fair return to them as also linking of credit with marketing. Moreover, in times

of difficulties, rice could also be procured from co-operatives for sale through the public distribution system.

3. The Government of Orissa then decided to provide one rice mill unit each to 40 RCMSs spread over the state and the unit formed part of the general business of the concerned RCMSs. There are at present 63 RCMSs in the state which means that rice mill units are not attached to all the RCMSs. The units were to be set up with the financial assistance from the National Co-operative Development Corporation (NCDC) and the Orissa State Co-operative Marketing Federation was to execute the project. Accordingly, installation work was either undertaken by the Federation itself through its technical cell or through various agencies like Agro-Industries Corporation, Rural Engineering Corporation (Government Organization) and private contractors.

4. The details regarding the number of RCMSs in the state, names of RCMSs having rice mill units together with details in respect of their milling capacity (in terms of paddy per hour), date of installation, cost of the unit, margin money provided by the National Co-operative Development Corporation (NCDC) and quantum of paddy procured during the period 1976-7 to 1979-80 as furnished by the Orissa State Co-operative Marketing Federation are given in Annexure 17. It is reported that a few rice mill units have either not been set up or commissioned. Two units in Cuttack district have not yet been commissioned while another five units in the districts of Dhenkanal (1), Keonjhar (2), Mayurbhanj (1) and Puri (1) have not been installed. In respect of those units which have already been set up, some of them have become defunct for various reasons, while the level of achievement of the co-operative rice mills in general in relation to their objectives leaves much scope for improvement.

5. With a view to finding out the impediments in the functioning of co-operative rice mills, the Team considered it necessary to conduct a field study. Accordingly, field visits were undertaken in March-April 1980 by our Secretariat when six RCMSs, one each at Jatni, Berhampur, Aska, Bargarh, Baudh and Angul were

visited for on-the-spot study. A visit was also paid by the Chairman to the Nayagarh RCMS in February 1981. On the basis of the field study report as well as our discussions with the officials and non-officials connected with the working of the rice mills and the other material made available to us, our observations have been given in Section I and suggestions to remedy the situation in Section II.

SECTION I

Economics of the rice mills

6. A modern rice mill unit with a capacity to process 1 tonne of paddy per hour should process a minimum of 20,000 quintals of paddy in a year (25,000 quintals if it is producing boiled rice) to work as a viable unit, as may be seen from the estimates of operating economics worked out by the Orissa State Co-operative Marketing Federation vide Annexure 18. While considering the rehabilitation of sick rice mill units in the co-operative sector, the State Marketing Federation has drawn up separately a revitalisation programme, even for a par-boiled unit, on the basis that it works one shift for 250 days in a year processing 20,000 quintals of paddy. We have, therefore, proceeded to examine the rice mill units on the basis that each unit should be in a position to process a minimum of 20,000 quintals of paddy in a year.

Setting up/Commissioning of rice mills — Delays

7. The setting up of a rice mill at Angul was taken up as early as 1969. The machinery, though received, has not been installed for the last 6 years. The management of the RCMS is not having any interest in installing the mill as adequate quantity of paddy is not available in its area to feed the unit to the optimum capacity. It is reported that at the time of taking a decision of setting up a rice mill in this area, the state government had in view the minor irrigation project which was expected to help in increasing production of paddy. However, the completion of the project has been delayed.

8. A situation of the above nature has resulted in considerable loss to the society as it is required to pay interest on a loan of Rs 1 lakh from the Orissa State Financial Corporation. As the electric meters have been already installed, certain minimum charges on electricity are required to be paid irrespective of the fact whether the rice mill is working or not. Incidentally, some parts of the rice mill unit, such as motor, are now being utilized for the society's oil mill unit. The RCMS has initiated correspondence with the authorities for disposal of the boiler installed for processing paddy but has not so far received the necessary permission for it.

9. Besides, as noted in paragraph 4, in the case of 7 rice mill units either the machinery has not yet been installed or the units have not been commissioned. The completion of work has been held up for various reasons i.e., financial, technical and apathy on the part of the management. The agencies which have been entrusted with the job of installation of rice mill units have delayed the execution of work in some cases resulting in increased cost. The concerned RCMSs are irked at the additional burden of cost on them and are not willing to pay the higher cost. At the same time, unwillingness of the agency to complete the job, unless the increased cost is met, has further delayed execution of the projects. Moreover, the RCMSs like Nayagarh which do not have in their areas adequate quantity of paddy to feed their rice mill units, are not enthusiastic about execution of the project. Thus it could be inferred that a few units have been put up without taking due note of the availability of adequate quantity of paddy in their areas.

Paddy procured by societies

10. The details regarding paddy procured by the mills visited and the number of days each unit worked in 1978-9 are given in Table 1. None of the societies had procured adequate quantity of paddy to work its rice mill units at the optimum capacity.

TABLE 1

Marketing society	No. of rice mill units	Capacity (in tonnes)	Paddy procured (in quintals)	No. of working days
Jatni	1	One	215	Nil
Berhampur	1	One	9740	212
Aska	1	One	21481	187
	1	Two		295
Bargarh	1	One	11865	120
	1	0 75		150
Baudh	1	One	11744	137
Angul	1		Not installed	
Nayagarh	1		Not installed	

A statement at Annexure 17 reveals that barring three societies, viz., Bargarh (Sambalpur district) Jeypore and Nowrangpur (Koraput district), the paddy procured by 31 societies during the period 1976-7 to 1979-80 was much less than 20,000 quintals (minimum considered necessary for the economic working of one tonne unit) in each year. In some cases it was negligible or even nil. In the case of Bargarh and Aska societies though the quantity of paddy procured was about 20,000 quintals, it was insufficient as both the societies had to feed two rice mill units of aggregate capacity exceeding one tonne. Incidentally, it may be noted that the information furnished by the Orissa State Co-operative Marketing Federation regarding procurement of paddy by the rice mill units for the year 1979-80 is apparently incomplete in respect of at least a few rice mill units like the ones at Berhampore and Aska which had

procured paddy during the year 1979-80 as was noted during the field visits.

Paddy procurement policy

11. The reasons for not procuring adequate quantity of paddy by the co-operative rice mills need to be examined. Before discussing the arrangements and problems relating to procurement of paddy, we first refer to the procurement policy of the state government which has a direct bearing on the procurement of paddy by the rice mills. The procurement policy of the government is broadly linked to the national policy and variations are made to suit local requirements keeping in view the national interest as well. With a view to ensuring a fair price to the producer and acquiring adequate stocks to build up buffer stock for distribution, the state government takes a decision every year on the support prices at which it would be ready to purchase paddy of different qualities like coarse, fine and superfine and imposes a levy known as the miller's levy for delivery of a fixed quantity of rice by mills which are appointed as purchase agents.

12. According to the state government's procurement policy, the private and co-operative rice millers are licensed to procure paddy. While entering into an agreement with the rice millers for such an arrangement, the state government makes it clear in the agreement form itself that it is the policy of the government to obtain by purchase or otherwise foodgrains for distribution within the state at such places and at such times as it best suits the needs of the people as well as for export of the surplus outside the state. The purchase agents i.e., rice millers are to make their own arrangements for procurement of paddy. The purchase agents have to purchase paddy at a price not below the support price and they cannot refuse to purchase paddy offered by any producer or stockist. The rice miller is also required to undertake to deliver to the state government as miller's levy a fixed quantity of rice (in terms of conversion of paddy into rice i.e., 66 per cent of paddy) as fixed by the concerned District Collector. The quantum of miller's levy is decided by the collector for the licensees in his area

depending on the target of procurement set by the state government for the district and has no relation to the paddy actually procured by the rice mill unit. On meeting the obligation to deliver the miller's levy quota, the licensee is allowed to sell the balance stock in the open market. Incidentally, although the miller's levy system was reportedly not in vogue in the years 1978-9 and 1979-80 the miller wholesale licensees were allowed free trade facility by the government only after delivery of the targetted quantity of rice fixed by the District Collectors for individual licensee. This in effect could be construed as similar to the miller's levy quota system requiring the miller to give a fixed quota to the Government. Normally, the miller's levy quota is collected in the form of coarse variety of rice. The licensee is also free to sell broken rice and other by-products like bran and husk on his own. The price paid for the miller's levy rice is fixed by the state government in terms of price of paddy at the rates fixed i.e., support price for procurement purposes plus other incidentals including milling charges. The schedule of prices and charges fixed for 1979-80 is given in Annexure 19. On delivery of miller's levy quota the miller is paid up to 95 per cent of the amount of bill and the balance 5 per cent is settled after quality cuts, if any, with reference to the analysis of the sample of rice delivered.

13. There is no producer's levy, which is different from miller's levy, in force in Orissa at present. The producer's levy, whereby each paddy grower is required to sell a certain quantity of paddy compulsorily to procurement agencies, was made applicable only in the year 1974-5 and that too in select areas on a graded basis and was imposed on bigger farmers. However, District Collectors had the discretion to reduce the quantum of levy or exempt those producers whose paddy crop was adversely affected by natural calamities. The producer's levy was entirely on government account. The paddy procured was to be processed by the mills for which they were paid certain fixed charges towards milling, transportation, etc., and were required to deliver 66 kgs of rice per quintal of paddy procured. The state government did not pursue the policy of producer's levy in the subsequent year due to

adverse crop conditions and enormous cost involved both in terms of money and manpower in implementing the policy and such a levy has not been introduced again since then.

Procurement of paddy—

Arrangements and problems

14. Although the area of operation of each marketing society is confined to a certain specified area, the societies are obliged to go beyond their area of operation for procurement if availability of paddy in their own areas is limited. The societies freely operate in the other areas for the purpose unless a ban is imposed by the district authorities for considerations other than the area of operation of societies. The rice millers procure paddy on outright purchase basis from producers/open markets through commission agents appointed for the purpose. The commission agents could be co-operative societies as well as private individuals. In the case of some RCMSs arrangements are also made to purchase paddy through their own field staff. The commission is generally paid at 1 per cent plus transport charges for delivery at the mill's door. The availability of paddy in the market depends on production in the particular year. If the availability of paddy is limited due to bad crop conditions, open market prices exceed the support prices and the co-operative rice mills are not able to compete with private millers by offering higher prices without the approval of their boards of management. Since the prices are fluctuating, it is not possible to obtain the concurrence of the boards of management frequently. Consequently the procurement operation is adversely affected.

15. Further, when crop conditions are not good, there is a lurking fear in the minds of the millers that the local authorities, in pursuance of the state government policy, might at a later stage impose certain restrictions on the sale of their free quota in the open market to tide over the difficult situation arising in the local market at a particular time due to non-availability of rice at a reasonable price. Such restrictions, if imposed, adversely affect the margin of profit for the millers. Hence, there is reluctance on

the part of managements to make efforts to procure paddy at higher prices. If the crop conditions are good, the co-operatives could procure a larger quantity of paddy as the market prices of paddy are low as compared to the support prices. However, as the paddy is to be procured at the support price fixed by the government, the fall in prices has no significance to the procurement operations by the co-operatives. Moreover, with the availability of abundant rice in the market at a comparatively cheaper rate, the government may not come forward to acquire large stocks by way of miller's levy. Both these situations are borne out by the position obtaining in some of the societies visited. For instance in Ganjam district, to tide over a temporary difficulty in the supply position of rice, the District Collector issued orders to the rice millers in the district in August-September 1979 to dispose of rice at fixed prices within the district. In 1978-9 the miller's levy was waived in the Berhampore society. Further, in the years 1978-9 and 1979-80 against a *kharif* procurement target of 1 lakh tonnes and 0.60 lakh tonnes of rice, the state government took delivery of 0.47 lakh tonnes and 0.27 lakh tonnes of rice respectively. Government's policy particularly regarding miller's levy quota and the limited availability of paddy in some areas affects the procurement of paddy by societies.

16. It is also complained that the private commission agents take up the agency of the co-operative rice millers as well as private rice millers for procurement of paddy. However, at the time of supply of paddy the private rice millers reportedly get a preferential treatment from these agents. It is quite likely that this may be due to the fact that private rice millers are in a better position to take into their stride the price variations in procuring paddy. The number of primary co-operative societies acting as agents is relatively limited as not many societies are reportedly in a position to procure adequate quantity of paddy which could be transported by truck-loads. The societies also do not have storage facilities and above all secretaries of the societies are not enthusiastic to take up additional burden of work. These are the factors which generally come in the way of co-operative societies being

appointed as agents. Besides, the operation of huller units in small places enables a producer to get his paddy processed at such huller units and sell rice which fetches him better price. This situation also has an adverse effect on the arrival of paddy in the market.

Miller's levy quota — Government price

17. As stated in paragraph 12, the miller's levy quota has no relation to the quantum of paddy that will be procured by an individual licensee. In the circumstances if the proportion of the miller's levy quota is relatively higher compared to the paddy procured, the Government policy for payment of price therefor adversely affects the profitability of the rice mill unit as discussed hereafter. In regard to the price paid for the miller's levy rice, it is contended by the societies that even if paddy is purchased at higher prices than the support prices, no account thereof is taken by the state government. The value of 66 kgs of rice paid is equal to the support price for one quintal of paddy. The milling and other charges allowed are also less than the actual cost resulting in loss to the societies in the transaction. The charges allowed by the government as compared to the actual expenses incurred by the millers in this behalf are given in Table 2, in respect of mills visited. The expenses incurred by mills even without taking note of other charges like handling, interest, shortage, etc., are higher than those admissible according to the government scheduled rates. The loss incurred on this account is made up by the rice mills to a certain extent from the income derived from the disposal of broken rice and other by-products which are obtained on processing of one quintal of paddy as indicated in Table 3 at page 238. Thus the charges paid by the state government on miller's levy rice do not adequately compensate the mills. The societies have represented to the government that these charges may be enhanced. Their representation is under consideration of the state government.

TABLE 2

Amount in Rupees

	Charges admissible as per government scheduled rates	Charges actually incurred by the societies					
		Jatni	Berhampur	Aska	Bargarh	Baudh	Angul
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
(i) Transport charges : per quintal of paddy	1.50 to 1.75	6.00	5.00	2.00	1.50	2.00 to 2.50	Not commi- ssioned
(ii) Consolidated commission to cover procurement charges including handling, storage, shortage, interest, gunny, depreciation and milling charges : per quintal of paddy	4.25	3.06 (Opera- ting charges)	4.50 (Opera- ting charges) 1.00 (Commi- ssion)	6.67 (Opera- ting charges) 1.00 (Commi- ssion)	8.00 (Opera- ting charges) 1.00 (Commi- ssion)	5.00 1.00 (Commi- ssion)	

(iii)	Cost of new B.T. or D. W. Gunny supplied as container of rice by the licensee inclusive of sales tax : per quintal of rice	4.25	5.00 to 6.00 (second hand)	3.00	5.00	6.00	5.00
(iv)	Octroi	Actuals	Actuals	Actuals	Actuals	Actuals	Actuals

TABLE 3

	Average price (approx.)	
	Kgs	Rs
Broken rice	1	0.75
Bran Fine	3	0.50
Bran Rough	1	0.15
Husk*	26	1.25
Other impurities	3	—
	34	2.65

* This is mostly used as fuel.

Arrangements for finance

18. For sometime i.e., until 1978-9, the RCMSs were acting as sub-agents of the Orissa State Co-operative Marketing Federation which was arranging to provide finance for the purpose of procurement on the terms and conditions which were, by and large, similar to those laid down by the state government in acquiring miller's levy rice. This policy has been changed from 1979-80 and the marketing societies have been given an option to have direct dealings with the state government and make their own arrangements for finance with the banks in their areas. If they act as sub-agents of the Federation they will be provided financial accommodation at the rate of 13 per cent per annum by the Federation and will also be required to pay service charges of Re 1.00 per quintal of paddy purchased. Many marketing societies have found it convenient to have direct dealing with the state government particularly because of the conditions of service charges imposed by the Federation for acting as its sub-agent.

19. The rice mills have received assistance for margin money from the NCDC as may be seen from details given in Annexure 17.

The financial accommodation for working capital is obtained by the mills from the Orissa State Cooperative Marketing Federation if they act as its sub-agent or from the central co-operative banks in their areas. Of the six mills visited, only three had availed of financial accommodation for the year 1978-9 as per details given in Table 4.

TABLE 4

Society	Rs Lakhs		
	Cash credit limit	Value of paddy purchased	Outstandings against the limit
Aska	25.00	21.00	10.00
Bargarh	15.00	12.25	Nil
Baudh	5.50	10.00	3.45

Normally, financial accommodation is not a problem for procurement operation.

Operation cost of rice mill units

20. Of late, the cost of transport has no doubt gone up considerably but some of the societies which go over to far off places for procurement of paddy have to incur relatively heavy charges towards transport. Most of the rice mills produce par-boiled rice involving boiling of paddy and drying thereof before processing. This process entails additional expenditure towards fuel and labour. The cost of labour also varies from place to place. Besides, a note has also to be taken of the Minimum Wages Act which is being enforced in the areas of some of the rice mills, which further increases the cost.

21. Irrespective of whether the mill is working to its capacity or not certain expenses are necessarily to be incurred towards mainte-

nance of machinery, minimum charges for electricity, employment of a minimum number of employees like boiler attendant, operator exclusively for the mill. The other category of staff in the rice mill unit is deployed for attending to other activities of the RCMS whenever rice mill unit is not working.

22. Another factor which adds to the operation cost in some societies is faulty planning e.g., in the case of the society at Bargarh an automatic drier has been installed without taking note of the capacity of the existing boiler to operate the said drier. As the capacity of the existing boiler is not adequate to operate the drier, alternative methods were tried but without success. The drier is now lying idle for over last six years and installation of a bigger capacity boiler or additional unit of boiler is still awaited. In the case of Aska society an additional unit of rice mill was installed without having regard to its ability to procure adequate quantity of paddy for its economic operation. Besides, as a part of government policy to modernize mills, rubber shellers are being installed in place of stone crushers. However, it is contended by the societies that since their rice mill units are mostly engaged in processing of boiled paddy, installation of rubber shellers hardly makes any difference in the recovery percentage of full rice compared to that obtained with the use of stone crushers. But the use of rubber shellers adds to the cost of maintenance as there is relatively more wear and tear in the case of rubber shellers. The societies, have therefore, felt that there is no urgency for the installation of rubber shellers in the place of stone crushers.

Storage problem

23. The paddy is required to be procured during the harvesting season necessitating arrangements to acquire adequate stocks in a short period of time to feed the rice mill unit for the whole year. The mills procure paddy on outright purchase basis which is transported to their godowns promptly. However, the available space is generally not sufficient to stock paddy which is then required to be kept in the open yard. The processing of paddy takes time and disposal of rice stock can commence only after the miller's

levy is delivered to the government resulting in the meantime in large accumulation of stocks of paddy as well as rice with the societies. The lifting of stock by the government is reportedly not very prompt. Moreover, as the mills produce par-boiled rice, the problem becomes more acute in the absence of an automatic drier as it requires a large open yard for drying paddy and in the rainy season, work comes to a halt. The lack of adequate storage facilities results into avoidable wastages and shortages.

Storage agents

24. Some of the licensees or purchase agents as they are called who have relatively better godown facilities are also appointed as storage agents of the government and are required to hold stocks of foodgrains acquired by the government as miller's levy. They are then named as storage agents and are paid certain commission, transport charges, allowed driages, shortages, etc., as per the schedule given in Annexure 20. The charges allowed for undertaking this activity are not considered adequate to compensate the societies. The stocks are lifted according to the convenience of the state government which normally results in delays in lifting the stocks. The storage for a longer time leads to increasing shortages by way of driages, pilferage, spoiling of stocks, etc., and also reduces available storage space for storing societies' own stocks. In the case of RCMSs acting both as purchase agents and storage agents, the non-availability of storage space also has an adverse effect on the programme of procurement operation. It may, however, be noted that this activity could not be considered as a part of rice mill operations but even then the RCMSs are obliged to take up the activity under moral pressure.

Management

25. Not all the societies have been able to employ adequately qualified technical staff for their rice mill units. The position regarding employment of staff by the societies visited is given in Table 5.

TABLE 5

			Category of staff actually employed by rice mills at					
			Jatni	Ber- ham- pur	Aska (2 units)	Bar- garh (2 units)	Baudh	Angul
Manager	...	...	—	—	1	1	—	—
Clerk	...	...	—	1	—	—	1	—
Operator	...	...	—	1	1	2	1	—
Helper	...	...	—	1	2	—	1	—
Watchman	...	...	—	—	3	3	—	—
Boiler Attendant	...	...	1	—	1	1	1	—
Parboiling Operator	...	...	—	—	—	1	—	—
Processing-in-charge	...	...	—	—	1	—	—	—
Godown Keeper	...	...	—	—	1	—	1	—
Operator-cum-mechanic	...	...	—	—	1	—	—	—
Fireman	...	...	—	—	1	—	1	—
Female labourer	...	...	—	—	1	—	—	—
Procurement Supervisor	...	...	—	—	—	1	—	—
Drying Yard Supervisor	...	...	—	—	—	1	—	—

26. The secretaries of societies are officers on deputation from the Co-operation Department generally of the rank of the Assistant Registrar of Co-operative Societies. These officers do not necessarily have the background to manage the societies' activities effectively. Moreover, when they gain some experience and expertise while working with the societies, they are transferred to some other posts depending on the convenience of their parent Department.

27. The managing committees meet as frequently as necessary to decide on the policy matter as also about the purchase and sale price of paddy and rice respectively.

Viability

28. In the absence of separate accounting about the operation of rice mill units, a clear picture about their working results is not available. However, it could be seen from procurement operations of the societies that there is scope for improving their performance.

Recovery of co-operative dues

29. There are hardly any recoveries of co-operative dues from out of procurement operations, firstly because the purchases are made in open markets through agents. Not many co-operative societies are appointed as agents either for want of storage facilities with them or the apathy on the part of secretaries of societies to take up this additional responsibility. Moreover, producers do not generally approach societies for sale of their paddy unless market prices are lower than support prices. Besides, not all the rice mills are making conscious efforts to recover co-operative dues. But at the same time, the incentives offered by some societies by way of higher prices have not evoked much response from the producers.

Societies' claims on government

30. The societies are also required to deposit large sums with the government as purchase/storage agents. There have been complaints that claims in respect of security deposit, storage charges and supply of rice etc., are not settled by the district authorities promptly. This has also resulted into considerable strain on the resources of societies. Besides sending representations to the state government in this behalf, legal notices have also been served on district authorities by some of the societies.

Conclusion

31. To sum up, setting up of co-operative rice mills has ensured that a producer will get a minimum of support price declared by

the government. However, in the process, no linking of credit with marketing has been brought about. The rice mills have taken up procurement operations on an outright purchase basis with all the attendant risks of such trade. The operational cost of rice mills is on the high side mainly because of their inability to procure adequate quantity of paddy leading to underutilization of installed capacity. At the same time even the quantity procured is bought from far away centres leading to increase in expenses on transportation, handling etc. The situation has arisen partly because of setting up of the rice mill units without taking due note of availability of paddy in the concerned area and partly due to government's policy which imposes certain restrictions in regard to distribution/movement of paddy/rice to take care of local situations.

SECTION II REMEDIAL MEASURES

32. Keeping in view the position obtaining at present, the following suggestions are offered to remedy the situation.

33. We have noted in Section I that in the case of a few RCMSs, the rice mill unit has been installed but the operations have not commenced while in the case of a few others the rice mill machinery has been received but not installed. The question is what should be the future course of action in this behalf. The viability of a unit is the main consideration in any commercial activity. Keeping this consideration in view we recommend that in the case of those RCMSs where rice mill units have not yet been installed, they should be allowed to dispose of the units, if there are no prospects of availability of adequate quantity of paddy in their area. Further, in the case of those rice mill units which have been installed but not yet commissioned, they should also be disposed of if there are no prospects of availability of paddy in their area in the immediate future. Further, even if there are prospects of availa-

bility of paddy after a few years, the RCMS concerned will, in the meantime, incur losses on the maintenance of non-working units and payment of interest on block capital investments are necessary. In such cases the state government should come forward to meet these losses by providing appropriate subsidies. However, this would entail heavy burden on the state government. The state government will, therefore, have to weigh the pros and cons of maintenance of such units and make hard decisions like winding up these units. We understand that in the case of Nayagarh RCMS, the state government is considering to allow disposal of the unit as there are no prospects of availability of surplus paddy in its area. This appears to be a right decision and could be followed in similiar cases. The case of those units which have become defunct particularly because of non-availability of paddy in their areas could be dealt with on similar lines.

34. The rice mill unit is a part of the several activities undertaken by a co-operative marketing society. In view of this position, the overhead costs of a rice mill unit are reduced as separate establishment is not necessary to run the mill. We have now attempted to work out the economics of a rice mill unit with one tonne capacity on the assumption that 20,000 quintals of paddy of coarse variety is processed and the rice is sold at a minimum price of Rs 166 per quintal (i.e. the price fixed by the government for sale through public distribution system) and that on processing of each quintal of paddy, the by-products are sold at Rs 2.65 (for 34 kgs). It will be seen from the economics worked out by us in Annexure 21 that if the entire stock of rice and by-products are sold at the assumed prices, the mill will earn a profit of Rs 28,000. This profit margin will, however, get reduced depending on the quantum of miller's levy quota and the price paid therefor as explained in the following paragraph.

35. Taking into consideration the prices paid by the state government for miller's levy quota and the expenses which the rice mills have been incurring towards procurement and processing of paddy the rice mills could be deemed to be incurring losses on the miller's levy quota as may be seen from Annexure 22. No doubt, the rice mills get over and above the price offered by the

state government a return of Rs 2.65 per quintal on the sale of by-products (Table 3 of paragraph 17) i.e., Rs 4.00 per quintal of rice delivered to the government but if the expenses incurred per quintal of rice happen to be Rs 164.15 as against Rs 157.35 offered by the state government (Annexure 22) the return on by-products will only help to reduce the losses. The sale price of by-products at Rs 4.00 per quintal of rice is arrived at on the basis that for obtaining one quintal of rice, 1.50 quintals of paddy will have to be processed. By processing one quintal of paddy, by-products worth Rs 2.65 are obtained and for another 1/2 quintal of processed paddy additional by-products worth Rs 1.32 will be available, thus giving a total by-products worth Rs 4.00 on delivery of one quintal of rice. The state government has in February 1981 revised the schedule of charges payable to the miller towards miller's levy quota as indicated in part B of Annexure 19. A comparison of these charges with those admissible earlier indicates that there is only a nominal increase in these charges e.g., transport charges have been increased by 25 paise and the other charges by 5 paise. In view of such negligible increase in payment of price for miller's levy quota, our estimates of losses on the levy quota need no revision. It is, therefore, necessary for the state government to take a realistic view while fixing the charges for the miller's levy quota. In this connection, we suggest that the state government may take into consideration the area of operation of the society for deciding on the cost of transportation as also payment of higher prices for rice depending on the price paid for paddy procurement.

Paddy procurement—Demarcation of area

36. The co-operative marketing societies go beyond their registered area of operation for paddy procurement on the plea that paddy supply position is not satisfactory in their own area. Consequently, they incur higher transportation charges. If such a situation is accepted as a fact by the state government, it should have no hesitation in allowing the societies higher transport charges while paying for the stock obtained by way of miller's levy quota. Alternatively, with a view to avoiding RCMSs going over to far away areas for the purpose of paddy procurement there could be demarcation of areas among the RCMSs having rice mill units.

It may be noted here that of the 63 RCMSs only 40 RCMSs are having rice mill units. Simultaneously, the state government may also consider confining the area of operation of the private rice millers to avoid unhealthy competition with the co-operatives. However, such demarcation as well as ban on private rice millers are not considered practicable. Hence it is advisable to pay transportation charges on the lines suggested in paragraph 35 above. If both the alternatives are not acceptable to the state government then the rice mills could be asked to take up the procurement business entirely on an agency basis which presupposes that the principal i.e., the state government would bear all the expenses and allow a reasonable commission to the agent i.e., the rice miller.

Installation of additional capacity

37. While considering licencing of installation of additional units, the government may keep in view the availability of additional quantity of paddy to feed the increased capacity. For instance, in the case of Aska society it has installed an additional unit of 2 tonnes and it is not in a position to feed the total installed capacity. The availability of paddy in the open market is also affected in the areas where huller units are operating as big farmers find it convenient and lucrative to get their paddy processed and sell the rice in the market. The government should take cognizance of this fact also while issuing licences to huller units.

Modernization of rice mill units

38. Since many mills are producing parboiled rice, installation of automatic drier would help the mill to work on rainy days as well and thereby reduce the operational cost. However, installation as such should be done only after examining its technical and economic feasibility.

Miller's levy quota

39. The miller's levy quota should have relation to the quantum of paddy procured i.e., it should be fixed as a certain percentage of paddy procured by the rice mills. Further, the state government may also allow the co-operative rice mills, compared to private

rice mills, a higher quota for open market sale. The state government should be prompt both in lifting the miller's levy quota and settling payments therefor. Besides, whenever restrictions are imposed on the sale of free quota, care should be taken by the concerned authorities to see that the mills are not required to sell such stock without any profit margin.

Planning for procurement and sales

40. While we are urging the state government to formulate their policies taking note of the difficulties of the co-operatives, it is equally important for the rice mills to plan in advance their strategy for procurement, processing as well as sale of rice. This is possible if it has trained and experienced staff for the purpose. At the same time keeping in view the fluctuations in the market prices, both for paddy and rice, a certain delegation of authority to pay extra price for paddy as also to sell stocks of rice according to market conditions may be delegated to the secretary of the society to avoid time lag in obtaining the approval of the Board.

41. In regard to open market sales, the Marketing Federation could provide necessary marketing intelligence for sale of rice and could even co-ordinate sales both within and outside the state on a nominal commission.

Rice mill-staff

42. Each rice mill should have its own mill manager duly trained for the job, including training in grading of paddy and he could also attend to minor repairs of the mill machinery. Although, the State Marketing Federation has a technical cell at head office its services may not be available promptly as this cell also has limited staff.

43. There should also be proper training to the purchase assistants and even collection agents in the matter of grading to ensure that mills do not suffer loss on account of procurement of inferior quality of paddy. The National Co-operative Development Corporation could arrange for such training.

44. With a view to having expertise in management of rice mill as also other business activities of marketing societies there

is need to have continuity in the services of secretaries of RCMSs. It is suggested that instead of having secretaries on deputation from the Co-operation Department each RCMS should have its own officer (Secretary) duly qualified who could be recruited by the societies themselves. We understand that the Orissa State Co-operative Marketing Federation is proposing to have a cadre of trained personnel for the RCMSs details of which, however, are not readily available.

Institutional finance

45. In terms of the Government's food policy for *kharif* 1980-81, in the case of co-operatives and the regional co-operative marketing societies, the agency for procurement would be the Orissa State Civil Supplies Corporation. The Corporation will advance funds to the RCMSs and other co-operatives for procurement of paddy which will be adjusted on taking delivery of stocks by the Corporation. The Registrar of Co-operative Societies has advised the RCMSs that, wherever necessary, they should avail of clean cash credit accommodation not exceeding Rs 20,000 from the central co-operative banks at a rate of interest at 14 per cent per annum. Further, they can also avail of cash credit on hypothecation of stocks at the rate of interest at 12 per cent. With a view to facilitating meeting of such requirements by the central co-operative banks at a reduced rate of interest, the Civil Supplies Corporation is expected to maintain deposits of varying amounts with the concerned central co-operative banks. By the end of November 1980 the Corporation had placed deposits aggregating Rs 30 lakhs with six central co-operative banks, viz., Koraput (Rs 14 lakhs), Sambalpur and Berhampur (Rs 5 lakhs each), Balasore (Rs 3 lakhs), Bhawanipatna (Rs 2 lakhs) and Boudh (Rs 1 lakh). The rice mills are thus not experiencing shortage of funds for procurement operation in general and the present arrangements could be continued.

Co-operative societies as collection agents and recovery of co-operative dues

46. The practice of appointment of private individuals as commission agents by the private as well as co-operative rice mills may be done away with in a phased manner and instead

only the primary co-operative credit societies may be appointed as commission agents. Incidentally, this would help in removing complaints about private agents giving preferenee to private millers in acquiring larger quantity of paddy for them. The appointment of co-operative societies as collection agents, however, presupposes the availability of storage facility. With the proposed reorganization of societies, each society could be expected to have such a facility. Since the reorganized primaries will be working as multi-purpose societies manned by trained and full-time paid secretaries, it will be possible for the societies to undertake this responsibility.

47. It may be pointed out here that for the *kharif* 1980-81, the state government has decided that farmers who have taken crop loan will be allowed to deliver paddy in lieu of cash and attempts should be made to collect a substantial portion of the short-term co-operative credit in terms of paddy on a voluntary basis. Such paddy will be purchased by the State Civil Supplies Corporation as part of its procurement operation. The Registrar of Co-operative Societies had also advised the RCMSs that they will be free to procure paddy through primary credit societies in their area of operation. The primary societies, wherever feasible, while procuring paddy from loanee members may adjust the price of paddy against the loan. The Corporation has also agreed to give an incentive of Re 1 per quintal to the primaries in respect of paddy procured on linkage and this amount will not be adjusted against any of its dues to the central co-operative banks. Besides, the primaries are allowed to utilise up to 50 per cent of this amount by way of incentive to their staff. Moreover, the interest payable by a loanee member who offers his paddy for procurement on a linkage basis would be 1/2 per cent less than what he would have paid normally to the society. This 1/2 per cent reduction in the rate of interest would be available irrespective of whether the person is a defaulter or not. The loss of interest on account of such incentive is, however, to be shared by the central co-operative banks and the Orissa State Co-operative Bank on a 50:50 basis. The RCMSs also could give an incentive to the primary societies for procurement of paddy of expected standards as may be agreed between the RCMSs and the primaries. It is felt that in view of

the incentives which have now been offered to the loanee members as also to the primaries, the response for procurement will be better than in the earlier years from the primary co-operative societies. We do not, however, have data regarding the achievement of procurement of paddy under the linkage scheme. We suggest that the government may continue the scheme and improve upon it depending on the experience it gets in implementing the scheme.

Rehabilitation of defunct/weak units

48. We have already stated in paragraph 33 that the mills which are not likely to obtain adequate quantity of paddy for feeding their rice mills in the immediate future, could be wound up. There are certain mills which are at present defunct but have the necessary potential for procuring adequate quantity of paddy in their area. Such mills could be considered for rehabilitation. However, they would need some time for rehabilitation and may not be able to make repayment of loans on the block capital investment together with interest thereon. It would, therefore, be necessary for the state government to intervene and require the concerned financial institutions to take up a mill-wise review of such burden and revise the schedule of repayment suitably having regard to the earning capacity of the units.

Storage

49. The present rates paid towards storage charges are considered inadequate. The government have increased these rates from February 1981 as may be seen from part B of Annexure 20. The increase in the charges is only nominal. Although it is a fact that this is not a part of the activity of the rice mill unit as such, we had noted that at times the storage capacity of the mill is reduced when such stocks accumulate in the RCMS's godown as storage agents. The government, therefore, should ensure that the stocks are lifted promptly from the societies' godowns.

Conclusion

50. It will be seen from the foregoing discussions in the chapter that on the one hand, it will be necessary to weed out the units

which are not likely to work as viable units in the near future, while on the other hand a rehabilitation programme will have to be drawn up for the weak units and steps may have to be taken to streamline the working of the rice mill units in general. These measures would help the co-operative rice mills to fulfil their objective of giving a fair price to the producer and at the same time ensure linking of credit with marketing as also help the public distribution system whenever required.

Chapter 9

FINANCING OF POTATO CROP

There is widespread consumption of potato by the people in the state but its production is insufficient to meet the local demand. The Study Team, therefore, decided to look into the problems relating to potato cultivation with a view to identifying the scope for its cultivation, taking steps to extend the area under cultivation and suggesting arrangements for the marketing of produce and availability of finance, both for production and marketing purposes, as also for linking of credit with marketing. A field study was undertaken in this behalf in August 1980 in the districts of Cuttack, Puri and Sambalpur which account for almost two-thirds of the total production of potato in the state. Our observations and suggestions in this chapter are based largely on the findings of this study.

General

2. The potato crop is classified as a miscellaneous non-food-grain crop. The total area of cultivation of potato which is essentially a *rabi* crop in Orissa is 7000 hectares forming only 0.1 per cent of the gross cropped area of 79.31 lakh hectares and about 1 per cent of the total area of 6.65 lakh hectares in the country under the potato crop in 1977-8. The details relating to the area under potato crop, total yield and average yield during 1967-8 to 1978-9 are given in Table 1 at Page 254. The area under potato crop and the average yield per hectare have come down substantially since 1971-2. The area which was 31000 hectares in 1967-8 declined to 7000 hectares in 1971-2 while the average yield per hectare came down from 119.26 quintals to 79.16 quintals. Thereafter, the area under potato crop has stagnated around 7000 hectares and the yield at about 70 quintals per hectare which is far below the all-India average of 128.12 quintals. Although the fall in acreage could be generally attributed to unremunerative prices and farmers' preference to

TABLE 1

Year	Area (in '000 hectares)	Total yield ('000 MT)	Average yield per hectare (in quintals)
(1)	(2)	(3)	(4)
1967-8	31	372	119.26
1968-9	29	338	117.60
1969-70	26	285	108.75
1970-71	21	223	107.90
1971-2	7	56	79.16
1972-3	7	36	51.73
1973-4	5	41	77.19
1974-5	6	47	80.70
1975-6	7	60	86.16
1976-7	7	46	70.50
1977-8	7	47	67.51
1978-9	8.5	61	72.11

Source : Orissa Agricultural Statistics 1979-80.

the cultivation of paddy which is a traditional food crop fetching relatively better price and the reduction in the yield to natural calamities, a note has also to be taken of the fact that the compilation of statistics was transferred from the Agriculture Department to the Bureau of Economics and Statistics in 1971-2 which had different methods of collecting and reporting data.

3. Potato is a *rabi* crop and is generally cultivated at medium and high lands with assured water supply. The crop is sown during the period October-November and is harvested in January-February. The cultivators in the area where potato is traditionally cultivated earmark some portion of land for cultivating it at least for their own consumption, part of which is also used as seed. The cultivators generally follow indigenous methods for preservation of potato. The cultivation of potato in a season covering a larger area is decided on the availability of water. This problem has of late

become ironically a difficult proposition in the command areas of major irrigation projects in the absence of water management practices. There is always pressure from paddy cultivators, who are in a commanding majority, to release water for paddy the supply of which, at times, is detrimental to the cultivation of the potato crop. It is a general complaint in this behalf by potato cultivators that in the absence of proper field channels and drains, release of water without any control leads to flooding and adversely affects the potato crop if it is released soon after the potato is sown as also when the potato crop is ready for harvesting. At times, water is not released in some irrigation channels and in such cases the potato crop in the area of those channels is damaged for want of adequate water supply. Further, soon after sowing of potato crop, excessive water even from rainfall damages the crop. In such circumstances, judicious water management practices are essential and availability of water should be known to the cultivators well in advance.

4. The state government is aware of the problem and is providing funds to Command Area Development Authorities for conducting water management demonstrations. Besides, training in water management is also being imparted to the field staff and farmers. The state government has been making efforts to increase acreage under potato crop and its extension agencies are expected to help actively in these efforts. The state government programmed to increase the area under potato crop during the *rabi* season 1979-80 to 25 thousand hectares but its achievements failed very much short of the expectation, both from the viewpoint of increase in acreage as well average yield per hectare as may be seen from the details given in Table 2 at page 256. Thus the achievement has been very limited compared to the programme for cultivation.

5. Price is also a factor which influences a cultivator in deciding the area to be brought under potato cultivation. During the last three years in particular, i.e., from 1977-8, the prices of potato increased and the cultivators are inclined to increase the acreage under potato cultivation. Even then, in the absence of organized

TABLE 2

District	Targetted area	Area in hectares Yield in quintals	
		Rabi 1979-80	
		Area	Achievement Average Yield per hectare
Balasore	1000	149	53
Balangir	600	72	44
Cuttack	10000	3059	67
Dhenkanal	2000	618	57
Ganjam	2000	262	57
Kalahandi	300	26	36
Keonjhar	500	127	69
Koraput	800	235	37
Mayurbhanj	500	63	58
Phulbani	1000	301	30
Puri	3500	1576	58
Sambalpur	2000	761	37
Sundargarh	800	450	53
State	25000	7699	57

Source : Orissa Agricultural Statistics 1979-80.

arrangements for marketing and the absence of a minimum guaranteed price, the cultivators are reluctant to increase the area under potato cultivation fearing slump in prices. Availability of cold storage facilities also has influence over the area, but the existence of such facility has limited advantage as there are no institutional arrangements for marketing of produce and the marketing has been left to the individual cultivator. In such circumstances the facility of cold storage is generally availed of by those cultivators who could afford to take the risk for the fluctuation in prices.

Further, those cultivators who are not in the proximity of the cold storage and are having limited quantum of produce find it difficult to avail of the facility in view of the cost of transport involved.

6. Keeping in view the fact that potato has to be imported from outside the state, it can be stated that the problem calls for an integrated approach on the one hand by the state government in ensuring the availability of water in the command areas of the irrigation projects and on the other hand by co-operatives for making adequate arrangements for marketing of produce with a view to ensuring fair return to the potato cultivator. If both these factors are taken care of, then the area under potato cultivation could be increased. Further the government may also make efforts to encourage cultivation of potato by adopting certain measures in this behalf like :

- (i) giving on lease basis the government land available by the side of lift irrigation points for growing potato during *rabi*
- (ii) observing 'Potato Day' on crop competition basis,
- (iii) encouraging cultivation in kitchen gardens and orchards of school compounds where water is available, etc.

Financing of crop

7. The Agriculture Department of the state government has estimated that for raising potato in one acre of irrigated land the cultivation expenses will be Rs 1990 and the yield 70 quintals. The cultivator will then be able to earn a net income of Rs 1510 i.e., the sale price of Rs 3500 assuming a price of Rs 50 per quintal less cultivation expenses at Rs 1990. The details of the estimate are given in Annexure 23.

8. The scale of finance adopted by the central co-operative banks for financing potato crop differs from bank to bank as may be seen from the details given below in respect of three central co-operative banks.

Bank	Scale of finance		
	Cash Rs	Kind Rs	Total Rs
Cuttack-United	350	1700	2050
Sambalpur	250	1750	2000
United Puri-Nimapara	300	1500	1800

The scales of finance, viewed from the estimated cultivation expenses of Rs 1990 per acre by the Agriculture Department, could be considered as adequate to take care of the cost of cultivation under ideal conditions. But taking note of the average yield at 28 quintals per acre (Table 1) fetching a gross income of Rs 1400 at the price of Rs 50 per quintal, assumed by the Agriculture Department, the scale of finance will far exceed the repaying capacity of a borrower. It may be noted here that one of the reasons for a lower yield is reported to be the practice followed by the cultivators in harvesting the crop earlier than its maturity in their anxiety to secure higher prices than ruling in the market than those at the time of regular harvesting. In the course of the discussion during the field study, it was noted that the cultivators even then generally get a return of 50 quintals of potato per acre and a price of around Rs 100 per quintal or even more which gives a gross value of produce of Rs 5000 which is adequate to cover the scale of finance. We are of the opinion that if the cultivators are in a position to have proper arrangements for marketing of their produce, which will ensure fair and reasonable return to them, they will not indulge in premature harvesting, thereby helping in increasing the yield of potato crop. We have dealt with the aspect relating to marketing of produce later in the chapter.

9. The kind component in the scale of finance mainly comprises seed potato. The price of the improved seeds which are normally supplied by the Agriculture Department through the cold storages is around Rs 200 to Rs 250 per quintal. Normally 5 to 6 quintals of seeds are required for one acre of land. Most

of the banks do not insist on availing of the kind component relating to seed potato before issue of cash component. However, with a view to improving the quality of potato as also the average yield of the crop, the Cuttack-United bank has been insisting on the cultivators lifting seeds from the government agency before allowing drawals on cash component. To ensure availability of improved seeds the bank has even reserved certain stocks of seed potato on the basis of indents collected from societies by making advance payment to the government cold storage in respect of the portion of the cost price of the stock of seed potato. The cultivators, however, are reluctant to use improved variety of seeds as its cost is high and at times the quality of such seeds was found unsatisfactory. For instance, one cold storage in the co-operative sector once arranged to procure seed direct from outside the state and the seed was spoiled by the time it reached the storage point. The cultivators in consequence suffered. In some areas the seeds obtained from government cold storage had allegedly been of inferior quality. Besides, as indicated in paragraphs 3 and 5 above, there is fear in the minds of cultivators about the price of the potato and even availability of water for the crop and, therefore, instead of making a higher investment in the production of potato they prefer to use seeds preserved by them or purchase the inferior variety of seed from the open market. In the case of the Cuttack-United bank referred to earlier, its involvement in reservation of stock of seed was about Rs 1 lakh to Rs 2 lakhs during the years 1977-8 and 1978-9. However, there had been short-fall in lifting of stock of reserved seed potato for the reasons explained above. Although the authorities in-charge of cold storage have not demanded payment on account of such short-fall in lifting of the reserved stock, the possibility of the bank being called upon to make good the short-fall in such cases cannot be ruled out. Further, insistence on lifting of kind component adversely affects credit business of the bank and societies as lifting of cash component is otherwise not allowed. The bank has since relaxed the condition of lifting improved seeds by the borrower by agreeing to issue cash component if it is certified by any cold storage unit in the government or co-operative sector that the concerned borrower has used his stock of potato for seed purpose. The United Puri-Nimapara bank insists on lifting of seed potato,

but not necessarily of improved variety, from approved agencies which include private agencies as well.

10. The quantum of finance issued during the last 3 years for financing potato cultivation by the three central co-operative banks is indicated in Table 3.

TABLE 3

Financing for potato cultivation	Rs Lakhs								
	Central Co-operative Bank								
	United Puri- Nimapara			Cuttack-United			Sambalpur		
	1976-1977-1978- 7	8	9	1976-1977-1978- 7	8	9	1976-1977-1978- 7	8	9
Loans issued	2.01	4.28	3.75	4.03	13.43	7.41	0.18	0.19	1.02
Outstandings	0.89	1.26	0.51	Nil	0.88	Nil	0.12	0.15	0.70
Overdues	0.89	1.26	0.51	Nil	0.88	Nil	0.12	0.15	0.70

The quantum of finance for potato crop is not correctly reported as the borrowings are not necessarily shown for potato crop in the normal credit limit statement as may be seen from the position discussed in paragraph 11 below. The recovery performance is relatively better in the case of Cuttack-United bank followed by United Puri-Nimapara bank.

11. In the societies visited, the number of members borrowing for potato crop is not very large and a very nominal quantum of finance is issued for potato crop as may be seen from the details furnished in Table 4 at page 261. The explanation offered in this behalf is that at the time of preparation of normal credit limit statements, which are prepared very much in advance, the farmers are generally not very sure

TABLE 4

Rs Lakhs

Society	Total production loans issued			Of which for potato crop		
	1976-7	1977-8	1978-9	1976-7	1977-8	1978-9
Cuttack-United Central Co-op. Bank						
1. Padampur Service Co-op. Society	0.84	0.70	0.63	—	—	0.04 (only for fertilizer)
2. Bahugram Service Co-op. Society	3.01	2.18	2.38	0.14	0.29	0.26
Sambalpur Central Co-operative Bank						
3. Kuchinda LAMPS	3.28	5.96	7.13	—	—	—
4. Paruabhadi LAMPS	2.72	3.23	4.72	—	—	0.04
United Puri-Nimapara Central Co-operative Bank						
5. Teisipur Service Co-op. Society	1.09	2.20	1.97	0.11	0.22	0.17
6. Balanga Service Co-op. Society	2.15	2.64	3.70	0.44	0.80	0.60

of taking up potato cultivation, except on a small plot of land as is traditionally done. The farmers, therefore, find it convenient to indicate their intention to cultivate some other crop in order to ensure that they get financial accommodation during this period.

12. The above position reveals that there is no difficulty in availability of institutional finance for potato cultivation excepting that there is insistence on lifting of kind component for seed potato from government cold storages or from approved agencies as is being followed by some banks like Cuttack-United and United Puri-Nimapara Central Co-operative Banks. No doubt insistence on lifting of kind component in the form of seed could go a long way in improving the quality and yield of potato but it could be considered more a job for the extension agencies of the government than for the banks. The banks may not insist on lifting of the kind component for release of the cash component but allow advance towards kind component if the seed is lifted from approved agencies which could preferably be in co-operative/government sector.

13. With a view to improving the yield as well as the quality of potato, the government should popularise the use of improved seeds and at the same time make efforts to ensure its adequate supply. It is reported that the Orissa State Co-operative Marketing Federation and the Agriculture Department of the state government are considering a scheme of posting potato extension officers in major potato growing areas for effective extension work. This is a step in the right direction which we suggest should be implemented expeditiously, if not already done. In the matter of supply of improved seed, instead of relying on import of such seed from outside the state, the cultivators in the state itself may be encouraged to undertake production of seed potato. It is, however, reported that the seed certification machinery is having limited staff strength and resources and is, therefore, not in a position to increase the number of seed potato cultivators. The certification machinery may, therefore, be suitably strengthened. The cost of improved seeds is necessarily to be higher than the market price for table potato to ensure that the seed potato is not used for consumption purposes. The government could consider reducing water rates in the case of farmers using improved varieties of seeds from specified agencies and also provide subsidy to marginal farmers using such seeds.

14. The next aspect relates to the marketing of potato. The harvesting period is January-February and marketing is done soon thereafter in March-April. The due dates for repayment are fixed around this period. The due dates in the central co-operative banks visited are as under :

Bank	Due dates	
	Member to Society	Society to Bank
1. Cuttack-United	15 April	30 April
2. Sambalpur	31 March	30 April
3. United Puri-Nimapara	1 May	15 May

In the absence of any organized marketing, the individuals have to make their own arrangements to market the produce and as such they depend heavily on the local merchants for disposal of their stocks. The normal practice of the cultivators is to sell part of the produce soon after harvest to meet their immediate requirements and keep the balance with them to be disposed of over a period of next 6 months as also for seed and consumption purposes. The price trend is generally low soon after the harvesting of the crop and the prices start picking up from the month of June onwards.

15. In view of the above position, some societies and farmers had represented during the field studies that the due dates for recovery should be postponed to June-July. It may be noted here that the low level of prices soon after harvesting period is a general phenomenon observed in respect of almost all crops. In the case of potato crop, a period of 2 to 4 months is allowed for repayment of dues after harvest. The present gap between the harvesting of crop and the repayment date allows a reasonable time for disposal of produce at a fair price. In this connection it may be seen from the purchase price paid and sale price realised for potato by

the Jharsuguda cold storage during the period 1977-8 to 1979-80 shown in Table 5, that soon after harvesting when the purchases were made by the society, it had to pay fairly high prices ranging between Rs 78 and Rs 105 per quintal. Further, the prices have increased in the lean season as may be seen from the fact that the sale price obtained by the cold storage ranged between Rs 110 and Rs 190 per quintal when the sales were effected by it in the lean season.

TABLE 5

Year	Average	
	Purchase price per quintal Rs	Sale price per quintal Rs
1977-8	80	150
1978-9	78	110
1979-80	105	190

Thus, the prices prevailing soon after harvest were fairly high. What is considered necessary in this behalf is an organized arrangement for marketing and availability of produce loan for repayment of production credit dues instead of postponement of due date of recovery of production credit. It is, therefore, not considered necessary to postpone due dates for repayment as have been fixed at present except to make marginal adjustments which the banks may decide upon keeping harvesting months in view in their area.

Storage facilities

16. The organized arrangements for marketing of potato could be feasible only if cold storage facilities are available as the potato remains in good condition after harvest, without proper storage, only for about a month but thereafter care has to be taken to preserve the produce. The cultivators arrange to preserve it by using indigenous methods or by using the available cold storage facilities. A few cold storages have been set up in the

co-operative sector at the initiative of the potato growers. The objectives of these societies i.e., the Potato Growers Storage and Marketing Co-operative Societies are mainly to instal cold storage plants, arrange for sale of potato, assist in the recovery of loans, issue pledge loans, etc., as may be seen from Annexure 24. Besides, there are cold storages set up by the government and those managed by the Seeds Corporation on transfer by the government which are mainly utilized for storage of seed potato.

17. A list showing the location of cold storages in the co-operative and government sectors is given at Annexure 25. At present neither the co-operative cold storages nor the government units are arranging the sale of produce. The space in the cold storages is given on rental basis to the cultivators for storing the produce at the rates given in Annexures 26 and 27 respectively. The season for preservation of potato in cold storages is from March to October. Normally cold storages remain empty during the months November to February. The possibility of storing vegetables, fruits, etc., during this period could be explored by the co-operative societies to ensure some income by way of rent.

18. The details regarding the membership and share capital as on 30 June 1980 in respect of Potato Growers Storage and Marketing Co-operative Societies which were visited are given in Table 6.

TABLE 6

Rs Lakhs

Name of the PGS and MCS	Total	Membership				Share Capital	
		Gro- wers	Ins- titu- tions	Nomi- nal	Govt.	Total of which from Govt.	
1. Uttarayani (Puri District)	1713	1623	43	46	1	10.47	9.23
2. Jharsuguda (Sambalpur District)	399	378	18	2	1	11.09	9.49
3. Bapuji@ (Cuttack District)	1049	739	2	307	1	7.73	7.33

@ as on 30-6-79

The share capital is mostly contributed by the state government. The nominal membership is for the purpose of providing storage facility to private traders/merchants, etc.

19. The area of operation of the societies visited is indicated in Table 7.

TABLE 7

Name of the PGS and MCS	Area of operation	Area of operation extends beyond
1. Uttarayani	Pipli, Jatni and Bhubaneswar Blocks	40-60 Kms
2. Jharsuguda	18 Blocks, 9 each from Sambalpur and Sundargarh Districts	60-100 Kms
3. Bapuji, Bahugram	Salepur, Mahanga and Nischintakoili Blocks	30-40 Kms

Thus, the area of operation of the co-operative cold storages extends to a very wide region and some of the places in their area even as far away as 60-100 Kms. In such circumstances the potato growers from farflung areas are not in a position to avail of cold storage facilities as they have to incur expenses on transport, besides rental for the storage. In such circumstances, a cultivator works out the economics of preserving the stocks in the cold storage by taking note of the existing price level and the expenses he will have to incur on storage and the price that may be received by him at a later date. If the existing price level is sufficiently attractive, he does not take the risk of preserving stocks by incurring expenses on storage as the likely rise in prices is a speculative phenomenon. Another reason for the reluctance of the small potato growers availing of the cold storage facility is the frequent power cuts in some areas which damage the potato kept in the cold storage. Such damaged potato cannot be used for seed purposes and the market price for it is also not remunerative.

20. Thus at times, the capacity of the cold storage is not fully utilized. The vacant space in the cold storage unit is then rented out to the private traders, merchants, etc. A few cold storages even make business on their own by making outright purchases of potato to utilize the vacant space and to earn additional income. These are open market purchases and are not necessarily confined to their members. Thus, such purchases do not help member growers. The details regarding stocking of produce in the cold storage by the individual members, the society on its own account and private traders as available in respect of cold storages visited are given in Table 8.

TABLE 8

Potato growers storage and marketing co-operative society (Stock of potato in quintals)									
Bapuji			Uttarayani			Jharsuguda			
76-7	77-8	78-9	76-7	77-8	78-9	76-7	77-8	78-9	
1. Members									
NA	NA	3072	5530	6040	6330	160	810	2972	
2. Society on its own account									
NA	NA	498	720	80	40	132	252	1947	
3. Others									
NA	NA	2430	—	—	—	6150	7439	4072	
Total		6000	6250	6120	6370	6442	8501*	8991*	

* These were not necessarily stored at one point of time.

In the case of Uttarayani society most of the stock belongs to its members. In the area of Jharsuguda and Bapuji societies, their capacity is utilized by outsiders to a considerable extent.

21. Although it is a fact that the area of operation of cold storages is very wide they could not be built up all over the places from the view point of both economic and technical feasibility.

The cold storages are, as it is, not having adequate income. They will, therefore, necessarily have to be set up near the market centres for easy disposal of stocks, as also for renting out to others their unutilized capacity either on account of under-utilization of the capacity by the members or in the off season. With a view to improving the utilization of the capacity by members, what is necessary is to have arrangements by the cold storage society for transporting the stocks of potato from various places in its area of operation. The cold storage can arrange to send trucks to various places in its area of operation on specific dates at the door steps of the affiliated societies where the farmers may be required to bring their produce for delivery to the cold storage and arrange to collect, in addition to their rental charges, transport charges from the respective cultivators. However, this arrangement will only help in enabling the farmers to store their produce in the cold storage but in the absence of arrangements for marketing by the cold storage itself, the farmers will continue to be responsible for disposal of their stock. In that case the farmer may still find it inconvenient to visit the cold storage for disposal of his produce. In the absence of any efforts on the part of the cold storages as also the marketing agencies in the co-operative sector to arrange for marketing of potato, the benefit of cold storage facilities will be largely confined to the bigger farmers who would be in a position to arrange marketing of their own produce. If the benefit of increasing cultivation under potato is to go to the small and marginal farmers, it will be necessary to make institutional arrangements for marketing of produce.

22. As stated earlier, the potato is being imported from outside the state for meeting the requirements of domestic consumption. The local market is, therefore, available for disposal of produce. What is necessary is the arrangement by the institution itself to dispose of produce which would help the small producers in particular to obtain a fair price for their produce. The payment of sale price to the producers could be done on the basis of average sale price of the different varieties of potato sold by the cold storage for which a system of gradation of potatoes, which is absent at present, should be introduced.

23. The cold storages are already issuing produce loans to the members who are depositing their produce in the cold storage. But the facility, for obvious reasons of distance, can be availed of by farmers who are within a reasonable distance from the cold storage unit concerned. The cold storages are utilizing their own funds or the cash credit accommodation obtained from the central co-operative banks for advancing such loans. There is, however, no practice of linking of credit with marketing as recoveries of production dues are not effected by the societies. Only the produce loan issued by the society itself is recovered when the cultivator sells his stock. The details of produce loans issued in 1978-9 by the societies visited is given in Table 9.

TABLE 9

Name of the PGS and MCS	Produce loans issued in 1978-9
Bapuji	0.39
Jharsuguda	0.09
Uttarayani	1.12

By and large, the Societies have been able to recover the produce loans as the sale of potato is effected from their premises unless there is slump in prices or stocks are spoiled fetching lower prices. A representative of the Saraswatipur Farmers Service Co-operative Society affiliated to the Puri Gramin Bank, which is close to the Uttarayani Cold Storage visits it almost every day with a view to effecting recovery of its dues from out of sales which might be made by its members during the day. But here again the recoveries can be effected only by persuasion and further such frequent visits are not possible by the representatives of societies which are away from the head-quarters of the cold storage.

24. The need, therefore, is that the cold storages should undertake marketing of crops on behalf of its members. On delivery of produce to the cold storage, the society concerned can issue produce loans to the members out of which production dues could be recovered. Under this arrangement, while the cultivators will be able to satisfy their immediate needs without resorting to sale of produce soon after the harvest, the society could ensure sale of stocks at fair price which would give a better return than what could have been, if the produce had been sold soon after the harvest. The societies should undertake this marketing arrangement on an agency basis and while making the payments towards the sale proceeds, should recover the produce loan as well as a suitable commission and rental towards the storage. If such a linking of credit with marketing is brought about, the central co-operative banks could provide credit for marketing of crops. for which refinance facility is available from the Reserve Bank.

Chapter 10

HANDLOOM (COTTON) WEAVERS CO-OPERATIVE SOCIETIES

In the earlier chapters, we have dealt at length about agriculture in the state and credit requirements therefor. The handloom industry is next only to agriculture both from the standpoint of rural economy and providing employment opportunities. Primarily, people of very small means are engaged in this industry. With a view to considering ways and means to assist such weavers through the co-operative institutions in particular, the Team decided to look into the working of handloom (cotton) weavers co-operative societies in Orissa. The handloom industry in the state is an important cottage industry and provides livelihood to a very large number of people who are engaged either in weaving and associated activities directly or in the technical, commercial and service activities linked to handlooms indirectly. It is, therefore, necessary to organize the industry on a sound footing and provide assistance to weavers in the form of working capital as well as block capital, impart advanced technology to enable them to carry on their activities continuously and efficiently as also to assist them in obtaining their requirements like yarn, dyes, etc., and marketing of cloth.

Handloom weaving in India

2. Handloom weaving is India's biggest cottage industry engaging about 10 million people directly and an almost equal number in other activities linked to handloom industry. The handloom industry in the country provides directly or indirectly livelihood to more than the total number of people engaged in organized industries and mining taken together. Thus in terms of economic impact on rural employment and income, the handloom industry is second only to agriculture. It is because of the large employment potential which exists in this sector, the successive

Five-Year Plans have laid considerable emphasis on the development of cottage and small-scale industries in general and on handloom sector in particular.

3. There are about 3.9 million handlooms in the country of which cotton handlooms account for 3.5 million producing about one-third of country's cotton textiles. The handlooms have also considerable export potential. The handloom industry is, however, not organized on any uniform pattern in the country as a whole or even within the states. Of the 3.9 million handlooms about 1.3 million i.e., one-third of the total looms have been brought under the co-operative fold. The remaining are in the private sector including those controlled by master weavers. The Sixth Five-Year Plan has envisaged co-operative coverage of handlooms to be brought up to a minimum level of 60 per cent during the Plan period with the ultimate goal of total coverage in as short a period thereafter as possible.

4. Financial assistance to handloom weavers in the co-operative fold is available from three sources. While the National Co-operative Development Corporation (NCDC) and state and central governments provide financial assistance for developing and strengthening the co-operatives, the banking system provides the working capital for production. The assistance from NCDC is available to the apex and regional weavers societies for creation of processing and sale facilities. The government provides assistance to the primary weavers societies in the form of share capital contribution and loans for modernization of looms, construction of godowns etc. The institutional finance for working capital is provided by co-operative banks. The Reserve Bank refinances the state co-operative banks at a concessional rate of interest i.e., 2½ per cent below the Bank Rate, funds being routed through the central co-operative banks, on the condition that the primary weavers societies will be financed for production and marketing activities at the same concessional rate of interest, the administrative cost being met by the apex and central co-operative banks out of a subsidy of 3 per cent provided by the state government.

Handloom industry in Orissa

5. At the outset, it may be stated that up-to-date data are not available in respect of the number of handloom weavers' societies, number of looms, etc., in the state and the observations made in the chapter are based on the data collected from various sources. The latest data relating to the working of primary handloom (cotton) weavers' co-operative societies in Orissa are available for the year 1978-9 and for all-India for the year 1977-8 which are given in Annexure 28. The district-wise data relating to the number of all types of handloom weavers' societies and looms available for the period 1977-8 are presented in Annexure 29. Though separate data are not available for cotton weavers' societies, most of the societies mentioned in Annexure 29 are handloom (cotton) societies. It will be seen from Annexure 29 that there were 615 weavers' co-operative societies at the end of June 1978 of which 250 were working, 150 were moribund and 215 were under liquidation. At the end of 1977-8, of the 1,05,000 handlooms in Orissa 57,574 were in the co-operative fold. The active looms with the co-operative societies were, however, only 21,300 forming 37 per cent of the total looms in the co-operative fold. During the period 1978-9 i.e., up to 31 March 1979, 4218 looms in the co-operative fold were reported to have been activised, raising the total number of active looms to 25,518 forming 44 per cent of the total looms in the co-operative fold. Another 6,000 looms were proposed to be activised in 1979-80. The details of achievement are, however, not available.

6. The number of active handloom (cotton) weavers' societies in the state as on 30 June 1979 were 279 and they had membership of 40616 as against 5851 members of 98 dormant societies. The average number of membership per active and dormant societies were 146 and 60 in Orissa, the corresponding all-India average being 95 and 50 respectively. At the all-India level the share capital per society averages Rs 12,000 of which Rs 4,000 are received by way of share capital contribution from the state governments and the balance from the members. Here again, of the members' share capital contribution of Rs 8,000, Rs 1,350 are from the

state government loans availed of by the members for the purpose. In Orissa the average share capital per society is Rs 9,600 contributed by the members, Rs 6,200 out of their own resources and the balance Rs 3,400 from out of the state government loan for the purpose. The societies in Orissa have not received any share capital from the state government either in the form of an outright contribution or subsidy. The average share capital per society in Orissa compares favourably with the all-India average without taking note of the state government's share capital contribution to the societies.

7. All the active societies in Orissa numbering 279 as on 30-6-1979 are production-cum-sale societies. The value of yarn consumed by these societies during 1978-9 amounted to Rs 321.85 lakhs, the production of cloth thereagainst being valued at Rs 533.70 lakhs. The average value of cloth produced per society works out to Rs 1.91 lakhs as against the all-India average of Rs 1.23 lakhs. Of the active societies, 226 earned profit of Rs 25.24 lakhs at an average of Rs 11,168 per society whereas 53 societies incurred losses aggregating Rs 0.99 lakh at an average of Rs 1,886 per society. The all-India averages of profit and loss per society during 1977-8 are Rs 6,914 and Rs 5,670 respectively. Thus, by and large, the performance of the primary weavers societies in Orissa is better than the average position at the all-India level, specially with reference to production of cloth and societies working at loss.

8. The state government is actively helping the handloom industry in the state. The details of expenditure incurred on various schemes year-wise from 1974-5 to 1978-9 under the Fifth Five-Year Plan are given in Annexure 30. The details of plan schemes for the year 1979-80 are available which are given in Annexure 31. The anticipated expenditure on various schemes under handloom section is placed at Rs 120 lakhs but the details thereof are not available. Besides, the government took up during 1979-80 four new schemes, viz., (i) incentives to handloom weavers, (ii) prize to progressive weavers, (iii) setting up of handloom production unit in Adivasi area and (iv) assistance for modernization of looms.

Following the recommendations of the Sivaraman Committee, the state government also took up a programme for providing assistance to weavers who are outside the co-operative fold. Accordingly, two projects, viz., Intensive Handloom Development Project and Handloom Export Production Project were formulated during the year 1977-8 to take care of 10,000 looms and 1,000 looms respectively during the course of a five-year period. To implement these projects the Orissa State Handloom Development Corporation was set up in April 1977. The physical and financial targets fixed under these two projects for the years 1977-8 to 1980-81 and achievements thereagainst up to 1979-80 are furnished in Annexures 32 and 33. The Intensive Handloom Development Project has its head-quarters at Balangir covering the districts of Kalahandi, Phulbani, Sambalpur and Sundargarh. The Handloom Export Production Project has 5 centres each having 200 looms.

9. The state government provided managerial subsidy on a rotation basis to different societies every year. There is also provision for providing financial assistance for setting up/modernization of looms and such assistance is given to beneficiaries spread over in different areas. With a view to enabling the weavers to become members of the societies so also to increase their share holdings in the society, assistance is provided by way of share capital loan to weaver members. During the Sixth Five-Year Plan Period, the government proposes to spend Rs 1135 lakhs on the various schemes connected with the handlooms besides on the development of co-operative spinning mills (Rs 540 lakhs), powerlooms (Rs 133 lakhs) and sericulture (Rs 370 lakhs). The details of budget provision for 1981-2 under handlooms are given in Annexure 34.

10. The general position discussed in the earlier paragraphs indicates that the state government is actively involving itself in helping the handloom industry. However, monitoring of the implementation of the schemes, *prima facie*, deserves more attention as it is observed that up-to-date data for various purposes are not readily available with the state agencies. In the absence of such data, it has not been possible for us to identify and sort out the difficulties experienced by the cotton handloom

weavers societies in their working and ensure availability of financial accommodation to them from the institutional agencies, etc. Hence, a study was undertaken by our secretariat in March-April 1980. The study included field visits to 7 primary weavers societies, viz., Tulsipur, Makarjhol, Aska, Butupalli, Attabira, Angarbandha Mahima and Sambalpuri Bastralaya as also to the apex weavers society and a co-operative spinning mill. The findings of the study in relation to the various aspects of the working of the weavers societies and our suggestions to remedy the situation are given in the paragraphs that follow. The problems revealed, though confined to the societies visited, could be considered as of a representative character for the weavers/weavers societies as a class.

11. At the outset, it may be mentioned that of the seven primary weavers co-operative societies visited, the Sambalpuri Bastralaya though functioning as a production-cum-sale unit extends its assistance to the nearby societies also. Therefore, while the findings in respect of other six societies are given together, those in respect of Sambalpuri Bastralaya are discussed separately.

Coverage

12. The position regarding coverage of weavers by the societies in their respective area of operation is given in Table 1. It will be observed that the membership of societies in relation to weavers in their area is, by and large, satisfactory and the percentage of coverage by co-operatives varies from 50 (Aska) to 100 (Angarbandha Mahima). However, barring the case of Makarjhol society, the percentage of dormant looms is very large varying from 49 to 80. Though, the looms are dormant from the point of view of weavers society, they do not necessarily remain idle. In practice some of the weavers despite their membership of societies, work for master weavers, thereby adversely affecting the effective coverage by co-operatives.

13. The main reasons for members of weavers societies shifting their allegiance to master weavers and for a large number of

TABLE 1

Society	Area of operation			Membership		
	No. of villages	No. of weavers	No. of looms	No. of weavers	Looms total	Of which dormant
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1. Tulsipur	10	225	225	168 (74)	168	83 (49)
2. Makarjhola	2	60	60	54 (90)	54	5 (9)
3. Aska	10	250	200	125 (50)	125	90 (72)
4. Butupalli	3	200	200	163 (81)	163	100 (61)
5. Attabira@	5	4690	2320	431	431	271
6. Angarbandha Mahima	3	113	68	113 (100)	68	55 (80)

Note : (i) Figures in brackets under Col. 5 indicate percentage to Col. 3.

(ii) Figures in brackets under Col. 7 indicate percentage to total looms under Col. 6.

@ In the area of this society there is overlapping of jurisdiction (one primary society and a production centre of Sambalpur Bastralaya are operating). Hence percentages are likely to mislead and they have not been worked out.

weavers remaining outside the co-operative fold along with our suggestions to remedy the situation are given below :

(i) None of the societies had its shed with looms installed. In the areas of some societies, all weavers do not have their own looms and hence despite a desire to join and work for the society they are unable to do so. There is also no scheme to provide assistance to such weavers/weavers societies for setting up the looms. In view of the limited repaying capacity of weavers, the Study Group to review the working of the scheme of Handloom Finance appointed by the Ministry of Industries, Government of India under the Chairmanship of Dr M. V. Hate, the then Chief Officer of the Reserve Bank of India's Agricultural Credit Department, May 1978 (Hate Committee) has observed that purposes like the purchase, renovation and modernization of looms required medium-term loans with a high element of subsidy and it is the responsibility of the state governments to assist the weavers and societies for these purposes. The funds for investment in block capital are available from the NCDC but to a limited extent. With a view to making finance available for block capital requirements, the Industrial Development Bank of India, at the instance of the Agricultural Credit Department of the Reserve Bank, has agreed in principle to provide refinance to the co-operative banks for their block capital advances and the modalities thereof are likely to be finalised soon. In the meantime the state government may make adequate budgetary provision, both for loans and subsidy for providing finance for the purchase renovation/modernization of looms. The provision of Rs 2.00 lakhs made by the Government of Orissa for the purpose for 1979-80 is inadequate though a matching contribution would be forth-coming from the Government of India. The state government may, therefore, substantially increase its annual budgetary allocation for the purpose. Further, the government may consider adopting an area approach in providing assistance for the purchase, renovation and modernization of looms which will help in showing positive tangible results by way of increase in production of a better variety of cloth. The state government may also consider giving loan assistance for providing fireproof loom houses to the weavers

(ii) The weavers societies do not provide consumption credit to the members. The weavers, in need of such consumption finance, therefore, prefer to work for the master weavers who meet their various types of requirements. The societies may consider issuing consumption loans to their members which have since been allowed by the Reserve Bank pursuant to the recommendations of the Hate Committee. According to the guidelines issued by the Reserve Bank, the weavers societies which are viable could issue consumption loans to their members for certain purposes within specified limits. Though no refinance is provided by the Reserve Bank, the central co-operative banks may provide finance out of their own resources or from borrowings from the apex bank as the Reserve Bank would treat such advances as a legitimate charge on co-operative bank's resources and sanction an appropriate credit limit for short-term agricultural purposes.

(iii) Unlike in the case of master weavers, the societies do not give a certain portion of their estimated wages as advance to their members for meeting their immediate requirements. The societies should give a certain percentage (say 25) of the wages payable to weavers as an advance to enable them to meet their immediate requirements. This would, in turn, minimise the compulsion to approach master weavers/businessmen for the purpose. The amount so advanced should be adjusted as and when the payment of wages is effected.

(iv) Further, eligibility of a member for issue of yarn should not be restricted as at present to the value of share capital and thrift deposit held by the member in the society. Instead, as recommended by the Hate Committee the societies may consider issuing, against one or two sureties, yarn advances to the extent required for the economic working of the warp.

(v) In Ganjam district, the wages are paid on the basis of 'hank' system, under which, the rate of wages is decided on the basis of yarn consumed in weaving the cloth as against the pattern system under which the rate is based on the intricacies of design. As the latter system is considered favourable for the weavers, where

artistic designs are involved, hank's system of wages may be confined to weaving of plain cloth only.

(vi) Whenever the weavers societies and master weavers are unable to engage the weavers in production of cloth on account of accumulation of unsold cloth, the weavers are forced to switch over to other vocations mostly as agricultural labourers. This leads to wasting of their skills. The Department should, therefore, devise ways to bring weavers under the co-operative fold and provide continuous employment. The Department may also prepare and implement a rehabilitation programme for reviving the moribund societies. Further, instead of undertaking the rehabilitation programme all over the state at one time, which involves engaging the available personnel and deploying the limited financial resources over the entire state, we suggest that the government may adopt an area approach and concentrate the resources in that area, which will give concrete and tangible results.

(vii) The Orissa State Handloom Development Corporation established in April 1977 to help the weavers outside the co-operative fold provided facilities such as assistance for electrification (Rs 400 to Rs 500), tiling the roof (Rs 1000 to Rs 1200), etc. This assistance from the Corporation is available in the form of subsidy (75 per cent) and loan (25 per cent) repayable in easy instalments from out of wages paid by it to weavers. The wages paid by the Corporation are also higher than those paid by the weavers societies. These facilities which are more lucrative to the weavers, act as a disincentive for them to join the weavers co-operative societies giving a setback to the process of bringing the unorganized weavers within the co-operative fold. Though the setting up of such a Corporation could have been justifiable in the then prevailing circumstances, in view of its adverse effect on co-operativization of handloom industry, the time has perhaps come to take steps to convert the production centres of the Corporation into separate weavers societies or merge them into existing weavers societies which would help them to become viable if they are not so already. We understand that the state government is already taking steps in this direction which we

suggest should be expedited and the government should ensure that the necessary financial assistance is provided to such societies to enable them to absorb the burden of overdues, if any.

(viii) The members do not get any return in the form of dividend bonus on the shares held by them in the societies. This acts not only as disincentive for them to continue to work for the societies but also keep away other weavers who are outside the co-operative fold. The non-declaration of dividend/bonus is generally attributed to the audit of societies being in arrears for a long time. We suggest that pending audit, the societies may distribute production bonus on the basis of proforma balance sheet duly approved by the Assistant Director of Textiles. The delay in audit is also partly due to the societies not writing up-to-date books of account. The work of the weavers societies being of a technical nature, the Department of Co-operation should create a separate audit cell in its audit wing and the audit staff of this cell should be given certain orientation training for understanding the technicalities of the production of cloth etc. Although a separate audit cell within the Directorate of Textiles could help expedite the audit of weavers societies, it is not considered feasible as similar requests may be made by other Departments thereby increasing the cost of audit staff in general. Moreover, it is not considered desirable to have any control over the audit staff by the administrative staff of the same Department as in that case audit staff may not feel free to give their unbiased report on audit of these societies.

14. We feel that a speedy implementation of our suggestions will go a long way in rapid co-operativization of the handloom weavers as envisaged in the Sixth Plan.

Procurement of Yarn

15. The societies are not in a position to obtain their requirements of yarn directly from the co-operative spinning mills as their number at present is only two and these mills produce plain yarn and that too of 40 counts only. As regards the supply of yarn by apex weavers society, it does not have adequate field network to arrange for supply of yarn particularly to those societies which are

away from its head office at Bhubaneswar. The societies are thus mostly dependent on open market purchases for meeting the requirements of yarn.

16. Though, by and large, the weavers societies are not finding it difficult to obtain their requirements of yarn from the open market, the apex weavers society should take responsibility for supply of yarn particularly to those societies which are situated in the interior places obviating the need for such societies to go over to long distance to obtain their yarn requirements. The apex weavers society may establish 'raw material banks' in districts having concentration of weavers for stocking adequate quantities of yarn and other raw material required by the weavers.

17. Incidentally, the co-operative spinning mill at Tora allows rebate of Rs 3 per bundle of yarn weighing 5 Kgs, but this amount is retained by the mill as non-refundable deposit free of interest pending its conversion at the close of the year into share capital of the mill. The Spinning Mill has not fixed any limit up to which such deductions are to be made towards non-refundable deposit from a society with the result that the societies have to face the deductions every time a purchase is made from the mill. The mill should fix a suitable ceiling up to which the deduction towards non-refundable deposits will be made from a society. The Mill may also allow interest at the saving bank rate on the deductions made, till the time the amount so deducted is converted into share capital.

Arrangements for marketing

18. Some of the societies have a select pattern to meet exclusively the local taste on the basis of tradition and customs of the people in their areas. Traditional patterns are woven by the weavers on their own accord. New patterns in the form of paper designs are obtained from the weavers service centre, Bhubaneswar, apex weavers society or the state government. However, no systematic arrangements exist for making available to the societies the know-how of consumer preferences and markets. The societies arrange to sell their products at the society counters or through

agents generally on a commission of 5 per cent. The societies in the interior face difficulty in making their own arrangement for sale of cloth and, therefore, engage the services of hawkers for the purpose. In the case of outright purchases by the apex weavers society, a commission of 7 per cent is normally allowed. The apex society generally makes purchases around the festival seasons, when rebate is allowed to consumers on handloom cloth to boost the sales. Normally with such a rebate facility, societies are also in a position to effect sales on their own during the festival seasons. This position could be seen from the relevant figures furnished in Table 2.

TABLE 2

Rs Lakhs

Society	Age and value of stock as on 30 June 1979		Value of sales during the year 1978-9	
	Age	Value	Total	Of which during the rebate period
Tulsipur	Below 1 year	0.30	2.71	0.98
Makarjholā	Below 3 months	0.42	1.81	1.38
Aska	—do—	0.02	1.59	0.95
Butupalli	Below 1 year	0.13	0.95	0.84
Attabira	Below 3 months	0.53	4.27	1.81
Angarbandha Mahima	—do—	0.03	0.49	0.25

Note : Figures relating to sales during the rebate period have been calculated with reference to rebate claims made (at 20 per cent) during the year.

The societies also undertake production of 'Janata' variety of cloth, mainly sarees, the production of which is subsidised by the Government of India at the rate of Rs 1.25 per sq. metre. In view of this subsidy, no further rebate is allowed on this cloth.

19. The societies are generally not in a position to effect substantial sales during the period when rebate is not available. Such a reliance on rebate is not a desirable feature and might harm the interests of the weavers in the long run. We, therefore, suggest that the societies should adopt aggressive salesmanship and may even consider offering reduction in prices on their own, the percentage being decided on the basis of their own financial position and demand for the varieties produced.

20. It is needless to emphasize the necessity for providing technical guidance to the primary weavers societies for taking up weaving of new and modern patterns suited to the taste of public. Although the weavers service centre, Bhubaneswar as also the apex weavers society had been making attempts in this direction, systematic attempts need to be made to transfer the technology to the societies situated even in remote places. This would keep the societies abreast of the market trends and help plan their production accordingly. To help weavers adopt new techniques in weaving, there are at present 2 centres one each in Khurda and Balangir which provide training facilities and award certificates. It was noted during the field visits that many weavers had not been able to avail of training facilities. The state government may consider making more intensive use of the training facilities for training of the weavers.

21. The primary societies could not be expected to have their own machinery for marketing on a large scale. Providing such machinery is the primary and foremost responsibility of the apex weavers society. The apex weavers society which is arranging for the sale of cloth procured from other states, should go in a big way to introduce their own products in other states as well. However, it should ascertain the tastes and requirements of consumers in other states before venturing into this business to ensure marke-

tability of the products. It should also draw suitable production plans for the primary weavers societies. Instead of making the purchases at the time of festival seasons alone, the apex society should also schedule its purchases from member societies on a monthly basis and advise the schedule to the primaries well in advance. This step, besides helping the primaries to plan their production schedule, would avoid accumulation of stocks with the primaries and go a long way in providing work to the weavers on a regular basis.

Credit sales

22. The societies generally did not encounter difficulties on account of credit sales to the private parties and apex weavers society. By and large, the societies received payments within a period of 3 months. The position regarding the outstandings against credit sales as at the end of June 1979 in respect of societies visited is given in Table 3.

TABLE 3

		Rs Lakhs	
Society	Name of the party	Credit sales-outstandings	
		Total	Of which for more than three months
Tulsipur	6 agents	0.05	Nil
Makarjhola	Apex Society	0.22	Nil
Attabira	(i) Apex Society	0.11	0.11
	(ii) State Handicraft Corporation	0.07	0.03

Rebate claims

23. With a view to boosting the sales of the weavers societies, a rebate of 20 per cent on sale of cloth to consumers is allowed during the festival seasons by the government. The cost of rebate

allowed is shared by the central and state governments on 50 : 50 basis, the former making financial grants while the latter making budgetary provisions towards meeting the cost of rebate.

24. The rebate claims are to be submitted by the societies within one month from the close of the rebate period and the claims so filed are required to be certified by a chartered accountant. The small societies as also the societies in the interior find it difficult to avail of the services of a chartered accountant for certification of the claims. The practice may, therefore, be discontinued in consultation with the Government of India at whose instance it is reported to have been introduced. The earlier practice of certification of the rebate claims by the Assistant Director of Textiles should serve the purpose.

25. The settlement of rebate claims usually is delayed. The position in regard to outstanding rebate claims in respect of societies visited is indicated in Table 4.

TABLE 4

Rs Lakhs

Society	Total claims made during 1978-9 including earlier claims outstanding	Claims outstanding as on 30-6-1979	
		Total	Of which for more than 3 months
Tulsipur	0.35	0.20	0.20
Makarjhola	0.35	0.28	0.28
Aska	0.36	0.25	0.17
Butupalli	0.17	0.17	0.17
Attabira	0.36	0.28	0.08
Angarbandha Mahima	0.07	0.07	0.07

In the case of four societies the entire outstanding rebate claims as on 30 June 1979 are more than 3 months old.

26. The delays in settlement of rebate claims adversely affect the liquidity of the societies. According to the pricing policy adopted by the societies, the sale price of cloth is fixed by adding 15 to 18 per cent (normally 15 per cent) commission to its cost price. The cost price is fixed taking into consideration the wages paid and the cost of yarn consumed. The commission is expected to take care of other expenses of the society. When rebate is allowed at 20 per cent, there is a net loss of 8 per cent revenue out of the cost price of the cloth as may be seen from the illustration given below :—

- | | | |
|----|---|--------|
| A. | Cost price on the basis of yarn consumed and
and wages paid. | Rs 100 |
| B. | Sale price fixed keeping a margin of 15 per cent over
cost price at 'A' above. | Rs 115 |
| C. | Rebate at 20 per cent allowed on the sale price at
'B' above | Rs 23 |
| D. | Sale proceeds received by the society after
allowing rebate (B-C) | Rs 92 |
| E. | Short-fall in receipt of cash compared to the cost
price (A-D) | Rs 8 |

Thus, the working capital is straight-away reduced by 8 per cent. Besides, the society does not get any return for meeting its other expenses which are included in the commission at 15 per cent. The society is, therefore, obliged to borrow to meet the above deficit and pay interest on such borrowings. Although rebate claims pending up to 3 months or the actual outstandings under all such claims preferred from time to time as at the end of the preceding

month, whichever is less, are considered as cover for the borrowings, the fact remains that societies are required to resort to avoidable borrowings on account of pendency of settlement of rebate claims. No doubt but for the rebate the societies would have had to carry larger stocks for longer periods requiring them to bear higher burden of interest charges on the borrowings obtained for production of cloth, what we observe is that the delay in settlement of rebate claims more or less nullifies the advantages that would otherwise accrue to the societies with the sale of their stocks.

27 Delays in settlement of claims generally occur on account of inadequate budgetary provisions made by state government as well as delays in the receipt of the required grant from the Government of India. The delay could be minimised if the state government, in the first instance settles the rebate claims on behalf of the Government of India and also makes adequate budgetary provision to meet its share. The state government might delegate the powers of sanctioning rebate claims to the extent of 25 to 50 per cent of the total claims to the Assistant Director of Textiles so that part payment is made available to the societies promptly. The state government may also consider introducing a time limit of 3 months for settling the rebate claims in full.

Financial assistance by State Government

28. The state government provides subsidy of Rs 20 and interest free loan of Rs 175 repayable in 10 years to enable a member to raise his share capital contribution to the society with a view to augmenting the internal resources of the societies as also for enhancing the members' eligibility for advance from the society in the form of yarn. The loan is routed through the concerned central co-operative bank. The repayment of loan is effected regularly out of thrift deposit of 5 per cent deducted from the wages of a weaver. Details of such assistance received by the societies in respect of their individual members towards share capital are given in Table 5.

TABLE 5

Rs Lakhs

Society	Share capital from individuals as on 30-6-1979		Original share capital loan from the state government	
	Total	Of which from out of government loan i.e., outstanding amount as on 30-6-1979	No. of members	Amount
Tulsipur	0.19	0.05	296	0.13
Makarjhola	0.07	0.05	32	0.05
Aska	0.12	0.07	N.A.	N.A.
Butupalli	0.23	0.16	N.A.	0.20
Attabira	0.27	Nil	Nil	Nil
Angarbhanda	0.09	0.01	123	0.13
Mahima				

29. The societies also received assistance both in the form of loan and subsidy from the state government for construction of godowns. Details of the assistance received by societies visited are given in Table 6 at page 290.

30. Besides the above, no other financial assistance from the state government in the form of either managerial subsidy or for modernization of looms was received by the societies visited. It may be noted here that since 1980-81, the managerial subsidy, on a tapering basis for 3 years, is available for appointment of paid secretaries in the primary handloom weavers societies under a centrally sponsored scheme. The subsidy is available only to such of the societies as are potentially viable in terms of annual

TABLE 6

Rs Lakhs

Society	Cost of godown	Assistance by way of loan			Subsidy
		Amount	Outs- tanding as on 30-6-79	Over- dues	
Tulsipur	0.10	0.05	0.05	—	0.05
Makarjhola	Hired	—	—	—	—
Aska	0.14 (in 1965)	—	—	—	—
Butupalli	—	—	—	—	—
Attabira	0.40 (in 1978)	0.02	0.01	—	0.02
Angarbandha Mahima	0.03 (in 1957)	0.01	—	—	0.01

turnover and coverage of looms. It is envisaged that some form of control will be devised regarding appointment of properly trained, full-time paid secretaries, the details of which are to be worked out by the state government. In this connection, a suggestion was mooted to have a cadre of such secretaries. The consensus of opinion is that the cadre scheme would have to be carefully thought over as the present position of primary weavers societies is weak and it has to be ensured that even when the subsidy element is discontinued the cadre employees could be maintained by the societies. The state government may consider the issue on its merit. This would also require the state government to draw a suitable programme for the rehabilitation of primary weavers societies and the weeding out of non-viable units.

Institutional Finance

31. The co-operative banks are eligible for refinance facility from the Reserve Bank of India by way of short-term credit limit for financing handloom weavers co-operative societies for their production and marketing activities subject to the condition that the rate of interest charged to the societies will be the same as is charged by the Reserve Bank, i.e., 2 per cent below the Bank Rate or such other rate fixed by the Government of India from time to time. The Government of India provides to the co-operative banks interest subsidy at 3 per cent (1 per cent for apex bank and 2 per cent for ccbs) to compensate them for loss of margin. The co-operative banks are not inclined to involve their own resources in extending such concessional credit as the interest subsidy is not considered adequate to give them a normal margin when compared to the cost of raising such resources which works out to more than 7 per cent. Moreover, the state government is also not prompt in settling the interest subsidy claims preferred by the banks.

32. In view of this, the banks have adopted different procedures in charging the rate of interest to societies. While some banks provide financial accommodation at concessional rates irrespective of the source of funds, other banks charge a concessional rate of interest only when the Reserve Bank refinance is utilised. Some banks involve their own resources but then they charge rate of interest by adding an element of interest subsidy to be received from the state government. The Orissa State Co-operative Bank has also decided that in 1980-81, unless interest subsidy is received in advance, the banks will charge the normal rate of interest and pass on the benefit of interest subsidy to the societies as and when received from the state government. In the process the weavers societies have to bear the burden of higher rate of interest. Delay in the settlement of interest subsidy claims is partly attributable to the different rates of interest charged by the banks depending on the source of funds and making the position complicated for assessing the eligibility for subsidy.

33. The banks also do not apply in time for financial accommodation from the Reserve Bank before the commencement of the new year. Even when such limits are obtained, immediate operations thereon are not possible on account of delays in executing the guarantee deed by the state government. Consequently, the societies in the areas of those banks which charge a higher rate of interest on accommodation from its own resources have to pay a higher rate of interest and await refund of the excess interest paid.

34. We suggest that the state government may deposit in advance with the apex bank at least 50 per cent of interest subsidy amount on the basis of credit limits recommended for sanction subject to strict compliance by co-operative banks that the funds would be made available by them at the stipulated concessional rate of interest irrespective of the source of funds. To avoid delay in operation on the Reserve Bank limits the state government may consider executing a continuing guarantee deed for a period of three years at a time instead of annual guarantee as at present. We understand that both these proposals are under the consideration of the state government which may please be expedited. The state government should also discontinue charging guarantee fees which reduces the margins available to the co-operative banks.

Refinance from the Reserve Bank

35. The financial accommodation from the Reserve Bank for meeting the working capital requirements of the primary handloom weavers societies is required to be operated as cash credit accounts. The banks are generally treating the accounts as fixed loans. This practice may be discontinued with immediate effect.

36. The central co-operative banks are at times hesitant to provide finance on a loom basis for activating the idle looms of a working society. In the case of new or dormant societies, the Hate Committee has recommended sanction of finance for the first two years on a loom basis for activating the idle looms. The Reserve Bank has accepted this recommendation. We suggest

that a similar facility may be extended in respect of idle looms to be activated by a working society also.

37. In the case of societies with higher turnover, the co-operative banks do not sanction additional limits due to their reluctance to involve their own resources over and above the limits obtained from the Reserve Bank. In such a situation the weavers are denied advance for yarn and are forced to switch over to master weavers businessmen. If the normal credit limits of a society are inadequate for it to continue production activities, particularly during the slack season when sales are less, the societies can be sanctioned additional limits against pledge or hypothecation of finished cloth or the bills payable by the apex weavers societies for purchase of cloth but not paid for subject to a margin of 10 per cent. The weavers societies are also not aware of the availability of such additional finance. The co-operative banks should sanction additional limits to the societies if warranted and approach the Reserve Bank for refinance facility.

38. The primary societies are required to remit the sale proceeds to their cash credit account promptly and the Reserve Bank has linked up their performance in this behalf for renewal and enhancement of the cash credit accommodation by co-operative banks as under :

- (i) The limit may be renewed if the aggregate amount repaid by the society to its cash credit account during the year is at least equal to either the limit sanctioned or the maximum outstandings reached in the account.
- (ii) The limit may be enhanced only in cases where the aggregate of the remittances in the account are not less than 50 per cent of sale proceeds during the year.
- (iii) If the aggregate amount repaid by a society into its cash credit account during the year is not equal to either the limit sanctioned or the maximum outstandings reached in the account, a society is treated as a defaulter to the central bank and the outstandings treated as overdue.

The performance in this behalf for the year 1978-9 of the societies visited is given in Table 7.

TABLE 7

Rs Lakhs

Society	Limit sanctioned	Aggregate drawals	Sales during the year	Remittance to cash credit account	Percentage of remittance to sales
Tulsiapur	0.30	1.24	2.71	1.15	42
Makarjholra	0.40	1.35	1.81	1.31	72
Aska	0.50	1.35	1.59	1.36	85
Butupalli	0.14	Nil	0.95	Nil	Nil
Attabira	Nil	Nil	4.28	Nil	Nil
Angarbandha Mahima	0.15	0.30	0.49	0.32	64

39. The performance of societies in remittance of sale proceeds is satisfactory. In this connection, it is noted that the apex weavers society at times makes book adjustments for the yarn supplied while remitting the value of cloth purchased from the societies. Further, during the rebate period, sale amount representing rebate allowed to customers cannot be remitted to cash credit account pending settlement of rebate claims. Since the remittance of sale proceeds has a direct bearing on the renewal/enhancement of cash credit limits, the apex weavers society should not resort to book adjustments as at present and the state government should also expedite settlement of rebate claims.

Supervision

40. In terms of the Government of India's instructions to state governments for proper supervision arrangements over primary weavers societies, there should be 1 junior inspector for

every 10 societies and 1 senior inspector for every 3 such junior inspectors. It is felt that the charge stipulated per junior supervisor is heavy and that he could effectively attend to only 4 or 5 societies with an aggregate turn over of about Rs 10 lakhs. In the absence of exclusive staff for supervision over primary weavers societies with the central co-operative banks, the Directorate of Textiles had been requested to place one supervisor at the disposal of each bank to supervise weavers societies financed by the banks. Accordingly, a few banks have already been provided with the services of such a supervisor. The banks should, however, in their own interest endeavour to build up their own supervision machinery. This would also obviate the need for the banks to furnish data in respect of each primary society they propose to finance as if the proper supervision arrangements exist, the Reserve Bank would sanction limits to the banks on the basis of certain minimum information called for leaving the banks to fix limits for individual societies subject to certain guidelines given in this behalf, avoiding the delay in sanction of limits at all levels.

Departmental set up

41. The Director of Textiles is the Registrar for the handloom weavers societies and is responsible for supervision over them. A Deputy Director (Handlooms) looks after the handloom weavers societies in the head office. There is also a design branch in the head office. In the field at the district level, an Assistant Director of Textiles is assisted by Sub-Assistant Registrar, Senior Inspector, Junior Inspector, weaving supervisor and a weaving mistry. While the weaving supervisor and weaving mistry look after the technical assistance to be provided to the weavers societies, administrative supervision is taken care of by the other category of staff. The norms for sanction of various categories of field staff are as under :

For every —

50 looms	— one weaving mistry
500 looms	— one weaving supervisor
5 societies	— one junior inspector
20 societies	— one senior inspector
40 societies	— one sub-assistant Registrar

Note: Weaving mistry is a technical person having knowledge of weaving technique.

The districtwise staff position as on 30 June 1980 is given in Annexure 35.

42. The weavers are generally not getting adequate technical guidance about improved techniques in weaving, dyeing etc. The nature of the present technical guidance is, by and large, confined to the introduction of new patterns and designs. Moreover, the areas allocated to the field staff being very wide, there is necessarily a longer time gap in visits to the societies. The Textiles Directorate may strengthen its field machinery adequately to ensure adequate supervision and guidance to the weavers societies. The information regarding visits paid by the Departmental staff in 1978-9 in respect of the societies visited is given in Table 8.

TABLE 8

Society	No. of visits	Purpose
Tulsiapur	13	General instructions, inspection, technical guidance, new designs etc.
Makarjholā	20	Mostly for administrative purpose and inspection
Aska	10	—do—
Butupalli	12	—do—
Attabira	12	—do—
Angarbandha Mahima	7	Checking of accounts, production-sale registers, yarn advance, verification of stock, technical guidance.

The purposes of visits broadly are checking of accounts, costing, verification of stocks, rebate claims, annual statistical returns and to a lesser extent technical guidance.

Viability

43 According to the norms of viability indicated by the Hate Committee, a viable society should have 100 active looms and sales turnover of Rs 3.50 lakhs per annum in order to have a gross profit of 6 per cent after meeting the estimated expenses of around Rs 18,000 per annum including interest. The societies visited, despite a smaller number of looms attached to all but one society, worked at profit, primarily because of the lower expenses on staff and favourable margin. The data relating to number of active looms, sales, profit, etc. in respect of societies visited are given in Table 9.

TABLE 9

Rs Lakhs

Society	No. of active looms	Sales during the year	Profit	No. of staff members
Tulsipur	85	2.71	0.17	3
Makarjholā	49	1.81	0.14	1
Aska	35	1.60	0.23	2
Butupalli	63	0.95	0.06	1
Attabira	160	4.28	0.23	7
Angarbandha Mahima	13	0.49	0.01	2

44. The position mentioned in paragraph 43 above may not continue for long when the societies will have to compete on their own and improve production and sales by adopting aggressive salesmanship engaging adequate staff. The viability criteria laid down by the Hate Committee may, therefore, be kept in view while drawing up a plan for reactivation of societies or registration of new societies. The state government has issued instructions for organization of societies with 50 looms each. Such societies

could be considered as potentially viable provided it is ensured that the society will attain an annual growth rate of 15 per cent for increasing the looms under its fold so that it would have 100 working looms, considered necessary for viability of the society, by the end of the Sixth Plan.

45. The state government is providing managerial subsidy on a rotation basis to all the weavers societies. We are of the view that the subsidy should be limited only to the potentially viable societies on a tapering basis for a period of 3 to 5 years to enable them to plan their staff requirements.

*Working of Sambalपुरi Bastralaya
Co-operative Society Ltd., Bargarh*

46. As stated in paragraph 11, the working of Sambalpur Bastralaya is discussed hereafter. The Bastralaya is located at Bargarh in Sambalpur district. The area of operation of the Bastralaya extends to the revenue subdivisions of Bargarh and Padampur of Sambalpur district. In these two sub-divisions there are 44 other primary weavers societies of which 26 are dormant. Of the active societies, 10 societies are 'associate' members of the Bastralaya as also 13 others from Balangir district i.e., outside its area of operation. The 'associate' societies are nominal members. The total membership of Bastralaya is 4578 weavers including 2228 members of 'associate' societies. The number of active looms is 3550. The Bastralaya has a shed with 50 looms of which 35 are active. As its membership is spread over a large area, it has set up 24 production branches. During the year 1978-9 its 13 sales branches were spread over 3 districts, viz., Sambalpur, Balangir and Sundargarh and it had appointed 90 sale agents. The total sales aggregated to Rs 1.88 crores of which sales through apex weavers society were of the order of Rs 9.11 lakhs only. The position regarding outstandings as on 30 June 1979 against its credit sales is given in Table 10. It is reported that the Bastralaya has since decided to discontinue credit sales to individuals on account of huge arrears from them. Of the outstanding rebate dues of the

TABLE 10

Rs Lakhs

Name of the party	Outstanding amount of credit sales	Of which out- standing for more than 3 months
Apex Weavers Society	0.09	0.09
Other registered co-operatives	0.98	0.98
Individuals	1.26	1.26
	2.33	2.33

Bastralaya totalling Rs 26.90 lakhs as on 23 January 1980, Rs 15.61 lakhs were outstanding for more than 3 months. A sizeable amount of these dues is outstanding for more than 4 years. Details of outstanding rebate claims are given in Annexure 36.

47. The Bastralaya mostly purchases yarn either from the co-operative spinning mill at Tora or from open market. It has its own dyeing unit. A cash credit limit of Rs 50 lakhs had been sanctioned to the Bastralaya for the year 1978-9. It earned a profit of Rs 5.12 lakhs. The Bastralaya has a staff strength of 220. It gives bonus to its members, subsidy for modernization of looms as well as scholarships to members' children, etc.

48. The Bastralaya meets all the requirements of its 'associate' societies and arranges for the sale of their products and allows a commission of 5 per cent. It does not have its own machinery to supervise the activities of associate societies but by undertaking to help societies in the marketing of cloth in particular, the Bastralaya has enabled its associate societies to reactivate themselves. Although the spreading over of activities by the Bastralaya to a wider area has enabled it to build up its own business and

has helped associate societies to earn profits, its spreading over of activities in the other areas has resulted into overlapping of jurisdiction with other primary societies operating in other areas. Besides, it has also adversely affected the working of a few such societies as they are not able to compete with the Bastralaya. With a view to avoiding conflict of interests with the other such societies, the Bastralaya may withdraw from the areas of such societies.

Apex Weavers Society

49. The Orissa State Co-operative Handlooms Weavers Society undertakes supply of yarn and other raw material to its member societies and charges a commission of 2 per cent on such sales. It acts as a sole selling agent of the Orissa Weavers Co-operative Spinning Mill at Tora and is entitled for a commission of 1 per cent. In case the Mill makes direct sales, the society gets a commission of 1/4 per cent. The society has 42 sales depots (since raised to 57) through which it arranges to sell cloth procured from member societies as also of societies from other states. Although the apex society evinces promotional interest in building up of business of its affiliated societies and arranges to provide specifications and designs for production of varieties of cloth, not all the primary societies, particularly in the interior areas, get the benefit of services rendered by it as the apex society's field net work is not widespread. As stated in the paragraph 21 earlier, the responsibility for marketing of cloth is more than that of the apex weavers society. But the present set up of the apex society is quite inadequate to be of any substantial help to the primary weavers societies spread over a wide area in the state. The society has since established two regional offices, one at Berhampore covering the districts of Ganjam, Koraput and Phulbani and the other at Balangir covering the districts of Balangir, Kalahandi, Sambalpur and Sundargarh. These offices, however, have limited staff strength i.e., a regional manager and a junior marketing officer. These officers are expected to establish contact with the societies in their area for purchase of cloth in particular. The regional manager is also expected to arrange for supply of

yarn. At the head office, it has 4 junior marketing officers who are also expected to look after marketing of cloth i.e., market survey, fabrics sale, inspection of sale depots, etc., Of these 4 junior marketing officers at Head Office, two officers look after sale of Janata variety of fabrics. With a view to helping the primary societies, it is necessary for the apex weavers society to take up market surveys to ascertain consumer preferences, give adequate publicity to their local variety highlighting their specialities, participation in exhibitions, arrangements of exhibitions, etc. The society would require wide network of field staff to promote and arrange the sale of handloom cloth of its primaries. The apex weavers society may actively canvass for meeting the requirements of furnishings etc., of various state government departments. The society may consider opening showrooms at strategic places which are likely to help in advertising their products and bring them more business. If opening of showrooms in other states is not found convenient, at least sale counters could be acquired in reputed shops, particularly of the co-operative sales emporia.

50. The society's sales were of the order of Rs 10.56 crores in 1979-80, of which sale of yarn accounted for Rs 5.68 crores and it earned a net profit of Rs 33 lakhs. The society's rebate claims of the order of Rs 26 lakhs as on 30 June 1980 were outstanding for more than 3 months. For the year 1979-80, the society was sanctioned a limit of Rs 50 lakhs under Section 17(2) (bb) and a limit of Rs 25 lakhs under Section 17(2)(a) of the Reserve Bank of India Act.

Unorganized weavers

51. The weavers who are outside the fold of co-operatives are obtaining their requirements mostly from master weavers and more recently from the Orissa State Handloom Development Corporation referred to in item (vii) of paragraph 13. The Reserve Bank of India introduced in January 1977 a scheme for financing such weavers who are widely scattered and are unable to organize themselves into a weavers co-operative society. Under the scheme, the Reserve Bank provides refinance facilities to the

state co-operative banks on behalf of central co-operative banks for advances made by them to the primary credit societies for financing working capital requirements of weavers not served by weavers societies. The refinances provided at 3 per cent below the Bank Rate on the condition that the ultimate borrowers are provided working capital at 9-1/2 per cent, margins at the three tiers, viz., apex bank, central bank and Primary Agricultural Credit Society being 1/2 per cent, 1 per cent and 2 per cent respectively. The primary agricultural co-operative societies are, however, not financing individual weavers. It is noted in this connection that not many people are aware of such facility. Besides, there is a general apprehension that a primary credit society may not have necessary expertise to cater to the requirements of weavers and in the absence of facilities for organized marketing, the loans may become overdue. Efforts should be made to overcome the above difficulties and, if necessary, credit should be made available to the weavers, who are outside the co-operative fold at present by the primary societies which are working satisfactorily.

Co-operative Spinning Mills

52. There are two co-operative spinning mills in the state, one in Sambalpur district and the other in Dhenkanal district. Besides, two more co-operative spinning mills are being set up in Puri and Sundargarh districts with capacity of 25000 spindles each. There is also a proposal to have a third one installed in Ganjam district to produce fine yarn. The Orissa Weavers Co-operative Spinning Mill situated at Tora in Sambalpur district, which was visited, has 18400 spindles to turn out grey yarn of 40 counts variety. The apex weavers society is acting as the mills's sole selling agent. A rebate of Rs 3 is allowed to societies on a bundle of yarn weighing 5 kgs. This benefit is not available direct to the societies as the amount is being appropriated towards the share capital of the mill. In this connection our suggestions in paragraph 17 viz., to fix a ceiling for the amount deducted and to allow interest on such amounts may be implemented. The mill desired

that the Reserve Bank may consider providing refinance for working capital requirements which would help reduce the cost of yarn and ultimately benefit the weavers.

53. As regards the refinance facility from the Reserve Bank for working capital requirements of co-operative spinning mills, we would like to reiterate the recommendation of the Hate Committee in this behalf which recommended that the Reserve Bank may consider opening a line of credit on behalf of co-operative spinning mills for handloom weavers/handloom weavers societies as in the case of co-operative sugar mills for meeting their working capital requirements against pledge/hypothecation of yarn under Section 17 (4) (c) of the Reserve Bank of India Act. The Bank may take an early decision on the recommendation. The Government of India may also consider granting subsidy to the mills so as to bring down their burden of interest on borrowings as recommended by the Hate Committee.

State level committee

54. There is a state level committee known as State Level Advisory Handloom Board to oversee the promotional development of weavers societies in the state. The committee has 20-25 members both officials and non-officials and is chaired by the concerned Minister. However, the Board meetings are not being held regularly and it is learnt that the Committee has not met for the last two years. This Board should be activated.

Development cells

55. It may be recalled here that the Hate Committee has recommended that a cell may be set up by the co-operative banks to attend to the work of developing and financing weavers societies if there are 5000 looms and above in the area of a central co-operative bank. Further, the state co-operative bank may also set up a similar cell if there are 30,000 looms in the state. As will be seen from Annexure 29, there are 57574 looms in the state as a whole and more than 5000 looms in each of the five districts, viz

Cuttack, Ganjam, Puri, Sundargarh and Balangir. The concerned central co-operative banks and the Orissa State Co-operative Bank may, therefore, set up cells on the lines recommended by the Hate Committee.

Chapter 11

RELATED ISSUES

In earlier chapters, we have dealt with specific terms of reference given to the study team. There are, however, certain issues which could not be considered in those chapters but are incidental or related to the terms of reference. Such issues have been dealt with in this chapter.

Arrangements for marketing

2. The co-operative marketing structure has an important role to play in the co-operative credit system in making arrangements for marketing of the members' produce to enable them to earn a reasonable return as also to ensure linking of credit with marketing. The marketing structure in the state comprises the Orissa State Co-operative Marketing Federation at the State level and the Regional Co-operative Marketing Societies (RCMSs) at the base level. The RCMSs are set up at the block level headquarters with their area of operations extending to a group of blocks. There are at present 63 RCMSs as may be seen from Annexure 17 to Chapter 8. The position regarding membership, share capital, owned funds, deposits, value of sales, cost of management, profit/loss, etc., in respect of the Orissa State Co-operative Marketing Federation (OSCMF) and all the RCMSs taken together is available as on June 1979 and is given in Table 1. It will be seen from the Table that the value of produce procured by the apex marketing federation was of the order of Rs 10.46 crores. As against this, the value of sales was of the order of Rs 10.82 crores. The interesting feature in this behalf is that in the case of OSCMF the value of agricultural produce was only Rs 53 lakhs and the balance related to the value of agricultural

TABLE 1

Rs Lakhs

Item	OSCMF	RCMSs
1. No. of Societies	1	60
2. Membership	159	24837
3. Share Capital	175	315
4. Total Reserves	148	79
(of which price fluctuation fund)	(144)	(31)
5. Owned Funds (3+4)	323	394
6. Deposits	5	28
7. Borrowings	818	458
8. Value of produce procured	1046	1500
9. Value of sales		
(a) Total	1082	1833
(b) of (a) value of agricultural produce	53	423
(c) of (a) value of consumer goods	Nil	383
10. Cost of management	15	99
(of which towards salaries)	(13)	(55)
11. Profit		
(a) No. of societies	1	39
(b) Amount	1	15
12. Loss		
(a) No. of societies	—	21
(b) Amount	—	47

requisites. In the case of RCMSs, the value of produce procured was Rs 15 crores and the value of sales was Rs 18 crores. Here again, the value of agricultural produce sold was only Rs 4.23 crores and that of the consumer goods Rs 3.83 crores.

3. The RCMSs procure paddy as agents of the Orissa State Co-operative Marketing Federation and details of the arrangement in this behalf are given in Chapter 8. The RCMSs are arranging to procure paddy from the open market and there is hardly any link-up for procurement with the primary level societies. Besides paddy, RCMSs also procure cereals, pulses, oil seeds like niger, mustard, groundnut and til. Some of the RCMSs are also having their own processing units for paddy and oilseeds. In regard to procurement it is noted that the societies purchase them from the open market irrespective of whether purchases are made from the members of the co-operatives or otherwise. In the absence of any link-up with the base level institutions for procurement of agricultural produce from the members, the present operations of the RCMSs are purely trading activities. In the circumstances, the question of assuring any reasonable return to the members or linking of credit with marketing does not arise. No doubt, in the case of paddy procurement, since the co-operatives follow the discipline of making purchases of paddy not below the support price as fixed by the state government, they help the agriculturists in general to that extent to get a minimum of the support price, even if the market conditions tend to bring down the price level below the support price.

4. In view of their trading activities, it becomes necessary for the societies themselves to take the attendant risks of the trade and face the consequences. Since this activity is purely a trading one, any support by way of financial accommodation from the Reserve Bank of India which provides refinance facilities in the case of those societies which are undertaking marketing of members' produce cannot be expected. We, therefore, suggest that if the societies are to be of any positive help to the co-operative credit structure and also to the agriculturists in their areas, it is necessary for them to have a link-up with the base level institutions and arrange for the marketing of their members' produce preferably on an agency basis and also arrange to recover production dues out of sale proceeds.

5. Another feature pointed out in Chapter 8 relates to the managerial posts, i.e., the posts of secretaries of the societies which are held by the officers of the Co-operation Department on deputation. In this behalf we recommend that the suggestions made by us for the societies having their own employees as secretaries may be implemented in a phased manner.

6. Besides the RCMSs dealing in general with the agricultural produce, there are some other commodity marketing societies like cashewnut, jute, fruit, coconut and potato marketing societies. In regard to potato marketing societies, we have already explained their working in detail in Chapter 9 and offered our suggestions.

7. It is suggested that there may not be any further attempt to set up marketing societies at levels lower than at present, i.e. lower than the block level. In order to strengthen the co-operative marketing structure, it is necessary to have a suitable tie-up arrangement with the existing primary credit societies in areas of the marketing societies for procurement and sales of agricultural produce and linking of credit with marketing.

Consumers Co-operative Federation

8. The Orissa State Consumers Co-operative Federation was established in March 1965 under the centrally sponsored scheme with a view to co-ordinating and facilitating the working of its affiliated societies and for assisting the organization and development of consumers co-operatives. The objectives of the Federation are given below in brief :

- (i) To help the development of consumer co-operative movement in the state.
- (ii) To help its members in developing business techniques and management methods.
- (iii) To establish trade connection with suppliers and manufacturers.

- (iv) To make bulk procurement of consumer goods from within and outside the state for sale and supply to affiliated societies and arrange for storage and packing, etc.
- (v) To co-ordinate the working of member institutions.
- (vi) To receive from government and other sources requisite facilities, assistance and financial help.
- (vii) To collect and disseminate market intelligence and other information regarding the business of consumer co-operatives.

9. The Federation which started with a membership of 10 has now 45 members. Its share capital was Rs 80.56 lakhs as on 30 April 1981, of which a total sum of Rs 68.62 lakhs was contributed by the state government. The management of the Federation is vested in the Board of Directors consisting of 9 members, of which 6 are elected and 3 are nominated by the state government.

10. The Federation deals with various consumer articles of essential nature such as rice, wheat, pulses, sugar, edible oils, soaps, and exercise note books made out of paper provided by government at a concessional rate, controlled and non-controlled cloth, etc. The Federation has set up a unit for manufacturing exercise books/registers as also a grinding unit for 'besan', i.e. gram-flour. The sales turnover of the Federation for the year 1979-80 was Rs 808.25 lakhs as against Rs 229.64 lakhs for the year 1976-7. The Federation is entrusted by the government to monitor the scheme for the distribution of essential articles. The Federation has five branches and it proposes to open 6 more branches with a view to intensifying and regulating the public distribution system. It has been working at profit from the beginning itself and its gross profit has gone up from Rs 7.44 lakhs in 1977-8 to Rs 23.72 lakhs in 1979-80.

11. The task of the Federation is, however, beset with difficulties particularly in the matter of procurement of pulses and edible

oils which are required to be imported from outside the state in a large quantity. The main difficulty is that the Federation does not get priority in the matter of allotment of wagons. Further, there is imposition of multipoint octroi and turnover tax (Additional Sales Tax) in the state which pushes up the price of the commodities at each level by 1.5 per cent. For all inter-state purchases, the Federation is required to pay Central Sales Tax at 4 per cent. It appears that the private trade is able to circumvent the payment of tax by adopting the 'artia' system of business under which the seller consigns the goods in his own name which tantamounts to transfer of stock from one place to another. Such transactions are not deemed as sales in the state of origin of goods and, therefore, no sales tax is attracted. The Federation is also required to make payment in advance or retire documents negotiated through the bank for its purchases. Thus it may be seen that the Federation has to face unhealthy competition from the private trade. In view of the emphasis to strengthen the public distribution system through co-operatives, there is a need on the part of the state government to look into the genuine difficulties faced by the Federation and give priority and special preference to co-operatives for implementing the scheme. Further it is necessary for the Federation itself to build up a strong contingent of staff having the necessary expertise particularly in regard to marketing.

Interest margins

12. It has been recommended by the Study Group on Interest Rates in the Co-operative Credit Structure appointed by the Reserve Bank of India (1978) that a state co-operative bank may retain a margin in relation to the Reserve Bank's refinance rate within the range of 0.50% to 0.75% in respect of short-term agricultural loans and within the range of 0.25% and 0.50% in respect of medium-term agricultural loans. The central bank's margin may be within the range of 2% to 2.25% (over the concerned apex bank's refinance rate) in respect of their short-term and medium-term agricultural loan business. The primaries are to retain a margin of 2.5% on their short-term and medium-term

loan business. The present margins retained by the different levels of the co-operative credit system in Orissa were in conformity with the recommendations of the Study Group referred to earlier.

13. The Reserve Bank of India in terms of its letter No. ACD.PLAN.1766/PR 3-80/81 dated 2 March 1981 has suggested certain revisions in the rates of interest to be charged by banks for different agricultural purposes, as given in Table 2.

TABLE 2

	Existing rate	Revised rate
<i>Short-term agricultural loans</i>		
A. Small farmers	Not exceeding 11.85% (loans upto Rs 2500)	Not exceeding 12.50% (loans upto Rs 5000)
B. Others	Not exceeding 14.00% (Not exceeding 11.85% in those states where the present rate to other than small farmers is 11% as per our earlier instructions)	Not exceeding 15.00% (Not exceeding 12.50% in those states where the present rate to other than small farmers is 11.85% as per our earlier instructions)
<i>Medium-term agricultural loans</i>		
A. Minor irrigation and land develop- ment purposes	10.50%	10.50%
B. Diversified purposes	11.50%	11.50%
C. Other than diver- sified purposes		
(a) to small farmers	11.00% (Loan upto Rs 2500)	11.50% (Loan upto Rs 5000)
(b) Others	12.50%	12.50%

The rates of interest adopted by the Orissa State Co-operative Bank are given in Table 3, :

TABLE 3

	Short term	Medium- term minor irrigation purposes	Medium- term diversified purposes	Medium- term (conver- sions)
O.S.C.B. to C.C.B.	7%	6.50%	6.75%	7%
C.C.B. to PACS	9.50%	8.50%	9.00%	9.50%
PACS to ultimate borrower	12.00%	10.50%	11.50%	12.00%

On comparison of the rates of interest adopted by the co-operatives with those of the rates suggested by the Reserve Bank of India, it is noticed that the rates of interest on short-term agricultural loans are less than those suggested by the Reserve Bank particularly for the larger farmers which are to be charged up to 15 per cent as against 12.50 per cent for small farmers. We have observed in Chapter 4 that the present interest margins particularly at the primary societies level could be increased if the co-operative institutions in Orissa fall in line with the suggestions made by the Reserve Bank of India. Such an increase in margin is necessary for the societies as otherwise with the present criteria of viability of a loan business of Rs 2 lakhs, the scales of pay proposed for the secretaries and other expenditure cannot be met. We, therefore, recommend that the rates of interest to be charged by the co-operatives should be brought on par with those recommended by the Reserve Bank of India.

Twenty-Point Programme

14. A mention has also to be made of the 20-Point Economic Programme which has been revitalized. The two main objectives of the Programme are to ensure efficient production and distribution

of essential goods and services to the community and to ensure that the income and standards of living of the weaker sections of the community are raised so as to secure better distributive justice. The Reserve Bank of India had constituted in March 1980 a Working Group under the Chairmanship of Dr K. S. Krishnaswamy, the then Deputy Governor, to consider modalities of the implementation of the Programme by banks. The Working Group has made detailed recommendations on the identification of beneficiaries and purposes requiring assistance under the programme from the banking system and these recommendations have since been communicated to the banks for implementation of the programme. Although co-operative banks are already engaged in providing credit facilities to various categories of these beneficiaries, it is necessary for them to initiate positive steps for implementation of the programme in an effective manner. We have made a few suggestions in the earlier chapters in this regard. The banks should take care to see that *inter alia* suitable viable schemes are formulated in consultation with the state development agencies for all the beneficiaries under the 20-Point Programme and adequate finance provided for their implementation. The Agricultural Credit Department of the Reserve Bank of India in its Circular No. ACD. Plan(GZI)/1311/PR534-80/81 dated 31 December 1980 to state co-operative banks has also highlighted the importance of the banks monitoring the progress in implementing the programme. The apex bank should follow the advice given by Reserve Bank of India in this regard.

Co-operative Training

15. The proper and efficient management of an organization depends on the quality of its personnel. There is need for training of the staff which helps to enhance its efficiency and leads to better understanding of duties and responsibilities. There are five training institutions in the state which provide training facilities both for the government and institutional personnel. The training college at Bhubaneswar is managed by the National Council for Co-operative Training of the NCUI while the remaining four institutes are run by the Orissa State Co-operative Union. The

Training College at Bhubaneswar provides training facilities for higher and intermediate level of personnel while the Co-operative Training Centre at Gopalpur provides training facilities mainly for junior level personnel i.e., junior inspectors of the Co-operation Department. The co-operative training institutions at Bargarh, Baripada and Koraput provide training facilities mainly to supervisory staff of central co-operative banks and Managers of industrial and consumer co-operatives.

16. In the Co-operative Training College, Bhubaneswar there is an arrangement for imparting training to 110 trainees per year. The capacity of training centres at Gopalpur and Bargarh is 160 and 80 personnel respectively per year. The training centres at Baripada and Koraput have been started in 1977-8 with a facility to train about 75 trainees per year. It is estimated by the Co-operation Department that in all there are about 10,000 personnel in the Department and co-operative institutions. They require to be trained and compared to the capacity of the training institutions, a large number of eligible personnel are unable to avail of training facilities in the state.

17. Under the World Bank assistance for building up co-operative training structure, the necessary assistance is being provided to central co-operative banks for starting field level training centres at the headquarters of each of the 17 banks. Presently 11 such centres have already been established and the remaining 6 centres which are at various stages of progress may also be available soon. These field training centres of the central banks are to provide training to secretaries/assistant secretaries/salesmen of Primary Agricultural Credit Societies and primary industrial/non-agricultural co-operatives. The scheme provides for appointment of 2 lecturers at each training centre.

18. The training programme for members is being arranged by the district co-operative unions at Puri, Sambalpur and Ganjam. The above programme is equally important to enable the members to understand their duties and responsibilities and

create an active general body evincing interest in the working of their co-operative institution.

19. According to Rule 45 of the Orissa Co-operative Societies Rules, the contributions to the Education Fund of the Union are related to the net profits as well as declaration of dividend as below :

“Every society which earns a net profit shall contribute towards the co-operative education fund created under sub-section (3) of section 56 of the Act, at the following rates, viz.—

- | | |
|--|----------------------------------|
| (1) If the net profit is less than Rs 1,000 | Nil |
| (2) If the net profit exceeds Rs 1,000
and the dividend is less than 4 per cent | 2½ per cent of
the net profit |
| (3) If the net profit exceeds Rs. 1,000
and the dividend is 4 per cent or more | 4 per cent of the
net profit |

The above linking of contribution adversely affects the collection of contributions for education fund as many institutions though earning profit are not able to declare dividend. We suggest that the contributions to the education fund may not be linked with the declaration of dividend and the Rule may be amended accordingly.

Set-up of the Registrar's Office

20. The Registrar of Co-operative Societies is assisted in the discharge of his duties at the headquarters by two Additional Registrars of Co-operative Societies. One of them looks after the subject relating to audit exclusively. These officers are assisted at headquarters by Joint Registrars and Deputy Registrars dealing with different subjects coming under the purview of the Department. At the field level each district is having a Deputy Registrar assisted by Assistant Registrars of Co-operative Societies, Sub-Assistant Registrars, Senior Co-operative Inspectors and Co-operative

Extension Officers. Normally, one Co-operative Extension Officer is attached to one block. The present work-load particularly on the Co-operative Extension Officers is quite heavy in view of the volume as well as the multifarious nature of the activities which they are required to look after. The Co-operative Extension Officers besides being required to look to the administrative side of the Department's work are also required to undertake inspection of societies in their areas. We have in Chapter 3 suggested that the Co-operative Extension Officers may not be burdened with the duties of the inspection of co-operative institutions in their areas.

21. In view of the responsibility that will devolve on the Registrar's office consequent to our various recommendations resulting in the strengthening of the co-operative movement in the state, the Registrar's office may be suitably strengthened by providing additional officers as well as staff particularly in the matter relating to credit and marketing. In this connection our suggestion in paragraph 24 (i) in Chapter 7 relating to inadequacy of staff for coercive action may also be kept in view. Further, the continuance of the incumbent to the post of Registrar of Co-operative Societies on a long-term basis is considered quite essential and desirable from the view-point of continuity of the policies and guidance to the field level staff. It is noted that during the last two years i.e., since November 1979, when our Study Team was formed, the incumbent to the post of the Registrar of Co-operative Societies has been changed thrice. We recommend strongly that the Registrars should remain in office at least for a minimum period of 3 years, although it would be preferable to post him for a period not less than 5 years. In case the incumbent to the post of the Registrar is due for promotion, instead of transferring him to some other post for the purpose, the post of the Registrar itself could be up-graded and he could be continued to complete the period recommended by us.

22. Up-to-date statistical data is one of the important requirements of any organization to enable it to know whether it is

making progress over a period of time and accordingly to reorientate its policies and procedures. Although, there is a statistical cell in the office of the Registrar of Co-operative Societies, considerable difficulty is being experienced in getting appropriate feed back from the field for want of a suitable statistical cell in the district offices. Moreover, the Officer-in-Charge of the statistical cell at the headquarters is of the rank of a Deputy Registrar only and it would be preferable to up-grade his post to the level of Joint Registrar of Co-operative Societies so as to get a better response from the officers of the rank of Deputy Registrars who are at the field level. Besides in each office of the Deputy Registrar, a statistician with suitable qualifications may also be posted to enable the Registrar's office to obtain the statistical data promptly.

23. It would facilitate the collection and compilation of correct statistical data if field level staff engaged in this work are briefed annually on the various concepts and definitions of the terms used in the statistical data. For this purpose, regular seminar-type of meetings of staff concerned should be convened by the Registrar's Office.

Deofficialization of the movement

24. One of the interesting features noticed in the manning of the various co-operative institutions in the state is that the posts of officers-in-charge are almost invariably held by an officer on deputation from the Co-operation Department. For instance, the posts of all the apex co-operative organizations are held by the officers from the Department in the rank of the Joint Registrar and that of the regional co-operative marketing societies either by Assistant Registrars or Sub-assistant Registrars. In the case of LAMPS, all the 222 Managing Directors are the officers drawn from the Co-operation Department who are in the rank of either Sub-Assistant Registrar or Senior Inspector or Co-operative Extension Officer. Similarly, even in the central co-operative banks, there is a fairly good sprinkling of officers of Co-operation Department on deputation.

25. One of the reasons advanced for having officers of the government on deputation is that the state government has a very high stake in the co-operative institutions in view of the financial assistance provided to these institutions. Although, it is a fact that these institutions have received government assistance on a very large scale, it is not considered advisable in the long run to have government officers on deputation to manage the affairs of the institutions. In the first instance, the continuance of the officers on deputation is linked with the convenience of their parent Department and the officers are shifted frequently according to the administrative convenience of the Department. Many a time, officers are required to be shifted consequent on their promotions within the Department. Thus, the convenience of the institutions in which they have been posted is not taken into consideration in effecting transfers and at times even the officers are shifted without making an arrangement to provide substitutes in their places. Further, the career of an officer on deputation is not necessarily dependent on the survival or otherwise of the institution which he is serving. Although it cannot, however, be taken as a general rule that the officer on deputation would not evince adequate interest on this account, the fact remains that an employee from within the institution is expected to take a greater interest in building up the institution in order to better his own career prospects. We are inclined to recommend that the state government may initiate action to assist the institutions in building up their own cadres and simultaneously effect a phased withdrawal of its officers on deputation with the various institutions. These officers could be absorbed within the cadre of the Department itself over a period of time.

Audit

26. Audit of co-operative institutions in the state is the statutory function of the Registrar of Co-operative Societies as per provisions under Section 62 of the Orissa Co-operative Societies Act. The Registrar is responsible for the audit of all types of co-operative societies irrespective of the fact that administrative control over some special types of societies such as weavers and industrial

societies may be with the concerned technical departments in the state government. Audit has been separated from the general administration of the Co-operation Department and the Additional Registrar of Co-operative Societies at headquarters looks after the audit establishment. He is assisted in the headquarters by officers of the rank of Joint Registrar and Deputy Registrar of Co-operative Societies. There are 16 audit circles each headed by an Audit Officer in the grade of Assistant Registrar of Co-operative Societies. The present strength of the audit staff below the level of circle audit officers is Sub-Assistant Registrars (171), Senior Inspectors (322) and Junior Inspectors (143). While the audit of the state level co-operative institutions is the direct responsibility of the Joint Registrar and Deputy Registrar of Co-operative Societies in charge of audit at Head Office, the responsibility for audit of central co-operative banks and similar intermediate level institutions is that of the Circle Auditors. The other types of societies are suitably divided among the Sub-Assistant Registrars, Inspectors and Junior Inspectors of the Department.

27. The total number of different types of societies which were due for audit in the state as on 1 July 1979 were 13786. Of these, 6476 societies are working and 7310 are either under liquidation or in a moribund condition. As at the end of 1979-80, 6150 societies remained unaudited of which 3508 were moribund. The position as on 30-6-1980 regarding period-wise unaudited societies is as in Table 4.

TABLE 4

No. of societies whose Audit is in arrears for a period of				
1 year	2 years	3 years	4 years	Five years and above
1622	1022	477	440	2359

Note : The details do not include 230 societies in respect of which period of arrears of audit is not available.

Normally, the audit of central banks is completed on a priority basis. As regards apex institutions, some of them have not been audited for two years. The above volume of work indicates that unless the staff strength of the Audit Department is suitably augmented at all the levels, there will be arrears in audit which is not a desirable feature even from the view-point of institutions themselves. We, therefore, recommend that the Audit Department should be suitably strengthened on a priority basis.

28. As noted earlier, all types of institutions are being audited by the audit staff of the Co-operation Department. There are certain societies in respect of which some technical knowledge about their functioning is considered necessary for a proper appraisal of work. With a view to equipping the audit staff for undertaking the audit of such types of societies, certain orientation training may be imparted to the concerned audit staff.

29. Further, it would be possible to strengthen the audit staff if the various technical departments having control over the special types of societies such as weavers, fisheries etc., pool their resources in the Co-operation Department for the purpose of audit instead of making a demand for separate audit cells for their respective types of societies.

Implementation

30. We have noted in earlier chapters that the institutional credit structure, mainly the co-operatives, is fairly strong in the state and, therefore, it could be largely depended on for meeting the credit requirements both in respect of production and investment in the state adequately by the end of Sixth Five-Year Plan. What is necessary is an imaginative leadership and support from the state government to enable them to come up to the level of performance envisaged by us for them. It is, however, to be noted that piecemeal action on the various recommendations would belie our expectations for the institutions particularly co-operatives to meet their obligations. It is, therefore, necessary to have a co-ordinated and concerted approach both on the part of the co-

operative institutions and the state government in particular. We, therefore, suggest that for implementing the recommendations made in the Report as well as for its review, an Implementation Committee may be set up by the state government preferably under the Chairmanship of the Chief Secretary. The other members of the committee may be the Commissioner-cum-Secretary of the Co-operation and Agriculture Departments, Registrar of Co-operative Societies, Secretary of the Harijan and Tribal Welfare Department, President of the Orissa State Co-operative Bank, Additional Secretary of Industries Department and the Director of Textiles. A representative each of the Reserve Bank's Agricultural Credit Department, and the Department of Banking Operation and Development, Bhubaneswar, the Managing Director of the Orissa State Co-operative Bank and the Director, Agricultural Refinance and Development Corporation, Bhubaneswar may also be invited to attend the meetings of the Committee.

31. The Committee can effectively function if it is serviced by a small cell set up for the purpose under the stewardship of one of the Joint Registrars of Co-operative Societies in the office of the Registrar of Co-operative Societies. The Joint Registrar may act as convenor and the Committee may meet at least once in 3 months. The Cell may initially arrange to make available to the various Departments and institutions concerned a check list indicating the action to be taken by them on the recommendations made in the Report. The Cell may watch the implementation of the recommendations and report to the Committee and under its advice and guidance follow them up with the concerned Departments and Institutions.

SUMMARY OF FINDINGS AND RECOMMENDATIONS

Chapter 1 — Agricultural Profile

Orissa state can be divided into 4 geographical regions, viz., the (i) coastal plain; (ii) eastern ghats; (iii) central tableland; and (iv) northern plateau. The coastal plain is very fertile and well suited for intensive cultivation. The eastern ghats are covered by dense forests and the central tableland includes a number of erosional plains and river basins which are suited to agriculture. The northern plateau is hilly and covered by dense forests. (2)

2. Of the total geographical area of 155.40 lakh hectares, 43 per cent accounts for forests. The net area sown is 59.70 lakh hectares, while the gross cropped area is 81.66 lakh hectares forming 38.4 per cent and 52.6 per cent respectively of the total area. The gross irrigated area forms 19.9 per cent of the gross cropped area. Among the 13 districts in the state, the irrigation facilities are relatively good in 4 districts, viz., Cuttack, Ganjam, Puri and Sambalpur. (10)

3. The average size of land holdings for the state is 1.60 hectares as against the all-India average of 2.30 hectares. Seventy-four per cent of the total holdings are up to 2 hectares. Four per cent of the total holdings are above 10 hectares but account for 13 per cent of the total area. (11)

4. Land records in the state are not up-to-date and in the tribal areas absence of recognized title to land in possession with tribals is the main difficulty in identification of holdings. (12)

5. The per hectare chemical fertiliser (NPK) consumption of the state in 1979-80 was 8.3 kgs as against the all-India average of 25 kgs per hectare. (14)

The number in bracket at the end of each recommendation refers to paragraph numbers given in the concerned chapter of the Report.

6. Four-fifths of the total cropped area is under foodgrain cultivation and paddy alone accounts for 50 per cent of it. The other important crops are pulses, oilseeds, jute, mesta, sugarcane, coconut and turmeric. (16)

7. The per hectare yield of the various crops has not shown any improvement over the years. The average yield of important food crops are below the all-India averages. The main forest products in Orissa are sal, teak, rosewood, lac, tusser silk, medical plants and *kendu* leaves. (17)

8. There is wide disparity within the state in the development of agriculture. Agriculture is the mainstay of the economy of the state and it is, therefore, necessary that the plane of cultivation is raised to increase production and the standard of living of the rural poor. (22)

Chapter 2 — Orissa State Co-operative Bank

9. The state co-operative bank was registered in April 1948 and it became a scheduled bank in July 1966. The bank has made good progress in building up its own funds particularly the share capital part of it. (2, 5)

10. Despite a three-fold increase during the period 1976 to 1980, the deposits of the bank as on 30 June 1980, were below the all-India average. The fixed deposits form 98 per cent of the total deposits as on 31 December 1980. The higher proportion of fixed deposits increases the average cost of raising the funds in view of higher rates of interest offered on term deposits. The proportion could be reduced if more current deposits are collected. The state government can help by asking the government/semi-government institutions and local bodies to place their funds with the bank in current accounts. (6)

11. The percentage of borrowings to outstanding advances has increased from 43 as on 30 June 1976 to 56 as on 30 June 1980. (7)

12. The loans issued by the apex bank increased from Rs 2,589 lakhs in 1975-6 to Rs 9,975 lakhs in 1979-80. The short-term and

medium-term agricultural loans have also registered an increase from Rs 1,324 lakhs and Rs 260 lakhs to Rs 3,185 lakhs and Rs 469 lakhs respectively. The bank also provides non-agricultural finance to the apex societies like Marketing Federation, Tribal Development Corporation, Handloom Societies, Co-operative Sugar Mills, etc. (8, 9)

13. The Orissa Co-operative Societies Act does not permit co-operative banks to advance loans to individuals even for non-agricultural purposes. An enabling provision may be made in the Act/Rules enabling these banks to make such advances and banks should make the advances in accordance with the instructions issued by the Reserve Bank. (9)

14. The recovery performance of the bank is very satisfactory. The bank has been working at profit and is declaring dividend. (10, 11)

15. The percentage of cost of management to the working capital is around 0.30 as compared to the all-India average of 0.68 per cent. (12)

16. No representation is provided on the Board of Directors of the apex bank to member societies other than ccbs. The strength of Board may be increased from 21 to 25. One seat each may go to the Chairmen of the Orissa State Land Development Bank, the Orissa State Co-operative Marketing Federation and the Orissa State Co-operative Consumers Federation. A representative of other co-operative institutions may be elected to the fourth seat. (15)

17. Instead of having a separate Loan Committee and an Appointments Committee, the apex bank could have only an Executive Committee to deal with the matters relating to the loans and appointments in the bank. (16)

18. The post of Managing Director of the bank is being held since long by officers on deputation from the Co-operation Department of the Government of Orissa. The Managing Director should preferably be an employee of the bank itself and action may be

initiated for filling up the post by replacing the deputationist in course of time. (17)

19. The minimum desirable academic qualifications for the post of Managing Director may be either a first or second class Post Graduate degree with specialization in Economics/Commerce/Banking and practical experience in an officer's capacity in a banking institution. However, in the case of candidates from state/central co-operative banks or officers of Co-operation Department having the requisite banking experience, relaxation can be made in regard to educational qualifications. (17)

20. Excepting the posts of Managing Director and General Manager, the remaining posts of officers may be grouped into 4 categories, viz., (i) Managers, (ii) Deputy Managers, (iii) Assistant Managers Inspecting Officers, and (iv) Section Officers. The various sections in the bank may be rearranged into 4 Divisions. The Managing Director can directly deal with the Administration and Establishment and Planning and Development Divisions, while the General Manager may look after the other two Divisions, viz., Inspection and Supervision and Operations and Accounts under the overall supervision of the Managing Director. Each Division may be in-charge of a Manager assisted by Deputy Managers/Assistant Managers looking after a group of sections in the Division. If any subject matter is important, the concerned section could be directly placed under the charge of an Assistant Manager. The Officers-in-Charge of the branches may be of the grade of the Deputy Managers. (19)

21. There should be a separate statistical cell in the Division of Operations and Accounts managed by an officer in the rank of a Deputy Manager with suitable statistical qualifications. (19)

22. As the bank is implementing ARDC schemes, it is necessary that the Technical Cell under the Planning and Development Division should have at least one or two Officers who are subject matter specialists. (20)

23. In the matter of recruitment of non-officer staff, the minimum educational qualification could preferably be a university degree. For posts of Deputy Managers, and above to that of the General Manager, the educational qualifications may be a first class graduate or a second class post-graduate. For the posts of Assistant Managers and Inspecting Officers, graduates with a higher second class degree or post-graduate may be preferred. As for Section Officers they may be second class graduates. (21)

24. There is a proposal to have a common cadre for the district central co-operative banks and the cadre officers are to be treated as employees of the apex bank. However, there is no indication in the relevant rules as to whether there will be officers in the apex bank of a similar rank as those in the cadre for central co-operative banks and whether such posts are inter-changeable. It is necessary to have such inter-changeability. It is also suggested that the posts from the level of Deputy Managers and above may not be covered by the cadre personnel, but they may be available for promotion to the cadre personnel. (21)

25. Keeping in view the recommendations contained in this report, the proposals relating to the staffing pattern may be decided by the state government and the state co-operative bank in consultation with the Reserve Bank's Agricultural Credit Department. (21)

26. A suitable quota between the staff candidates and direct recruits from the open market may be fixed for filling up the posts in the officers cadre. In the case of staff candidates suitable relaxations in educational and other qualifications could be made. (21)

27. Both officers and other staff should be provided with job-oriented training within the organization before being posted to a regular desk. The officers and other staff of the bank may be continued to be sent for training in various courses conducted by different training institutions from time to time. (22)

28. With a view to providing job-oriented training to its officer and non-officer staff as also to the staff of central co-operative

banks, the apex bank may take the initiative also in organising short duration courses at the existing training establishments in different parts of the state, taking into account the total number of staff requiring such training. (23)

29. The apex bank is expected to guide the lower tiers and for such promotional role continuous guidance from the bank is essential. The Inspecting Officers of the apex bank should be, therefore, in a position to inspect each institution once in a year and should also pay one or two visits in addition to that for the regular inspection. (24)

30. The apex bank could involve itself in the work of re-organization of societies by pursuing the matter at higher level with the Registrar of Co-operative Societies and the Co-operation Department if it is found that the re-organization work is not progressing satisfactorily in a particular area. (25)

31. The apex bank has constituted a Credit Development Fund by making allocations out of its profits with a view to improving the operations of credit at the level of central co-operative banks in the state. The apex bank may utilize the fund also for helping the needy central co-operative banks to enable them to give a face-lift to the branches on their own. (26)

32. Further, the Credit Development Fund could also be utilized for servicing the cadre authorities both in respect of the common cadre for the key personnel of central co-operative banks and the secretaries for the primary credit societies. (26)

33. The concept of performance budgeting which has been accepted by the apex bank, may be made an integral part of the bank's planning process and working which will enable the bank to give a proper desired direction to its working at every stage. The apex bank may also urge the central banks to introduce the system of performance budgeting. (27)

Chapter 3 — Central Co-operative Banks

34. Orissa state has 13 districts which are served by 17 central co-operative banks. There is predominance of tribal population

in the area of 5 central co-operative banks, viz., Baudh, Keonjhar, Koraput, Mayurbhanj and Sundargarh. (2)

35. The central banks in Orissa are lagging behind the all-India position in respect of important aspects of financial indicators. (3)

36. Some of the central banks, viz., Baudh, Khurda, Nayagarh and United Puri-Nimapara have nearly reached a saturation point in terms of percentage in regard to receipt of further share capital contribution from the state government. Normally, the Reserve Bank of India does not sanction loans to state governments for share capital contributions to the central co-operative banks in excess of 50 per cent of the total paid-up capital subject to an overall ceiling of Rs 50 lakhs. The central banks are finding it difficult to increase their share capital despite the increase in the loan business due to lower share linking in respect of borrowings by the weaker sections. It is, therefore, recommended that while considering the eligibility for the state government's share capital contribution to central banks, the Reserve Bank of India may make an exception only in respect of 5 per cent share capital collected from the weaker sections by contributing twice the amount as against its normal contribution of an equal amount. The contribution of government to the share capital of the banks will, however, be on the basis of the usual norms relating to the borrowing programme of the banks, the need therefor, etc. (5, 6)

37. In respect of non-credit business of societies, the state government may be required to provide only at one time the assistance as share capital, say, up to 5 per cent of the cash credit limits sanctioned for such business to the societies. The assistance thus provided could be utilized by the societies to contribute to the share capital of the central co-operative banks for their borrowings by way of cash credit. (7)

38. Although the growth rate of deposits of the banks at 28 per cent is quite appreciable, the deposits per central co-operative

bank are below the national average, because of the banks' low level of deposits in the earlier years. It would, therefore, be necessary to launch a vigorous drive to mobilize additional deposits. The banks should take up an exercise to identify the areas for deposit potential and concentrate their efforts to attract deposits in these areas. Adequate publicity should be given for the various schemes of deposits highlighting favourable features such as the attractive rate of interest on deposits. The state government may accord recognition to the banks for being considered by the government/semi-government institutions as well as local bodies for placing their funds with the central co-operative banks. (10, 11)

39. Of the 314 blocks as on 31 December 1980, 138 blocks remained uncovered by the branches of central co-operative banks. For sustaining a branch of a central bank, short-term agricultural loan business potential of not less than Rs 50 lakhs should be available in the area and this business could be generated by 20 PACS or 10 smaller types of LAMPS. It is suggested that the opening of a full-fledged branch may be linked with the business potential in the area. Further, the opening of extension counters, pay offices or smaller branches manned by one or two staff members in each of such offices may be considered for mobilising deposits in the areas of the banks. If considered feasible, for allowing drawals on the cash credit limits, the bigger branch could advise small branches to make payments to the societies. (12, 14 and 15)

40. The state co-operative bank may initially make available funds to central co-operative banks which are unable to give a face-lift to their branches. In the areas of central co-operative banks which are serving predominantly tribal areas, assistance may be provided for the purpose from the Tribal Sub-Plan partly as subsidy and partly as loan. (16)

41. In case there are any peculiar conditions obtaining in the areas of a particular central co-operative bank, the Reserve Bank may consider either shifting the date for seasonality norm to a date later than 31 March or reduce the percentage of recoveries

and remittance to the apex bank as may be warranted provided the concerned central co-operative bank furnishes facts and figures, as may be called for, to the satisfaction of the Reserve Bank of India. In the case of central co-operative banks meeting the requirements of recoveries and remittances to the apex bank, the state co-operative bank may advance funds out of its own resources at a pooled rate to enable the banks to meet the credit requirements. (23, 24)

42. In regard to medium-term loans for dug-well which form a major portion of medium-term agricultural credit portfolio of the banks, although the borrowers draw on the second or third instalments, they are not in a position to utilize them as cement is not readily available for the work. We urge that the central co-operative banks should ensure proper end-use of credit through their supervisory machinery and the state government also to ensure that the borrowers get the supply of cement on a priority basis. The government may even consider introducing an arrangement for supply of cement by the approved dealer to the borrowers for which the central banks would make direct payment to the dealer out of the instalment of the loan payable to the borrowers. (28)

43. In regard to individual entrepreneurs, necessary amendments to the state co-operative societies Acts and Rules enabling the banks to enrol them as members may be expeditiously incorporated. (37)

44. The central co-operative banks will be able to reach a level of loaning of Rs 187 crores for seasonal agricultural operations by the end of 1984-5 as against the credit requirements already met by the banks to the extent of Rs 50 crores. A few banks like Aska and Berhampore are lagging behind in achieving a higher growth rate in building up their loan business. It should be necessary for the apex bank to pay particular attention in helping these banks to achieve a higher growth rate. The other banks which need such attention, although to a lesser degree are Keonjhar, Sambalpur and Sundargarh. (39 to 41)

45. The overdues of the central co-operative banks had increased from Rs 10.97 crores as on 30 June 1976 to Rs 15.52

crores as on 30 June 1980. Although the overdues have increased in absolute amount, the position has shown improvement in terms of percentage of overdues to demand. (43)

46. As regards the earning capacity, the banks may take advantage of the recommendations which may be made by the Study Group under the chairmanship of Dr M. V. Hate, Executive Director, Reserve Bank of India which has been appointed to look into the problem of surplus resources with the state and central co-operative banks and avenues for profitable deployment thereof. (45)

47. It is suggested that specific provision may be made in the bye-laws of the central banks to provide for representation on the Board of Directors to the weaker sections of the farming community. (49)

48. Below the level of secretaries, there is no uniform cadre of officers and the banks have no uniformity in the nature of duties assigned to the posts having the same designation. The staff strength is being determined on an *ad hoc* basis and no technical staff is provided for formulation of schemes under special programmes. The question of delegation of powers and responsibilities to the branch managers has not received due attention. Most of the work connected with loans and advances is being attended to by the Head Office. The posts of secretaries of most of the banks are being held by officers on deputation from the Co-operation Department. (50, 51)

49. It is suggested that the staff of a central co-operative bank may broadly be divided into four categories, i.e. (1) Secretary, Manager, Chief Accountant, Executive Officer and Development Officer; (2) Assistant Manager, Assistant Development Officer, Assistant Executive Officer, Assistant Chief Accountant; (3) Section Officer, Branch Managers; and (4) Supervisors, Account Assistants, Clerks, Cashiers, Typists. The minimum educational qualifications for recruitment to category 4 could be a graduate, to categories 2 and 3 a graduate with second class and to category

1, a graduate with first class or a post-graduate. The secretary may also have experience of working in a bank for say, five years. While there may be a suitable quota between staff candidates and direct recruits, there could be relaxations for the staff candidates in the educational qualifications in view of their experience in the institution. (53)

50. It is necessary to have an arrangement in every bank for in-service i.e., job-oriented training which could be given to each candidate before being posted on a regular desk. (54)

51. Depending on the scope for undertaking activities like dairying, fishery, poultry, etc., the banks may consider setting up of a technical cell duly supported by technical staff which may undertake formulation of developmental schemes and render guidance for such activities. (55)

52. The statistical cell in the Operation and Accounts Division may be placed under a statistical officer in Grade II who should have suitable qualifications in the subject of statistics. (55)

53. It is necessary to delegate powers among the various functionaries in the bank with a view to involving them more intimately in the working of the institution. It is suggested that a committee of 3 or 4 central co-operative banks' representatives could be formed under the auspices of the state co-operative bank to formulate the guidelines for the delegation of authority. (56)

54. The scheme for cadre of key personnel of central co-operative banks is presently confined to the posts of secretaries only. There has to be selection of suitable officers for posting as secretaries of the central co-operative banks. While the Co-operation Department officers could be considered for inclusion in the cadre, they should not be taken on deputation in a routine manner. Such officers should have the benefit of an induction course in banking or of an in-service training course. It is necessary to have a cadre of secretaries to replace the existing deputationists in a phased manner. (62)

55. The Team is of the view that the cadre scheme should not be extended to cover all the categories of officers as it would then entail considerable administrative work for the cadre committee and the whole scheme may become an unmanageable proposition. It is, therefore, recommended that the cadre scheme may be confined to only officers in Category I, viz., Secretary, Manager, Chief Accountant, Executive Officer and Development Officer. (63)

56. It is necessary to have a statutory backing for the cadre scheme so as to ensure that the managements of central co-operative banks do not reject the staff posted to their banks except according to the procedure laid down for the purpose in the scheme. The representative of the state government in the Department of Agriculture and Co-operation of the rank not below the rank of a Joint Secretary may also be included as a member of the Cadre Committee in addition to that of the Registrar of Co-operative Societies. The Reserve Bank of India in the Agricultural Credit Department has completed a study of the staffing pattern of the state and central co-operative banks and the scheme for key personnel. The cadre scheme for key personnel and the staffing pattern may be rationalized by mutual consultations among the state government, the state co-operative bank and the Reserve Bank's Agricultural Credit Department, keeping in view our observations and recommendations in this behalf. (63, 64)

57. Financial supervision over the affiliated societies should be the responsibility of the central co-operative banks. It is, therefore, urged that the state government should amend the Co-operative Societies Act to enable the supervisory staff of the central co-operative banks to undertake the inspection of societies without requiring the authorization of the Registrar of Co-operative Societies for the purpose. (66)

58. The charge per supervisor may broadly be 8 to 10 societies having a business of around Rs 20 lakhs. Whenever the supervisors and inspectors are required to handle the work relating to weavers' societies or similar societies where certain technical

knowledge regarding their working is necessary, the concerned staff members may be provided with necessary familiarization training. (67)

Chapter 4—Primary credit institutions

59. The co-operative credit structure at the primary level in Orissa consists of three types of institutions, viz., primary agricultural credit societies (PACS), farmers' service societies (FSS) and large sized agricultural multi-purpose societies (LAMPS). At the end of June 1980, there were 2,793 primary credit societies comprising 2,566 PACS, 5 FSS and 222 LAMPS. For all primary credit societies taken together the averages per society for the state exceed the corresponding all-India averages in respect of total membership, borrowing and indebted membership. However, the coverage of scheduled caste and scheduled tribe population is relatively not satisfactory. (6, 7)

60. The average share capital contributed by a member in Orissa at Rs 76 is less by about 17 per cent compared to the all-India average. The state averages per society and per member in respect of deposits at Rs 7,447 and Rs 9 respectively are extremely poor compared to the corresponding all-India averages of Rs 23,242 and Rs 41. (8)

61. The area of operation of the three types of institutions covers on an average 12, 72 and 29 villages respectively. Over the period 1974-5 to 1979-80 the societies have made substantial progress in the issue of loans. The total loans issued have more than trebled from Rs 19.30 crores in 1974-5 to Rs 62.69 crores in 1979-80. The societies have not been able to build up adequate reserves. The deposits of the societies remained stagnant at about Rs 2 crores during the period. (10)

62. The percentage of overdues to demand is high at 41 in 1979-80. It has, however, declined from 58 per cent in 1974-5. Of the 2,728 active societies, 1,803 were working at profit and the remaining 925 societies were working at loss. (10)

63. The work relating to reorganization of societies was to be completed by November 1979. The progress thereof has not been very satisfactory. As at the end of June 1980 as against the target of 2,130 PACS and 353 LAMPS there were 2566 PACS 222 LAMPS and 5 FSS functioning. In view of the delay, the state government may pursue action to complete the reorganization programme expeditiously. The state and central co-operative banks should actively involve themselves in the work of reorganization with a view to ensuring that the programme is completed expeditiously in their areas. (11, 13)

64. In order to improve the working of the societies generally as well as their effective coverage, it is suggested that the advice given by the Registrar of Co-operative Societies in his circular dated 1 May 1979 should be followed, viz., raising the maximum borrowing power of an individual member suitably, restricting the aggregate loan amounts to the members belonging to an undivided family to a maximum limit, non-insistence on lifting of fertilisers by cultivators in *kharif* season for availing of loans, streamlining the procedure for disbursement of loans., etc. (22)

65. With a view to reducing the time lag between the application for loan by members and the actual disbursement, the societies may be allowed to disburse loans on the basis of credit limits sanctioned without submitting a demand application. The societies may be sanctioned cash credit accommodation by the bank at the same rate as is allowed for agricultural loans which can be operated initially for disbursement of loans. The adjustment in the cash credit account may be made on receipt of disbursement statements. When the disbursement statement is received, it may be subjected to a close scrutiny by the bank and the secretary of the society may be held responsible in case irregularities are noticed in the operations. A trial may be given to this arrangement on an experimental basis in a few select societies having a full-time paid secretary for the individual unit. (22)

66. As the timely preparation of normal credit limit statements for all the members is a difficult proposition, it could be considered

valid initially for 3 years and any change as may be indicated by the cultivators themselves could be carried out later. For this purpose, it is necessary to maintain an up-to-date land record register by every society. (22)

67. The bye-laws of the societies should be amended to provide finance to rural artisans, weavers, etc. (22)

68. The cultivator should be issued pass book for agricultural borrowing. In the meantime in order to avoid double financing, the concerned commercial bank should invariably obtain a 'no dues certificate from the society in whose area the applicant resides. The society should furnish the certificate within 15 days from the date of the request by the bank. It should maintain a record of individuals on whose behalf such certificates have been issued and at a later date when any of these individuals approaches the society for finance, necessary enquiries may be made with the commercial bank to avoid dual financing. (22)

69. In the case of LAMPS a suitable number of branches may be opened depending on the area of its operation or its size might be suitably rationalized. The branches should be located at 'hat' centres which are frequented by tribals for marketing purposes. The LAMPS should make efforts to enrol non-defaulting members of liquidated societies in its area. The scales of finance for short-term agricultural loans may be fixed to include an entitlement for consumer goods from the fair price shop of the LAMPS. (22)

70. The small/marginal farmers, tribals are tempted to approach commercial banks for their credit needs in view of low rate of interest at 4 per cent charged under the DIR Scheme introduced by them. As observed by the Study Group on Interest Rates on co-operative credit structure it will not be possible for the co-operatives to reduce their rate of interest to as low as 4 per cent, unless assistance for the purpose is made available by the concerned state government. With a view to creating a climate that co-operatives are also providing finance at cheaper rate, the state government may come forward to provide interest subsidy to the co-operatives

equivalent to the difference between the normal rate of interest and the concessional rate of interest. Such advances may be confined to that class of borrowers similar to those covered under the DIR Scheme of the commercial banks. (23,24)

71. The state government has been organizing 'melas' i.e., gatherings for disposing of a large number of applications for dug-well loaning. With a view to eliminating certain lapses in this regard, the state government might fix dates for holding such meetings well in advance so as to enable the concerned financial institution to ensure proper scrutiny of loan applications and completion of other formalities. (27)

72. The government's extension agencies as also the staff of the central banks could help the societies in building up the loan business in tribal areas by making the tribals and other weaker sections in the areas of LAMPS aware of the various facilities available to them, particularly the element of subsidy for various purposes. (28)

73. As the system of grain loans is no longer prevalent in the state, the process of conversion of the grain loan into cash might be expedited so that with the repayment of the first instalment of the converted loan the concerned borrower will be able to obtain a fresh loan. (34)

74. The identification of beneficiaries by Block Development authorities delays release of subsidy by ITDP authority requiring the beneficiary to pay interest on the loan amount equivalent to subsidy. While such identification of beneficiaries may not be objected to, there should be a built-in mechanism to ensure that there is no delay in release of subsidy to the eligible beneficiaries. (43)

75. The overdues over 1 year are high at 55 per cent of the total overdues in respect of both the PACS and LAMPS. Apart from the persuasive methods for recovery, the managements of societies should not hesitate to resort to coercive methods to realise

the dues in respect of recalcitrant defaulters. The state government should strengthen its machinery dealing with coercive action to expedite disposal of suit-filed cases as well as execution petitions. The government may consider delegating powers of sale officers to the supervisors of central co-operative banks in order to expedite execution of petitions. (45)

76. The non-credit business of societies is generally confined to the distribution of fertilisers and supply of consumer goods. These transactions have been adding to the losses of the societies. Stocks of fertilizers should be allowed to be lifted by the societies according to their own estimates of requirements. Further, the margin in the business should be suitably enhanced to enable the societies to defray expenses such as interest on borrowings, rent for the godown, salary of a salesman, etc. Certain margin for reasonable shortages depending on the variety of fertilizers should also be allowed. The state government should take a decision about fertilizer liabilities recoverable from the secretaries/salesmen of the societies as there is no point in showing the amount as an asset in the balance sheet of the societies from year to year. The government may decide on the reasonable shortages that could be allowed and write off the equivalent amount as also initiate action to recover the balance in suitable instalments. (47,52)

77. For obtaining foodgrains and other consumer articles, the societies have to incur heavy expenses in visiting the godowns repeatedly but the staff of societies are generally paid only a fixed travelling allowance which does not cover the actual expenses incurred. The policy of payment of fixed travelling allowance needs to be reconsidered. The societies also face difficulties in transporting stocks to their godowns. The state government should examine the issue and allow reasonable transport charges including an element of loading/unloading charges. (55, 56)

78. The state government should allow a reasonable amount of shortages in dealing with the controlled commodities such as kerosene, rice and wheat as also higher margins for the society

in these transactions. The income of the societies from this business should be adequate to leave the societies some surplus after defraying the expenses involved including reasonable shortages. (57)

79. Although the procurement of minor forest produce is an important activity, not all the LAMPS are undertaking the work either on account of non-availability of produce or its availability in a negligible quantity. The state government has decided that the Tribal Development Co-operative Corporation of Orissssa (TDCC) will be the main lessee and the LAMPS can only act as its agent within the respective area of operation. However, this arrangement is not working satisfactorily as the TDCC continues to make purchases through its own branches in the area of its agents, i.e., LAMPS. The branches of TDCC are also not prompt in providing funds to LAMPS. In the circumstances, it is necessary that the TDCC should strengthen its own organization both at the head office and at the field level and establish the necessary infrastructure to enable the LAMPS to act as its full-fledged agents every year for all types of produce available in their areas. The problem relating to the surplus staff resulting from closure of certain centres of TDCC could be sorted out in consultation with the Co-operation Department so as to find ways to absorb them in the LAMPS. (59 to 63)

80. TDCC is also expected to take up marketing of agricultural produce in the areas of LAMPS. We suggest that before considering such an arrangement, a decision should be taken about the role of the Regional Co-operative Marketing Societies (RCMSs) operating in these areas, which are presently affiliated to the Orissa State Co-operative Marketing Federation. It would be preferable to have a tie-up arrangement between the LAMPS and RCMSs as far as agricultural produce is concerned instead of introducing a third agency like, TDCC in the business. (64)

81. The share capital contribution made by the government to the societies is initially kept in the savings bank deposit with the concerned central co-operative bank and released as per the

orders of the central bank. As the purpose behind making such a contribution is not fully served by keeping the funds in the above manner, it is necessary to release the funds to the societies for being used in the business. (65)

82. The deposits mobilized by the societies are meagre at an average of Rs 14,000 per PACS and Rs 34,000 per LAMPS. The societies could attract deposits if a scheme of thrift deposits is introduced. When the societies take up the marketing activity on behalf of their members, it would be possible for them to build up deposits by insisting on compulsory deduction of a fixed amount from out of the sale proceeds payable to their members. Further, the societies should go all out to canvass deposits from members. In this connection, we would like to refer to the experiment of mini banks tried in Berhampore ccb for encouraging societies to tap deposits. (66)

83 Out of 2,566 PACS as on 30 June 1980, 1,647 were working at profit and 854 at loss. Out of 222 LAMPS, 152 were working at profit and 70 were working at loss. (70)

84. In the case of PACS a minimum short-term business of a little over Rs 2.50 lakhs is considered necessary for the purpose of viability of the unit taking into account the increased margin now available with the revised rate of interest as recommended by the Reserve Bank of India and the pay scales prescribed under the revised cadre scheme. Further, in order to strengthen its reserves and declare a reasonable dividend on the share capital the society should have an additional business by way of medium-term loans at about Rs 60,000 (25 per cent of short-term loan business). As the increase in the interest rate as recommended by the Reserve Bank has not been effected in Orissa, the state government will have to consider increasing the rate of interest or alternatively increase the norm of loan business for the viability. (71)

85. If PACS take up the non-credit business, a minimum business of at least Rs 0.50 lakh will be required to meet the addi-

tional expenses by way of salary for the salesman, transport, stationery, and other changes. (72)

86. For attaining viability, a LAMPS functioning with only the head office requires a minimum short-term loan business of Rs 3.25 lakhs and non-credit business of Rs 1.50 lakhs. With the addition of each branch it should have a further loan business of Rs 2.50 lakhs and a non-credit business of Rs 0.50 lakh. (74)

87. With a view to establishing functional co-ordination between the short-term and long-term wings of the co-operative credit structure as also helping the PACS to improve their earning capacity, the Team suggests that PACS may be appointed as agents of the land development banks for disbursement/recovery of long-term credit in their areas on the lines of guidelines indicated by the Reserve Bank. (75)

88. The bye-laws of the PACS in the state are not uniform. Besides, many progressive features are absent from the bye-laws of the PACS. The state government may take necessary action expeditiously for adoption of the model bye-laws circulated by the Reserve Bank for the purpose. (77A)

89. The Officers of the Co-operation Department in the rank of Sub-Assistant Registrar and Co-operative Extension Officer are posted with the LAMPS as Managing Directors. This arrangement has created problems of supervision. Besides, the emoluments of the deputationists being on a high side, the managerial subsidy is not adequate to compensate the LAMPS for meeting the cost of the Managing Director. It is therefore, necessary to expedite replacement of the deputationists in a phased manner. (82)

90. It is felt that for handling procurement business of LAMPS there should be at least one additional hand on a permanent basis. The provision of conveyance to a LAMPS with a large area of operations is also necessary to enable the managing director to visit the branches frequently and for collection of cash and returns. (83)

91. The cadre scheme of secretaries for which the Registrar of Co-operative Societies has framed fresh rules, will be introduced bank-wise and for administration thereof, a cadre committee consisting of 5 directors will be formed headed by the President of the concerned central bank. The cadre scheme will include 3 types of functionaries, viz., secretary of the reorganized viable PACS, branch manager of LAMPS/FSS and managing director of LAMPS and FSS. (85)

92. In the long run the societies should be able to shoulder the entire financial burden of the cadre scheme and this is possible only when the primaries are viable. It is, therefore, necessary that the action on the reorganization of societies is expedited and completed immediately. The societies which are considered potentially viable may also be included in the cadre scheme instead of restricting the scheme only to the societies identified as viable. In terms of the Government of India circular dated 9 August 1979, the contributions to be made by the co-operatives to the cadre fund will be a minimum of 1.5 per cent of the advances at the level of central co-operative banks of which the share of PACS will be not less than 1 per cent and that of central co-operative banks and the state co-operative bank taken together 0.5 per cent. The rates of contribution fixed by the Government of Orissa at 1.25 per cent for PACS and 0.25 per cent for the ccbs (state co-operative bank to meet the part share of the contributions in respect of weak ccbs) may not in principle be deemed to be at variance with those fixed under the Government of India scheme. However, if any difficulty is envisaged on this account, the Government of Orissa may fix the rates on par with, the rates suggested by the Government of India. However, we are of the view that if the rates of contributions are linked to the borrowings of the societies, there will be considerable short-fall in collection of contributions from societies in particular as for instance if a society does not borrow or borrows only to limited extent because of its relatively better resources position or for any other reason. It is, therefore, considered desirable to link up the contributions by the societies to their advances to the members during the year or the

outstandings at the end of the year whichever are higher and that of the central co-operative banks to the advances made by them to the societies. (88)

93. The present scheme envisages a creation of cadre fund at the bank level. Instead of the funds being created at the bank level, the cadre fund may be created at the state level in order to set off the surplus contributions collected in the area of a particular bank against the deficit of another bank. This will considerably narrow down the deficits in the funds which could then be met by the state government. With a view to ensuring that the contributions do not fall in arrears, the recovery thereof should be given precedence over the recovery of interest, etc., and should have a first charge on the remittances by societies/central co-operative banks. The fund could be maintained at the state level by the state co-operative bank. (89)

94. With a view to having uniformity in the implementation of the scheme, the supervision and control over the cadres of secretaries throughout the state should rest with a state level authority. The state level cadre society may be registered under the Co-operative Societies Act to give it a corporate status. The committee of the cadre society may be headed by the Chairman of the state co-operative bank and may include as members, the Registrar of Co-operative Societies, 2 presidents of the central co-operative banks not represented by the Chairman of the apex bank, one of these banks being necessarily from the tribal areas, and the Director of Harijan and Tribal Welfare Department. The Managing Director of the apex bank could act as the convenor of the committee and the apex bank should provide the secretarial assistance for administering the scheme. Under this arrangement the secretaries will not be employees of the central banks, but the banks will be able to exercise control over the secretaries on behalf of the state level cadre society. The secretaries will function under the direct control of the boards of management of PACS in which they are posted and will be primarily responsible to them. At the central bank level the cadre may be managed by a bank level cadre com-

mittee under the chairmanship of the president of the bank and comprising a Deputy Registrar of Co-operative Societies, 2 to 3 chairmen of the reorganized societies/LAMPS, a representative of the marketing societies in the district to be nominated by the state government. In the tribal areas the cadre committee may also include a representative of the Tribal Development Co-operative Corporation. (90,91)

95. In the present scheme, there is no provision for having different grades of secretaries or branch managers. It is considered necessary that there should be 2 grades of secretaries with different scales of pay who may be posted to the societies depending on the level of loan business. As and when the business of a society increases beyond the level of Rs 2 lakhs, the category of the secretary may be changed. (92)

96. In the matter of recruitment of supervisors/clerks/cashiers in the banks as well as in the Co-operation Department, preference could be given to the secretaries by giving suitable weightage to their service in the societies. While recruiting candidates to the posts of secretaries/branch managers/ managing directors, the staff already in service of the society may be considered for absorption subject to their suitability. The candidates recruited from the open market may be provided job-oriented training before being posted to their assignment. (93, 95)

97. In the case of LAMPS, the Team has assumed that it is not the state government's intention to continue to depute its own personnel to man these posts for an indefinite time. It is necessary, however, to lay down the qualifications for the posts of managing directors and initiate action for their recruitment in a phased manner. (94)

98. In regard to cadre of secretaries, a different opinion has been expressed that they might be treated as employees of the central co-operative banks. After a detailed examination in the matter, the general consensus has been in favour of the scheme under a separate Cadre Authority and the direct control of the

boards of management of the primary credit societies who would be responsible for writing the confidentialials of the cadre personnel. However, one view expressed was that it would be preferable for purposes of better control to treat the secretaries of PACS as bank employees. (96, 97)

99. In order to help the societies to build up their own resources, the state government may contribute up to Rs 25,000 to each of the reorganized PACS and up to Rs 50,000 to each of the LAMPS towards the share capital. The Reserve Bank may give loans for the purpose out of its Long-Term Operations Fund to the government subject to the condition that each of such units has been accepted as a viable or potentially viable unit under the reorganization plan and the independent secretary/branch manager/managing director is posted to each of the unit/branch under the common cadre scheme. (98)

100. The 5 farmers service societies (FSS) which have been organized by converting/amalgamating the service co-operative societies in the state have satisfied the criteria of population coverage but the gross cropped area covered by 4 of them needs to be augmented by extending their area of operation to adjoining villages. These FSS are not equipped to undertake the functions envisaged by them as the technical staff has also not been posted to any of the FSS. The state government may take steps to make available the requisite technical staff to enable them to provide extension services and technical guidance to the cultivators particularly weaker sections in taking up allied activities for betterment of their living condition. The government may expedite action to complete liquidation/amalgamation process to help the non-defaulting members of service co-operative societies to join the FSS. The bye-laws of the FSS may be suitably amended according to the general norms to ensure adequate representation to the weaker sections. (100, 103 to 105)

Chapter 5 — Estimates of potential for production and investment credit in agriculture

101. The production credit requirements for agriculture have been estimated in the past on a different basis by different autho-

rities. The short-term production credit requirements of an area depend on the cropping pattern, proportion of area under each crop and realistic outlay in respect of such crops. On the basis of area under different crops as reported by central co-operative banks and the crop-wise scales of finance adopted by them, the production credit requirements for food and non-food crops in Orissa have been worked out at Rs 699.23 crores, say Rs 700 crores. (3)

102. Taking into account the estimates made by all the agencies, it would be more realistic to accept the credit estimates worked out by the central co-operative banks at Rs 700 crores. However, the said estimates cannot be deemed to be the requirements to be met entirely by institutional sources as not all the cultivators require credit and not all the cultivators in need of credit resort to institutional agencies and not all the borrowers borrow to the full extent of outlays on crops raised by them. It is normally assumed that 40 to 50 per cent of the production credit requirements will be met by the institutional sources. (10)

103. The scales of finance include kind component i.e., cost of fertilizers, pesticides, etc., the full use of which depends on the practices adopted in cultivation. The irrigation facilities are not evenly distributed in the state and the average yield varies from district to district. The full impact of ARDC schemes in the pipeline might not be reflected in the field for about 3 to 4 years. Hence it is felt that the credit outlay to be met by institutions for the districts could be worked out on the basis of certain scales varying between 25 and 40 per cent. The credit requirements to be met by institutional sources thus worked out, aggregate Rs 245 crores. If the central co-operative banks maintain an average annual growth rate of 30 per cent in respect of their lendings for seasonal agricultural operations, they would be in a position to reach a level of advances of Rs 187 crores by the end of 1984-5. Taking the above figure into account as also the fact that the PACS would involve their own resources to the extent of 25 per cent of the short-term production credit provided by central co-operative banks, there will be a net credit gap of Rs 49.60 crores. (11 to 15)

104. On the basis of the estimates made under the District Credit Plans and the likely increase in demand for investment credit during the Sixth Plan period, the medium-term credit requirements could be placed at Rs 150 crores by the end of 1984-5. Keeping in view the loans issued in 1979-80 and the average growth rate even at a lower level of 30 per cent instead of 40 per cent achieved by them, the central co-operative banks will be in a position to reach a level of lending of Rs 108 crores in 1984-5 for medium-term agricultural purposes. Thus the co-operatives will be able to meet both short-term production credit and medium-term investment substantially leaving the balance to be met by other institutional agencies. (17, 18)

Chapter 6 — Alternative institutional arrangements

105. While in the areas of 8 central co-operative banks, the co-operative credit structure may meet fully the estimated production credit requirements expected to be financed by the institutional sources, in the areas of remaining 9 central banks, there would be credit gaps ranging between Rs 90 lakhs and Rs 1981 lakhs where the efforts of co-operatives will have to be supplemented by other institutional agencies such as commercial banks and Regional Rural Banks (RRBs). (1)

106. The RRBs are of recent origin and out of 8 RRBs functioning in Orissa, 4 have been functioning hardly for a year or less and are yet to make any impact. The other 4 RRBs have mobilized sizeable deposits and their performance in provision of credit which is mainly for agricultural purposes can also be deemed as satisfactory. (4)

107. The commercial banks (include RRBs) have been functioning in the state with 724 offices, of which 454 were in rural areas. The total deposits aggregated Rs 283.50 crores and of the outstanding advances of Rs 200.00 crores as at the end of June 1979, the total advances of Rs 55.82 crores were for agricultural purposes. The State Bank of India has been functioning in the state with its regular branch offices and through 22 agricultural

development branches (ADBs). The ADBs are intended to bring about an accelerated pace of progress in the farm sector by a systematic area approach by providing, besides credit, technical and general assistance for maximising the impact of lending. (5, 6)

108. The ADBs account for a substantially large portion of the agricultural credit provided by the SBI as also the total commercial banks' credit in the state. However, their lendings are spread over very large areas which perhaps might have rendered post-disbursement supervision or follow-up of the end use of credit difficult. This might have resulted in poor recovery performance leading to increase in the overdues. (8)

109. The commercial banks have also been financing agriculture through PACS. As at the end of June 1980, 133 primary credit societies have been ceded to commercial banks for financing through their 33 branches. Of these, 131 were only financed during 1979-80. The outstanding advances against the members of the societies ceded to commercial banks formed only 4 per cent of the total agricultural advances of the commercial banks in the state. Though there has been substantial increase in such advances, the average business per society is very low and not sufficient to make these societies viable. The overdues against the members are also high forming 55 per cent of the demand. The major cause of overdues is reportedly the unwillingness of the borrowers to repay their dues. The ceded societies have not been able to make substantial advances for meeting the production credit requirements to their members on account of under-staffing of loan processing personnel and field staff with the branches of the commercial banks as well as lack of sanctioning powers to the branch managers. The Working Group appointed by the Government of Orissa to review the working of the scheme has yet to finalise its report. We urge that the Working Group may finalise the report expeditiously and the state government may take action on the report when received, in consultation with the Reserve Bank of India. In the meantime no more societies may be ceded to the commercial banks for financing. (10, 13)

110. In the context of alternate institutional agencies for meeting the estimated credit gaps in the areas of various central banks, the question that needs consideration is the co-ordination of lending activity by various agencies. The multi-agency approach in the sphere of agricultural credit has been accepted for supplementing the efforts of the co-operative credit structure so as to ensure that agricultural production in the country does not suffer for want of adequate and timely credit. It is only through co-ordination among various agencies that the basic problems such as un-co-ordinated credit disbursal resulting in dual financing, over/under financing, financial discipline, diversion of credit for un-productive purposes, over-lapping and duplication of banking facilities, unhealthy competition, poor recovery performances etc., can be effectively attended to. (14)

111. The commercial banks are required to make 40 per cent of their advances for priority sectors, of which 40 per cent are to be for agricultural purposes. In Orissa, agricultural lendings of commercial banks are higher at about 30 per cent of their total advances. By maintaining this level, at least up to the end of the Sixth Five-Year Plan period, the lendings of the commercial banks for agriculture may go up by the end of the Plan period to Rs 105 crores. Of these, not less than 50 per cent should be reserved for crop loans. The above level can well be achieved by the banks if the present annual growth rate of 15 per cent in lending is maintained by them. (16)

112. While enacting the Orissa Agricultural Provisions (Banks) Act, 1975 and framing rules thereunder on the lines of the model bill recommended by the Talwar Committee, certain provisions have not been included. It is learnt that these provisions are being examined by the state government and we suggest that the government may expedite inclusion thereof in the Act/Rules. (17)

113. As regards the alternative agency to supplement the efforts of the co-operatives in the areas of 9 central banks, it may be mentioned that the Dantwala Committee, while recommending

acceleration in the programme for the establishment of RRBs, has suggested that new RRBs may be established in the districts where the central banks are not able to serve adequately the PACS within their jurisdiction. Of the areas of 9 central banks, the RRBs have already been established in 8 districts, barring Sundargarh. The credit gaps in the areas of 4 central banks, viz., Keonjhar, Khurda, Koraput and Sambalpur ranged between Rs 65 lakhs and Rs 110 lakhs. The RRBs in their areas are, therefore, expected to supplement the co-operatives in meeting fully the credit requirements of the farmers by the end of 1984-5. The credit gaps in the areas of other 4 central banks ranged between Rs 347 lakhs and Rs 1,981 lakhs. If the gaps are to be met fully by 1984-5, it may be necessary to induct the commercial banks also to supplement the efforts of co-operatives and the RRBs in these areas. (18)

114. In the case of Sundargarh central bank, 9 out of 17 blocks have already been transferred to the commercial banks for financing. The credit requirements estimated by us are for the entire Sundargarh district as only the areas presently served by the bank is taken into account. The credit requirements will come to about Rs 350 lakhs and consequently the credit gaps will also be reduced to about Rs 175 lakhs. In that event there will be no scope for an additional independent institutional agency such as RRB to function on a viable basis in the areas of central banks. It may not be reasonable to further truncate the area of Sundargarh bank by inducting the RRB. It is, therefore, felt that induction of commercial bank to take care of the credit gaps will be the only alternative in the area so that Sundargarh bank can be in as position to continue to function as an independent co-operative institutional agency. (19)

115. Eight RRBs established in the state serve 10 districts. Of these, in 2 districts, the co-operative credit structure is strong and is expected to meet the credit requirements on their own by the end of 1984-5. The central banks have also been financing small farmers to an appreciable extent and with the help of state

authorities as well as special agencies, lendings to small farmers are being intensified. The banks have also been financing rural artisans. In the circumstances, scope for establishment of further RRBs in the state appears to be limited. (20)

116. While making allocation to the various alternate agencies, preference may be given to the RRBs, wherever they are established over the commercial banks. In the absence of relevant data, block-wise estimates of credit requirements and credit gaps have not been worked out. Such an exercise may be made by district authorities, on the lines indicated in Chapter 5. The blocks with credit gaps at 50 per cent or above of the credit requirements and in absolute amount not less than Rs 25 lakhs may be considered for entry of RRBs/commercial banks for financing agriculture. Priority may be given to those blocks where credit gaps are 75 per cent and above. The blocks with the percentages between 75 and 50 would be allocated later depending on the quantum of finance required to be met by RRBs/commercial banks. The work relating to selection of blocks, formulation of proposals for entry of RRBs/commercial banks may be entrusted to the District Level Co-ordination Committees. (21)

117. In case RRBs/commercial banks do not have adequate branch net-work in the areas where they are expected to take up financing of agriculture, the Government of Orissa may ensure opening of branches by these institutions on a priority basis as the Reserve Bank of India has taken a decision to prepare the branch expansion programme in consultation with the state governments, RRBs, lead banks etc. (22)

Chapter 7 — Recovery of dues and rehabilitation

118. Though the overdues in the short-term co-operative credit system have increased in absolute amount over the period 1976-1980 both at the central bank and primary levels, the percentage of overdues to demand has declined. With the exception of Aska, Berhampore and Sundargarh central co-operative banks, the percentage of overdues to demand in all other banks has declined. (3)

119. Orissa witnessed widespread natural calamities particularly in the years 1975-6, 1976-7 and 1979-80. The banks in Orissa have been extending conversion facilities on occurrence of natural calamities and fresh finance is being provided to the affected borrowers for continuing their agricultural operations during the following crop season. (7, 8)

120. The particulars relating to conversions effected at the primary level have not been reported correctly. It is, therefore, suggested that the Statistical Wing in the Registrar's office may look into this aspect from the view point of reporting of figures and the central co-operative banks should ensure through their supervisory staff that the societies do pass on the benefit of conversions to the ultimate borrowers. (9)

121. In Orissa some managements of the co-operatives persuade the borrowers to pay their dues voluntarily. However, co-operatives should also initiate coercive action against defaulters if recoveries are not forthcoming. Normally coercive action is initiated when loans are overdue for 1 year and above. It is observed that there have been delays in disposal of disputes, particularly the execution proceedings. (11, 12)

122. In the state, besides the Registrar or a person invested with powers in that behalf, the dispute can be disposed of by an arbitrator appointed by the Registrar. Awards are sent for execution by the sale officers with the prior consent of the Deputy Registrar of Co-operative Societies. The Sub-Assistant Registrars as also senior/junior inspectors who act as sale officers for execution of decrees are appointed as arbitrators by the Registrar of Co-operative Societies to decide the disputes. These officers have also to look after their normal work and hence the strength of the staff is inadequate to cope up simultaneously with the disputes referred to them for arbitration and execution of awards resulting in delays. (12, 13)

123. Disposal of execution proceedings particularly involving immovable property are ineffective on account of non-availability

of bidders at the time of auction. The society/ccb also finds it difficult to take possession and sell the lands or give them on lease. To overcome this situation the state government itself may purchase the lands in auction. For this purpose, the government may set up a separate fund. (13)

124. Ineffective supervision by the higher financing agencies, dual financing/over financing, absence of proper land records, absence of linking of credit with marketing etc., have also contributed to the problem of overdues. The overdues are thus a product of combination of a variety of factors. (14)

125. Though the recovery performance has shown improvement in the state during the period under review, overdues do exist and it is necessary to identify the 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. It is necessary to suggest norms such as could be considered for mass application for identification of the non-wilful defaults. The incidence of natural calamity was quite extensive in the years 1973-4 and 1974-5 in addition to 1975-6 to 1979-80, during the period under review. It is, therefore, recommended that identification of defaulters may be made with reference to the position of defaults during the period 1973-4 to 1979-80. (15, 17)

126. The non-wilful defaulter may be defined as under :

(i) Whose cultivated holdings are in the villages affected by natural calamity, (i.e., where the *annewari* declared was 6 annas or less) during the period 1973-4 to 1979-80 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 the loan amount or to show repayments of his dues which has not been credited to his account in the books of the society; and

(iii) Who is a small/marginal farmer and has made part repayment at least to the extent of 50 per cent of his original dues on his own and such outstanding defaulted amount does not exceed Rs 500.

In regard to the non-wilful defaulters coming under the criterion at item No. (i) an exception should be made in respect of those (a) who have deceived the society by showing false acreages and crops to secure higher finance, (b) whose gross agricultural income is above Rs 5,000 per annum, and (c) who are income-tax assesseees. Such an exception is considered necessary with a view to excluding those defaulters who have deceived societies and/or are relatively affluent. (17)

127. 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 irrespective of the fact whether the crops during the year 1980-81 are normal or not. Further if 1980-81 is a normal year they should be required to pay a minimum of 25 per cent of defaulted amount (principal) and 50 per cent if 1979-80 was also a normal year. The balance overdue outstandings under all types of agricultural loans may be allowed a period of 3 to 7 years for repayment and called as rehabilitation loan. The period of repayment of the loan may be decided assuming the repaying capacity at 60 per cent of the value of gross produce so as to ensure that the burden of instalments of rehabilitation loan together with the fresh loan remains within the assumed repaying capacity. Wherever phasing of the loan is to be made beyond 7 years, instead of writing off the excess amount the period of such loans may be extended up to 10 years. A uniform rate of interest may be charged on such rehabilitation loan which should not be less than the highest rate that was being charged on any of the existing overdue loans. (18)

128. The identification of non-wilful defaulters and deciding on the period of rehabilitation loan may be attended to by Block Level Screening Committees. The reports of the Screening Committees should be confirmed jointly by the Deputy Registrar of

Co-operative Societies and the Secretary of the bank and should finally be sanctioned by the Board of the respective banks. The entire screening work may be completed within the period of 4 to 6 months. The Registrar of Co-operative Societies may provide suitable guidelines for assessment of repaying capacity keeping in view the yield of various crops and price thereof. The entire action may be completed within the first half of 1981-2. (20)

129. On segregation of non-wilful defaulters, those left out could be deemed as wilful defaulters. Some of their defaults may be subsisting for a period over 3 years and difficult of recovery in the normal course. Such overdues over 3 years in respect of wilful defaulters may be segregated both at the primary and central bank levels. As the recovery of these segregated overdues may take longer time, with a view to giving relief to the institutions concerned the demand in respect of such overdues may be spread over a period of 5 years commencing from 1981-2, 1/5th of the overdues becoming the demand at the end of each co-operative year. This arrangement may be accepted by the higher financing agencies for deciding the eligibility of the institutions for sanction of credit limits provided the state government agrees to make good the short-fall between the actual recoveries and the demand so reckoned by way of sanction of a term loan of equivalent amount which may be repayable as and when the corresponding recoveries are made. A rate of interest at 2 per cent above the normal borrowing rate of central banks for short-term agricultural loans may be charged on such loans to make these borrowings costly. (21)

130. While the non-wilful defaulters will get the rehabilitation facility, immediate action for recovery will have to be initiated against the wilful defaulters. (22)

131. In addition to various measures suggested, certain administrative measures as under are also necessary to remedy the overdues position :

(i) It is necessary to provide at every district headquarters, separate staff for attending to the cases relating to arbit-

ration/execution of awards depending on the volume of work in the district. This may be kept in view while strengthening the staff of the Registrar's Office as suggested later.

(ii) The supervisors/inspectors of the central banks may also be considered for appointment as sale officers for facilitating speedy recovery of co-operative dues.

(iii) With a view to checking the misappropriations and 'benami' loans, the system of issuing loans by way of non-transferable cheques (loan payment orders) drawn in favour of borrowing members of the societies and payable at bank's branches may be considered for introduction, initially on an experimental basis, in a few societies situated within a radius of 10 kilometres of the bank's branches. (24)

132. The state and central co-operative banks have an important role to play in educating the borrowers and creating an atmosphere for recoveries. The borrowers who are prompt in repayment may be encouraged and made allies to put through the programme of lending institutions for propagating prompt repayments and recycling of funds. The importance of prompt repayment should be stressed at every forum, such as general body meetings of societies/banks/unions besides exhibiting posters, literature, etc. For making the propaganda effective, the assistance of state Publicity Department and Co-operation Department may also be availed of. The efforts of the co-operatives would not, however, succeed if the climate of recovery is vitiated. In this connection, the Government of Orissa has taken initiative in creating a climate for recovery during the year 1980-81 by issuing appeals to non-official leaders and instructions to district authorities. (25, 26)

Chapter 8 — Working of co-operative rice mills in Orissa

133. Orissa is one of the major paddy producing states of India and paddy alone accounts for 50 per cent of the total cropped area in the state. Paddy crop is required to be processed before it can be marketed as rice and thus the processing activity becomes an integral part of paddy production. The Regional Co-operative

Marketing Societies (RCMSs) which are engaged in general business also procure paddy for being processed by rice mill units attached to them. There are at present 63 RCMSs in the state of which only 40 are having such rice mill units. The objectives for setting up of such rice mill units are to save cultivators from exploitation by private traders, ensure a fair return to the farmers and link credit with marketing. Moreover, in times of difficulties rice could also be procured from co-operatives for sale through public distribution system. In the case of two RCMSs where rice mill units have been installed, the operations have not commenced, while in the case of five others, the rice mill machinery has been received, but not installed. (1 to 4)

134. A modern rice mill unit with a capacity to process one tonne of paddy per hour should process a minimum of 20,000 quintals of paddy in a year (25,000 quintals if it is producing boiled rice) to work as a viable unit. It is observed that none of the RCMSs had procured adequate quantity of paddy to work its rice mill unit at the optimum capacity. Keeping the viability consideration in view, the Team recommends that in the case of those RCMSs where rice mill units have not yet been installed, they should be allowed to dispose of the units, if there are no prospects of availability of adequate quantity of paddy in their area. Further, in respect of those mills, which have been installed but not yet commissioned, they should also be disposed of if there are no prospects of availability of paddy in the area in the immediate future. Even if there are prospects of availability of paddy in due course, the RCMSs would incur loss on the maintenance expenses and also payment of interest on block capital investments. In such cases, the state government should come forward to meet these losses by providing appropriate subsidies which, however, will entail heavy burden on it. The State Government may, therefore, have to weigh pros and cons of maintenance of such units and make hard decisions like winding up these units. We understand that in the case of Nayagarh RCMS, the state government is considering to allow disposal of the unit as there are no prospects of availability of surplus paddy in its area. This appears to be a right decision and

could be followed in similar cases. The case of those units which have become defunct particularly because of non-availability of paddy in their areas could be dealt with on similar lines. (6, 33)

135. The RCMSs are appointed as agents by the state government for procuring paddy and a compulsory levy known as the miller's levy is imposed on them for delivery of a fixed quantity of rice as may be determined by the concerned District Collector. The rice mills are experiencing difficulties in this transaction as the price paid by the state government for the levy quota does not meet the expenses incurred towards procurement and processing of paddy. It is, therefore, necessary for the state government to take a realistic view while fixing the price for the miller's levy quota. We suggest in this connection that the government may take into consideration the area of operation of the society for deciding on the cost of transportation as also payment of higher price for rice depending on the price paid for procurement. (12, 14, 35)

136. Further, miller's levy quota should be fixed as a percentage of paddy procured by rice mills. The state government may also allow the co-operative rice mills, compared to private rice mills, higher quota for open market sale. The government should also be prompt in lifting the miller's levy quota and settling payments therefor. (39)

137. Generally, the co-operative marketing societies go beyond their registered area of operation for paddy procurement on the plea that paddy supply position is not satisfactory in their area. In consequence, they incur higher transportation charges. If this situation is accepted as a fact by the state government, it may allow the societies higher transportation charges while paying for the stock obtained by way of miller's levy quota. Though demarcation of areas among the RCMSs and a ban on private rice millers to operate in the area would be preferable, these steps are not considered practicable. Hence it is advisable to allow higher transportation charges. In case the state government is reluctant to consider any of these alternatives then the rice mills could be asked to take up the procurement business entirely on an agency basis which presupposes that the state government would bear all the expenses

and allow a reasonable commission to the agent i.e., the rice miller. (36)

138. There are certain mills which are at present defunct, but have the necessary potential for procuring adequate quantity of paddy in their area. Such mills should be considered for rehabilitation. As these mills will take some time for repayment of loans on the block capital investment together with interest thereon, it is recommended that the government may intervene and require the concerned financial institutions to take up mill-wise review of such burden and revise the schedule of repayment suitably having regard to the earning capacity of the units. (48)

139. While considering licensing of installation of additional units, the government may keep in view the availability of additional quantity of paddy to feed the increased capacity. The availability of additional quota of paddy to a rice mill will be affected adversely if huller units are operating in the area. The government should take cognizance of this fact also while issuing licences to huller units. (37)

140. The rice mills should also plan in advance their strategy for procurement as well as sale of rice. For this purpose, it must have trained and experienced staff. Taking into account the fluctuation in the market price, a certain delegation of authority to pay extra price for paddy as also to sell stocks of rice according to the market conditions may be delegated to the secretary of the society to avoid time-lag in obtaining the approval of the Board of RCMSs. (40)

141. Many millers are producing par-boiled rice and the installation of automatic dryer would help the mill, even during rainy days, to carry on their processing work and thereby reduce the operational costs. However, such installation should be done only after examining the technical and economic feasibility. (38)

142. The practice of appointing private individuals as commission agents by the private as well as co-operative rice mills may be

done away with in a phased manner and instead only the primary co-operative credit societies may be appointed as commission agents. Since the reorganized primaries will be functioning as multi-purpose societies manned by trained and full-time paid secretaries and will also be having storage facilities it will be possible for them to undertake the above responsibility. (46)

143. The RCMSs are also acting as storage agents for the state government's procurement operations. The present rates paid to them towards storage charges are considered inadequate. As the storage capacity of the mill is reduced when such stock accumulates in the RCMSs godowns, the government should ensure that the stocks are lifted promptly from the societies' godowns. (24, 49)

144. A rice mill should have its own mill manager duly trained for the job including training in grading of paddy and he could also attend to minor repairs of the mill machinery. The services of the technical cell at the head office of the State Marketing Federation may not be available as the cell has limited staff. (42)

145. Adequate training should be given to the purchase assistants and even collection agents in the matter of grading to ensure that mills do not suffer loss on account of procurement of inferior quality of paddy. The training could be provided by the the National Co-operative Development Corporation. (43)

146. In order to ensure expertise in management of rice mills and continuity in the services of secretaries of RCMSs, it is suggested that instead of having secretaries on deputation from Co-operation Department, each RCMS should have its own officer duly qualified who should be recruited by the societies themselves. It is understood that the Federation is proposing to have a cadre of trained personnel for management of the RCMSs. (44)

147. The Marketing Federation could provide necessary marketing intelligence for sale of rice and co-ordinate sales both within and outside the state on a nominal commission. (41)

148. At present there is hardly any recovery of co-operative dues from out of procurement operations as the purchases are mostly made in open markets through agents. For the *Kharif* 1980-1, the state government has decided that farmers who have taken crop loan will be allowed to deliver paddy in lieu of cash and attempts should be made to collect a substantial portion of the short-term co-operative credit in terms of paddy on a voluntary basis. Such paddy will be purchased by the State Civil Supplies Corporation as part of its procurement operation. The primary societies, while procuring paddy from loanee members may adjust wherever feasible, the price of paddy against the short-term loan already granted to the farmers. The Civil Supplies Corporation has offered to give an incentive to the primary societies in respect of paddy procured. The primaries are allowed to utilize up to 50 per cent of this amount by way of incentive to their staff. The primary societies are also to allow a rebate of $\frac{1}{2}$ per cent to the loanees who offer their paddy for procurement on linkage basis and the loss of interest will be borne by the central co-operative banks and Orissa State Co-operative Bank on a 50 : 50 basis. It is recommended that the RCMSs also could give an incentive to the primary societies for the purpose. In view of the above incentives, the response for procurement is expected to be better in due course. It is suggested that the government may continue the scheme and improve upon it depending on the experience it gets in implementing the scheme. (29, 47)

Chapter 9 — Financing of potato crop

149. There is widespread consumption of potato in Orissa state but its production is insufficient to meet the local demand and it is being imported from outside the state. The total area of potato cultivation which is essentially a *rabi* crop forms only 0.1 per cent of the gross cropped area. The districts of Cuttack, Puri and Sambalpur account for almost two-thirds of the total production of potato in the state. (1, 2)

150. If the state government ensures the availability of water in the command areas and the co-operatives make adequate arrange-

ments for marketing of produce, then the area under potato cultivation could be increased. Further, the government in order to encourage potato cultivation may also adopt certain measures in this behalf like (i) giving on lease basis government land available by the side of lift irrigation points for growing potato during the *rabi* season, (ii) observing 'potato day' on crop competition basis and (iii) encouraging cultivation in kitchen gardens and orchards of school compounds where water is available. (6)

151. The average yield of 70 quintals of potato per hectare is far below the all-India average of about 128 quintals. One of the reasons for the lower yield is reported to be the practice followed by cultivators in harvesting the crop earlier than its maturity in their anxiety to secure higher prices than ruling than those at the time of regular harvesting. The arrangements for proper marketing of the cultivators' produce will, therefore be all the more necessary to prevent the cultivators resorting to early harvesting of crop. (2, 8)

152. There is no difficulty in availability of institutional finance for potato cultivation excepting that some central banks are insisting on the lifting of kind component, viz., seed potato from government cold storages or from approved agencies. It is recommended that the banks may not insist on the lifting of the kind component for release of the cash component but allow an advance towards kind component if the seed is lifted from approved agencies. With a view to improving the yield as well as the quality of potato the government should popularise the use of improved seeds and ensure its adequate supply. The state government should implement expeditiously the scheme which is under its consideration for posting potato extension officers in major potato growing areas for effective extension work. The seed certification machinery requires to be suitably strengthened. The government could consider reducing water rates in the case of farmers using improved varieties of seeds from specified agencies and also provide subsidy to marginal farmers using such seeds. (12, 13)

153. The harvesting period for potato crop is January-February. The due dates for repayment of loan are fixed around

March–April. As the position stands at present, the present gap between the harvesting of crop and the repayment date allows a reasonable time for disposal of produce at a fair price, it is not considered necessary to postpone due dates for payment as have been fixed at present, except to make marginal adjustments which the banks may decide, keeping in view the harvesting month in their area. (14, 15)

154. Normally cold storages remain empty during the months of November to February. The possibility of storing vegetables, fruits, etc. during this period could be explored by the co-operative societies to ensure some income by way of rent. (17)

155. Cold storages have been set up to preserve potato. The area of operation of cold storages is very wide, but it is not possible to build them all over the places in the context of their economic viability and technical feasibility. They will necessarily have to be set up near the market centres for early disposal of stocks as also for renting out the unutilized capacity to others. With a view to improving the utilization of the capacity by members, the cold storage society can arrange to send trucks to various places in its area of operation on specific dates at the door steps of its affiliated societies in order to collect the farmers' produce. (19 to 21)

156. The cold storages are already issuing produce loans to the members but the facility is generally availed of by farmers who are within a reasonable distance from the cold storage unit concerned. The need is that the cold storages should undertake marketing of crops on behalf of its members. On delivery of produce to it, the cold storage society can issue produce loans to the members whose production dues could be recovered from the loan amounts. The society could ensure sale of stock at a fair price which would give a better return to the farmers than what they would have obtained from the sale of the produce soon after the harvest. The marketing arrangements can be taken on an agency basis and while making the payments to the farmers towards the sale proceeds, the societies should recover the produce loan as well as suitable commission and rental towards the storage. If such

a linking of credit with marketing is brought about, the central co-operative banks could provide credit for marketing of crops for which refinance facility is available from the Reserve Bank of India. (23, 24)

Chapter 10 — Handloom (Cotton) Weavers Co-operative Societies

157. Of the total 1,05,000 handlooms in Orissa only 57,574 looms were in the co-operative fold and the active looms were 25,518. The Sixth Five-Year Plan has envisaged co-operative coverage of handlooms up to a minimum level of 60 per cent of the total looms during the plan period. The number of active and dormant handloom (cotton) weavers societies in the state as on 30 June 1979 were 279 and 98 respectively. All the 279 societies were production-cum-sale societies. (5 to 7)

158. The societies in Orissa have not received any share capital from the state government, By and large, the performance of the primary weavers societies in Orissa is better than the average position at the all-India level specially with reference to production of cloth and societies working at loss. (6, 7)

159. It was observed during the field visits that some of the weavers despite their membership of societies were working for master weavers and a large number of weavers were remaining outside the co-operative fold. The following steps may be taken in this regard to remedy the situation.

(i) None of the societies had its shed with looms installed. All weavers do not have their own looms and hence despite a desire to join and work for the society they are unable to do so. There is no provision to assist such weavers/weavers societies for setting up the looms. The Study Group under the Chairmanship of Dr M. V. Hate in May 1978 (Hate Committee) has observed that puproses like the purchase, renovation and modernisation of looms required medium-term loans with higher element of subsidy and it is the responsibility of the state governments to assist the weavers and societies for these purposes. The funds for investments in block capital are available from the

NCDC but to a limited extent. With a view to making finance available for block capital requirements, the Industrial Development Bank of India has agreed in principle to provide refinance for the purpose and the modalities thereof are likely to be finalized soon. In the meantime the state government may make adequate budgetary provision both for loans and subsidy for purchase/renovation/modernisation of looms. An area approach in providing the assistance would show positive tangible results. The government may also provide loan assistance for fire proof loom houses to the weavers.

(ii) In pursuance to the recommendations of the Hate Committee, the weavers societies may consider issuing consumption loans to their members for which the Reserve Bank of India has issued guidelines.

(iii) The societies should give a certain percentage say, 25 per cent of the wages payable to weavers as an advance for meeting their immediate requirements and the amount of advance can be adjusted as and when the payment of wages is effected.

(iv) As recommended by the Hate Committee, the societies may consider issuing yarn advances to the extent required for the economic working of the warp against one or two sureties instead of restricting the quantum to the value of share capital and thrift deposit held by the member in the society.

(v) The Co-operation Department should devise ways to bring weavers under the co-operative fold and provide them continuous employment as otherwise they may be forced to switch over to other vocations. The Department may prepare and implement a rehabilitation programme for reviving the moribund societies.

(vi) The Orissa State Handloom Development Corporation has been established to help the weavers who are outside the co-operative fold. However, in view of its adverse effects on the co-operativisation of handloom industry, steps may

be taken to convert the production centres of the Corporation into separate weavers societies or merge them into the existing weavers societies. The state government is reported to be taking steps in this direction which should be expedited.

(vii) Pending audit, the weavers societies may distribute production bonus on the basis of *proforma* balance sheet duly approved by the Assistant Director of Textiles, as non-declaration of dividend/bonus by the societies is attributed to the audit of societies being in arrears. The working of the weavers societies being of a technical nature, the Department of Co-operation should create a separate audit cell and give the necessary orientation training to the staff. (12, 13)

160. The societies are not in a position to obtain their requirements of yarn directly from the co-operative spinning mills and they depend mostly on open market purchases for their requirements. The apex weavers society should take the responsibility for supply of yarn particularly to the societies situated in the interior places to obviate the need for such societies to go over to long distances to obtain the yarn. The apex weavers society may establish 'raw material banks' in districts having concentration of weavers for stocking adequate quantities of yarn and other raw material required by the weavers in the area to obviate this difficulty. The Co-operative Spinning Mill at Tora which retains rebate amounts on yarn as non-refundable deposits free of interest should fix a suitable ceiling up to which such deduction will be made from a society. The mill may also allow interest at the savings bank rate on the deductions made till the deducted amount is converted into share capital. (15 to 17)

161. The apex weavers society should make systematic arrangements to provide technical guidance to the societies situated even in remote places to keep them abreast of the market trends and help plan their production accordingly. The state government may consider making more intensive use of the available training facilities for the weavers to help them adopt new techniques. (20)

162. The societies are generally not in a position to effect substantial sales during the period when rebate is not available. As such, a reliance on rebate is not a desirable feature and hence the Team suggests that the societies should adopt aggressive salesmanship and may even consider offering reduction in prices on their own. (19)

163. The primary weavers societies could not be expected to have their own machinery for marketing their products on a large scale. The apex weavers society should go in a big way to introduce the products of Orissa in other states as well. For this purpose, it should ascertain the tastes and requirements of consumers in other states before venturing into this business. It should also draw suitable production plans for primary societies. The apex society should also schedule its purchase from member-societies on a monthly basis and advise the schedule to the primaries well in advance instead of making purchases at the time of festival seasons only. (21)

164. With a view to boosting the sales of the societies a rebate of 20 per cent on sale of cloth to consumers is allowed by the government during festival seasons and the cost of rebate is shared by central and state governments. The rebate claims filed by the societies are, however, required to be certified by a Chartered Accountant. As the small societies as also the societies in the interior find it difficult to comply with the requirements, the practice may be discontinued and the earlier practice of certification of the rebate claims by the Assistant Director of Textiles should serve the purpose. (23, 24)

165. The settlement of rebate claims sent by the societies to the state government in respect of the sales made during festival and other special occasions is usually delayed. The rebate of 20 per cent results in reducing the availability of working capital by nearly 8 per cent as also does not make available the commission added on sale price as explained in the chapter. As the delays in settlement of claims generally accrue on account of inadequate budgetary provisions made by the state government as well as

delays in the receipt of the required grant from the Government of India, it is suggested that in the first instance, the state government could settle the rebate claims on behalf of the Government of India and also make adequate budgetary provision to meet its share. The government might delegate the powers of sanctioning rebate claims to the extent of 25 to 50 per cent of the total claims to the Assistant Director of Textiles so that a part payment is made available to the societies promptly. It may also consider introducing a time limit of 3 months for settling the rebate claims in full. (25 to 27)

166. Despite the Government of India providing to the co-operative banks interest subsidy to compensate them for charging a lower rate of interest to the weavers societies, the banks are not inclined to involve their own resources as the subsidy is not considered adequate to give them a normal margin. Further, the state government is also not prompt in settling the interest subsidy claims preferred by the banks. The Team suggests that the state government may deposit in advance with the apex bank at least 50 per cent of the interest subsidy amount on the basis of credit limits recommended for sanction subject to strict compliance by co-operative banks that they would make available the funds at the concessional rate irrespective of the sources of funds. To avoid delay in operation on the Reserve Bank of India's limits, the state government may execute continuing guarantee for a period of 3 years at a time instead of the annual guarantee as at present. The government should also discontinue charging guarantee fees. (31, 34)

167. The apex weavers society at times makes book adjustments for the yarn supplied while remitting the value of cloth purchased from societies. The remittance of sale proceeds to the bank account has a direct bearing on the renewal/enhancement of cash credit limits and hence the apex society should not resort to book adjustments as at present. (39)

168. In the absence of exclusive staff with the central co-operative banks for supervision over societies, the Directorate of

Textiles had been requested to place one supervisor at the disposal of each bank to supervise the societies financed by them. A few banks have already been provided with the services of such a supervisor. The banks should, however, in their own interest build up their supervision machinery to enable speedy sanction of credit limits from the Reserve Bank. The Directorate of Textiles may strengthen its field machinery adequately to ensure proper supervision and guidance to the weavers societies. (40, 42)

169. The state government is providing managerial subsidy on a rotation basis to all the weavers societies. The Team is of the view that the subsidy should be limited only to the potentially viable societies on a tapering basis for a period of 3 to 5 years to enable them to plan their staff requirements. (45)

170. The Sambalpuri Bastralaya though functioning as a production-cum-sale unit, extends its assistance to the nearby societies also. Although the Bastralaya has built up its own business and has helped associate societies to earn profits, its spreading over of activities in other areas has resulted in overlapping of jurisdiction. It has adversely affected the working of a few such societies as they are unable to compete with it. With a view to avoiding conflict of interest with the other societies, the Bastralaya may withdraw from the areas of such societies. (46 and 48)

171. The apex society should take up market surveys to ascertain consumer preferences, give adequate publicity to the local variety, participate in exhibitions, etc. The apex society may actively canvass for meeting the requirements of furnishings etc., of various state/government departments. It may open show-rooms at strategic places which are likely to bring them more business. If opening of show-rooms in other states is not found feasible, at least sale counters could be acquired in reputed shops particularly of the co-operative sale emporiums. (49)

172. The Reserve Bank provides refinance facilities to the apex banks at a concessional rate for advances made by central banks to the primary credit societies for financing working capital requirements of weavers not served by weavers societies. In Orissa, the

primary agricultural credit societies are, however, not financing individual weavers and not many people are aware of such a facility. Efforts should be made to overcome the difficulties, if any, and credit should be made available to the weavers who are outside the co-operative fold at present by the primary societies otherwise working satisfactorily. (51)

173. The Co-operative Spinning Mill at Tora desired that the Reserve Bank may consider providing refinance for working capital requirements. The Hate Committee has earlier made a recommendation that the Reserve Bank may consider opening a line of credit on behalf of co-operative spinning mills for handloom weavers/handloom weavers societies against pledge/hypothecation of yarn under Section 17(4) (c) of the Reserve Bank of India Act. The Reserve Bank may take an early decision on the recommendation. The Government of India may also consider granting subsidy to the mills so as to bring down their burden of interest on borrowings as recommended by the Hate Committee. (52, 53)

174. The State Level Advisory Handloom Board which has been set up to oversee the promotional development of weavers societies in the state has not met for the last 2 years. The Team recommends that this Board should be activated. (54)

175. As recommended by the Hate Committee the concerned central co-operative bank may set up a cell in its bank to attend to the work of developing and financing weavers societies if there are 5,000 looms and above in its area and the apex bank may set up a similar cell as there are more than 30,000 looms in the state. (55)

Chapter 11 — Related issues

176. The co-operative marketing structure in Orissa comprises the Orissa State Co-operative Marketing Federation at the state level and the Regional Co-operative Marketing Societies (RCMSs) at the base level. The Federation sold for the year ended June 1979 goods worth Rs 10.82 crores of which only Rs 53 lakhs related to the agricultural produce and the balance, which is a substantial

amount, to the agricultural requisites. Similarly, RCMSs have sold goods of the value of Rs 18 crores of which value of agricultural produce sold was Rs 4.23 crores and that of the consumer goods Rs 3.83 crores. As the marketing societies in the state are concentrating on trading activities, support by way of financial assistance from the Reserve Bank of India cannot be expected. We suggest that if the societies are to be of any positive help to the co-operative credit structure and also to the agriculturists in their areas, it is necessary for them to have a link-up with the base level institutions and arrange for the marketing of their members' produce preferably on an agency basis and also arrange to recover production dues out of sale proceeds. The Team further suggests that there may not be further attempt to set up marketing societies at levels lower than block level. The RCMSs may have their own employees as secretaries. (2 to 4 and 7)

177. The Orissa State Consumers Co-operative Federation has to face an unhealthy competition from the private trade. In view of the emphasis to strengthen the public distribution system through co-operatives, the state government should look into the genuine difficulties faced by the Federation and give priority and special preference to co-operatives for implementing the scheme for distribution of essential articles. The Federation itself has also to build up a strong contingent of staff having the necessary expertise particularly in regard to marketing. (11)

178. Though the Reserve Bank has suggested in March 1981 certain revisions in the rates of interest to be charged by banks for different agricultural purposes, effect to the circular has not been given in Orissa. The present interest margin particularly at the primary societies level could be increased if the co-operative institutions fall in line with the suggestions made by the Reserve Bank of India. Such an increase in margin is necessary for the societies as otherwise with the present criteria of viability of a loan business of Rs 2 lakhs, the scales of pay proposed for the secretaries and other expenditure cannot be met. The Team, therefore, recommends that the rates of interest to be charged by the co-operatives should

be brought on par with those suggested by the Reserve Bank of India (13)

179. Although co-operative banks are already engaged in providing credit facilities to various categories of beneficiaries under the 20 point programme, it is necessary for them to initiate positive steps for implementation of the programme in an effective manner. The banks should ensure that *inter-alia* viable schemes are formulated in consultation with the state development agencies for all the beneficiaries under the programme and adequate finance provided for their implementation. The apex bank should follow the advice given by the Reserve Bank of India for necessary monitoring of the progress in implementing the programme. (14)

180. In terms of Rule 45 of the Orissa Co-operative Societies Rules, the contributions to the Education Fund of the Orissa State Co-operative Union are related to the net profits as well as declaration of dividend. The said linking of contribution with the declaration of dividend adversely affects the collection of education fund and hence contributions to the education fund may not be linked with the declaration of dividend and the Rule may be amended accordingly. (19)

181. In view of the responsibility that will devolve on the Registrar's office consequent to various recommendations made in the Report, the Registrar's office may be suitably strengthened by providing additional officers as well as staff particularly in the matter relating to credit and marketing. The Team recommends strongly that the Registrar should remain in office at least for a minimum period of 3 years, although it would be preferable to post him for a period not less than 5 years in order to ensure continuity in the office. In case the incumbent to the post of the Registrar is due for promotion, the post of the Registrar itself could be upgraded and he could be continued to complete the period recommended. (21)

182. Although a Statistical Cell exists in the office of the Co-operation Department, considerable difficulty is experienced in

getting appropriate feed back for want of suitable Statistical Cell in the district offices. We suggest that the post of Statistical Officer in the Statistical Cell at the headquarters be upgraded to the level of Joint Registrar so as to get a better response from the field. Further, in each of the offices of the Deputy Registrars statistician with suitable qualifications may be posted to facilitate obtaining the statistical data promptly. The field level staff engaged in collection and compilation of statistical data should be briefed annually on the various concepts and definitions and the terms used in the statistical data. For this purpose, regular seminar-type of meetings of staff concerned should be convened by the Registrar's office. (22, 23)

183. The Team has observed that the posts of officers-in-charge of the various co-operative institutions in the state are almost invariably held by officers on deputation from the Co-operation Department. The state government may initiate action to assist institutions in building up their own cadres and simultaneously effect a phased withdrawal of its officers on deputation with the various institutions. (24, 25)

184. As there has been considerable delay in auditing the co-operative institutions, we feel that unless the staff strength with the Audit Department is suitably augmented at all levels, there will be arrears which is not a desirable feature. The Team recommends that the Audit Department should be suitably strengthened on a priority basis. There are certain societies in respect of which some technical knowledge about their functioning is considered necessary for a proper appraisal of work. With a view to equipping the audit staff for undertaking the audit of such societies, the concerned audit staff may be given certain orientation training. The various technical departments having control over the special types of societies, such as weavers, fisheries, etc., should pool their resources in Co-operation Department for the purpose of audit instead of making a demand for separate audit cells for their respective types of societies. (27 to 29)

185. For implementing the various recommendations, it is necessary to have a co-ordinated and concerted approach both on the part of the co-operative institutions and the state government. The Team suggests that for implementing the recommendations made in the Report as well as for its review, an Implementation Committee may be set up by the state government preferably under the Chairmanship of the Chief Secretary. For its effective functioning, the Committee can be serviced by a small Cell under the stewardship of one of the Joint Registrars of Co-operative Societies who may act as a Convenor. (30, 31)

<i>Chairman</i>	:	M. V. Hate
<i>Members</i>	:	J. C. Rout
		L. K. Lenka
		Ramnath Das
		R. Srinivasan†
		R. M. Das
		K. B. Varma
		M. Karunanidhi
		Atul Sinha
		Dinesh Chandra ‡
		M. L. Inasu

Member Secretary : R. A. Sugavanam

New Delhi
21 July 1981

† Sarvashri R. Srinivasan and Dinesh Chandra signed the Report on 27 and 22 July 1981 respectively.

ANNEXURES

ANNEXURE 1

376

District-wise position of total population, rural population, scheduled caste/tribes population, density of population and classification of workers in Orissa (As per 1971 Census and Population data as per 1981 Census)

1971 Census										
Sr. No.	District	Population (in lakhs)							Average Density of popula- popula- tion per tion per house- sq. km. hold	
		Of Col. 3,								
		Total	Rural		Scheduled Caste		Scheduled Tribe			
			No.	% to Total	No.	% to Total	No.	% to Total		
(1)	(2)	(3)	(3a)	(3b)	(3c)	(3d)	(3e)	(3f)	(4)	(5)
1.	Balasore	18.30	17.31	95	3.39	18	1.29	7	5.88	286
2.	Balangir	12.64	11.77	93	2.08	16	2.49	20	5.02	142
3.	Cuttack	38.28	35.22	92	6.91	18	1.11	3	5.69	341

4. Dhenkanal	12.94	12.42	96	2.17	17	1.67	13	5.36	120
5. Ganjam	22.94	20.34	89	3.65	16	2.29	10	4.97	183
6. Kalahandi	11.64	11.07	95	1.99	17	3.41	29	4.95	98
7. Keonjhar	9.55	8.88	93	1.08	11	4.49	47	5.50	116
8. Koraput	20.43	18.76	92	.74	13	11.51	56	4.67	76
9. Mayurbhanj	14.34	13.94	97	1.04	7	8.40	59	5.49	138
10. Phulbani	6.22	6.02	97	1.18	19	2.51	40	4.61	56
11. Puri	23.41	21.12	90	3.17	14	0.87	4	5.59	230
12. Sambalpur	18.45	16.23	88	2.88	16	5.19	28	4.71	105
13. Sundargarh	10.31	7.91	77	0.83	8	5.50	53	5.09	107
Orissa	219.45	200.99	92	33.11	15	50.73	23	5.24	141

ANNEXURE 1 (Contd.)

378

1971 Census								Provisional data (1981 Census)			
Sr Nò.	Working Population (in lakhs)							Population		Density of popu- lation per sq. km.	
	Total	of Col. 6						Total	Rural		
		Cultivators		Agricultural Labourers		Total agriculturists			No.		% to total
		No.	% to Total	No.	% to Total	No.	% to Total				
(1)	(6)	(6a)	(6b)	(6c)	(6d)	(6e)	(6f)	(7a)	(7b)	(7c)	(7d)
1	4.94	2.79	59	1.39	29	4.18	88	22.53	20.67	92	357
2	4.25	2.34	58	1.18	29	3.52	87	14.53	13.20	91	163
3	10.52	5.04	52	2.78	29	7.82	81	46.18	41.43	90	414
4	3.89	1.99	53	1.06	28	3.05	81	15.77	14.53	92	146

5.	7.47	3.09	45	2.40	34	5.49	79	26.53	22.73	86	211
6	3.81	2.04	55	1.22	33	3.26	88	13.30	12.50	94	113
7	3.92	1.56	57	0.63	23	2.19	80	11.10	9.83	89	134
8	7.17	3.76	55	2.15	32	5.91	87	24.67	21.87	89	92
9	4.78	2.21	47	1.79	36	4.00	83	15.77	14.86	94	151
10	2.19	1.21	56	0.64	30	1.85	86	7.13	6.76	95	64
11.	6.81	3.17	51	1.75	28	4.92	79	29.12	24.80	85	286
12.	6.52	3.08	52	1.85	31	4.93	83	22.74	19.21	84	130
13.	3.24	1.40	56	0.54	22	1.94	78	13.37	9.29	69	138
Orissa	69.51	33.68	49	19.38	28	53.06	77	262.72	231.66	88	169

Source : (1) Statistical Abstract of Orissa, 1977.
(2) Statistical Outline of Orissa, 1978.
(3) Census of India series 16, Orissa, 1980-81.

ANNEXURE 2

Land utilisation pattern in Orissa during 1979-80

District	Geographical area	Forests	Miscellaneous tree crops	Permanent pastures & grazing lands	Cultivable waste	Land not available for cultivation	Fallow land	Net sown area	Gross cropped area	Area in '000 hectares			
										Gross irrigated area		Percentage of gross irrigated area to gross cropped area	
										1976-7	1979-80	1976-7	1979-80
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(10a)	(10b)	(11a)	(11b)
1. Balasore	647	40	25	26	20	71	34	431	588	84	98	14	17
2. Balangir	883	213	14	40	50	63	106	397	519	80	100	15	19
3. Cuttack	1089	140	30	38	13	106	110	652	1186	311	376	26	32
4. Dhenkanal	1092	454	40	45	7	58	78	410	515	43	50	8	10

5. Ganjam	1221	569	30	38	5	63	40	475	754	226	265	30	35
6. Kalahandi	1154	527	30	41	7	34	21	498	695	33	50	5	7
7. Keonjhar	831	407	6	38	9	42	40	289	344	12	29	3	8
8. Koraput	2703	1400	90	94	30	140	113	835	987	44	42	4	4
9. Mayurbhanj	1040	468	13	30	6	71	14	438	504	42	46	8	9
10. Phulbani	1105	829	5	4	5	16	23	222	293	32	36	11	12
11. Puri	1046	343	27	57	35	79	36	469	767	218	281	28	37
12. Sambalpur	1750	701	100	70	67	111	111	589	734	214	227	29	31
13. Sundargarh	979	549	10	39	10	36	70	265	280	25	24	9	9
Orissa	15540	6640	420	560	264	890	796	5970	8166	1364	1624	17	20

Source : Orissa Agricultural Statistics — 1979-80

ANNEXURE 3

District-wise distribution of operational landholdings according to size of holdings

(Source : Statistical Abstract of Orissa 1970-71-Agricultural Census 1976-7)

No. : In '000

Area : In '000 hectares

District	Agricultural Census 1970-71													
	Total holdings 1970-71 data		Of which								Average size of land holdings (in hec- tares)	1976-7 Agricultural Census (Provisional data)		
			Holdings upto 1 hectare	Holdings above 1 hectare to 2 hectares		Holdings above 2 hectares to 4 hectares		Holdings above 4 hectares to 10 hectares		Total hold- ings		Ave- rage size of hold- ings		
	No.	Area											No.	Area
(1)	(2a)	(2b)	(3a)	(3b)	(4a)	(4b)	(5a)	(5b)	(6a)	(6b)	(7)	(8a)	(8b)	(9)
1. Balasore	350	591	153 (44)	81 (14)	120 (34)	194 (33)	48 (14)	141 (24)	26 (7)	145 (24)	1.69	298	435	1.46
2. Balangir	161	490	43 (26)	26 (5)	59 (37)	91 (19)	29 (18)	90 (18)	29 (18)	174 (35)	2.93	217	449	2.07
3. Cuttack	628	759	335 (53)	149 (19)	206 (33)	271 (36)	56 (9)	168 (22)	28 (4)	142 (19)	1.22	595	749	1.26
4. Dhenkanal	253	410	118 (47)	63 (15)	89 (35)	135 (33)	28 (11)	84 (20)	16 (6)	87 (21)	1.62	356	380	1.07

5. Ganjam	271	353	163 (60)	78 (22)	72 (27)	109 (31)	23 (8)	68 (19)	11 (4)	64 (18)	1.30	257	358	1.39
6. Kalahandi	143	566	25 (17)	16 (3)	41 (29)	67 (12)	27 (19)	84 (15)	43 (30)	280 (49)	3.95	164	420	2.57
7. Keonjhar	114	269	30 (26)	30 (11)	48 (42)	82 (30)	22 (19)	67 (25)	12 (10)	69 (26)	2.36	153	249	1.63
8. Koraput	355	884	119 (33)	82 (9)	117 (33)	192 (22)	63 (18)	192 (22)	46 (13)	272 (30)	2.49	358	850	2.37
9. Mayurbhanj	200	357	88 (44)	51 (14)	63 (32)	99 (28)	31 (16)	97 (27)	15 (8)	83 (23)	1.78	204	350	1.72
10. Phulbani	86	156	31 (36)	18 (11)	36 (42)	56 (36)	12 (14)	35 (22)	5 (1)	30 (19)	1.90	100	151	1.52
11. Puri	310	387	181 (58)	81 (20)	88 (28)	121 (31)	25 (8)	71 (18)	14 (5)	87 (22)	1.25	363	402	1.11
12. Sambalpur	412	883	159 (38)	86 (10)	139 (34)	213 (24)	63 (15)	187 (21)	42 (10)	244 (27)	1.99	370	689	1.86
13. Sundargarh	191	329	29 (15)	17 (5)	42 (22)	69 (21)	25 (13)	80 (24)	21 (11)	118 (36)	2.76	155	269	1.74
Orissa	3474	6434	1475 (42)	769 (12)	1121 (32)	1699 (26)	452 (13)	1363 (21)	309 (9)	1795 (28)	1.89	3590	5751	1.60

Note : Figures in brackets indicate percentage to total

ANNEXURE 4

384

District-wise area under important crops and yield per hectare for the year 1979-80

Yield : In Quintals
Area : '000 hectares

Sr. No.	District	Autumn Rice		Winter Rice		Summer Rice		Ragi		Maize	
		Cropped Area	Yield per hectare	Cropped area	Yield per hectare	Cropped Area	Yield per hectare	Cropped Area	Yield per hectare	Cropped Area	Yield per hectare
(1)	(2)	(3a)	(3b)	(4a)	(4b)	(5a)	(5b)	(6a)	(6b)	(7a)	(7b)
1.	Balasore	4	11.13	384	13.52	11	19.81	..	5.80	1	7.90
2.	Balangir	88	2.68	167	8.29	22	21.83	13	3.00	6	4.40
3.	Cuttack	45	8.54	463	12.96	13	18.17	13	6.60	3	7.50
4.	Dhenkanal	69	2.99	191	7.99	1	20.28	6	3.20	10	3.60
5.	Ganjam	7	11.36	284	16.73	1	8.78	55	6.50	7	8.60

6. Kalahandi	126	4.60	144	7.43	2	8.38	27	4.40	15	4.70
7. Koraput	66	6.25	269	11.71	5	8.98	109	5.60	43	6.90
8. Mayurbhanj	120	5.09	241	10.37	1	15.73	1	7.70	9	6.70
9. Keonjhar	50	4.97	155	9.95	(0.3)	7.27	3	2.50	14	4.40
10. Phulbani	27	6.13	56	10.04	1	16.42	15	2.00	14	6.70
11. Puri	27	11.85	341	16.31	20	16.32	23	6.90	4	7.00
12. Sambalpur	142	2.90	296	10.73	65	21.36	2	7.30	3	6.50
13. Sundargarh	108	3.95	104	8.63	(0.4)	13.24	—	—	—	—
Orissa	879	4.69	3095	12.06	143	19.53	267	5.40	129	6.10

Note : Figures in brackets indicate percentage to total

Source : Orissa Agricultural Statistics 1979-80

ANNEXURE 4 (Contd.)

Sr. No.	District	Tur		Potato		Sugarcane		Chillies		Oil Seeds	
		Cropped Area	Yield per hectare	Cropped Area	Yield per hectare	Cropped Area	Yield per hectare	Cropped Area	Yield per hectare	Cropped Area	Yield per hectare
(1)	(2)	(8a)	(8b)	(9a)	(9b)	(10a)	(10b)	(11a)	(11b)	(12a)	(12b)
1.	Balasore	(0.3)	4.0	(0.1)	53.3	3	67.4	6	6.2	23	4.7
2.	Balangir	3	3.8	(0.1)	44.3	4	53.8	5	5.9	35	3.0
3.	Cuttack	3	4.0	3	66.8	6	67.8	6	5.1	99	6.4
4.	Dhenkanal	9	2.6	1	57.4	4	70.0	3	3.7	55	2.3
5.	Ganjam	8	5.8	(0.2)	56.9	5	73.9	8	8.1	66	4.9
6.	Kalahandi	15	4.3	..	36.4	4	53.2	9	3.4	81	3.1
7.	Koraput	19	5.1	(0.2)	36.8	8	49.4	11	4.8	137	3.3

8. Mayurbhanj	1	5.0		58.5	1	45.9	4	5.4	36	3.8
9. Keonjhar	2	2.8	(0.1)	69.2	1	63.2	1	1.5	30	1.2
10. Phulbani	8	1.0	(0.3)	30.1	1	51.5	2	3.0	56	1.7
11. Puri	2	3.8	2	58.1	5	71.1	1	5.9	37	4.4
12. Sambalpur	1	4.1	1	36.8	4	55.6	7	6.8	54	5.5
13. Sundargarh	5	4.0	(0.4)	53.1	1	45.0	1	7.1	13	2.9
Orissa	76	4.0	8	57.3	47	60.7	64	8.2	722	3.9

ANNEXURE 5

Details of schemes sanctioned as on 30-6-1980 by the Agricultural Refinance and Development Corporation in Orissa

	Rs Lakhs		
	No. of schemes	Financial assistance	Agricultural Refinance & Development Corporation commitments
	(1)	(2)	(3)
I. Land Development Banks			
Integrated Rural Development Programme	—	9	8
Minor Irrigation	68	3123	2799
Land Development and Soil Conservation	10	131	106
Farm Mechanization	1	80	60
Plantation	24	566	483
Gobar Gas Plant	1	5	4
Fisheries	9	114	104
Others	6	44	39
Sub-total	119	4072	3603
II. Commercial Banks			
Rural Electrification Corporation	9	224	112
Minor Irrigation	175	3944	3555
Land Development	4	97	80
Integrated Rural Development Programme	—	42	38
Farm Mechanization	5	92	80
Agro-Service Centres	1	2	2
Plantation/Horticulture	5	156	133
Poultry Farming	2	18	16
Fisheries	22	401	359
Dairy Development	47	193	173
Storage and market yards	7	63	55
Sheep Breeding	2	11	10
Piggery	2		
Sub-total	281	5243	4613

III. State Co-operative Bank

	(1)	(2)	(3)
Minor Irrigation	40	1744	1569
Fisheries	1	24	22
Piggery	1	2	2
Integrated Rural Development Programme	—	3	3
Sub-total	42	1773	1596
Total	442	11088	9812

*Source : Agricultural Refinance and Development Corporation 17th
Annual Report 1979-80*

ANNEXURE 6
Financial position of Orissa State Co-operative Bank Ltd., for the period 1975-6 to 31-12-1980

Rs. Lakhs

Items	30-6-76	30-6-77	30-6-78	30-6-79	30-6-80	31-12-80
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1. No. of Branches	1	1	1	1	1	1
2. (a) Paid-up share capital (Total)	123.92	160.39	217.36	272.18	370.84	402.94
(b) of (a) from state government	20.00	30.00	60.00	85.00	115.00	115.00
2. Reserves						
(a) Statutory Reserve	36.96	39.37	44.99	52.96	63.06	63.06
(b) Agri. Credit Stab. Fund	140.96	147.86	159.49	171.98	284.00	284.00
(c) Other reserves	13.54	17.54	24.86	37.27	48.14	48.14
4. Owned funds	316.38	365.16	446.70	534.39	766.04	798.14
5. Deposits (Total)	1090.62	1546.35	1892.76	2320.39	3022.08	2893.69
(a) Current	175.30	156.67	332.80	235.69	276.17	146.46
(b) of (5) fixed	895.15	1365.95	1535.40	2002.21	2609.98	2624.58
(c) of (5) from co-operatives	1029.23	1172.36	1521.54	1689.57	2056.53	1072.31
6. (a) Borrowings (Total)	641.95	1486.42	1628.48	2225.92	3777.44	4716.69
(b) of (a) from the RBI	605.22	1387.62	1399.99	1852.24	3157.22	4015.31
(c) of (a) from Government	12.24	2.24	2.24	2.24	2.24	2.24
7. Working capital	2048.94	3398.00	4081.08	5171.54	7778.11	

8. (a) Loans outstanding (Total)	1504.08	2775.25	3132.86	4262.75	6761.63	7647.68
(b) Short-term (Agricultural)	785.20	1038.39	1199.60	1825.11	2263.53	3190.71
(c) of (b) for Seasonal Agril. Oprn	632.68	720.62	1199.60	1825.11	2263.53	3190.71
(d) Medium-term (Approved agricultural purposes)	481.91	799.62	906.82	1124.96	931.67	884.88
(e) Medium-term conversion	127.01	436.41	291.82	151.69	951.19	942.54
(f) Others	109.46	501.83	734.62	1160.99	2615.24	2629.45
9. (a) Overdues (Total)	5.03	—	—	—	1.65	—
(b) of (a) Short-term (Agricultural)	2.79	—	—	—	—	—
(c) of (a) overdue for over 3 years	—	—	—	—	—	—
10. Percentage of overdues to demand	29	—	—	—	0.03	—
11. Net profit (+) Loss (—) during the year	9.53(+)	22.44(+)	30.00(+)	45.11(+)	55.15(+)	54.66(+)
12. Dividend declared %	3%	5%	5%	6%	6%	—
13. Loans issued during the year						
(a) Total	2589.16	4620.70	4706.12	6650.79	9974.90	3658.39
(b) Short-term (total)	2274.26	3665.99	4393.52	5850.66	7921.30	3385.76
(c) Short-term (S.A.O.)	1323.84	1284.08	1648.53	2489.10	3184.69	1367.94
(d) Others	314.90	954.71	312.60	800.13	2053.60	272.63
14. Medium-term (Total)	314.90	954.71	312.60	800.13	2053.60	272.63
(a) Approved agri. purposes	260.30	402.94	185.70	288.73	469.27	244.30
(b) Conversion/rephasement	—	390.62	24.91	5.60	938.67	—
(c) Others	54.60	161.15	101.99	505.80	645.66	28.33

ANNEXURE 7

Distribution of functions among key level personnel of apex bank

Division's name	Items of work
(1)	(2)
I. Manager (Planning and Development)	<ol style="list-style-type: none"> 1. Preparation of special schemes of development for agriculture and allied activities and their implementation. 2. Preparation of schemes for mobilisation of deposit by the apex and central co-operative banks. 3. Development of industrial societies and providing them technical guidance. 4. Development of co-operative marketing and processing societies and implementation of scheme of linking of credit with marketing. 5. Co-ordination with commercial banks, SEDA, State Ground-water Directorate, State Electricity Board and other Departments of State Government such as Agriculture, Irrigation, Fisheries, Animal Husbandry, Horticulture etc. 6. Special Studies. 7. Establishment of ancilliary societies, such as Dairying, Fisheries, Poultry, Animal Husbandry, Sericulture etc. 8. Formulation of norms for financing project involving term finance. 9. Technical Cell.

- | | |
|---|---|
| II. Manager
(Administration
and
Establishment) | <ol style="list-style-type: none"> 1. General administration. 2. Premises, dead stock, stationery and printing, 3. Staff development plans and training of staff of apex bank, central co-operative banks and secretaries of PACS. 4. Legal matters. 5. Publicity and public relations. 6. Secretarial work relating to Board/Committee and general body meetings. 7. Allotment of shares. |
| III. Manager
(Inspection and
supervision) | <ol style="list-style-type: none"> 1. Visit/inspection of central co-operative banks, other indebted societies and follow up action. 2. Verification of utilisation and recovery of loans. 3. Follow up action on the inspection report of the Reserve Bank of India. 4. Rehabilitation of weak central co-operative banks. 5. Inspection of branches. |
| IV. Manager
(Operation and
Accounts) | <ol style="list-style-type: none"> 1. Accounts of the bank. 2. Financial management including investment, budgeting and performance budgeting. 3. Preparation of returns, statements and final accounts etc. 4. Scrutiny and sanction of credit limit application of central co-operative banks and other member institutions. 5. Borrowing. |
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ANNEXURE 8

*Comparative financial position of the district co-operative banks in Orissa for the year 1975-6 to 1979-80 and as on
31 December 1980*

						Rs Lakhs
Particulars	1975-6	1976-7	1977-8	1978-9	1979-80	As on 31-12-80
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1. No. of banks	17	17	17	17	17	17
1. No. of offices including head office	105	111	121	137	168	184
3. Paid-up share capital						
(i) Total	637.59	676.22	859.06	1061.61	1262.96	1342.85
(ii) of (i) above from Government	235.16	292.16	322.16	384.16	491.41	491.41
4. Reserves	256.97	381.45	357.39	270.80	487.73	548.97
5. Owned funds	894.56	1057.67	1216.45	1332.41	1750.69	1891.82
6. Deposits						
(i) Total	1416.59	1714.35	2149.95	2737.94	3746.18	3844.93
(ii) of (i) above co-operative institutions	796.09	950.78	1226.92	1543.47	1916.34	1767.10
7. Outstanding borrowings	1416.71	2193.60	2859.75	3892.80	6042.86	7261.64
8. Working Capital	3995.80	5233.46	6626.15	8604.17	10818.65	

9. Loans issued						
(i) Total	2322.36	3763.50	4599.43	5911.97	8895.44	—
(ii) of (i) above for seasonal agricultural operation	1651.97	1801.80	2505.35	3208.01	4133.37	—
(iii) of (i) above medium-term for approved agricultural purposes	422.70	747.20	651.72	898.76	1616.84	—
10. Loans outstandings						
(i) Total	3005.48	4051.82	4927.38	6590.00	9472.26	10616.23
(ii) of (i) above for seasonal agricultural operations	1552.69	1701.00	2362.38	3476.49	4149.23	4806.11
(iii) of (i) above medium-term for approved agricultural purposes	925.53	1449.57	1644.54	2070.98	2925.08	2785.69
11. Overdues						
(i) Total	1011.12	1174.95	1139.01	1365.89	1523.89	1586.14
(ii) of (i) above for period over 3 years	197.92	205.28	171.92	195.35	247.93	318.92
12. Number of banks with percentage of overdues to demand						
(i) above 60	1	—	—	—	—	—
(ii) between 40 and 60	7	6	4	4	2	1
(iii) between 20 and 40	8	10	9	9	11	11
(iv) 20 or below	1	1	4	4	4	5
13. Number of banks working at profit	9	12	13	14	15	
14. Number of banks paying dividend	8	7	9	6	8	

ANNEXURE 9

396

Financial position of the central co-operative banks for the years 1979-80 and 1980-1 (upto 31-12-1980)

Rs Lakhs										
Bank	No. of offices		Paid-up capital				Reserves		Owned Funds	
			Total		Of which from Government					
	June '80	Dec. '80	June '80	Dec. '80	June '80	Dec. '80	June '80	Dec. '80	June '80	Dec. '80
(1)	(2a)	(2b)	(3a)	(3b)	(4a)	(4b)	(5a)	(5b)	(6a)	(6b)
1. Angul-United	13	13	113.84	119.43	34.01	34.01	44.40	44.40	158.24	163.83
2. Aska	11	11	66.72	67.69	29.00	29.00	21.41	39.82	88.13	107.51
3. Bolangir	6	9	74.04	76.39	30.05	30.05	27.66	33.70	101.70	110.09
4. Balasore	12	14	102.74	106.96	39.50	39.50	21.83	23.88	124.57	130.84
5. Banki	7	10	47.55	49.05	12.90	12.90	17.01	17.58	64.56	66.63
6. Baudh	6	6	38.59	39.18	17.55	17.55	16.21	16.21	54.80	55.39
7. Berhampore	12	12	68.09	97.59	29.00	29.00	75.24	75.23	143.33	172.82
8. Bhawanipatna	8	10	90.06	94.39	34.00	34.00	26.03	26.03	116.09	120.42
9. Cuttack-United	19	23	119.96	126.34	35.00	35.00	60.40	60.30	180.36	186.64
10. Keonjhar	6	6	54.15	57.02	23.70	23.70	10.86	10.93	65.01	67.95
11. Khurda	7	8	64.21	65.15	31.60	31.60	40.21	40.49	104.42	105.64

12. Koraput	10	10	72.67	78.50	29.50	29.50	16.36	16.36	89.03	94.86
13. Mayurbhanj	10	11	58.87	61.40	25.00	25.00	7.94	16.21	66.81	77.61
14. Nayagarh	7	7	59.47	61.52	27.50	27.50	31.94	31.95	91.41	93.47
15. Sambalpur	19	19	118.70	123.83	41.50	41.50	29.41	56.11	148.11	179.94
16. Sundargarh	6	6	36.47	38.88	15.10	15.10	3.69	2.64	40.16	41.52
17. United Puri- Nimapara	9	9	76.83	79.53	36.50	36.50	37.13	37.13	113.96	116.66
Total	168	184	1262.96	1342.85	491.41	491.41	487.73	548.97	1750.69	1891.82

ANNEXURE 9 (Contd.)

398

Rs Lakhs										
Bank	Deposits				Outstanding Borrowings		Loans Issued			M.T. (Agri.)
	Total		Of which from co-operatives				Total S.T.	Agril.	Of which from SAO	
	June'80	Dec.'80	June'80	Dec.'80	June'80	Dec.'80	June'80	June.'80	June'80	June'80
	(1)	(7a)	(7b)	(8a)	(8b)	(9a)	(9b)	(10)	(11)	(12)
1. Angul-United	263.32	256.37	93.97	100.10	563.96	591.90	790.29	246.46	245.97	273.50
2. Aska	317.58	361.75	186.22	220.64	187.87	722.94	291.42	166.38	159.65	70.26
3. Bolangir	117.47	96.66	90.03	56.45	310.82	366.97	672.31	530.54	265.82	82.84
4. Balasore	176.70	181.35	118.09	97.19	648.47	744.97	854.14	624.25	624.25	229.89
5. Banki	93.60	101.52	49.82	47.60	397.59	232.20	216.69	141.34	141.34	75.35
6. Baudh	140.54	127.60	74.15	60.65	266.52	275.27	322.62	116.59	116.59	97.29
7. Berhampore	501.51	460.89	230.32	204.91	219.17	276.67	388.32	296.01	288.30	50.41
8. Bhawanipatna	194.47	186.11	68.88	64.66	449.64	514.80	435.66	233.44	233.44	91.48
9. Cuttack-United	360.32	392.88	188.98	184.86	631.11	771.82	840.05	355.89	355.89	136.77
10. Keonjhar	117.77	120.72	53.30	47.02	238.18	265.96	209.32	90.44	90.44	34.47
11. Khurda	123.20	105.27	98.79	85.60	298.98	363.06	521.83	195.02	195.02	194.24

12. Koraput	204.92	202.75	111.31	85.20	361.89	416.74	419.32	295.45	251.46	53.49
13. Mayurbhanj	231.32	213.20	153.01	111.87	210.90	291.67	414.51	182.64	182.64	59.51
14. Nayagarh	143.28	140.86	62.43	57.02	343.29	421.27	407.01	259.70	259.70	56.51
15. Sambalpur	450.58	546.25	159.42	175.77	614.25	725.79	1679.03	493.29	493.29	58.97
16. Sundargarh	151.09	136.78	72.12	71.72	147.75	111.18	167.04	53.40	40.36	29.71
17. United Puri- Nimapara	158.51	173.97	105.50	95.84	152.47	168.43	265.88	205.34	189.21	22.15
Total	3746.18	3844.93	1916.34	1767.10	6042.86	7261.64	8895.44	4486.18	4133.37	1616.84

ANNEXURE 9—(Contd.)

400

Rs Lakhs

	Loans Outstanding								Overdues				%of over- dues to demand
	Total		S.T. (Agricultural)		M. T. (Agricultural)		M. T. (Conversion)		Total		Over 3 years		
	June'80	Dec.'80	June'80	Dec.'80	June'80	Dec.'80	June'80	Dec.'80	June'80	Dec.'80	June'80	Dec.'80	
	(14a)	(14b)	(15a)	(15b)	(16a)	(16b)	(17a)	(17b)	(18a)	(18b)	(19a)	(19b)	
(1)	(14a)	(14b)	(15a)	(15b)	(16a)	(16b)	(17a)	(17b)	(18a)	(18b)	(19a)	(19b)	(20)
1.	802.24	858.36	225.77	301.44	367.91	404.14	153.04	152.78	142.36	135.72	25.06	23.70	36.1
2.	440.87	509.26	134.51	193.81	178.60	183.64	46.62	45.66	102.22	91.97	31.45	43.48	34.4
3.	484.46	612.39	197.38	264.45	156.92	165.66	73.13	79.07	98.39	132.49	19.09	40.14	37.0
4.	920.37	989.75	452.94	507.23	330.52	254.35	48.91	47.06	92.14	89.55	4.06	12.03	18.0
5.	331.85	360.05	145.97	182.21	146.95	144.16	—	1.01	19.30	20.39	2.10	2.54	12.0
6.	388.24	386.72	121.91	132.52	168.70	158.11	66.35	65.18	38.34	25.82	5.01	4.97	25.0
7.	634.24	684.43	352.96	374.31	223.02	205.97	10.40	10.36	189.70	257.52	35.12	48.90	38.3
8.	637.86	717.31	261.35	314.39	197.77	202.42	117.76	114.23	126.42	111.34	5.15	10.35	40.0
9.	1019.32	1161.84	327.68	457.81	239.03	253.96	183.95	183.33	105.76	113.43	12.20	11.92	24.0
10.	329.11	345.64	92.68	114.23	116.71	115.87	70.51	70.51	48.33	39.62	4.48	2.11	27.0
11.	439.45	499.49	146.16	187.22	109.09	101.95	36.13	35.89	44.48	37.70	7.97	7.97	20.0

12.	481.18	562.88	242.42	385.87	101.73	98.24	50.60	47.95	71.51	53.80	1.01	—	NA
13.	459.77	433.42	175.32	201.38	173.11	141.88	62.85	57.88	38.18	32.90	0.77	0.79	14.5
14.	528.71	605.29	234.30	283.77	161.41	70.80	65.00	65.00	16.05	15.84	3.82	4.49	6.0
15.	992.76	1233.46	440.02	563.66	162.98	162.32	89.83	87.86	239.13	289.35	82.31	65.79	NA
16.	215.20	245.48	38.66	55.77	48.09	73.30	22.09	21.85	25.52	12.43	2.05	1.97	24.9
17.	363.93	410.46	241.20	286.04	42.81	48.92	35.33	35.86	126.06	126.27	36.78	37.77	42.6
	9472.26	10615.23	3831.23	4806.11	2925.08	2785.69	1133.50	1121.48	1523.89	1586.14	247.93	318.92	

ANNEXURE 10

*Division of functions among key level personnel in
Central Co-operative Banks*

Name of Division (key levels)	Item of work
(1)	(2)
I. Manager (Administration and Establishment)	1. General Administration 2. Staff matters connected with recruitment, training, staff discipline, posting etc. 3. Secretarial work to Board/Committees/General Body 4. Premises, dead stock, vehicles, stationery and printing 5. Legal matters 6. Share allotment
II. Chief Accountant (Operation and Accounts)	1. General banking, loans and advances and accounts (at Head Office and branches) 2. Management of funds 3. Borrowings 4. Investment 5. Budgeting and performance budgeting 6. Internal audit 7. Returns to Reserve Bank of India/Apex Bank/Registrar of Co-operative Societies 8. Compliance to inspection reports 9. Statistical information
III. Executive Officer (Loans & Supervision)	1. Scrutiny of credit limit application and recommendation of credit limit. 2. Verification of all types of loans 3. Recovery of loans 4. Legal action — Arbitration and execution cases 5. Supervision and control over field staff and societies

6. Branch inspection
7. Reorganization of primary credit societies.
8. Implementation of rehabilitation programme if the bank is under rehabilitation

**IV. Development Officer
(Development and
Planning)**

1. Deposit mobilization
 2. Branch expansion programme
 3. General Planning Work and formulation and implementation of special agricultural development schemes for agricultural and allied activities.
 4. Establishment and development of small scale, cottage, weavers and other village industries.
 5. Development of co-operative marketing of agricultural produce and link up with credit. Distribution of production requisite and essential commodities.
 6. Development of dairy, fisheries, poultry and other processing societies.
 7. Liaison with SFDA/MFAL/DPAP/ITDP/IRDPTDA etc., and financing of small and marginal farmers, tribals and other weaker sections.
 8. Reorganization and rehabilitation of primary agricultural credit societies.
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ANNEXURE 11

Financial and other particulars of primary agricultural credit societies in Orissa

Rs Lakhs

Particulars	1974-5	1979-80			
	All primary credit societies	Total	PACS	LAMPS	FSS
(1)	(2)	(3)	(4)	(5)	(6)
1. Number	3352	2793	2566	222	5
Of which dormant	108	65	65	—	—
2. No. of villages	46466	46466	30420	15900	146
(a) Of which served by societies	45713	46466	30420	15900	146
3. Membership ('000)	1710	2251	1683	561	7
(a) Of which					
(i) Scheduled Caste	336	367	292	74	1
(ii) Scheduled Tribes	379	573	239	333	1
4. Borrowing membership ('000)	359	826	607	216	3
(a) Of which					
(i) Scheduled Caste	72	118	96	21	1
(ii) Scheduled Tribes	55	149	51	98	*
5. Indebted membership ('000)	1000	1477	1122	351	4
(a) Of which					
(i) Scheduled Caste	167	194	159	34	1
(ii) Scheduled Tribes	15	253	108	144	1
5. Defaulting membership ('000)	665	650	514	134	2
(a) Of which					
(i) Scheduled Caste	110	98	82	16	*
(ii) Scheduled Tribes	109	134	70	63	1
7. Paid up capital	921	1712	1283	422	7
(a) Of which from Govt.	266	558	387	169	2
8. Reserves	398	525	445	78	2
9. Deposits	198	208	162	44	2
10. Borrowings	249	8485	6644	1806	35
11. Working Capital	6795	14779	11183	3525	71
12. (a) Loans outstanding	3552	9112	7225	1850	37
(b) of (a) for short-term	2706	5378	4363	997	18
(i) Scheduled Caste	433	687	470	216	1
(ii) Scheduled Tribes	310	716	302	413	1
(c) of (a) Medium-term conversion	N.A.	267	200	67	—
(i) Scheduled Caste	29	63	47	16	0.02
(ii) Scheduled Tribes	20	114	56	58	0.04

* Inclusion of sinking of/repairs to wells Rs 852.01

ANNEXURE 11—(Contd.)

	(1)	(2)	(3)	(4)	(5)	(6)
13. Overdues		2119	2567	2183	375	9
(a) Of which, short-term		1908	1936	1646	283	7
(i) Scheduled Caste		266	316	196	119	1
(ii) Scheduled Tribes		217	235	126	108	1
(b) For						
(i) 1 year and less		574	941	791	145	5
(ii) Over 3 years		586	507	460	46	1
14. Percentage of overdues to demand		58	41	41	38	29
15. (a) Profit						
(i) Number		2342	1803	1647	152	4
(ii) Amount		141	180	148	31	1
(b) Loss						
(i) Number		902	925	854	70	1
(ii) Amount		47	119	101	18	0.28
(c) Number of societies with no profit or no loss		108	65	65	—	—
16. (a) Full time paid secretaries		3061	2758	2531	222	5
(b) Part time secretaries		124				
(c) Hon. secretaries		167	35	35	—	—
17. Cost of management		103	301	178	122	1
(a) Of which salaries		59	177	93	83	1
18. Societies undertaking distribution of						
(a) Farm requisites						
(i) Number		2174	1837	1613	219	5
(ii) Value		767	950	688	256	6
(b) Consumer Goods						
(i) Number		792	1660	1434	221	5
(ii) Value		176	1127	476	641	10
19. Loans issued		1930	6269	4964	1270	35
(a) Of which for short-term		1440	4105	3359	728	18
(i) Scheduled Caste		203	438	351	86	1
(ii) Scheduled Tribes		173	605	269	335	1
(b) Of (a) for Seasonal Agricultural Operations		1354	4095	3354	723	18
(c) For medium-term		490	2164	1605	543	16
(i) Scheduled Caste		68	240	152	86	2
(ii) Scheduled Tribes		56	397	140	256	1
(d) Of (c) for approved agricultural purposes		342	2058	1524	519	15
(e) of (c) for conversion		68	474	304	170	—

8. Kalahandi : Bhawanipatna	25	280	—	—	—	27	10	—	—	—	—	41
9. Keonjhar	—	218	—	2	—	—	—	—	—	(0.4)	—	—
10. Koraput	33	302	2	6	—	114	—	—	—	—	—	146
11. Mayurbhanj	33	281	2	1	—	—	—	—	—	—	—	—
12. Phulbani : Baudh	27	180	—	—	—	—	—	—	—	—	—	—
13. Puri : Khurda	41	131	(0.4)	—	1	4	3	40	(0.2)	(0.6)	1	2
14. : Nayagarh	1	53	1	—	(0.4)	2	—	25	—	—	—	5
15. : United Puri-Nimapara	74	146	1	—	—	—	—	104	12	—	10	—
16. Sambalpur	185	428	—	—	—	—	22	15	—	28	—	9
17. Sundargarh	16	219	5	—	—	—	—	54	—	3	—	—
Total	1040	3991	35	11	10	157	157	330	67	167	31	205

8. Kalahandi : Bhawanipatna	—	—	—	—	5	—	—	—	—	—	—	52
9. Keonjhar	—	6	(0.1)	—	1	—	—	2	—	—	—	12
10. Koraput	28	9	(0.4)	1	8	—	—	—	1	1	—	92
11. Mayurbhanj	7	—	(0.1)	—	(0.4)	—	—	(0.6)	—	—	—	(0.2)
12. Phulbani : Baudh	—	—	—	—	—	—	—	—	—	—	—	—
13. Puri : Khurda	3	—	(0.2)	—	(0.4)	—	—	—	—	—	13	—
14. : Nayagarh	2	—	(0.2)	—	4	—	—	—	—	—	(0.7)	—
15. : United Puri-Nimapara	13	—	4	—	1	—	1	—	—	—	5	—
16. Sambalpur	8	12	—	—	5	—	—	—	—	—	—	—
17. Sundargarh	—	—	—	—	(0.3)	—	—	—	—	—	—	—
Total	99	66	27	1	41	—	40	7	30	63	21	178

ANNEXURE 12 (Contd.)

Rs Lakhs

410

District/Central Co-operative Bank	Credit Potential					
	Paddy	Wheat	Ragi	Pulses	Groundnut	Oilseeds
(1)	(14)	(15)	(16)	(17)	(18)	(19)
1. Balasore	4637.98	96.82	—	515.30	21.72	173.13
2. Bolangir	1938.62	90.24	—	—	1162.43	—
3. Cuttack : Banki	774.20	—	—	—	—	—
4. : Cuttack-United	7162.42	123.90	—	220.50	789.60	—
5. Dhenkanal : Angul-United	2272.51	82.62	—	436.33	194.56	—
6. Ganjam : Aska	2000.93	—	124.05	—	116.22	—
7. : Berhampur	7392.00	—	—	—	—	—
8. Kalahandi : Bhawanipatna	1104.00	—	67.50	50.00	—	202.04
9. Keonjhar	1997.18	33.83	—	—	4.68	—
10. Koraput	2084.40	56.45	562.23	—	—	792.05

11. Mayurbhanj	2966.88	47.53	—	—	—	—
12. Phulbani : Baudh	1794.10	—	—	—	—	—
13. Puri : Khurda	2061.45	4.85	44.61	315.59	17.12	28.41
14. : Nayagarh	577.92	10.87	44.60	124.52	—	38.14
15. : United Puri-Nimapara	2630.73	9.64	—	461.87	189.13	74.19
16. Sambalpur	7520.64	—	—	326.70	361.72	50.60
17. Sundargarh	1860.81	89.70	—	528.68	48.19	—
Total	50776.77	646.45	842.99	2979.49	2905.37	1358.56

ANNEXURE 12 (Contd.)

Rs Lakhs

412

District/Central Co-operative Bank	Credit Potential						Total
	Vegetables	Potato	Sugarcane	Jute	Other comm. crops	Other crops	
(1)	(20)	(21)	(22)	(23)	(24)	(25)	(26)
1. Balasore	956.23	60.54	128.75	82.48	—	63.05	6736.00
2. Bolangir	—	424.82	92.84	—	—	—	3708.95
3. Cuttack : Banki	—	58.20	262.50	—	—	—	1094.90
4. : Cuttack-United	255.50	675.00	60.00	490.50	—	—	9777.42
5. Dhenkanal : Angul-United	195.01	85.22	20.10	—	—	172.30	3458.65
6. Ganjam : Aska	—	—	49.05	—	1532.01	—	3822.26
7. : Berhampur	—	—	—	—	—	—	7392.00
8. Kalahandi : Bhawanipatna	—	—	85.00	—	—	156.26	1664.80
9. Keonjhar	63.07	5.85	41.85	19.52	—	138.20	2304.18

10. Koraput	831.08	81.65	362.85	—	60.78	1009.15	5840.64
11. Mayurbhanj	146.54	8.44	23.84	10.32	—	3.83	3207.38
12. Phulbani : Baudh	—	—	—	—	—	—	1794.10
13. Puri : Khurda	41.96	11.04	21.04	—	—	107.54	2653.61
14. : Nayagarh	44.12	10.46	356.00	—	—	48.60	1255.23
15. : United Puri-Nimapara	216.80	166.41	30.51	12.87	—	49.27	3841.42
16. Sambalpur	332.80	—	236.00	—	—	—	8828.46
17. Sundargarh	—	—	15.41	—	—	—	2542.79
Total	3083.11	1587.63	1785.74	615.69	1592.79	1748.20	69922.79

ANNEXURE 12 (Contd.)

Range of scales of finance reported by central co-operative banks in respect of important crops

Crops	Rupees per Hectare	
	Irrigated	Unirrigated
Paddy	1250 — 2450	560 — 1400
Wheat	1250 — 1800	750 — 1600
Ragi	750 — 950	600 — 875
Pulses	595 — 1000	400 — 900
Groundnut	1400 — 2225	1000 — 2175
Oilseeds	775 — 1000	550 — 775
Vegetables	1375 — 2875	750 — 1875
Potato	4500 — 6750	

Sugarcane	3700	—	5650
Jute	885	—	1615
Chilly	1650	—	1865
Other crops	875	—	2100

ANNEXURE 13

Credit Potential and Credit Programme (1980-82) for agriculture as per District Credit Plans

Rs Lakhs

District	Gross cropped area ('000 hectares)	Total short-term agricultural credit potential	Production credit requirements to be met from institutional sources @ 50% of of col. (3)	Credit Programme for 1980-82			
				Crop loan	Of Col. 5, share of central co-op. banks	Credit for allied activities and term loans for investment in agriculture	Of col. (7), share of central co-op. banks
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1. Balasore	545	5080	2540.04	1134.79	935.91	1326.85	487.26
2. Balangir	577	2890	1444.75	1444.75	874.38	1537.13	602.15
3. Cuttack	1130	6674	3337.00	1535.00	1050.00	29262.8	600.16
4. Dhenkanal	510	3438	1718.74	443.00	270.00	1208.92	417.40
5. Ganjam@	765	(11214)	(5607)	1007.00	641.75	2906.40	732.32

6. Kalahandi	672	1390	695.00	720.27	505.55	736.92	375.77
7. Keonjhar	322	2226	1113.00	204.00	180.00	669.64	239.02
8. Koraput	828	7325	3662.50	777.00	425.00	1704.52	980.00
9. Mayurbhanj	433	3208	1604.00	254.00	197.00	748.72	205.49
10. Phulbani	319	1585	792.50	317.00	237.75	816.99	428.08
11. Puri	N.A.	7903	3951.73	1330.00	918.52	2172.74	805.36
12. Sambalpur	794	10742	5371.05	1186.47	562.99	1847.93	600.38
13. Sundargarh	357	1955	977.53	281.24	116.13	574.44	160.40
Total		65630	32814.84	10634.52	6914.98	19213.48	6634.29

@ In the absence of relevant figure in the DCP for the district, short-term credit potential in the areas of Aska and Berhampur ccbs as given in Annexure 12 have been adopted as credit potential for the Ganjam District and shown the said figures in brackets.

ANNEXURE 14

District-wise credit requirements on the basis of gross cropped area and scales of finance adopted by the central co-operative banks

District/Central Co-operative Bank	Gross cropped area ('000 hectares)			Total credit Potential			Credit require- ments to be met by insti- tutional sources *of col. (3c)	Rupees Lakhs		
	Irri- gated	Unirri- gated	Total	Irrigated area	Unirriga- ted area	Total		Credit requirements met by the central co-operative banks		
								Overdues as on 30-6-79	Loans issued during 1979-80	Total (Cols. 5a + 5b)
(1)	(2a)	(2b)	(2c)	(3a)	(3b)	(3c)	(4)	(5a)	(5b)	(5c)
1. Balasore	170	455	625	2408.72	4327.28	6736.00	2357.60	67.21	489.09	556.30
2. Bolangir	66	438	504	1359.14	2349.81	3708.95	1298.14	54.87	265.82	320.69
3. Cuttack : Banki	5	60	65	156.20	938.70	1094.90	437.96	13.73	140.52	154.25
: Cuttack-United	274	422	696	5287.12	4490.32	9777.42	3910.96	58.93	355.89	414.82
4. Dhenkanal ; Angul-United	45	363	408	485.77	2972.88	3458.65	864.66	42.67	245.67	288.34
5. Ganjam : Aska	91	181	272	1927.28	1894.98	3822.26	1528.88	66.06	159.65	225.71
: Berhampur	324	210	534	4480.00	2912.00	7392.00	2956.80	82.04	288.30	370.34

6. Kalahandi : Bhawanipatna	16	162	178	164.80	1500.00	1664.80	416.20	66.65	233.44	300.09
7. Keonjhar	—	243	243	—	2304.18	2304.18	576.05	19.85	90.14	109.99
8. Koraput	67	677	744	1305.30	4535.34	5840.64	1460.16	40.12	251.44	291.56
9. Mayurbhanj	43	283	326	745.07	2464.31	3207.38	801.85	15.25	182.62	197.87
10. Phulbani : Baudh	27	180	207	236.42	1557.68	1794.10	448.52	18.98	116.59	135.57
11. Puri : Khurda	63	177	240	922.82	1730.79	2653.61	1061.44	10.27	173.66	183.93
: Nayagarh	8	86	94	512.89	742.34	1255.23	501.94	15.48	258.71	274.19
: United Puri-										
: Nimapara	120	250	370	2119.63	1721.79	3841.42	1536.56	67.20	189.21	256.41
12. Sambalpur	217	495	712	3295.23	5533.23	8828.46	3531.39	246.78	493.29	740.07
13. Sundargarh	22	276	298	450.27	2092.52	2542.79	762.84	6.91	40.36	47.27
Total	1558	4958	6516	25856.66	40305.93	69922.79	24451.95	893.00	3974.40	4867.40

* 40% for Sr. Nos. 4, 6, 11 and 12 ; 35% for Sr. Nos. 1 and 3; 30% for Sr. No. 13 and 25% for others.

ANNEXURE

Statement showing establishment of Regional Rural Banks in Orissa and position as on

Name of the Regional Rural Bank	Sponsor bank	Dists. covered	Date of establishment	No. of branches	Pending licences
(1)	(2)	(3)	(4)	(5)	(6)
1. Puri Gramya Bank	Indian Overseas Bank	Puri	25-2-76	46	10
2. Balangir Anchalik Gr. Bank, Bolangir	State Bank of India	Balangir & Sambalpur	10-4-76	52	37
3. Cuttack Gramya Bank	United Commercial Bank	Cuttack	11-10-76	60	44
4. Koraput Panchabati Gramya Bank	State Bank of India	Koraput	13-11-76	55	6
5. Kalahandi Anchalik Gramya Bank	State Bank of India	Kalahandi	26-5-80	4	5
6. Baitarani Gramya Bank	Bank of India	Mayurbhanj & Keonjhar	23-6-80	5	45
7. Balasore Gramya Bank	United Comm. Bank	Balasore	6-8-80	4	16
8. Rushikulya Gramya Bank	Andhra Bank	Ganjam	14-2-81	—	—

Rupees Lakhs[illegible]

ANNEXURE 16

422

District-wise position of offices, deposits, advances etc., of commercial banks on as 30 June 1979

Rs Lakhs

District	No. of offices of Commercial Banks				Total depo- sits of commercial bank offices in the districts	Outstanding loans of commercial banks in the districts		Credit deposit ratio	Average per branch office			
	Rural	Semi- urban	Urban	Total		Total	Of which for agri- culture		Popu- lation	Depo- sits	Loans outstanding	
											Total	agricul- ture
(1)	(2a)	(2b)	(2c)	(2d)	(3)	(4a)	(4b)	(5)	(6a)	(6b)	(6c)	(6d)
Balasore	22	14	—	36	1057	716	282	68	51	29	20	8
Balangir	28	11	—	39	545	1143	411	210	32	14	29	10
Phulbani	17	2	—	19	319	152	98	48	33	17	8	5
Cuttack	89	11	35	135	6030	5593	1392	91	28	45	41	10
Dhenkanal	19	13	—	32	1018	392	141	39	40	32	12	4

Ganjam	43	14	20	77	2729	1169	472	32	29	36	15	6
Kalahandi	22	3	—	25	348	314	136	90	46	14	13	5
Keonjhar	14	6	—	20	539	385	58	70	58	27	19	3
Koraput	62	17	—	79	1289	1335	481	103	26	16	17	6
Mayurbhanj	24	7	—	31	752	305	85	41	66	24	10	3
Puri	50	18	31	99	7382	4244	1407	57	23	75	43	14
Sambalpur	45	34	—	79	2801	2359	518	84	23	22	30	7
Sundargarh	19	9	25	53	3541	1893	101	51	20	67	35	2

ANNEXURE

Statement showing the information relating to the RCMSs having rice mill

District	No. of RCMSs in the district	Name of the RCMS with rice mill unit	Date of installation of rice mill unit	Capacity of the unit	Cost of the unit	Margin
(1)	(1a)	(2)	(3)	(4)	(5)	(6)
1. Balasore	5	Balasore	12-4-70	One	3.56	3.56
		Bhadrak	31-3-73	„	3.09	3.46
		Chandbali	9-7-70	„	2.74	3.72
2. Balangir	5	Balangir	9-5-73	„	1.36	—
3. Cuttack	8	Cuttack	17-3-73	One	3.03	1.68
		Jagat- singpur	14-4-74	„	2.29	1.80
		Kendrapara	4-9-74	„	3.24	1.80
		Banki	NA	„	3.66	—
		(Not commissioned)				
		Athagarh	5-2-75	One	3.89	1.68
		Jajpur Road	NA	„	2.60	—
		(Not commissioned)				
4. Dhenkanal	4	Angul	(Not installed)	One	Not finalized	—
5. Ganjam	5	Bhanj- nagar	NA	One	NA	5.26
		Berhampur	NA	NA	2.48	3.24
			(Jan. 66)	One		
		Aska	(Nov. 63 —Feb. 77)	One	NA	NA
		R. Uday- giri	18-6-74	One	2.41	2.75
6. Kalahandi	3	Junagarh	16-2-72	One	2.98	2.74
		Nawapara	28-7-78	One	5.15	—
7. Keonjhar	2	Anandpur	(Not installed)	One	NA	NA
		Keonjhar	„	„	NA	NA

17

*units and their paddy procurement during 1975-6 to 1978-9*Quantity in Quintals
Value in Lakhs of Rupees

Paddy Procurement During the Years							
1976-7		1977-8		1978-7		1979-80	
Q.	V.	Q.	V.	Q.	V.	Quantity	
(7)	(8)	(9)	(10)	(11)	(12)	(13)	
1.	14607	11.39	6453	5.23	8697	7.91	8477
	17289	13.49	12156	9.85	2383	2.17	2383
	18054	14.08	13389	10.85	—	—	—
2.	1057	0.83	—	—	—	—	—
3.	—	—	—	—	—	—	6487
	—	—	—	—	—	—	30
	3341	2.61	—	—	—	—	4340
	—	—	—	—	—	—	—
	—	—	—	—	—	—	—
	—	—	—	—	—	—	—
4.	—	—	—	—	—	—	—
	—	—	—	—	—	—	—
5.	600	0.47	307	0.25	—	—	33
	1780	1.39	—	—	—	—	—
			(—)	(—)	(9740)	(9.70)	(12098)
	2293	1.79	—	—	—	—	—
	(2594)	(2.22)	(5857)	(6.01)	(21481)	(20.88)	(17766)*
	383	0.30	Nil	Nil	3476	3.16	874
6.	10289	8.03	5053	4.09	11911	10.84	—
	5010	3.91	134	0.11	4194	3.82	220
7.	—	—	—	—	—	—	—
	—	—	—	—	—	—	—

(1)	(1a)	(2)	(3)	(4)	(5)	(6)
8. Koraput	7	Jeypore	23-3-69	One	0.84	3.72
		Nawarangpur	22-3-70	„	1.24	3.72
		Gunpur	10-11-71	„	2.69	1.44
		Rayagada	16-1-70	„	2.68	3.60
9. Mayurbhanj	5	Daripada	1-3-73	One	2.66	2.80
		Udala	NA	NA	2.35	—
10. Phulbani	2	Baudh	8-8-73	One	4.06	1.80
11. Puri	6	Nimapara	1-4-73	One	2.52	2.52
		Sakhi-	1-5-75	„	2.32	1.70
		gopal				
		Nayagarh	NA	„	3.06	—
			(Not installed)			
		Balugaon	25-10-73	„	2.77	1.80
		Jatni	25-8-75	„	3.62	—
12. Sambalpur	8	Sambalpur	21-7-73	One	2.54	1.80
		Bargarh	1-9-74	Two	NA	3.26
				(One 3/4)	9.21	
		Attabira	NA	One	NA	2.43
		Barapali	3-4-64	„	0.69	1.80
		Padampur	4-12-72	„	1.26	1.80
		Jharsuguda	NA	„	NA	1.68
		Deogarh	1-4-74	„	3.94	1.80
		Bamra	NA	„	NA	1.34
13. Sundargarh	3	Sundargarh	NA	„	1.28	1.80

Source : Statements furnished by the Orissa State Co-operative Marketing Federation.

Note : Figures in the brackets are furnished on the basis of data collected during field visits.

	(7)	(8)	(9)	(10)	(11)	(12)	(13)
8.	23487	18.32	29923	24.24	23820	21.68	5264
	18612	14.52	24320	19.70	24755	22.53	—
	5351	4.17	7989	6.47	14400	13.10	2541
	3853	3.01	4555	3.69	13834	12.59	2623
9.	1619	1.26	8293	6.72	—	—	—
	—	—	—	—	—	—	—
10.	22601	1.72	6599	5.34	11744	10.68	NA
11.	—	—	—	—	—	—	—
	—	—	—	—	—	—	—
	—	—	—	—	—	—	—
	—	—	—	—	—	—	—
	(Nil)	(Nil)	(273)	(0.17)	(215)	(0.17)	—
12.	14510	11.32	—	—	—	—	9325
	20420	16.16	13384	10.84	11865	10.80	5945
	(20720)	(17.80)	(13386)	(11.64)	(11865)	(12.25)	—
	16384	12.78	2501	2.03	6536	5.95	500
	4776	3.73	161	0.13	—	—	4529
	11833	9.23	2494	2.02	15902	14.41	1111
	11821	9.22	—	—	1600	1.46	1601
	—	—	—	—	—	—	264
	309	0.24	—	—	—	—	731
13.	—	—	—	—	—	—	—

* Up to middle of March 1980.

ANNEXURE 18

*The Operating Economics of a One Tonne per Hour
Modern Rice Mill.*

I. Estimates operating Expenditure per annum :

Fixed Expenditure

		Rs. per Annum	
Elements of cost	With par boiling	Without par boiling	
1.00 Depreciation			
1.01 5% on building, godown, and other civil works	9,500	8,300	
1.02 10% on plant & machinery	50,000	20,000	
1.03 10% on miscellaneous Fixed Assets	2,000	2,000	
2.00 Administrative over-heads, etc.	25,000	20,000	
3.00 Staff salaries (2 shifts per day)			
	Number.	Rs per month	
3.01 Manager	1	500	
3.02 Engineer	1	400	
3.03 Clerk	2	500	
3.04 Cashier	1	250	
3.05 Operator	2	400	
3.06 Helper	2	300	
3.07 Peon	1	120	
3.08 Watchman	4	480	

Total 2,950

ANNEXURE 18 (Contd.)

			Rupees per Tonne	
For 14 months to include other benefits			41,300	
	With par boiling boilers		With par boiling	Without par boiling
3.09	Operator	2	400	
3.10	helper	2	200	
	par boiling and Drying Units			
3.11	Operator	2	400	
3.12	Helper	2	300	
Total			4,250	
For 14 months to include other benefits			59,500	
4.00	Interest on block loan at 8%		58,000	38,000
5.00	Taxes, licence fee, etc.		5,000	5,000
			<hr/>	<hr/>
			2,09,000	1,34,600
Total			2,10,000	1,35,000
Variable Expenditure			With par boiling	Without par boiling
1.00	Procurement expenses			
1.01	Loading and unloading		1.00	1.00
1.02	Market cess		1.20	1.20
1.03	Incidentals		1.30	1.30
1.04	Transportation (about 10 miles)		5.00	5.00
1.05	Insurance			1.00
1.06	Depreciation of gunny's (4 rotations)		12.00	12.00

ANNEXURE 18 (Contd.)

2.00 Processing expenditure

2.01	Labour (about)	3.00	2.00
2.02	Power	5.00	4.00
2.03	Consumable stores	4.00	4.00
2.04	Repairs & Maintenance	2.50	1.00

3.00 Other expenses

3.01	10% interest on stocking of paddy and rice (about)	7.00	7.00
------	--	------	------

4.00 Sales expenditure

4.01	*Bagging and loading		
4.02	Incidentals	1.00	1.00

	Total variable expenditure in Rs per tonne of paddy	46.00	82.50
--	---	-------	-------

*The cost of gunnys for rice and by-products not included above as well as in their selling price.

II. Contribution towards overheads per tonne of paddy processed and break even volume.

		In Rupees	
		With par boiling	Without par boiling
1.00	Total receipts		
1.01	Whole rice	1017.24	962.85
1.02	Broken rice	—	31.00
1.03	Bran	14.50	14.50
	Total	1031.74	1008.35
2.00	Less price of paddy	900.00	900.00
		131.74	108.35
3.00	Less variable expenditure	46.00	42.50

ANNEXURE 18 (Contd.)

4.00	Contribution towards overheads in Rs per tonne of paddy processed	85.74	65.85
------	---	-------	-------

5.00 Break even volume of processing

Total Fixed Expenditure

Contribution towards overheads (about) 2,500 tonnes	2,000 tonnes
--	--------------

The above break even volume of processing has been calculated on the basis of the recovery and prices assumed earlier. However, in the case of particular project/proposal, the recovery of rice obtained from the local varieties of paddy along with the local average prices of paddy and products should be considered for all analysis of economic viability.

Sd/—
(R. S. Mahapatra)
Rice Technologist

Orissa State Co-op. Marketing
Federation Ltd.,
Station Road,
Bhubaneswar 751 006

ANNEXURE 19

*Cost, Commission and other charges payable to miller wholesale licensee***A : As applicable till January 1981**

- | | |
|---|---|
| (i) Cost of paddy purchased | At the rate fixed by Government :
Coarse Rs 95.00 per quintal
Fine Rs 99.00 per quintal
Superfine Rs 103.00 per quintal |
| (ii) Transport charges
on paddy | If the producer delivers his paddy to the Miller Wholesale Licensee at his railhead mill, the wholesale licensee will pay him Rs 1.75 paise per quintal extra towards cost of transport. If the producer delivers his paddy at a place not being railhead, where the miller wholesale licensee's mill is situated the licensee will pay him Rs 1.50 per quintal extra towards T. C. For all purchases made by the licensee they will get reimbursement from Government the cost of the paddy and transport charges at the above rates on final delivery of rice stocks as per the direction of the Collector. |
| (iii) Consolidated Commission to cover procurement charge including handling, storage, shortage, interest, gunny, depreciation etc. and milling charges | Rs 4.25 per quintal of paddy delivered in terms of rice at the ratio fixed by Government. |
| (iv) Cost of new B.T. will or D.W. gunny supplied as container of rice by the licensee inclusive of sales tax | Rs 4.25 per quintal of rice. |

ANNEXURE 19 (Contd.)

- | | |
|--------------------|---|
| (v) Octroi Charges | Actuals on production of valid money receipt in respect of stock delivered as per orders of Collectors. |
|--------------------|---|

8. As revised from February 1981

Cost, Commission and other charges payable to miller wholesale licensee or miller R.C.M.S.

- | | |
|--|--|
| (i) Cost of paddy purchased | At the rate fixed by the Government :
Coarse Rs 105 per quintal
Fine Rs 109 per quintal
Superfine Rs 113 per quintal |
| (ii) Transport charges on paddy | If the producer delivers his paddy to the miller wholesale licensee or RCMS at the mill head the wholesale licensee or RCMS will pay him Rs 2.00 paise per quintal of paddy towards cost of transport irrespective of the fact whether mill is at railhead or non-railhead. For all purchases made by the miller wholesaler licensees they will get reimbursement of the cost of the paddy and transport charges at the rate of Rs 2.00 per quintal of paddy on final delivery of rice stocks as per the direction of the Collector. In case of RCMSs which deliver rice the above T.C. rate shall also be paid per quintal of paddy on final delivery of rice stocks as per the direction of the Orissa State Civil Supplies Corporation. |
| (iii) Consolidated commission to cover procurement charges including handling, storage, short- | Rs 8.55 per quintal of paddy delivered in terms of rice at ratio fixed by Government. The rice shall be delivered in new B.T. or D.W. gunny |

ANNEXURE 19 (Contd.)

age, interest, gunny, depreciation, milling charges, charges for packing milled rice in new gunny bags and stencilling etc.	bags of one quintal rice capacity. This includes procurement commission of Rs 1.75 per quintal of paddy. Registrar, Co-operative Societies will decide about sharing of procurement commission etc. of Rs 1.75 per quintal of paddy between RCMSs and Primary Co-operatives working under RCMSs
(iv) Octroi charges	Actuals on production of valid money receipts in respect of paddy stock delivered in terms of rice by miller wholesale licensees to the Collector or by RCMSs to the Orissa State Civil Supplies Corporation.
(v) Sales Tax	The miller wholesale licensee or miller RCMS will be paid sales tax@4% calculated on the cost of rice delivered. The cost of rice per quintal will be worked out by taking into account the elements of cost specified above.

ANNEXURE 20

*Commission, Transport charges and other charges payable to the Storage Agents***A : As applicable till January 1981**

- | | |
|--|---|
| (a) Transport charges on rice | (From place of receipt to the place where the stocks are finally disposed of) |
| (i) For truckable routes | Re 0.67 paise per quintal upto first 15 K.M. and at the rate of Re 0.03 paise per quintal per K.M. for subsequent distance. |
| (ii) For non-truckable routes | At the rate not exceeding Re 0.08 paise per quintal per K.M. in case of transport by carts, headloads and other means of conveyance |
| (iii) For inland water routes | At the rate not exceeding Re 0.05 paise per quintal per K.M. |
| (iv) In case of river crossing by ferry where loading and unloading operations are involved, an extra charge of Re 0.50 paise per quintal (inclusive of ferry charges) shall be allowed for each river crossing. | |

If transport through different types of routes is involved the transport charges shall be determined on the basis of appropriate rate for actual distance covered by each type of routes subject to a minimum of Re 0.67 paise per quintal.

- | | |
|--|--|
| (b) Consolidated storage commission (for delivered rice kept in storage) | Re 0.30 paise per quintal per month from the date of receipt of the stock till the date of final disposal of the same. For this purpose 30 days will be reckoned as one month. For any part period of storage exceeding 30 days, the period of 15 days or more will be counted as one month and the period of less than 15 days will be ignored. |
|--|--|

ANNEXURE 20 (Contd.)

(c) Admissible shortage per quintal of rice —

- | | |
|---|--|
| 1. For first 2 months | 500 grams |
| 2. Third month and onwards upto 12 months | 150 grams per month |
| 3. Every additional month from 13th Month onwards | 75 grams per month |
| 4. In all cases of 2nd or/ and subsequent storage | 150 grams per month up to 12th month and 75 grams per month from 13th month onwards. |

The period of storage shall be calculated from the date of receipt till the date of final disposal. For the purpose of calculation 30 days will be reckoned as one month. The admissible shortage shown above is not refundable to the Agent in the shape of stock or money but will simply be written off the account.

- | | |
|--|--|
| (d) Extra incidental charges to cover handling, loading etc., including stencilling for despatch of stock. | (i) Re 0.48 paise per quintal of rice stocks despatched by wagon |
|--|--|

B : As revised from February 1981.

Transport charges, Storage Commission and other charges payable to Storage Agents of rice.

- | | |
|--------------------------------------|---|
| (a) Transport charges on rice | (From place of receipt to place where stocks are finally disposed of) |
| (i) For Truckable routes upto 10 Kms | Rs 5.20 per M.T. |
| Every extra Km. beyond 10 K. M. | Re 0.50 per M.T. |
| (ii) Carriage by Bullock Cart | Rs 3.52 paise |
| First Km. One cart-load | |
| Subsequent Km. One cart-load | Rs 1.41 paise. |

ANNEXURE 20 (Contd.)

A cart-load shall consist of 500 Kgs net in plain road and 400 kgs net in hilly road.

(iii) Carriage in In-land Water routes per ton per K.M.

For carriage in In-land Re 0.40 paise.

Water routes

(iv) In case of river crossing by ferry where loading and unloading operations are involved an extra charge of Re 0.50 paise per quintal (inclusive of ferry charges) shall be allowed for each river crossing.

If transport through different types of routes is involved, the transport charges shall be determined on the basis of appropriate rate for actual distance covered by each type of route.

- (b) Consolidated storage commission (for delivered rice kept in storage). Re 0.40 paise per quintal per month. For this purpose 30 days will be reckoned as one month. For any part period of storage exceeding 30 days the period of 15 days or more will be counted as one month and the period of less than 15 days will be ignored.

(c) Admissible shortage per quintal of rice

1. For first 2 months — 500 grams
2. Third month and onwards upto 12 months — 150 grams per month
3. Every additional month from 13th month onwards — 75 grams per month
4. In all cases of 2nd or/ and subsequent storage — 150 grams per month upto 12th month and 75 grams per month from 13th month onwards

The period of storage shall be calculated from the date of receipt of stock till the date of final disposal. For the purpose of calculation 30 days will be reckoned as one month. The admissible shortage shown above is not refundable to the Agent in shape of stock or money but will simply be written of the account.

ANNEXURE 20 (Contd.)

- | | |
|--|---|
| (d) Extra incidental charges to cover loading, unloading etc., including stencilling | (i) Unloading from railway wagon, loading in truck and unloading and stacking in godowns etc. (per quintal of rice) Re 0.48 p. or vice-versa. |
| | (ii) Stock handled including loading and unloading at both points other than by wagon (per quintal of rice) Re 0.24 paise. |
| (e) Octroi charges | Actuals on production of valid money receipts in respect of rice moved to Municipality and NAC areas for public distribution system. |
-

ANNEXURE 21

Economics of one tonne rice mill

	Rs	Rs
1. Annual turnover :		
(i) Paddy Procured (20,000 Q)		
(ii) Rice recovered (13,200 Q)		
i. e. 66 p. c. of item (i)		
(iii) Sale price of Rice Rs 166 p. q. (13,200 Q x Rs 166)	21,91,200	
(iv) By-products Recovered (6,800 Q)		
i.e. 3.4 p. c. of item (i)		
(v) Sale price of by-products 6,800 Q @ Rs 7.90 per quintal (i.e. Rs 2.65 per 34 Kgs of by-products as per Table 3 of paragraph 17 chapter 8)	53,720	22,44,920
2. Annual Estimated Expenditure :		
(i) Purchase price of paddy 20,000 Q @ Rs 95 per quintal	19,00,000	
(ii) Salaries of staff :		
(a) Mill Manager Rs 325 p. m.		
(b) Operator/Driver Rs 250 p. m.		
(c) Boiler Attendent Rs 200 p. m.		
(d) Helper Rs 150 p. m.		
(e) Clerk Rs 250 p. m.		
(f) Watchman (s) Rs 200 p. m.		
(g) Casual labour Rs 500 p. m.		
	1875	
i. e. say 1900 x 12	22,800	
(iii) Rent for godown/1000 p.m. x 12 office etc.	12,000	
	19,34,800	
(iv) Interest on working capital Rs 5.70 lakhs @13 p.c. per annum (Assuming two turnovers and 40 p.c. margin working capital requirement) works out to Rs 5.70 lakhs as under :	74,100	

	Annual	Six months
Cost of paddy	19,00,000	9,50,000
Margin 40 p. c.	7,60,000	3,80,000
Borrowings 60 p. c.	11,40,000	5,70,000
(v) Commission on procurement @ Rs 1,000 per quintal of paddy for 20,000 Q		20,000
(vi) Transport charges @ Rs 3.00 per quintal of paddy for 20,000 Q		60,000
(vii) Gunny bags @ Rs 5.00 per quintal of rice for 13,200 Q		66,000
(viii) Operating cost (fuel, electricity, water etc. & maintenance) @ Rs 1.50 per quintal for 20,000 Q of paddy		30,000
(ix) Shortage of rice 132 Q @ Rs 166 per quintal (According to shortages allowed for storage agent by Govt., shortage per quintal of rice is 500 gms in first two months and 150 gms p.m. from third to twelfth month hence shortage assumed at 1 Kg. per quintal of rice stock at 13200 Q)		21,912
x) Contingencies		10,000
		22,16,812
Net profit 1-2		28,108

Note : Economics worked out on the basis of support prices for paddy of coarse variety prior to *Kharif* 1980-81.

ANNEXURE 22

Miller's Levy Quota—Price

Item	Govt. Rate	Millers esti- mation of expenses	Price for quintal of rice (recovery 66 per cent of paddy)	
			Govt. Rate	Millers estimated Rate
1. Paddy purchase price	95.00 (per quintal of paddy)	95.00 (per quintal of paddy)	144.00	144.00
2. Transport charges	1.75 (per quintal of paddy)	3.00 (per quintal of paddy)	2.66	4.55
3. Consolidated commi- ssion to cover procure- ment charges including handling, storage, shortage, interest, gunny, depreciation etc. and milling charges.	4.25 (per quintal of paddy)	7.00 (per quintal of paddy)	6.44	10.60
4. Cost of new B.T. will or D.W. Gunny supplied as container of rice inclusive of sales tax	4.25 (per quintal of rice)	5.00 (per quintal of rice)	4.25	5.00

Note : The amount of expenses incurred by rice mills visited by us on transport, gunny bags and milling charges etc., differ from mill to mill. We, however, have assumed the expenses considered reasonable by us. Further, the paddy is assumed to have been procured at the rates fixed by the Government.

ANNEXURE 23

Unit : Irrigated Area — One acre

Item	Package of practices	Estimated cost/value Rs
1. Land type	Loamy and Sandy loam	—
2. Seed variety	Khufri, Chandramukhi, Jyoti, Sindhri, Deva, N-62-8, N-7	—
3. Seed rate (Kgs)	600	880.00
4. Seed treatment (Agrosan or Ceresan in gms)	500	4.25
5. Sowing/Planting time	November	—
6. Sowing/Planting distance (cms)	45 X 20	—
7. Compost/F. Y. M. (Cart Load)	8	80.00
8. Chemical fertilizer in terms of plant nutrient in Kgs		
N	40	156.00
P ₂ O ₅	25	91.25
K ₂ O	40	53.60
9. Interculture nos.	Twice	—
10. Irrigation nos.	8	—
11. Plant protection cost of production	3 times	100.00
supplies (Total of 1 to 10)	—	1365.10

12. Irrigation charges	—	40.00
13. Bullock labour (days)	11	88.00
14. Human labour (days)	114	456.00
15. Interest on capital for half of the growth period @Rs 14 per cent per annum	—	34.10
16. Miscellaneous cost	—	6.80
17. Total cost	—	1990.00
18. Yield of grain (Qtls) @Rs 50/Qtl.	70	3500.00
19. Margin over cash cost (Item 18—17)	—	1510.00

Source : Agricultural Guide Book—1980 (p 299)

Director of Agriculture and Food Production, Government of
Orissa)

ANNEXURE 24

Objectives of the potato growers storage and marketing co-operative societies

- (1) To arrange for sale of potatoes of the members to the best advantage and to help the affiliated PACS for recovery of loans.
- (2) To install a cold storage plant and to offer storage facilities for seed potatoes to the members and vegetables, fruits etc.
- (3) To advance loans to members on the pledge.
- (4) To arrange for seed potatoes, fertilizers agricultural inputs, etc., to the members.
- (5) To purchase material required for peeling and preservation of the potatoes.
- (6) To arrange for technical advice from the expert to the members.
- (7) To borrow loans/funds and receive deposits from members and others for potato cold storage.
- (8) To make out-right purchase of essential commodities for members subject to approval of RCS.
- (9) To take up pooling, grading and standardization and processing of agricultural and allied commodities.

Note: The above objectives are of the Jharsuguda Society. Broadly these are the objectives of all similar societies.

ANNEXURE 25

*List of cold storages in co-operative and Government Sector in Orissa***A. Co-operative Sector**

Name of the Potato Growers Storage & Marketing Society	Capacity (in M.T.)
---	--------------------

Cuttack (6)

- | | |
|---|---------------------------|
| 1. Baylishmouze, Jhinikira | 2000 (Addl. 1000) |
| 2. Bapuji, Bahugram | 600 (Addl. 1000) |
| 3. Banki | 650 |
| 4. Gopabandhu Sital Bhandar,
Jagatsinghpur | 400 |
| 5. Lakheswar Sital Bhandar,
Phulnakhara | 2000 (Under construction) |
| 6. Atgarh | 2000 (Registered) |

Puri (2)

- | | |
|-----------------------------------|---------------------------|
| 7. Uttarayani, Satsankha | 650 (Addl. 2000) |
| 8. Chanarpanda Denua,
Nimapara | N.A. (Moribund condition) |

Ganjam (2)

- | | |
|--|---------------------------|
| 9. Panchayat Samiti, Aska | 550 |
| 10. Berhampur Multipurpose Co-op.
Cold Storage, Ambapua | 2000 (Under construction) |

Koraput (1)

- | | |
|-------------|-----|
| 11. Jeypore | 650 |
|-------------|-----|

Sambalpur (2)

- | | |
|----------------|-----|
| 12. Jharsuguda | 750 |
|----------------|-----|

13. Barapali	600
<i>Dhenkanal (2)</i>	
14. Bubhan	600
15. Hindol	2000
<i>Sundargarh (1)</i>	
16. Bonai RCMS (Rajmunda)	650
<i>Phulbani (1)</i>	
17. Gudayagiri, Givudago	1500 (Under construction)
B. Government Sector	
<i>Sundargarh (1)</i>	
1. Kuarmunda	1500
<i>Balangir (1)</i>	
2. Balangir	1500
<i>Koraput (1)</i>	
3. Semiliguda	1500
<i>Ganjam (1)</i>	
4. Parlakhmundi	150
<i>Cuttack (2)</i>	
*5. Cuttack Unit No. 1	575
*6. Cuttack Unit No. 2	1500
<i>Puri (1)</i>	
7. Bhubaneswar	1500
<i>Sambalpur (1)</i>	
*8. Sambalpur	375

*These have been transferred to the Orissa State Seeds Corporation.

Note : Work on installation of plants for additional capacity sanctioned to various co-operative cold storages is in progress.

ANNEXURE 26

Storage charges by the Co-operative Cold Storages

From March to June	Rs 12 per quintal
For each subsequent month from July to October	Rs 3.25 paise per mensem or part thereof

For seed potato charges are Rs 24 per
quintal from March to October

Shortage in stock on account of spoiling
of potatoes in cold storage upto 5 per cent
is considered acceptable.

Note : The above charges are in respect of Uttarayani Potato Growers Storage and Marketing Co-operative Society. By and large, similar charges are collected by various co-operative cold storages in the State.

ANNEXURE 27

Terms and conditions for storage of potato in Government Cold Storages

The terms and conditions for storage of potato in Government Cold Storages as laid down in the Accounting Procedure published by Agriculture and Co-operation Department, Government of Orissa are as follows :

1. (a) A charge of Rs 22 (Rupees twenty two) only will be made per quintal of potatoes for the season beginning usually from March to October each year. This period is however subject to variation. Any quantity less than one quintal will not be accepted for storage.

(b) A sum of Rs 11 (Rupees eleven) only will be charged per quintal of edible potatoes for a period of first four months from the date of storage and Rs 3 (Rupees three) only in addition per quintal for each subsequent month or part of it.

2. (A) An advance of Rs 3 (Rupees three) only per quintal will be deposited for storage of potatoes in each case immediately after application for storage is accepted.

(B) If after payment of the advance money, the party does not present his commodities for storage within a specified time his reservation will be cancelled and the money advanced for the purpose forfeited.

3. The Cold Storage authorities reserve the right of accepting or rejecting any application depending on the space available.

4. (A) Any variety of potatoes other than seeds can be stored by the applicant since the potatoes are his property but the Director of Agriculture and Food Production, Orissa reserves the right to accept or reject any stock of potatoes for storage if he is convinced that the stock may have some deteriorating effect on other potatoes in storage.

(B) Only good quality potatoes will be accepted by the Cold Storage after proper sorting and removing damaged rotten, shrivelled and diseased tubers at the cost of the party.

5. The applicant may remove the stock stored by him at any time during the storage season on payment of the full storage rent less the advance paid. The quantity should not be released in less than 5 quintals per day. Parties storing 100 quintals or more will be required to remove their stock in not less than 50 (Fifty) quintals at a time.

6. (A) Potatoes sent for storage will be delivered by the applicant at the premises of the cold storage and removed from there at the end of the storage period. The rental charged by the Government represents the cost of loading and unloading from storage racks and the cost of storages. For every 100 quintals of potatoes given for storage, only 95 quintals of potatoes will be delivered to the applicant.

(B) The applicant should take delivery of his stock definitely on the particular date fixed by the Cold Storage authorities failing which a penalty at the rate of Re 0.20 p. (Twenty paise) per quintal will be charged to him after 3 days from the date fixed for delivery in respect of stock of 50 (fifty) quintals or more delivered at a time.

7. Government accepts no responsibility for any deterioration of potatoes during storage which may be caused due to inherent defects in the potatoes. A guarantee that the storage room temperature will not exceed the following limits can however be given, if desired.

40° F for not more than 168 hours
 45° F for not more than 72 hours
 50° F for not more than 36 hours

It may be noted that every effort will be made to maintain the required temperature of storage i.e., 35° F + 2° F throughout the storage season.

(B) In case of emergency arising due to breakdown of the plant the party may be required to take back his stock stored within 24 hours on payment of storage rent for the period of the actual storage at the rate of Rs 3 per quintal per month or part thereof. Any stock not lifted within the fixed date will be disposed off in the manner prescribed in clause 9 below.

8. The party might inspect the goods during the storage period on any working days by giving atleast 24 hours notice to the Cold Storage Authorities. They shall have the option to withdraw the goods at any time before expiry of the storage period but no claim what so ever by way of reduction in the rental or otherwise will be entertained by the Director of Agriculture and Food Production, Orissa. Once the goods withdrawn and space vacated the party shall have no right to use the same again.

9. The storage season definitely closes by the 1st November. Any potatoes not lifted before that date will be sold at the discretion of the Director of Agriculture, Orissa and the balance rent recovered from the sale proceeds.

10. In case of any dispute, the decision of the Director of Agriculture, Orissa will be final and binding.

ANNEXURE 28

Details of primary handloom (cotton) weavers co-operative societies in Orissa for the period 1978-9

		Rs thousands	
		Orissa	All-India
(1)		(2)	(3)
		1978-9	1977-8
1. No. of societies			
(i) Total	:	377	12180
(ii) Dormant	:	98	5541
2. Membership			
(i) Of active societies	:	40616	367 societies 630699 individual
(ii) Of dormant societies	:	5851	276230
3. Working Capital	:	39794	599004
4. Paid up Capital			
(a) Total	:	3593	146733
(b) Government	:	—	50399
(c) Societies	:	—	7853
(d) Individuals and others			
(i) Out of Government loans	:	1276	16414
(ii) Out of their resources	:	2317	70617
5. Statutory reserve fund		1742	31497
6. Other funds		1785	33013
7. Borrowings from			
Government	:	2341	49201
CFAs	:	5630	111551
Others	:	1644	15920
		<hr/> 9615	<hr/> 176672
8. All other liabilities	:	10810	126256

ANNEXURE 28 (Contd.)

(1)	(2)	(3)
9. Stocks		
(i) Yarn :	5504	70189
(ii) Other raw materials :	2086	13941
10. Finished goods	4894	13784
11. Investments	2128	56542
12. Fixed Assets		
(i) Plant and Equipments	757	32215
(ii) Land and Building	2306	32115
13. Loans		
a) Outstanding :	2353	61826
b) Overdues :	474	19185
14. All other assets	19767	218392
15. Societies undertaking production and sale		
(i) Number :	279	6051
(ii) Membership :	40616	582974
(iii) Value of yarn :	32185	485868
(iv) Value of cloth purchased :	—	23136
(v) Value of cloth produced :	53370	741973
16. Sales	55988	757022
17. Wages paid	15441	216564
18. No. of looms		
(a) Total :	61074	852242
(b) Working :	25117	473418
19. No. of godowns		
(i) Owned :	96	741
(ii) Hired :	182	1199

ANNEXURE 28 (Contd.)

(1)	(2)	(3)
20. Number of		
(i) Sale depots :	81	1266
(ii) Pattern making factories :	5	95
(iii) Dyehouses :	6	380
(iv) Common facilities workshop :	—	98
21. Borrowings outstanding (Govt.)		
(a) Working capital :	667	18337
(b) Share capital :	1190	18812
(c) Block assets :	—	3847
22. Borrowings outstanding for (Govt.)		
(i) Construction of godowns :	161	1284
(ii) Construction of housing colonies :	319	4778
(iii) Other purposes :	3	10143
23. Subsidies received during the year for		
(i) Construction of godowns :	98	276
(ii) Construction of colonies :	1	5
(iii) Cost of management :	20	844
(iv) Rebate to consumers :	1882	20131
(v) Other purposes :	231	8094
24. Borrowings from C.F.A.		
Cash and overdrafts		
(a) Limits obtained :	11530	100716
(b) Gross drawals :	28134	258134
(c) Gross repayments :	27137	215149
(d) Outstanding :	5380	100805
(e) Loans outstanding :	251	10746
(f) Other outstanding borrowings	1644	15920
25. Cost of management		
(a) Salaries	850	19063
(b) Others	2232	19297
26. Profit		
(i) No. of societies :	226	4335
(ii) Amount	2524	30076

ANNEXURE 28 (Contd.)

(1)	(2)	(3)
27. Loss		
(i) No. of societies :	53	3740
(ii) Profit :	99	21206
28. No. of societies without profit or loss	98	4105

ANNEXURE 29

454

District-wise data relating to handloom societies in Orissa for the year 1978

Sl. No.	Name of the District	Total No. of W.C.S.	No. of working W.C.S.	No. of Moribund W.C.S.	No. of W.C.S. under liquidation	Total No. of looms	Active looms (out of col. 7)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1.	Cuttack	96	44	8	44	7,353	5,100
2.	Dhenkanal	30	7	12	11	1,656	214
3.	Puri	61	42	8	11	5,742	4,344
4.	Ganjam	49	33	7	9	6,046	2,000
5.	Koraput	39	6	5	28	2,883	66
6.	Phulbani	20	5	5	10	1,559	379
7.	Sambalpur	118	32	52	34	14,640	5,387
8.	Sundargarh	25	3	1	21	2,113	117

9. Balangir	64	31	24	9	6,969	2,311
10. Kalahandi	29	6	14	9	2,261	279
11. Mayurbhanj	34	18	7	9	1,737	420
12. Balasore	34	19	4	11	2,514	560
13. Keonjhar	16	4	3	9	2,061	123
Total	615	250	150	215	57,574	21,300

ANNEXURE 30

456

Statement of expenditure incurred by Orissa Government on various schemes for handlooms during the fifth plan period

							Rs Thousands
Sr.No.	Name of the Schemes	1974-5	1975-6	1976-7	1977-8	1978-9	Total
		(1)	(2)	(3)	(4)	(5)	(6)
	Handloom						
1.	Share capital loan to weavers C.S.	72.50	50.00	83.00	70.00	387.00	662.50
2.	Rebate on sale of handloom cloth	433.00	560.00	1791.00	1796.00	2699.00	7279.00
3.	Running expenses	12.00	9.00	7.20	10.00	50.40	88.60
4.	Share and working capital loan to Silk and tassar w.c.s.	37.10	—	15.00	30.00	—	82.10
5.	Organisational expenses	28.45	40.00	65.00	76.00	129.00	338.45
6.	Publicity and propaganda	40.00	80.00	39.00	40.00	100.00	249.00
7.	Interest subsidy on cess fund loan	20.00	17.00	20.00	20.00	46.00	125.00
8.	Interest subsidy on R.B.I. loan	28.00	27.00	26.00	45.00	133.00	259.00

9. Export promotion	—	—	6.00	12.00	7.00	25.00
10. Working capital loan to cotton W.C.S.	150.00	50.00	120.00	119.00	—	439.00
11. Loan-cum-subsidy to W.C.S. for construction of godown	48.00	20.00	32.00	40.00	260.00	400.00
12. Share capital contribution in Orissa State Handloom W.C.S.	1069.00	200.00	1000.00	2400.00	850.00	5519.00
13. Training of handloom weavers	8.00	10.00	13.00	13.00	12.00	56.00
14. Establishment of Regional Dye House and Printing Centre.	200.00	150.00	—	200.00	—	550.00
15. Scheme for assistance to the weavers outside co-operative fold	—	—	—	830.00	1500.00	2330.00
16. Loans to Orissa State Handloom W.C.S. for setting up of Processing unit	—	—	—	—	1100.00	1100.00
17. Share capital subsidy to weavers for membership subscription	—	—	—	—	84.00	84.00

Source : Director of Textiles, Government of Orissa

ANNEXURE 31

List of Plan Schemes for the year 1979-80 — Orissa

		Rs Lakhs
Sr. No.	Name of the Scheme	Amount for provision during 1979-80
(1)	(2)	(3)
Handlooms		
<i>A. Continuing Schemes :</i>		
a.	Direction and Administration	
	Organizational Expenses	4.00
b.	Financial Assistance	
1.	Assistance to individual weavers through I.H.D.P.	16.76
2.	Grant to Weavers towards membership subscription of co-operative societies	1.20
3.	Interest subsidy on share and working capital Loan	0.83
4.	Interest subsidy for loans to central co-operative Banks	1.50
5.	Subsidy for Managerial Expenses	0.60
6.	Share Capital contribution to Orissa State Handloom Weavers' Co-operative Society	3.00
7.	Loan-cum-Subsidy to W.C.S. for construction of godown	1.20
8.	Loans to Weavers to contribute to share capital of co-operative societies	5.25

ANNEXURE 31 (Contd.)

9. Loans to W.C.S. towards initial working capital	7.25
c. Training Programme	
Training of Weavers	1.00
Sales Promotion	
1. Rebate on Sale of Handloom Cloth	40.00
2. Publicity propoganda of Handloom products	1.00
B. New Schemes	
a. Incentive to Handloom Weavers	
1. Study Tour to Weavers outside the State Subsidy	0.05
2. Prize to progressive Weavers	0.12
3. Handloom Products unit for Adivasi area	1.00
d. Other Schemes	
1. Modernization of looms	2.00
Total	91.76

Source : Directorate of Textiles

ANNEXURE 32

Target & Achievement under the Intensive Handloom Development Project

Sr. No.	Particular	1977-8		1978-7		1979-80		1980-81
		Target	Achievement	Target	Achievement	Target	Achievement	Target
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1.	Establishment of Production Centres (Progressive)	10	11	11	30	30	37	40
2.	Identification of looms (Progressive)	2000	2638	5000	5730	8000	8089	10000
3.	Coverage of looms under Production (Progressive)	2000	1327	5000	4536	8000	6980	10000
4.	Provision of employment to weavers (Progressive)	4000	2654	10000	9072	16000	13960	20000
5.	Modernization of looms (Progressive)	1000	165	3000	2238	6000	5684	7000

6. Establishment of Training (Progressive)	1	1	1	1	1	1	1
7. Establishment of Training cum-Production Centre (Progressive)	10	3	10	3	10	3 + 1 (under implementation)	10
8. Establishment of Dye House (Progressive)	1	1	1	2	2	2	2
9. Establishment of Warping & Sizing Sheds (Progressive)	10	2	10	3	10	3 + 3 (under implementation)	10
10. Establishment of Printing Centre (Progressive)	1	—	1	—	1	—	1

ANNEXURE 32—(Contd.)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
11.	Establishment of workshop (Progressive)	1	—	1	—	1	—	1
12.	Establishment of Mini-design & Service Centre (Progressive)	—	—	—	—	—	—	1
13.	Training of Weavers (annual)	390	232	390	106	390	237	390
14.	Introduction of new design (Annual)	—	90	—	115	—	261	—
15.	Production (Annual)							
	(a) Qnty. in lakh metres;	Definite target was not fixed.	1.88	27.00	13.41	37.49	26.07	90.00
	(b) Value in lakh rupees		12.03	140.00	67.65	216.63	96.19	410.00
16.	Sale (Annual)							
	(a) Qnty. in lakh metres	—do—	0.85	27.00	7.93	37.49	19.36	90.00
	(b) Value in lakh rupees	—do—	6.02	140.00	41.51	216.63	70.99	410.00

17. Balance stock of finished products

(Progressive)

(a) Qnty. in lakh metres	1.83	6.51	13.22
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(b) Value in lakhs rupees	6.01	32.05	57.25
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ANNEXURE 33

464

Target & Achievement under the Handloom Export Production Project

Sr. No.	Particulars	1977-8		1978-9		1979-80		1980-81
		Target	Achievement	Target	Achievement	Target	Achievement	Target
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1.	Establishment of Production Centre (Progressive)	5	4	5	5	5	5	5
2.	Identification of looms (Progressive)	250	430	750	988	1000	1125	1000
3.	Coverage of looms under production (Progressive)	250	257	750	554	1000	783	1000
4.	Provision of Employment to weavers (Progressive)	500	504	1500	1108	2000	1366	2000
5.	Modernisation of looms (Progressive)	200	100	600	342	800	422	900
6.	Establishment of dye house (Progressive)	1	1	2	2	2	2	2

7. Establishment of Show-room (Progressive)	1	1	1	1	1	1	1
8. Introduction of new designs (Annual)	—	46	—	289	—	96	—
9. Establishment of Garment Mfg. Unit (Progressive)	—	—	—	—	—	—	1
10. Training of weavers (Annual)	400	100	400	49	400	14	400
11. Production (Annual)							
(a) Qnty. in lakh metres	No definite target	0.65	3.00	2.36	5.78	1.98	8.00
(b) Value in lakh rupees	fixed	6.32	37.00	27.80	84.72	22.80	96.00
12. Sales (Annual)							
(a) Qnty. in lakh metres	—do—	0.60	3.00	1.42	5.78	1.07	8.00
(b) Value in lakh rupees		5.80	37.00	17.93	84.72	12.88	96.00
13. Balance stock of finished products (Progressive)							
(a) Qnty. in lakh metres		0.05		0.99		1.90	
(b) Value in lakh rupees		0.52		10.39		20.31	

ANNEXURE 34

Budget Provisions for 1981-2

Scheme	Provision for 1981-2 (Rupees Lakhs)
Share investment	
O. S. H. D. Corporation	6.00
O. S. H. W. C. Society	8.00
Loan	
Construction of Godowns weavers societies	1.50
Subsidy for construction of godowns	1.50
Soft Bridge of loan for initial w.c. to W.S.	6.00
Share capital to W.C.S. (Tribals)	4.56 (0.50)
Rebate on sales	45.00
Subsidy to O.S.H.W.C.S. for R & D Cell	1.50
Share capital subsidy to W.C.S. (Tribals)	4.56 (0.50)
Publicity propaganda etc.	1.50
Handloom production unit in Adivasi area	2.00
Prizes to progressive units	0.20
Reorganization of Textile Directorate	9.70
Subsidy of modernization of looms	10.00

Loan for modernisation of looms	5.00
Interest subsidy on RBI loans	3.50
Interest Tour of Weavers of societies	0.10
Training of handloom weavers	1.90
Staff expenses to w.c.s.	2.49
	15.00
Sericulture	40.00
Spinning mills	100.00
Powerlooms	18.00

ANNEXURE 35

*Departmental set-up of Directorate of Textiles at district level.
Staff in positionas on 30-6-80*

Sr. No.	Name of the District	For District Office						
		Asst. Director of Textiles	Asst. Director of Sericulture	Statistical Asst.	Head Clerk/ Acct.	Upper Dvn. Clerk	Lower Dvn. Clerk	Driver Peon/ Watchman
		(1)	(2)	(3)	(4)	(5)	(6)	(7)
1.	Balasore	1	—	1	1	2	4	7
2.	Balangir	1	—	1	1	3	4	1
3.	Cuttack & Dhenkanal	1	—	1	1	3	5	1
4.	Ganjam	1	—	1	1	2	3	1
5.	Kalahandi	1	—	1	1	2	2	4
6.	Keonjhar	—	1	1	1	3	3	1
7.	Koraput		1	1	1	1	2	10
8.	Mayurbhanj		1	1	1	2	5	1
9.	Phulbani		1		1		2	1
10.	Puri	1		1	1	3	4	1
11.	Sambalpur	1		1	1	3	3	1
12.	Sundargarh		1	1	1	1	2	1

ANNEXURE 35 (contd.)

For Handloom W.C.S. & Tassar Co-op. Supervision						For sericulture field unit					
Sub-Asst. Registrar	Senior Inspector Co-op. Societies	Weaving supervisor	Junior Inspector Co-op. Societies	Weaving Mistress	Primary Investigator	Prod. Officer/ Tech. Inspector	Seed station Manager	Sr. Tassar Asst.	Field Asst.	Eri. Mistry	Attender/ Reapers
(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)
1	2	2	4	6	2	—	—	1	—	—	—
1	2	5	11	14	4	—	—	—	—	—	1
3	5	5	19	26	4	2	—	2	4	4	8
1	1	2	13	11	3	1	—	—	3	1	3
1	1	1	3	3	—	—	—	—	—	—	—
1	1	—	1	1	—	13	2	—	17	2	13
	1	1	1	3	—	5	1	8	2	—	1
1	2	3	3	9	—	8	2	11	13	2	18
	1	1	1	2	—	2	—	—	5	—	24
2	3	8	15	25	3	1	1	1	1	2	8
2	2	6	15	12	3	1	—	1	2	—	2
	1	1	1	1	1	1	—	—	9	—	—

ANNEXURE 36

Sambalpur Bastralaya, Bargarh, District : Sambalpur

Statement showing the rebate dues from the Govt. as on dt. 23-1-1980

1. Rebate dues :		Balance dues		
20-12-75 to 31-1-76		Rs	10,17,014.70	
1-2-76 to 28-2-76		Rs	1,90,714.40	
	Total	Rs	12,07,729.10	
Rebate Amount Received				
17-11-76	Rs	2,50,000.00		
15-3-77	Rs	7,20,000.00		
17-5-77	Rs	74,825.05		
4-1-77	Rs	20,542.45	(—) Rs	10,65,367.50
				1,42,361.60
2. Rebate dues :				
18-3-77 to 7-5-77		Rs	1,91,978.30	
" "		Rs	6,51,862.00	
" "		Rs	1,67,307.30	
	Total	Rs	1,10,11,147.60	
Rebate amount received				
	Rs	1,23,799.55		
	Rs	3,66,567.36		
	Rs	4,01,147.60	(—) Rs	8,91,514.51
	Rs	8,91,514.51		1,19,633.09

ANNEXURE 36 (Contd.)

3. Rebate dues :

3-10-78 to 17-10-78	Rs	8,87,466.10	
Rebate amount received	Rs	3,74,005.21	5,13,460.89

4. Rebate dues :

23-3-79 to 31-3-79	Rs	5,64,923.60	
Received		Nil	
		<hr/>	5,64,923.60
21-9-79 to 28-9-79	Rs	2,05,010.10	
Received		Nil	
		<hr/>	2,05,010.10

5. Rebate dues :

29-9-79 to 5-10-79	Rs	3,60,359.50	
Received		Nil	
		<hr/>	3,60,359.50
12-1-80 to 19-1-80			19,05,748.78
			7,84,361.75
	Rs		26,90,110.53
