

**REPORT OF THE STUDY TEAM
ON
AGRICULTURAL CREDIT INSTITUTIONS
IN
JAMMU & KASHMIR**



**RESERVE BANK OF INDIA
AGRICULTURAL CREDIT DEPARTMENT
BOMBAY**

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INTRODUCTION

It was suggested by the Government of India in 1975 that detailed studies of the co-operative credit structure might be undertaken by the Reserve Bank in some of the states where the co-operative movement was weak. The Government of Jammu & Kashmir had also been making requests since 1975 for such a study. As a matter of fact, in July 1975, Shri S. S. Puri, who was then the Chief Executive of the National Co-operative Union of India was asked by the Government of India to study the credit structure in the Jammu & Kashmir State. However, consequent to his appointment as Additional Secretary, Ministry of Civil Supplies & Co-operation, Government of India in August 1975 the study could not be completed. In the circumstances, the Reserve Bank in consultation with the Government of India and the Government of Jammu & Kashmir set up a Study Team on Agricultural Credit Institutions in Jammu & Kashmir in August 1977.

2. The Study Team was constituted under the chairmanship of the Executive Director in charge of agricultural credit and its members included state representatives, both non-official and official, besides a representative each of the Government of India and the Reserve Bank's Department of Banking Operations and Development and the Agricultural Credit Department.

Composition of the Study Team :

1. Shri K. Madhava Das Chairman
Executive Director
Reserve Bank of India
2. Shri G. M. Jalib Member
Chairman
Jammu & Kashmir
State Co-operative Bank
3. Shri G. K. Beg Member
Ex-Registrar of Co-operative Societies
Jammu & Kashmir

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- | | | |
|----|---|------------------|
| 4. | Shri M. Rahman
Secretary
Agriculture Production Department
Government of Jammu & Kashmir | Member |
| 5. | Shri M. S. Andrabi
Registrar of Co-operative Societies
Jammu & Kashmir | Member |
| 6. | Shri R. K. Bhujabal
Director (Credit Planning)
Ministry of Agriculture & Irrigation
Department of Rural Development
Government of India | Member |
| 7. | Shri R. Vijayaraghavan
Joint Chief Officer
Department of Banking Operations
and Development
Reserve Bank of India | Member |
| 8. | Shri N. L. Heblikar
Joint Chief Officer
Agricultural Credit Department
Reserve Bank of India | Member-Secretary |

3. Shri V. Sagar Ailawadi, who took over as Director (Credit Planning) from Shri R. K. Bhujabal was nominated as a member of the Team in the place of Shri Bhujabal. Further, consequent to the transfer of Shri N. L. Heblikar as Zonal Joint Chief Officer in April 1979, Shri R. A. Sugavanam, Joint Chief Officer took over from him as the Member-Secretary of the Study Team.

4. Initially, the General Manager of the Jammu & Kashmir State Co-operative Bank (Shri S. S. Saini), the Assistant Chief Officer (Shri B. L. Gupta) and the Deputy Chief Officer (Shri S. K. Kapur) of the regional offices at Jammu of the Reserve Bank's Agricultural Credit Department and the Department of Banking Operations and Development respectively, the Deputy Chief Officer (Shri R. V. Varadarajan) and the Joint Chief Officer (Shri S. K. R. Zaidi) of the regional office and north zonal office of the Reserve Bank's Agricultural Credit Department at New

Delhi and Lucknow respectively were associated with the Team's work as special invitees. Shri G. K. Agarwal, the then Rural Credit Officer of the Reserve Bank's regional office of the Agricultural Credit Department at Jammu, in the absence of Shri Gupta, attended the first meeting of the Team.

5. At the time of the second meeting of the Study Team held in June 1979 the Chairman of the Jammu & Kashmir Central Co-operative Land Development Bank and the Director, Horticulture (Planning & Marketing) of the Government of Jammu & Kashmir were invited to give their views on the relevant terms of reference. While the Chairman, Jammu & Kashmir Central Co-operative Land Development Bank could not attend the meeting, the Director, Horticulture (Planning & Marketing) was represented by Shri Bashir Ahmad, Area Marketing Officer in Bombay. Further, there were changes in the incumbents to the posts of the General Manager, Jammu & Kashmir State Co-operative Bank and the Zonal Joint Chief Officer of the Reserve Bank's Agricultural Credit Department and accordingly Shri S. D. Buchh and Shri A. D. Dhawan respectively attended the meeting.

Terms of Reference

6. The terms of reference of the Study Team are given below :

- (i) To examine the financial and organizational position of the state and central co-operative banks in Jammu & Kashmir and to suggest a unit-wise programme for re-organization and rehabilitation where necessary;
- (ii) To identify, district-wise, areas of agricultural development and examine generally the co-operative credit structure in those areas which will be in a position in near future to meet the requirements of agricultural credit and, if not, to suggest alternative institutional arrangements in this behalf which may include :
 - (a) state co-operative bank or commercial banks financing primary agricultural credit societies, by-passing the central co-operative banks;
 - (b) central co-operative banks financing the individual agriculturists

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directly, by-passing the primary agricultural credit societies and (c) the state co-operative bank or the commercial banks financing individuals directly through their branches and also to identify, district-wise, the areas where one or more of these alternatives may be adopted;

- (iii) To examine whether there is at all any justification for continuing the intermediate level institutions of the three-tier structure of the co-operative credit system in the state and if such a step is not considered advisable and necessary for the state as a whole, whether in any particular district it may be advantageous to eliminate the central co-operative bank and in that case suggest the steps necessary to enable the state co-operative bank or the commercial banks to take the place of the central bank and to discharge the responsibility more effectively and efficiently than the latter;
- (iv) To examine the scheme of financing of agriculture by commercial banks through primary agricultural credit societies and suggest, if necessary, measures for extension of the scheme, streamlining the procedure and/or overcoming the shortcomings, if any;
- (v) To study the financial position and working of primary agricultural credit societies with a view to suggesting measures to make each one of them a viable unit which may include the societies undertaking the function of providing long-term agricultural credit in addition to short-term and medium-term credit facilities;
- (vi) To study the organization of fruit growers' societies and financing of production and marketing of fruits and suggest, if necessary, credit facilities for horticulture/forestry;
- (vii) To examine the position of overdues at the various levels of the co-operative credit structure with a view to considering the feasibility of, and the financial assistance required for, re-scheduling the overdues in respect of non-wilful defaulters so that the line of credit to ins-

tutions and individuals is re-opened and to suggest measures including administrative arrangements necessary for recovery of the overdues from wilful defaulters;

- (viii) To examine the lending policies of the state and central co-operative banks in regard to the provision of production and investment credit and to suggest modifications where necessary in the interest of ensuring soundness and adequacy of credit facilities *vis-a-vis* the developmental programmes in the state;
- (ix) To examine the arrangements for the management of, and supervision over, primary agricultural credit societies and suggest arrangements which will ensure efficient management of, and effective supervision over, the societies;
- (x) To study the problems of the difficult terrain of the state as also the tribal areas and suggest, if necessary, special financial assistance and a different organizational pattern for such areas;
- (xi) To identify the areas offering potential for the development of sheep breeding and goat rearing activities and to suggest the base level institutions necessary for provision of institutional credit facilities to farmers who own sheep/goats;
- (xii) To suggest the nature and extent of financial and administrative assistance that may be necessary from the State Government, the Government of India and the Reserve Bank of India in the matter of reorganization and rehabilitation of the co-operative credit structure in the state; and
- (xiii) To make any other recommendations which are incidental or related to the above terms of reference.

Plan of Action

7. Keeping in view the wide scope of the terms of reference, it was noted that for obtaining a fairly accurate picture of the existing position in respect of various issues required to be looked

into, it will be necessary to collect statistical data and also to undertake on-the-spot studies in respect of certain issues.

8. Accordingly, at the first meeting of the Team held in Bombay on 12 September 1977, different sets of proformas for collection of statistical data and other particulars prepared by the Secretariat of the Team were finalized for circulation. It was decided to conduct on-the-spot study of a few primary agricultural credit societies one from each block, with a view to gathering particulars of the important aspects of their working in general and the difficulties faced by them in particular. Besides, it was also decided that the officers of the Secretariat of the Team should undertake visits to get a feel of the important problems which the Study Team was required to examine.

9. The Member-Secretary, accompanied by the officers of the Secretariat, visited the state on three occasions during the period September 1977 to January 1978. During these visits, besides undertaking field studies on certain important problems on the working of credit institutions and allied agencies and holding discussions with the concerned authorities in the field, on-the-spot studies of primary agricultural credit societies were initiated and guidelines and proformas for the studies prepared by the Secretariat were made available to the officers involved in the studies who were also briefed about the detailed manner in which the studies were to be conducted.

10. One of the serious handicaps experienced by us in connexion with the Study has been the non-availability of up-to-date and adequate data from the various agencies. We have offered suitable suggestions on this subject in this Report.

Meetings

11. The first meeting of the Team was held in Bombay on 12 September 1977. The second and final meeting was also held in Bombay on 27 and 28 June 1979. In between this period, a Draft Report was prepared on the basis of available material and detailed field studies undertaken by the officers of the Co-operation Department of the Government of Jammu & Kashmir, state and central

co-operative banks in Jammu & Kashmir and the Reserve Bank's Agricultural Credit Department at Jammu and New Delhi and the officers of the Secretariat of the Study Team. Further, the officers of the Study Team's Secretariat held discussions with the officials and non-officials of the state during their field visits and studies. In the final meeting, the Team considered and finalized Draft Report. At this meeting, the Chairman was authorized to carry out suitable changes in the Report in the light of the discussions during the meeting and submit the final Report to the Governor of the Reserve Bank of India.

12. The Report has not been signed by two of the members, Shri G. M. Jalib and Shri G. K. Beg since they did not attend the final meeting. Shri G. M. Mir, Joint Registrar of Co-operative Societies (Banking and Finance) attended the final meeting and signed the Report on behalf of Shri M. S. Andrabi, Registrar of Co-operative Societies, Jammu & Kashmir.

Outline of the Report

13. This Report is divided into 12 Chapters :

- Chapter 1 : Geo-physical and Climatic Conditions
- Chapter 2 : Position of Agricultural Credit
- Chapter 3 : Base Level Co-operative Credit Institutions
- Chapter 4 : Financing of Fruit Growers
- Chapter 5 : Central Co-operative Banks
- Chapter 6 : State Co-operative Bank
- Chapter 7 : Problem of Overdues
- Chapter 8 : Integration of the Long-term and Short-term Credit Structure
- Chapter 9 : Other Institutional Arrangements
- Chapter 10 : Supervision over Societies
- Chapter 11 : Problem of Difficult Terrain
- Chapter 12 : Other Related Issues

The Report contains a summary of observations and recommendations.

Acknowledgements

14. We are thankful to the Jammu & Kashmir State Co-operative Bank, central co-operative banks and various Departments, particularly the Co-operation Department, the Directorate of Horticulture (Planning & Marketing), Sheep and Animal Husbandry Departments and the authorities of the Small Farmers Development Agencies for making available the data called for from them and extending co-operation in undertaking the various studies and holding discussions with the officers during field visits.

15. We should particularly like to thank Shri M. Rahman and Shri M. S. Andrabi, members of the Study Team who extended unstinted co-operation and help at all stages of our work.

16. Our thanks are also due to Shri S. S. Saini, who was the General Manager, Jammu & Kashmir State Co-operative Bank till December 1978, Shri M. S. Tandon and Shri G. M. Mir, Joint Registrars of Co-operative Societies, Government of Jammu & Kashmir and Shri M. S. Ghai and Shri R. K. Sharma, General Manager and Deputy General Manager respectively of the Jammu Central Co-operative Bank who actively associated themselves with the studies entrusted to them and arranged for the field visits. Shri Mir acted as liaison officer for Study Team and his services were extremely useful.

17. We are also grateful to the regional offices of the Reserve Bank's Agricultural Credit Department and Department of Banking Operations and Development at Jammu for furnishing data called for from them and to the officers and staff of the regional offices of the Reserve Bank's Agricultural Credit Department at Jammu and New Delhi who undertook on-the-spot study of primary agricultural credit societies. These officers were Shri G. K. Agarwal, Shri M. M. Lalwani from the Jammu Regional Office and Shri P. S. Arora of the New Delhi Regional Office of the Agricultural Credit Department.

18. The Special Studies Division of the Reserve Bank's Agricultural Credit Department functioned as the Secretariat for our

Study Team. We should like to express our thanks to the officers and staff of this Division, in particular to Shri C. Vipinachandran, Assistant Chief Officer, Shri A. G. Sule, Rural Credit Officer, and Shri A. S. Gado, Staff Officer for the untiring zeal with which they processed voluminous data, conducted field studies, prepared a number of analytical notes on the subjects falling within our terms of reference and finally the draft report. The rest of us would like to place on record our appreciation of the useful services rendered by the first Member-Secretary Shri N. L. Heblikar. We are also very happy to record the excellent work put in by the present Member-Secretary, Shri R. A. Sugavanam in completing the Report.

CHAPTER 1

GEO-PHYSICAL AND CLIMATIC CONDITIONS

1. In this Chapter, we refer briefly to the geo-physical, climatic and agricultural conditions obtaining in the state of Jammu & Kashmir as these have a close bearing on the observations and suggestions that have been made by us on the various issues referred to for our consideration. However, we have been handicapped in this behalf for want of up-to-date data. The information furnished in this chapter has been largely drawn from the Agricultural Census Report, 1971 and the Handbook of Statistics, 1975 of the state.

Geographical divisions

2. The state of Jammu & Kashmir is the northern-most state of the Indian Union and is situated eastward of the river Indus and westward of the river Ravi. It is bounded by the eastern shoots of the Hindu Kush mountain ranges along Afghanistan, by Pamirs in the north and by Tibet in the east. The state covers an area of 2.22 lakh sq. kms *i.e.*, about 22 million hectares. However, due to unlawful occupation of part of the area, roughly two-fifths, by foreign countries, the remaining area is estimated at 1.38 lakh sq. kms *i.e.*, about 14 million hectares for which only data are available.

3. Geographically, the state is divided into three distinct divisions, *viz.*, Jammu, Kashmir and Ladakh. The Pir Panjal mountains divide the Jammu and Kashmir divisions. The Jammu division consists mostly of the sub-mountainous and semi-mountainous tracts contiguous to the Punjab and broken *kandi* areas *i.e.*, mountainous or hilly areas skirting the Pir Panjal ranges and also the outer hills south of the mountain ranges known as the *Sivaliks*. Below the hills are the outer plane areas constituting parts of the Kathua and Jammu districts. The Kashmir division which is bounded by the Pir Panjal ranges and the lofty ranges of mountains Nasta-Chune is a valley about 130 kms long

and 35-40 kms wide with altitudes ranging between 1586 mts and 1830 mts above sea level. Vast mountainous stretches of Ladakh towards the east bordering Tibet present a high level plateau desert, by and large, devoid of vegetation. The plateau and mountain ranges are separated from one another by considerable depressions and high peaks. Thus, the state has a diversity of topography and altitudes. Along with the high Himalayan ranges there are low hills interspersed with valleys and table lands.

Administrative Divisions

4. For administrative purposes, the state has been divided into two divisions, viz., Jammu and Kashmir covering in all ten districts. The Kashmir division has four districts, viz., Anantnag, Baramulla, Ladakh and Srinagar. The Jammu division has six districts, viz., Doda, Jammu, Kathua, Poonch, Rajouri and Udhampur of which districts other than Jammu and Kathua are having relatively more difficult topography as they are covered by mountainous tracts on a larger scale. Below the district level, there are 46 tehsils, 72 national extension blocks and 1425 village panchayats.

5. Keeping in view the topography of the state, five districts, viz., Doda, Poonch, Rajouri, Udhampur and Ladakh can be treated as predominantly hilly districts requiring special attention. In the case of Ladakh, it is a hilly district with a difficult terrain, poor means of communications and extreme climatic conditions. In view of these factors we have dealt briefly with the credit and allied problems in Ladakh district in Chapter 11, separately.

Climate

6. There are three different climatic zones corresponding to the three natural divisions of the state. The Jammu division, however, has two types of climate. The plane areas covering mainly Jammu and Kathua districts are tropical whereas the Kashmir valley has a temperate and salubrious climate. Doda, Poonch, Rajouri and Udhampur districts which have areas of a relatively higher elevation have a cooler climate and are classified as an intermediate zone between the sub-tropical zone of

Jammu and temperate zone of Kashmir. Ladakh falls in the arid zone and has a warm summer but has arctic cold conditions where the temperature falls even to minus 23°C.

Rainfall

7. In Jammu division, the average annual rainfall in Jammu and Kathua districts is about 115 cms while in the other four districts, viz., Doda, Poonch, Rajouri and Udhampur it varies from 160 cms to 175 cms. In Kashmir division the rainfall ranges between 75 cms and 90 cms and in Ladakh it is 10 cms. In winter, there is snowfall in all the areas of Kashmir and Ladakh while in Jammu division it is confined to the peaks and higher altitudes. The snowfall has a direct relation to the availability of water in the rivers during summer.

8. The important rivers are Ravi, Tawi, Chenab, Jhelum and Indus. Besides, there are a number of small rivers which are snow-fed and perennial.

Communications

9. Due to the hilly topography and snowfall, facilities for communications are limited and are often disrupted. During winter months, due to snow-fall, certain areas are completely isolated.

Population

10. The population of the state, according to the 1971 Census, is 4.62 millions and, in terms of population, it ranks sixteenth in the country. The density of population works out to 33 per sq. km. which is the lowest in the country with the exception of Nagaland and Andaman & Nicobar Islands. Such a low density would suggest a very sparse population but in fact this is not so as the mountainous stretches of Ladakh which are uninhabited cover a large portion of the area of the state. The district-wise position of the total population (rural and urban) with density per sq. km., the classification of working population and other details are given in Annexure 1. In Jammu division, the density of population per sq. km. ranges between 231 (Jammu district) and 29 (Doda district). In Kashmir division it is

between 275 (Srinagar district) and 104 (Baramulla district). The density of population in Ladakh is very low since in large stretches of this area not even a blade of grass grows at present.

11. The rural population at 3.76 millions forms 82 per cent of the total population of the state. There are about 6.29 lakh households in the rural area giving an average of 6 persons per household. The scheduled caste population forms about 8 per cent of the total population and it is concentrated in Jammu division and that too in the districts of Jammu (28 per cent), Kathua (23 per cent) and Udhampur (20 per cent).

12. Of the total working population of 13.60 lakhs, about 8.90 lakhs (65 per cent) are engaged in agriculture as cultivators. Besides this, 0.43 lakh (3 per cent) are engaged as agricultural labourers and 0.50 lakh (4 per cent) in allied activities. Thus, 9.83 lakhs of people i.e., 72 per cent of the working population are engaged in agriculture and allied activities which indicates the large dependence on agriculture of the majority of the population of the state.

13. An interesting feature of the spread of rural population is that the villages with smaller population are more, particularly in the mountainous areas with difficult terrain and paucity of cultivable land. The spread of rural population in the villages on the basis of inhabitants is given in Table 1 at page 14. Thus, 61 per cent of the villages are having population below 500. Between the divisions, this percentage is 65 in Jammu, 55 in Kashmir and 70 in Ladakh. Between the districts, the highest percentage at 73 is in Doda district in Jammu division.

Land Use

14. As against the geographical area of about 14 million hectares, data regarding land utilization on the basis of village papers are available for 24.15 lakh hectares relating to the year 1973-4. The net area sown is 7.13 lakh hectares while the balance of 17.02 lakh hectares is not available for cultivation as it is covered under forests, fallow lands, etc., as indicated in Table 2 at page 15.

TABLE 1

District	Villages	Total rural population	Villages with a population of			
			Less than 200		200 to 499	
			No.	% to total villages	No.	% to total villages
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Jammu Division						
1. Doda	652	322,684	248	38.0	225	34.5
2. Jammu	1063	540,401	331	31.1	394	37.1
3. Kathua	536	249,586	188	35.1	164	30.6
4. Poonch	158	156,984	11	7.0	40	25.3
5. Rajouri	368	208,976	99	26.9	115	31.2
6. Udhampur	617	310,427	190	30.8	196	31.8
Sub-total	3394	1789,058	1067	31.4	1134	33.5
Kashmir Division						
7. Anantnag	1170	758,046	216	18.5	414	35.4
8. Baramulla	1020	709,481	207	20.3	328	32.4
9. Srinagar	684	404,444	189	27.6	228	33.3
Sub-total	2874	1871,971	612	21.3	970	33.7
Ladakh Division						
10. Ladakh	235	97,382	69	29.4	96	40.8
State	6503	3758,411	1748	26.9	2200	33.8

TABLE 1—(Contd.)

(1)	Villages with a population of					
	500 to 999		1000 to 4999		5000 and above	
	No.	% to total villages	No.	% to total villages	No.	% to total villages
(1)	(8)	(9)	(10)	(11)	(12)	(13)
Jammu Division						
1. Doda	107	16.4	69	10.6	3	0.5
2. Jammu	212	20.0	125	11.7	1	0.1
3. Kathua	118	22.0	66	12.3	—	—
4. Poonch	48	30.4	59	37.3	—	—
5. Rajouri	95	25.8	59	16.1	—	—
6. Udhampur	156	25.3	75	12.1	—	—
Sub-total	736	21.7	453	13.3	4	0.1
Kashmir Division						
7. Anantnag	321	27.4	219	18.7	—	—
8. Baramulla	293	28.7	188	18.4	4	0.4
9. Srinagar	148	21.7	118	17.2	1	0.2
Sub-total	762	26.5	525	18.3	5	0.2
Ladakh Division						
10. Ladakh	58	24.7	12	5.1	—	—
State	1556	23.9	990	15.3	9	0.1

TABLE 2

	Lakh Hectares	Percentage to Total Area i.e., 24.15 lakh hectares
Forests	6.48	27.5
Non-agricultural use, Barren and Uncultivable	5.36	} 47.1
Fallow Land	1.14	
Other Uncultivated Land	4.04	
Total	17.02	74.6

Thus, only 25.4 per cent of the land is available for cultivation. The area sown more than once is 2.24 lakh hectares.

15. Although the total land available for cultivation is relatively less, almost two-thirds (72 per cent) of the working population is dependent on agriculture. Agriculture accounts for about 37 per cent of the total income of the state.

16. The per capita availability of cultivated land in the state is 0.17 hectare as against an all-India average of 0.27 hectare. The reasons for this low land ratio could be attributed to the meagre availability of land suitable for cultivation.

17. The average size of land holdings, district-wise, is given in Table 3.

TABLE 3

District	Average Land Holding (in Hectares)	Ranking (on the basis of average land holding)
(1)	(2)	(3)
Jammu Division		
1. Doda	0.97	7
2. Jammu	1.19	6
3. Kathua	1.49	2
4. Poonch	1.22	5
5. Rajouri	1.45	3
6. Udhampur	1.40	4
Kashmir Division		
7. Anantnag	0.72	8
8. Baramulla	0.70	9
9. Srinagar	0.62	10
Ladakh Division		
10. Ladakh	1.57	1
State	0.94	

The average size of land holding in the state is 0.94 hectare. The highest average land holding is in Ladakh district at 1.57 hectares and lowest in Srinagar district (Kashmir division) at 0.62 hectare.

18. The position regarding size-wise holdings and area there-under in the districts is given in Annexure 2. The position for the state as a whole is given in Table 4.

TABLE 4

Size of Land Holdings in Hectares	Percentage to total	
	Holdings	Area
Below $\frac{1}{4}$	31.03	5.64
$\frac{1}{4}$ — $\frac{1}{2}$	18.34	7.61
$\frac{1}{2}$ — $\frac{4}{5}$	14.45	10.20
$\frac{4}{5}$ —1	8.99	8.67
1—2	15.79	24.61
2—3	6.13	16.15
3—4	2.67	10.00
4—5	1.39	6.67
5—10	1.08	7.99
10 and above	0.13	2.46

Although land holdings below 2 hectares constitute 89 per cent of the total holdings, the area covered by such holdings is only 57 per cent of the total cultivated area.

Consolidation of Holdings

19. Consolidation of holdings was attempted in the state for the first time in the mid-fifties. The work was, however, taken up on a sizeable scale in 1962, when a Consolidation of Holdings Act was passed. Until the end of 1971-2 i.e., the period up to which data are available, about 5.2 per cent i.e., 0.39 lakh hectares of the total cultivated area has been brought under consolidation operation. The slow progress is attributed to (i) frequent changes in the land records consequent to the operation of various tenancy laws; (ii) difficult terrain and topography; (iii) interference of vested interests and love for ancestral land and

(iv) small size of holdings. The consolidation of holdings would help in better land management by use of improved agricultural practices.

Land Tenure

20. The land tenure system in the state is mostly governed by the provisions contained in the Jammu and Kashmir Agrarian Reforms Act, 1972. This Act has imposed a ceiling on land holdings (excluding orchards) at 5.06 hectares. The Directorate of Land Records looks after the up-keep and maintenance of land revenue records.

Debt Relief Measures

21. The state government has taken various measures of debt relief and for this purpose passed two Acts, viz., Distress Debtors Relief Act and Restitution of Mortgaged Properties Act. Under the distress Debtors Relief Act, a creditor could get a maximum of $1\frac{1}{2}$ times of the principal amount. It was reported that debt claims of Rs 175 lakhs were enquired into by the Board set up under the Act and were scaled down to Rs 85 lakhs. Under the Restitution of Mortgaged Properties Act mortgage debts of the value of Rs 14.38 lakhs were declared liquidated. However, loans due to co-operative societies were outside the purview of both these Acts.

Irrigation Facilities

22. The net irrigated area reported for the year 1973-4 is 3.02 lakh hectares forming 44 per cent of the net area sown. As against this, the gross irrigated area is 3.62 lakh hectares forming 40 per cent of the gross cropped area. The latest information on district-wise position of the area under irrigation and sources of irrigation as available for 1970-71 is given in Annexure 3. The sources of irrigation for the various divisions and the state as a whole are given in Table 5 at page 18. The major source of irrigation i.e., almost 98 per cent is canals through which water from streams and *nullahs* flow to the fields. The position regarding availability of irrigation facilities in the divisions and districts is given in Table 6 at page 18.

TABLE 5

Division	Source and Area (in lakh acres) irrigated					Total Irrigated Area
	Canals	Tanks	Wells	Tubewells	Others	
Jammu	1.63	0.010	0.002	0.038	0.004	1.69
Kashmir	4.56	0.021	0.028	0.006	0.066	4.69
Ladakh	0.39	—	—	—	—	0.39
State	6.58	0.081	0.030	0.044	0.070	6.77

Note : Data are available in acres.

TABLE 6

Division	Percentage of Irrigated Area to Total Area		
	Average	Districts	
		Highest	Lowest
Jammu ..	14	25 (Jammu)	6 (Udhampur)
Kashmir	49	54 (Srinagar)	43 (Baramulla)
Ladakh ..	58	58	58
State ..	30	58	6

The Kashmir and Ladakh divisions are better placed in respect of availability of facilities for irrigation.

Cropping Pattern

23. The major food crops of the state are rice, maize and wheat and an area of 6.94 lakh hectares is under these crops against the total cultivated gross cropped area of 9.13 lakh hectares. The major non-food crops are apples, oil seeds and saffron. Rice is the most important food crop and in the year 1973-4, it accounted for about 46 per cent of the total foodgrains production at 99.71 lakh quintals. The average yield of rice in 1973-4 was 19.40 quintals per hectare which was almost double the all-India average of 10.73 quintals in 1972-3. Maize accounts for 32

per cent of the total foodgrains production and its average yield at 11.82 quintals per hectare in 1973-4 was a little more than the all-India average at 10.84 quintals in 1972-3. In the case of wheat it forms 16 per cent of the total foodgrains production with an average yield at 8.48 quintals per hectare in 1973-4 (10.19 quintals in 1974-5) and was less than the all-India average at 12.54 quintals in 1972-3. The state is the sole producer of saffron in the country.

24. Rice is the staple food of the people in the Kashmir division, while wheat, rice, maize and barley are the staple food of the people in Jammu division. The types of crops grown in the different areas depend on the altitude and other related factors such as irrigation and soil fertility. About 40 per cent of the cultivated area in the state is irrigated and perennial source of water exists in the form of lakes, canals, etc., in the valleys. Yet agriculture in the state is subject to the vagaries of the monsoon.

25. Efforts are being made to increase production in the state, especially that of foodgrains. The Fourth Plan target for foodgrains production had been fixed at 11 lakh tonnes. As against this, the production was about 9 lakh tonnes during the period. The Fifth Plan target was 14 lakh tonnes. As against this, the foodgrains production in 1974-5 and 1975-6 was a little over 10 lakh tonnes. It was expected that production may decline in 1976-7 to 9.70 lakh tonnes, but figures relating to the exact production are not available. The target for 1977-8 has been placed at 11.60 lakh tonnes. The crop-wise details of production and area thereunder are available for the years 1969-70 to 1971-2 and 1974-5 which are given in Table 7 at page 20.

26. Agricultural operations in the Jammu & Kashmir State particularly in the Kashmir division generally start from March and *Kharif* crops such as paddy and maize are sown from April and harvested from October onwards. *Rabi* crops such as wheat and pulses are sown from November and harvested in June. Local varieties of wheat are harvested even as late as the first week of July together with linseed crop. The gross cropped area under *kharif* and *rabi* crops was 6.10 lakh hectares and 2.56 lakh

hectares respectively during 1970-71. Its distribution between the divisions is given in Table 8.

TABLE 7

Crop	Area in Lakh Hectares and Production in Lakh Tonnes							
	1969-70		1970-71		1971-2		1974-5	
	Area	Production	Area	Production	Area	Production	Area	Production
Kharif								
Rice	2.41	4.82	2.22	3.97	2.13	3.70	N.A.	4.56
Bajra	0.11	0.07	0.19	0.11	0.19	0.11	N.A.	N.A.
Maize	2.56	3.63	2.69	3.66	2.82	3.63	N.A.	3.04
Small millets	0.14	0.08	0.16	0.08	0.17	0.08	N.A.	N.A.
Sub-total	5.22	8.60	5.26	7.82	5.31	7.52	N.A.	7.60
Rabi								
Wheat	1.80	1.11	1.84	1.25	1.61	2.00	N.A.	1.93
Barley	0.20	0.11	0.16	0.07	0.16	0.07	N.A.	N.A.
Sub-total	2.00	1.22	2.00	1.32	1.77	2.07	N.A.	1.93
Grand Total	7.22	9.82	7.26	9.14	7.08	9.59	N.A.	9.81*

* Includes production of other cereals at 0.28 lakh tonnes

TABLE 8

Division	Lakh Hectares	
	Kharif	Rabi
Jammu
Kashmir
Ladakh

27. Turning next to horticulture, it has a special significance for the state owing to the right type of climate prevailing particularly in the Kashmir division. Most of this area is situated in the temperate region of the state and is ideally suited for growing all types of temperate fruits. The area under fruits increased from 0.13 lakh hectares in 1949-50 to 0.59 lakh hectares at the end of 1972-3. About 2 lakh hectares of land is considered suitable for development of orchards.

28. According to the Agricultural Census Report, 1971 there are 12,317 holdings in the state which are wholly under orchards and 74,722 holdings reporting part of their area under orchards. There are 87,039 orchardists accounting for about 9 per cent of the total holdings in the state. Orchards have yet to make a dent in the Jammu division where only 3,959 holdings report area under orchards partly or wholly in their holdings. Area-wise, only about 3 per cent of the total orchard area of the state is recorded from the Jammu division. The Kashmir division accounts for 95 per cent and Ladakh division just 2 per cent only. The average size of an orchard in the state is 0.66 hectare and that of holdings put partly under orchard is 0.99 hectare, the component of orchard area being 0.25 hectare. About 58 per cent of the orchard area is concentrated in the holdings of area ranging between 0.5 hectare and 3.0 hectares.

29. Though the exact figures of fruits produced in the state are not readily available, an indication of the extent of a huge quantity of production is seen in the increase in supply of fruits from the state. Such supply has risen from 34,000 tonnes in 1966-7 to 1,56,000 tonnes in 1972-3 and further to 2,40,000 tonnes in 1976-7.

Consumption of Chemical Fertilizers

30. The use of chemical fertilizers on a large scale started during the Fourth Plan (1969 to 1974) and a target of 26,000 tonnes of chemical fertilizers was fixed for the plan period. The use of chemical fertilizers touched a level of 11,840 tonnes during the Plan period. The target for the Fifth Plan was fixed at 51,000 tonnes. However, there was a decline in consumption of chemical fertilizers during the year 1974-5 (6.95 thousand tonnes) and 1975-6 (9.50 thousand tonnes) as compared to the achievement in the Fourth Plan. The state government expected an increase in the consumption of chemical fertilizers in 1976-7 at 12.50 thousand tonnes and further to 14.50 thousand tonnes in 1977-8. The figures of actual achievements for the year 1976-7 are not readily available. It is reported that fertilizer consumption per hectare which was 14 kgs until 1975-6 has increased to 27 kgs in 1977-8.

Other Programmes

31. Paddy and wheat are the major food crops which have been covered by the high yielding varieties programme. The other two crops are maize and bajra. During the Fourth Plan, high-yielding varieties were expected to cover 309.8 thousand hectares. The area to be brought under paddy and wheat under this programme was 161.8 thousand hectares and 121.4 thousand hectares respectively. This target has almost been achieved during the Fourth Plan as the area under the high-yielding varieties programme was 289.83 thousand hectares. The target for the Fifth Plan had been fixed at 450 thousand hectares. The area to be covered under paddy and wheat had been placed at 200 thousand hectares and 180 thousand hectares respectively. As against this, the total area covered under the programme was 346 thousand hectares by the end of 1975-6. The state government expected to increase this coverage to 377 thousand hectares by the end of 1976-7 and further to 403 thousand hectares in 1977-8. The position in this behalf can be seen at a glance in Table 9.

TABLE 9

Crop	High Yielding Varieties Programme ('000 hectares)				
	Fourth Plan		Fifth Plan		
	Target	Achievement	Target	Achievement	
				Actual (1975-6)	Expected (1977-8)
1. Paddy	161.8	160.00	200	180	200
2. Maize	20.2	16.40	60	25	35
3. Wheat	121.4	111.85	180	140	165
4. Bajra/Jowar	6.4	1.58	10	1	3
Total	309.8	289.83	450	346	403

The other programmes on hand are mainly soil conservation on agricultural land and multiple cropping.

32. Further, centrally sponsored schemes such as Small Farmers Development Agencies/Marginal Farmers and Agricultural Labourers Agencies have also been in operation in Anantnag, Srinagar and Baramulla districts in Kashmir division and Jammu, Kathua, Poonch and Rajouri districts of Jammu division.

33. There is a project under the Drought Prone Areas Programme in the state covering the district of Doda and a few villages of Udhampur district for integrated agricultural development of the concerned areas. The Desert Development Programme covers Ladakh district.

Major Irrigation and Agricultural Development Schemes

34. Due to the difficult terrain, the present scope for implementing major irrigation schemes is limited and more stress has to be laid on medium and minor irrigation projects. There is one major irrigation project, viz., Tawi Irrigation Project, which is expected to irrigate 12,000 hectares of land. Besides, there are 6 medium irrigation projects of which four are in operation and two are under execution which together would irrigate 23,000 hectares of land.

TABLE 10 (refer para 35)

	Thousand Hectares			
	Achievements of the Fourth Plan	Fifth Plan Targets	Achievements 1974-5	Targets 1976-7
(1) Minor Irrigation				
Jammu	12.81	32.84	16.56	22.00
Kashmir	70.83	105.79	74.98	83.86
Total	83.64	138.63	91.54	105.86
(2) Major and Medium Irrigation-Total				
Jammu				
(a) Potential	81.91	108.01	86.71	98.20
(b) Utilization	77.08	102.03	80.70	89.28
Kashmir				
(a) Potential	2.01	13.15	2.01	2.01
(b) Utilization	2.01	6.21	2.01	2.01
Total				
(a) Potential	83.92	121.16	88.72	100.21
(b) Utilization	79.09	108.24	82.71	91.27

35. The details of irrigation potential under minor, major and medium irrigation schemes in the state as available from the Draft Annual Plan for 1976-7 are given in Table 10 at page 23.

36. The Agricultural Refinance and Development Corporation has sanctioned 14 schemes in the state, 3 schemes for plantation and horticulture; 3 for farm mechanization, 4 for dairy development, 2 for sheep breeding and one each for land development and soil conservation. This is shown in Table 11.

TABLE 11

Sanctioned Schemes	No.	Rs Lakhs	
		Financial Assistance	ARDC Refinance
I Land Development Bank			
(i) Land Development and Soil Conservation	1	7.54	7.16
(ii) Farm Mechanization	1	34.20	25.65
(iii) Plantation/Horticulture	3	129.57	97.18
(iv) Dairy Development	1	13.77	10.33
(v) Sheep Breeding	1	23.42	17.56
Sub-total	7	208.50	157.88
II Commercial Banks			
(i) Dairy Development	3	12.68	9.99
(ii) Farm Mechanization	2	40.50	30.38
(iii) Land Levelling	1	3.28	2.46
(iv) Sheep Breeding	1	4.35	3.92
Sub-total	7	60.81	46.75
Total	14	269.31	204.65

37. The agricultural situation obtaining in the state could be summarised by citing the important findings of the Development Review Committee which was headed by the State Governor, Shri L. K. Jha. This committee which submitted its report in May 1978 has observed that despite a massive investment over the past two decades, the state has not been able to make a major breakthrough in agriculture and thus there has been little improvement in recent years in the yield of the two principal crops—paddy and maize. The limited availability of cultivable land

had resulted in various crops competing with one another in the sown area and, in the new irrigation area, paddy has been displacing maize leading to a greater demand for available water. Further, according to the Committee, the amendment to the Land Revenue Act in 1957 to ban changes in crops has failed in curbing this change-over to other crops. The Committee has also observed that the soil conservation programme and consolidation of land holdings need to be given due attention and also the problem of inadequate fodder resources. It has been observed that most of the pastures are over-grazed and a large portion of the *Kahcharai* (pastures) has been illegally occupied for growing foodcrops or raising orchards. The Committee has commended the horticulture sector which has made appreciable progress. The yield of apple at 10 tonnes per hectare is considered the highest in the country. It has recommended that attempts should be made to produce more horticultural products which are good export earners. The Committee has suggested that the objective of food self-sufficiency should be pursued through higher per hectare yields by improving irrigation facilities, flood control measures and adequate supply of fertilizers and good seed.

38. Briefly, the geographical location and climatic conditions prevailing in the state give rise to many problems, handicaps and bottlenecks in the matter of development. The communication facilities besides being limited are often disrupted particularly during winter. Further, the scope for extensive cultivation is limited and that for multiple cropping is restricted. The state, however, has considerable scope for development of horticulture and animal husbandry products besides handicrafts. All these, however, need certain basic facilities, particularly communications and transport.

CHAPTER 2

POSITION OF AGRICULTURAL CREDIT

1. Our second term of reference requires us to identify, district-wise areas of agricultural development and examine generally the co-operative credit structure in those areas which will be in a position, in the near future, to meet the requirements of agricultural credit and, if not, to suggest alternative institutional arrangements in this behalf. This calls for, in the first instance, an exercise to estimate the credit requirement for the state as a whole so as to assess the magnitude of the responsibility devolving on the co-operative credit structure. Although the short-term agricultural credit requirements for production purposes is the main field of our enquiry we have not confined our estimates to the short-term credit requirements but have also included medium-term investment credit requirements for agriculture.

Production Credit Estimates

2. A routine way of calculating the credit requirements is to take into consideration the cropping pattern and the average per hectare outlay in respect of each crop. But this entire amount cannot be considered as the credit requirement because a part of the outlay is normally met by the cultivators themselves and all the cultivators may not approach institutional agencies for their credit requirements and even those who do seek loans from them, may not require the full amount of loans needed by them. In the circumstances, about 50 per cent of the credit requirements arrived at on the above basis could normally be considered as the actual credit needs to be met by the institutional agencies. To work out the credit requirements on this basis, we need accurate data on the cropping pattern together with acreage under each crop and the realistic scales of finance. In Jammu & Kashmir the scales of finance are related not only to irrigation facilities but also to the altitude at which the land is situated. Thus,

apart from the cropping pattern, even the distribution of cultivable land on the basis of its situation in relation to its altitude is also very relevant. Such data are not readily available and, therefore, the credit requirements cannot be assessed on this basis.

3. However, with a view to having a general idea about the credit requirements on the above lines, we have, in Annexure 4, made an exercise on the following basis.

(i) Average outlay per acre with reference to the scales of finance for major crops adopted by the co-operative banks (irrigated and unirrigated separately depending on the location of land in terms of altitude wherever data are available).

(ii) The total requirement of credit is placed at a figure arrived at by multiplying the gross cropped area with the average outlay per acre of land calculated as in (i) above.

(iii) Fifty per cent of credit estimates arrived at under (ii) above are considered as the broad credit requirements that are to be met by the institutional agencies.

It will be seen therefrom that the short-term agricultural credit requirements aggregate about Rs 40 crores. Their district-wise distribution is given in Table 1 at page 28. However, this position cannot be taken for the purpose of a reasonable approximation of credit requirements as the scales of finance have not been fixed in all banks on a scientific basis after taking into account the gross yield, the actual cost of production, the actual location of land, availability of irrigation facility, etc.

4. It may be mentioned in this context that the National Commission on Agriculture has estimated for the country as a whole the credit requirements for agriculture at Rs 9,400 crores (Rs 4000 crores for short-term and Rs 5400 crores for medium-term and long-term) by 1985. The share of co-operatives has been placed at Rs 2350 crores in short-term and Rs 1900 crores in medium-term and long-term lendings. The estimates for short-term loans were on the basis of Rs 600 per hectare in irrigated areas and Rs 450 per hectare in unirrigated areas. The Sixth Working Group

TABLE 1

District	Rs Crores
Short-term Credit Requirements	
Jammu Division	
Doda	2.41
Jammu	6.97
Kathua	3.43
Poonch	1.09
Rajouri	2.37
Udhampur	3.12
Sub-total	19.39
Kashmir Division	
Anantnag	6.95
Baramulla	8.90
Srinagar	4.29
Sub-total	20.14
Ladakh Division	
Ladakh	0.73
State	40.26

on Rural Credit and Co-operation (Sixth Plan Working Group) has observed that keeping in view factors such as limitation of resources and the possibility of surplus funds being ploughed back particularly by medium and big farmers, realistic credit requirements in 1985 to be met by institutional sources have to be worked out on the basis of graduated scales. The estimates on the basis of the scales followed by the National Commission on Agriculture would be largely unrealistic in the context of conditions in Jammu & Kashmir State particularly keeping in view the present level of agricultural practices in large parts of the state and the peculiar geo-physical and climatic conditions

5. An alternative method, therefore, is to estimate credit needs of a short-term nature for seasonal agricultural operations with the aid of a formula which can be useful for general application such as the one adopted by the Working Group on Co-operation for the Fifth Five Year Plan under which an estimate of production

credit needs was attempted on the assumption that every farmer in need of credit may not necessarily approach institutional agencies and every borrower may not necessarily borrow to the full extent of his requirement as he is expected to plough back a part of his savings. Thus, the Working Group on Co-operation for the Fifth Five year Plan placed production credit requirements at Rs 250 per hectare and Rs 125 per hectare of irrigated and unirrigated land respectively. The earlier Study Teams, appointed by the Reserve Bank, to go into the working of agricultural credit institutions in Rajasthan, Madhya Pradesh, Uttar Pradesh and Bihar, adopted these norms, with such variations as were considered necessary to suit local conditions, for estimating the production credit needs. Thus, in the absence of any other scientific alternative method, we have adopted the following scales for estimating the production credit needs which, in our opinion, would suit the local requirements.

(i) In the three districts in Kashmir division, viz., Anantnag, Baramulla and Srinagar, availability of irrigation facilities is relatively good and 49 per cent of the gross cropped area is irrigated. There is predominance of fruit crops, particularly, apples, which need a higher scale of finance. In view of this, the credit requirements in these three districts are relatively high and may be assumed at Rs 350 per hectare for irrigated land and Rs 150 per hectare for unirrigated land.

(ii) In Jammu division, four of the six districts, viz., Doda, Poonch, Rajouri and Udhampur are predominantly hilly and have meagre irrigation facilities and produce low value foodcrops. In the circumstances, the credit requirements are relatively less and can be placed at Rs 250 per hectare of irrigated land and Rs 100 per hectare of unirrigated land.

(iii) For the two remaining districts i.e., Jammu and Kathua from Jammu division, irrigation facilities are relatively better with lesser predominance of low value foodcrops. Hence, the credit requirements may be assumed at Rs 300 per hectare of irrigated land and Rs 125 per hectare of unirrigated land.

(iv) The Ladakh district is having a peculiar terrain but most of the cultivable land there has irrigation facilities. The credit requirements in Ladakh can be assumed at Rs 250 per hectare of cultivable land.

6. On the assumptions made above the aggregate production credit requirements can be placed at Rs 17 crores as shown in Table 2.

TABLE 2

District	Gross Cropped Area in Lakh Hectares @		Scale of Finance (Rs per Hectare)		Short-term Agricultural Credit Requirements Rs Lakhs		
	Irri-gated	Unirri-gated	Irri-gated	Unirri-gated	Irri-gated	Unirri-gated	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Jammu Division							
1. Doda	0.089	0.551	250	100	22.25	55.10	77.35
2. Jammu	0.651	1.067	300	125	195.30	133.38	328.68
3. Kathua	0.181	0.712	300	125	54.30	89.00	143.30
4. Poonch	0.041	0.248	250	100	10.25	24.80	35.05
5. Rajouri	0.057	0.584	250	100	14.25	58.40	72.65
6. Udhampur	0.061	0.784	250	100	15.25	78.40	93.65
Sub-total	1.080	3.946			311.60	439.08	750.68
Kashmir Division							
7. Anantnag	0.827	0.535	350	150	289.45	80.25	369.70
8. Baramulla	0.637	0.675	350	150	222.95	101.25	324.20
9. Srinagar	0.515	0.270	350	150	180.25	40.50	220.75
Sub-total	1.980	1.480			692.65	222.00	914.65
Ladakh Division							
10. Ladakh	0.169	—	250	—	42.25	—	42.25
State	3.229	5.426			1046.50	661.08	1707.58

@ Source : Table No. VI of the Report of the Agricultural Census, 1970-71 (Jammu & Kashmir)

Credit Requirements

7. Keeping in view the present level of institutional credit support and the capacity of the existing institutions to tone up their performance within a period of the next five years i.e., by the end of 1982-3, the production credit needs estimated in Table 2 can be considered reasonable. However, on the basis of the information made available at the time of the final meeting of the

Study Team, it is expected that the short-term credit requirements may go up to about Rs 20 crores in view of the increased acreage proposed to be brought under apple cultivation by the state government. Further, new projects for horticulture, fodder development and sheep breeding with assistance from the International Development Association of the World Bank are expected to be taken up shortly for implementation thereby creating a demand for more short-term production credit.

8. The present level of institutional support by the co-operatives can be seen from the figures relating to the short-term loans issued by primary agricultural credit societies during the year and overdues as at the end of the previous year on the assumption that all defaulters can be said to have availed themselves of co-operative credit at least to the extent of their defaults. In this connexion data relating to loans issued and overdues at the primary level are available only for the year 1975-6 and as on 30-6-1976 respectively. However, for assessing the credit requirements actually met in the year besides the data relating to the loans issued during the year 1975-6, the data relating to overdues as on 30-6-1975 are necessary. The same has been worked out by deducting the overdues below 1 year from the total overdues as on 30-6-1976. On this basis the credit flow in the districts in 1975-6 and the gap between the estimated level of credit requirements and the credit flow are given in Table 3 at page 32. The credit gap for the state as a whole is about 80 per cent and it is highest in Ladakh division (88 per cent) followed by Kashmir division (86 per cent) and Jammu division (71 per cent). Between the districts it is highest in Srinagar (95 per cent) and lowest in Poonch (27 per cent). In the absence of data for 1976-7, at the primary level, no definite statement can be made about the increase in the quantum of loans and consequent reduction in the credit inadequacies. Even if we assume that the quantum of advances for the purpose would have increased in 1976-7, taking into account the past performance of co-operatives, their efforts to provide production credit will have to be supplemented by efforts on the part of commercial banks and regional rural banks to reduce the credit inadequacies.

POSITION OF AGRICULTURAL CREDIT

TABLE 3

District	Rs Lakhs					
	Estimated Credit Require- ments given in Table 2 Col. 8.	Credit Requirements met in 1975-6			Deficit in credit flow (Col. 2 -Col. 5)	Percentage of Col. 6 to Col. 2
	(1)	Loans issued in 1975-6	Over- dues as on 30-6-75	Total	(6)	(7)
Jammu Division						
Doda	77.35	8.02	4.95	12.97	64.38	83.2
Jammu	328.68	58.51	22.91	79.42	249.26	75.8
Kathua	143.30	16.93	35.47	52.40	90.90	63.4
Poonch	35.05	1.90	23.55	25.45	9.60	27.4
Rajouri	72.65	3.73	23.49	27.22	45.43	62.5
Udhampur	93.65	15.54	1.59	17.13	76.52	81.7
Sub-total	750.68	102.63	111.96	214.59	536.09	71.4
Kashmir Division						
Anantnag	369.70	73.11	18.30	91.41	278.29	75.3
Baramulla	324.20	13.07	12.10	25.17	299.03	92.2
Srinagar	220.75	4.31	7.52	11.83	208.92	94.6
Sub-total	914.65	90.49	37.92	128.41	786.24	86.0
Ladakh Division						
Ladakh	42.25	3.33	1.55*	4.88	37.37	88.4
Total	1707.58	196.45	151.43	347.88	1359.70	79.6

* The total figure of overdues as on 30-6-76 has been taken into consideration in the absence of any other data to arrive at the figure of overdues under short-term loans either as on 30-6-75 or even on 30-6-76.

Estimates of Medium-term Credit for Agriculture

9. In view of the limited scope for agriculture in the state the short-term i.e., production credit needs are relatively low at present. However, there is large scope for advancing medium-term loans especially for financing purchase of milch cattle and sheep. In this connexion, we have noted that the Animal Husbandry and Sheep Husbandry Departments of the state government have already provided and are continuing their efforts to

ESTIMATES OF MEDIUM-TERM AGRICULTURAL CREDIT 33

provide infrastructural facilities for improving breeds and for upkeep of animals. Despite the provision of such facilities, there is no effective scheme in the matter of provision of finance for purchase of animals, except for individual cultivators being sponsored by Small Farmers Development Agencies or the Animal and Sheep Husbandry Departments. In the absence of any scheme formulation and a detailed study in this regard it is difficult to estimate the medium-term credit requirements on a realistic basis. The Departments of Animal/Sheep Husbandry have estimated the cost of a single unit of cow/sheep at Rs 3500. Assuming that 25 per cent of the cultivating households are to be provided with at least a unit of either milch cattle or sheep the total medium-term credit requirements would work out to Rs 55 crores as may be seen from Table 4.

TABLE 4

District	No. of Rural Households (in thousands)	25% of Col. 2	Rs Lakhs	
			Medium-term Credit Requirements at Rs 3500 per unit of either Milch Cattle or Sheep	Medium-term Credit Requirements to be met by institutions at @ 50% of Col. 4
(1)	(2)	(3)	(4)	(5)
Jammu Division				
Doda	53.8	13.45	470.75	230.00*
Jammu	90.1	22.52	786.37	350.00*
Kathua	41.6	10.40	364.00	180.00
Poonch	26.1	6.52	226.37	115.00
Rajouri	34.8	8.70	304.50	150.00
Udhampur	51.8	12.95	453.25	205.00*
Sub-total	298.2	74.55	2609.25	1230.00
Kashmir Division				
Anantnag	128.3	31.57	1105.12	500.00*
Baramulla	118.3	29.57	1035.12	450.00*
Srinagar	67.5	16.87	590.62	270.00*
Sub-total	312.1	78.02	2730.87	1220.00
Ladakh Division				
Ladakh	16.1	4.02	140.87	50.00@
State	628.4	156.6	5481.00	2500.00

* This percentage has been varied slightly keeping in view the scope for such activities in the concerned districts.

10. Thus there is considerable potential for medium-term agricultural loans. But it will be difficult to achieve the potential over a period of the next few years due to non-availability of sufficient number of animals of better breed as well as enough fodder and pastures. Even then it could be assumed that the scope for medium-term loans for purchase of milch cattle and sheep is very large in the state and could be placed in the next five years at least at Rs 25 crores i.e., a little less than 50 per cent of the estimated requirements. The present loaning for the purpose by co-operative banks is, however, very poor. The actual figures relating to the advances for the purpose are not

TABLE 5 (refer para 11)

District	Estimated credit requirements from institutions for the purposes of		
	Short-term agriculture	Medium-term agriculture	Total
(1)	(2)	(3)	(4)
Jammu Division			
Doda	0.77	2.30	3.07
Jammu	3.29	3.50	6.79
Kathua	1.43	1.80	3.23
Poonch	0.35	1.15	1.50
Rajouri	0.73	1.50	2.23
Udhampur	0.94	2.05	2.99
Sub-total	7.51	12.30	19.81
Kashmir Division			
Anantnag	3.70	5.00	8.70
Baramulla	3.24	4.50	7.74
Srinagar	2.21	2.70	4.91
Sub-total	9.15	12.20	21.35
Ladakh Division			
Ladakh	0.42	0.50	0.92
State	17.08	25.00	42.08

Note : Total credit requirements will increase further at least by Rs 3 crores as stated in paragraph 7.

available but keeping in view the total quantum (outstandings) of medium-term finance at Rs 193.31 lakhs as at the end of 30-6-1977 at the state/central banks' level it could be assumed that medium-term advances for these purposes are at a very low level. Thus, dairying and sheep breeding activities offer wide scope for lending institutions to increase their business turnover.

11. To sum up, the total credit requirements for short-term agricultural purposes i.e., production credit and medium-term agricultural purposes i.e., for purchase of milch cattle and sheep aggregate Rs 42 crores as may be seen from Table 5 at page 34.

12. In the subsequent chapters we have referred to the performance of the co-operative credit structure as well as of commercial banks and suggested measures to ensure that agriculture and allied activities get adequate institutional credit support.

CHAPTER 3

BASE LEVEL CO-OPERATIVE CREDIT INSTITUTIONS

1. This chapter deals with the fifth term of reference which relates to the study of the financial position and working of primary agricultural credit societies with a view to suggesting measures to make each one of them a viable unit which may include societies undertaking the function of providing long-term agricultural credit in addition to short-term and medium-term credit. This chapter also deals partly with the seventh term of reference requiring us to examine the position of overdues at the various levels of the co-operative credit structure.

2. The state has been indentified by the Planning Commission as a hill state as sizeable areas in the state comprise mountainous tracts. Some of the main factors which inhibit the economic development of such areas are lack of communications and consequent isolation, difficult climatic conditions and terrain, limited availability of cultivable land, lack of irrigation facilities, closure of surface links over long periods, etc. The strategy for the development of hill states has, therefore, to be different from that for plane tracts. Apart from general factors such as the physical, climatic, and socio-economic conditions which are usually taken into account while general development plans are prepared, in the case of hill states, special attention has to be given to the peculiar problems acting as hurdles in the way of their economic development. Particular attention has to be given to the ways of life of the hill people of whom many are migratory or semi-migratory and the links between the hills and the plane areas. Participation of the people is very essential for the successful implementation of any development plan drawn by the government. The co-operatives which are local organizations can be of great help to ensure local participation and pave the way for the economic transformation of the areas in general and the weaker sections of the community in particular.

3. The needs of the people, particularly in the hilly areas, are varied and inter-related and, therefore, the base level organization should necessarily take up the functions of dispensation of credit and supply of inputs and consumer articles along with marketing of the produce of their members. The society can undertake these functions provided it is a structurally and operationally strong and viable unit manned by qualified and trained personnel. It is now the accepted national policy that every society should have a minimum loan business of Rs 2 lakhs to give adequate return and enable it to maintain a full-time qualified and paid secretary so as to enable the society to function as a viable unit. With a view to achieving a minimum short-term loan business of Rs 2 lakhs, the Reserve Bank in its guidelines issued in May 1976 has stated that ordinarily a society should have under its jurisdiction a gross cropped area of not less than 2000 hectares. The Sixth Plan Working Group has emphasized this aspect in its interim report and has observed as follows :

Co-operative credit institutions at the base level occupy a predominant position in the co-operative credit structure. It is absolutely necessary to reorganize these institutions into viable units..... It will be difficult for the primary society to attain viability with a loan business of less than Rs 2 lakhs..... The full-time paid managers of the reorganized societies should be trained adequately for discharging their duties satisfactorily. These reorganized base level institutions should serve as single contact points for the farmers for their respective areas of operation for meeting all the requirements of credit i.e., short-term, medium-term and long-term including the requirement of consumption credit; and inputs and essential consumer goods. It is necessary that the full-time paid secretaries should form a part of a cadre.

4. Against this background, we have examined the existing position of the primary level set-up in the state in Section I of this chapter. In Section II we have analysed the findings of the on-the-spot study of primary agricultural credit societies and in

Section III offered our suggestions and recommendations for restructuring the base level set-up and streamlining and strengthening its operational efficiency.

SECTION I

Primary Co-operative Structure : General

5. As at the end of June 1976, there were 1399 primary agricultural credit societies with a membership of 3.60 lakhs. The total owned funds of these societies aggregated Rs 127.6 lakhs of which Rs 102.2 lakhs were accounted for by their share capital and the balance of Rs 25.4 lakhs by reserves and other funds. The total loans outstanding against members amounted to Rs 573 lakhs of which as much as Rs 172 lakhs were overdue. The details about membership, owned funds, etc., of the various types of co-operative institutions functioning at the primary level in the state as at the end of June 1976 are given in Table 1.

TABLE 1

Type of Society	Member- ship No.	Member- ship	Rs Thousands			
			Owned Funds		Loans Out- standing	Over- dues
			Total	Of which share Capital		
Agricultural Credit	1399	3,60,000	12764	10220	57305	17160
Non-agricultural credit	61	8,370	1272	1195	6934	1802
Marketing	76	16,752	5419	2150	44767	1012
Milk Supply	4	745	21	15	79	27
Consumer Stores	54	7,287	422	390	30	N. A.
Transport	53	2,552	1732	1582	59	N. A.
Poultry	1	23	7	6	16	N. A.
Labour Contract	4	840	8	8	—	N. A.
Housing	5	2,855	320	314	54	54
Other Non-Credit	13	520	170	133	233	22

6. At the district level, in Jammu, there is a co-operative marketing society with a membership of 69 and owned funds of

Rs 0.47 lakh including government share capital of Rs 0.43 lakh. There are 5 wholesale consumers stores also, one each in Jammu Anantnag and Baramulla and two in Ladakh with an aggregate membership of 6976 and owned funds of Rs 22.57 lakhs including government share capital of Rs 9 lakhs. Further, there were 55 fruit-growers co-operative marketing and processing societies in the Kashmir division by the end of November 1977 which cater to the credit requirements for production and marketing of fruit crop only. In the *kandi* i.e., hilly areas, sale and supply societies numbering about 8, have been set up which are expected to cater to all the requirements of cultivators in the area. There is also a farmers service society in Jammu division which started functioning in September 1974. As on 31 March 1977, its share capital and outstanding advances were Rs 6.16 lakhs and Rs 6.40 lakhs respectively.

7. The district-wise distribution of the primary co-operative structure is given in Table 2 at page 40. The table shows that primary agricultural credit societies have a wider network than other types of co-operatives.

Primary Agricultural Credit Societies

8. The year-wise position of primary agricultural credit societies for the state as a whole for 1970-71 and 1975-6 indicating the trends in the growth of membership, paid-up capital, deposits, borrowings, loan business, working capital and overdues is given in Table 3 at page 41. The data for 1971-2 to 1974-5 are not readily available. In the case of data for 1975-6 we have received the district-wise details from all the districts barring Ladakh from the respective Deputy Registrars of Co-operative Societies of the districts. The district-wise data regarding the number of societies, membership, owned funds, deposits, loan business and overdues are given in Annexure 5. Incidentally, the Registrar of Co-operative Societies has not been able to furnish us with reasonably up-to-date data. He is handicapped in this respect by the absence of a properly constituted and equipped statistical wing in his office to monitor and analyse the data received from the field officers. In the

TABLE 2

Type of Societies	Districts									Total number of Societies
	Doda	Kathua	Jammu	Poonch & Rajouri	Udham-pur	Anant-nag	Bara-mulla	Srinagar	Ladakh	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Primary Agricultural Credit	116	122	216	157	147	199	183	155	84	1379
Non-agricultural Credit	—	—	14	—	—	6	20	20	1	61
Marketing	8	4	6	6	6	19	15	8	4	76
Milk Supply	—	—	—	—	—	2	—	2	—	4
Consumers Stores	4	—	4	3	2	1	3	24	13	54
Transport	—	1	25	3	—	8	9	5	2	53
Poultry	—	—	—	—	—	1	—	—	—	1
Housing	—	—	4	—	—	1	—	—	—	5
Labour Contract	—	—	—	—	—	1	—	—	3	4
Other Non-Credit	—	2	—	2	—	2	—	4	3	13

circumstances, we could not reconcile the district-wise figures with some of the data furnished by the Planning Department of the Registrar's Office.

TABLE 3

Rs Lakhs

	1970-71@	1975-6 @@	
	(1)	(2)	
1. (i) No. of Societies	1084	1399	(1379)
(ii) Of which State partnered	228		N.A.
(iii) Of (i) dormant	69	103	(94)
2. Membership ('000)	284	360	(377)
3. Borrowing Membership ('000)	115	198	(N.A.)
4. Indebted Membership ('000)	N.A.	N.A.	(210)*
5. Defaulting Membership ('000)	N.A.	N.A.	(78)*
6. (i) Owned Funds	69.69	127.64	(128.80)
(ii) Of (i) Paid-up Share Capital	57.69	102.20	(102.54)
(iii) Of (ii) from the State Government	11.63	25.99	(26.43)
7. Deposits	16.50	28.17	(32.72)*
8. (i) Borrowings	721.37	N.A.	(1159.29)*
(ii) Of which from Co-operative Banks	163.90	N.A.	(608.09)*
9. Working Capital	1043.43	1388.78	(1321.94)
10. (i) Loans Advanced	94.46	205.08	(196.46)
(ii) Of (i) Short-term	92.80	N.A.	(178.01)*
(iii) Of (i) Medium-term	1.66	N.A.	(9.88)*
11. (i) Loans Outstanding	200.54	573.05	(588.73)
(ii) Of (i) for Short-term	189.80	432.11	(449.68)
12. (i) Overdues	110.88	171.60	(213.70)
(ii) Of (i) Under Short-term	103.07	N.A.	(170.71)*
(iii) Of (i) over 3 years	21.43	N.A.	(61.85)*
13. Percentage of Overdues to Out-standings	55	30	(36)

@ Source : Statistical Statements Relating to the Co-operative Movement in India published by the Reserve Bank's Agricultural Credit Department, Bombay.

@@ Source : Planning Department of the Office of the Registrar of Co-operative Societies, Jammu & Kashmir.

* Excludes Ladakh district.

Note : Figures in brackets are as per district-wise data received from the district authorities. As for figures for Ladakh district they have been taken from the Planning Department of the Registrar's Office.

The figures in brackets for 1975-6 have been taken into account for purposes of comparison and comments.

Primary Credit Societies : Coverage

9. The number of societies has increased by almost 300 during the five-year period 1970-71 to 1975-6. As at the end of 1970-71, membership at 2.84 lakhs covered 8 per cent of the rural population at 37.58 lakhs and 45 per cent of the cultivating families at 6.26 lakhs assuming that each cultivating family consists of 6 members. All the rural families are assumed to be cultivating families. This coverage has further increased to 10 per cent of the rural population and 60 per cent of the rural families as at the end of 1975-6. The borrowing membership has increased during this period from 41 per cent to 54 per cent*. The indebted membership as at the end of 1975-6 formed 58 per cent of the total membership and almost 37 per cent of the indebted members were in default.

Resources

10. The owned funds of the societies have recorded an increase of about 85 per cent during this five-year period and stood at Rs 128.80 lakhs as at the end of June 1976. Of the total owned funds, the share capital is of the order of Rs 102.54 lakhs, including the state government contribution of Rs 26.43 lakhs. At the end of June 1971, borrowings from co-operative banks formed 23 per cent of the outstanding borrowings which increased to 54 per cent at the end of June 1976. The share of co-operative banks at the end of June 1971 was comparatively less as the major part of the loans was from the government. Although there is an increase in the internal resources comprising owned funds and deposits during this period, the increased lending has been sustained mainly by borrowings as is evident from the fact that while the outstanding advances increased by Rs 388.19 lakhs, the increase in the internal resources comprising owned funds and deposits was only Rs 75.33 lakhs during the period.

*Source : Planning Department of the Registrar's Office.

Loan business

11. The loans issued by the societies during the period increased from Rs 94.46 lakhs to Rs 196.46 lakhs. The outstanding loans during the same period have also increased from Rs 200.54 lakhs to Rs 588.73 lakhs. The bulk of the advances, viz., Rs 449.68 lakhs are for short-term agricultural purposes.

Overdues

12. About 37 per cent of the indebted membership falls into the category of defaulters and this stands reflected in the level of overdues which had increased from Rs 110.88 lakhs at the end of June 1971 to Rs 213.70 lakhs at the end of June 1976. The percentage of overdues to outstandings has, however, come down to 36 per cent from 55 per cent during the corresponding period primarily because of the large increase in loans advanced as well as in outstandings and not due to recovery efforts. The overdues in absolute terms at Rs 213.70 lakhs far exceed the internal resources at Rs 161.52 lakhs.

13. Briefly, the societies have recorded increase in the matter of coverage, internal resources as well as loan business but keeping in view the low level of operations of the co-operative credit structure in the state, this increase cannot be considered to be satisfactory.

14. It will be interesting to compare the position in respect of some of the important aspects of the working of the societies between the 3 divisions of the state. The position is indicated in Table 4 at page 44.

15. The figures given in Table 4 would indicate the regional disparities in the growth of the movement in the state. Except in the case of mobilization of deposits, the societies in the Kashmir division have gone ahead of those in the Jammu division. There are several reasons for this imbalance. Kashmir division has mostly cash crops whereas in Jammu division this is not the position. In Kashmir division there are two separate central banks to look after the needs of societies in Anantnag and Baramulla districts

TABLE 4

Amount in Rupees

Particulars	Average per Society		
	Jammu Division	Kashmir Division	Ladakh Division
(1)	(2)	(3)	(4)
1. Membership	160	462	83
2. Borrowing membership	N.A.	N.A.	N.A.
3. (i) Paid-up share capital	6433	9456	3571
(ii) of (i) from State Government	1137	2935	2440
4. Deposits	3726	834	N.A.
5. Borrowings	37366	163140	N.A.
6. Working Capital	45996	178587	17000
7. (i) Loans Advanced	13541	16851	3952
(ii) Of (i) for Short-term purposes	11780	16149	N.A.
8. (i) Loans Outstanding	31680	63827	6952
(ii) Of (i) for Short-term purposes	25379	47000	5857
9. Overdues	20842	10087	1845
10. % of Overdues to Outstandings i.e. of item (9) to 8(i)	66	16	27

apart from the Jammu and Kashmir State Co-operative Bank financing societies directly in the Srinagar district. But the entire requirements of the societies of the six districts in Jammu division are met by a single central bank at Jammu which has to work against heavy odds, such as hilly terrain, sprawling area, absence of its own supervisory machinery in two districts (Doda and Udhampur) etc. Further, the overdues in one district have an impact on the other districts as the totality of the position is taken note of while considering the bank's eligibility for assistance from higher financing agencies. When the overdues go beyond a certain percentage the bank's borrowing capacity from the higher financing agencies is impaired.

Efforts at Reorganization

16. As stated in paragraph 9, the number of primary agricultural credit societies in the state has increased during the five-

year period from 1971 to 1976 despite the fact that the state government had indicated in 1970-71 that only 785 societies could be sustained in the state, excluding Ladakh, following a survey undertaken in terms of the Registrar's Circular No. 1184/1385 Plan/136 dated 4 June 1970 for reorganizing the primary level credit structure. The survey revealed the following position :

Item	No. of Societies
1. No. of Societies in the State excluding Ladakh District	1019
2. No. of Viable Societies	188
3. Potentially Viable	324
4. 19 societies to be split up	40
5. 430 societies to be amalgamated	194
6. Societies requiring Marginal Adjustment	20
7. Societies Proposed to be Liquidated	30
8. New Societies to be Organized	19

Following this survey, instructions were issued by the Registrar of Co-operative Societies to the district officers, in his Circular No. 2860/2900/Plan/136 dated 30 October 1971 for initiating action for reorganizing the primary structure in a phased manner and completing the work by December 1971. However, the existing societies have increased in number since 1970-71. This is indicative of the fact that not only no action has been taken to carry out these instructions but new societies have been organized in the areas of existing societies which are themselves not viable.

17. Thus, a strong primary base has not yet developed in the state as there are a large number of societies which are in dormant or near dormant state with poor loan business as is revealed by Table 5 compiled on the basis of data available for 1975-6.

BASE LEVEL INSTITUTIONS

TABLE 5

Rs Lakhs

District	No. of Societies	No. of Societies with Loans Outstanding as on 30 June 1976						
		Nil	Below 0.25	0.25 to 0.50	0.50 to 0.75	0.75 to 1.00	1.00 to 2.00	Above 2.00
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Jammu Division								
1. Doda	116 (116)	15	46	45	4	5	1	—
2. Jammu	140 (216)	—	63	44	27	6	—	—
3. Kathua	122 (122)	11	65	15	10	10	11	—
4. Poonch	53 (53)	—	13	16	13	8	3	—
5. Rajouri	104 (104)	2	27	22	13	20	20	—
6. Udhampur	94 (147)	—	86	8	—	—	—	—
Sub-total	629 (758)	28	300	150	67	49	35	—
Kashmir Division								
7. Anantnag	199 (199)	—	2	28	41	—	73	55
8. Baramulla	155 (183)	1	43	46	27	13	25	—
9. Srinagar	152 (155)	4	51	48	20	25	4	—
Sub-total	506 (537)	5	96	122	88	38	102	55
Ladakh Division								
10. Ladakh	N.A. (84)	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
State	1135 (1379)	33	396	272	155	87	137	55

Note : Figures in brackets under Col. 2 indicate the total number of societies in the respective district or division

18. As against 1379 societies in the state, information on distribution of societies on the basis of loan business (outstandings) as at the end of June 1976 is available in respect of only 1135 societies. Of these, 701 societies or 62 per cent are having loan business below Rs 0.50 lakh and of these more than 60 per cent are having loan business below Rs 0.25 lakh. Societies with a loan business between Rs 0.50 lakh and Rs 0.75 lakh and between Rs 0.75 lakh and Rs 1.00 lakh form another 14 and 8 per cent of the total number of societies respectively which means that about 84 per cent of the societies are having loan business below Rs 1 lakh. Societies having business between Rs 1 lakh and Rs 2 lakhs number 137 (12 per cent) and above Rs 2 lakhs number 55 (4 per cent). Among the divisions, details in respect of Ladakh are not available. Between the Jammu and the Kashmir divisions the level of loan business is relatively better in respect of societies in the Kashmir division inasmuch as 56 per cent societies are having loan business above Rs 0.50 lakh each as against 24 per cent in the Jammu division. The position is far from satisfactory especially in the districts of Doda, Poonch and Udhampur of Jammu division. This would indicate that a large number of societies are having very poor loan business far below the norms considered necessary for attaining viability. The wide disparities in the loan business of societies in the plains of Kashmir Valley and Jammu and Kathua districts and in the hilly terrains of Udhampur, Doda and Poonch districts can be attributed to the different agroclimatic conditions prevailing in the respective areas. Where land is put under intensive use as in the Kashmir Valley and in the canal irrigated areas of Kathua and Jammu, the societies have a wider coverage and relatively larger credit business. In view of the physical disparities between the divisions as well as districts the concept of viability and the norms will have to be modified to suit local conditions. We have discussed this aspect in Section III of this chapter.

Secretaries

19. The position regarding availability of the services of secretaries to the societies is given in Table 6 as per data available for 1975-6.

BASE LEVEL INSTITUTIONS

TABLE 6

District	No. of Societies	Full-time Paid Secretary for		Honorary Secretary	Percentage of Paid Secretaries for Individual Societies to total Number of societies
		Individual Society	Group of Societies		
(1)	(2)	(3)	(4)	(5)	(6)
Jammu Division					
1. Doda	116	50 (—)	— (50)	61	48
2. Jammu	216	216	(216)	—	100
3. Kathua	122	120	(120)	—	98
4. Poonch	53	29	—	22	53
5. Rajouri	104	56	—	35	52
6. Udhampur	147	147 (14)	— (133)	—	100
Sub-total	758	618	—	118	82
Kashmir Division					
7. Anantnag	199	175 (175)	— (24)	199	88
8. Baramulla	183	183 (183)	—	183	100
9. Srinagar	155	152 (152)	—	—	98
Sub-total	537	510	—	383	95
Ladakh Division					
10. Ladakh	84	N.A. (65)	N.A. (2)	N.A.	N.A.
State	1379	1128	—	500	82

Note : 1. While in some of the societies, honorary secretaries manage the affairs, in other societies there are paid secretaries besides honorary secretaries. This position holds good particularly in Anantnag and Baramulla districts.

2. Figures in brackets are as per the data received from the Planning Department of the Registrar's Office which has classified the secretaries as full-time and part-time.

20. The position revealed by the statistics quoted in Table 6 indicates that about 82 per cent of the societies are managed by full-time paid secretaries. This, however, is not the real position because the concept of full-time paid secretaries has yet to gain acceptance at the base level in the state. By and large, the societies are managed by part-time accountants or salesmen. In many districts, societies have honorary secretaries and where there are salesmen they are generally engaged in non-credit business for which the salesmen get a share on the total commission earned by the societies and in some cases percentage of commission earned by the salesmen is as high as 75. Where there are no accountants or salesmen, honorary secretaries who are elected by the general body manage the affairs of societies for which they are paid a fixed remuneration or a percentage of the commission earned by the concerned society in non-credit business. Salesmen are managing more societies in the Kashmir division than in other divisions. In the Kashmir division societies have sizeable non-credit business offering more scope for earning larger share of commission. In the other divisions, societies are not doing significant non-credit business. However, in Jammu and Kathua districts of Jammu division, societies are now engaged in procurement of paddy on behalf of the Jammu and Kashmir State Co-operative Marketing Federation which has been appointed as the sole procurement agent of the government. The practice of remunerating the salesmen in terms of commission on non-credit business leads to not only the salesmen generally not evincing any interest in the credit business but also in discouraging credit business as it involves labour without remuneration. This has been one of the most unsatisfactory features of the base level co-operative structure in Jammu & Kashmir and a stumbling block in the way of its development and strengthening.

21. To sum up, the majority of primary credit societies in the state are having poor loan business and do not have the services of a qualified and trained employee to run them efficiently.

Non-credit Business

22. The operations in regard to non-credit activities such as distribution of agricultural supplies and consumer goods and to a certain extent marketing of produce of the societies in 1975-6 are shown in Table 7.

TABLE 7

Rs Lakhs

District	No. of Societies	Marketing of Produce			Distribution			
		No. of Societies marketing	Value of Produce		No. of Societies distributing	Value of Goods Supplied		
			Total	Of which Foodgrains		Total	Agricultural Inputs	Consumer Goods
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Jammu Division								
1. Doda	116	—	—	—	—	—	—	—
2. Jammu	216	164	286.61	286.61	72	9.42	—	9.42
3. Kathua	122	55	142.19	142.19	82	22.69	22.69	—
4. Poonch	53	—	—	—	11	5.00	5.00	—
5. Rajouri	104	2	0.16	0.16	16	3.51	2.78	0.73
6. Udhampur	147	—	—	—	117	37.90	28.22	9.68
Sub-total	758	221	428.94	428.94	298	78.52	58.68	19.84
Kashmir Division								
7. Anantnag	199	—	—	—	191	212.41	96.12	116.29
8. Baramulla	183	—	—	—	183	115.89	59.26	56.63
9. Srinagar	155	—	—	—	152	1.05	0.57	0.48
Sub-total	537	—	—	—	526	329.35	155.95	173.40
Ladakh Division								
10. Ladakh	84	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
State	1379	221	428.94	428.94	824	407.87	214.63	183.24

Data relating to Ladakh district are not available. Out of 1295 societies in the other two divisions (i.e., Jammu and Kashmir) 824 societies i.e., 64 per cent are handling distribution business and the total value of goods supplied aggregated Rs 407.87 lakhs of which the value of consumer goods amounted to Rs 193.24 lakhs as on 30-6-1976. The average non-credit business, excluding marketing of produce, per society works out to around Rs 0.49 lakh. Marketing activity is undertaken by a few societies in Jammu division but it forms a part of the procurement programme and has no relation to the marketing of members' produce. Largely because of these non-credit activities, out of 1295 societies in Jammu and Kashmir divisions, 910 societies are working at profit. However, as the profit is only nominal the societies, by and large, are not able to declare any dividend or strengthen their internal resources. The details relating to societies working at profit or loss in 1975-6 are given in Table 8 at page 52.

Common Cadre of Secretaries

23. We have noted in paragraph 20 that the existing system of remuneration to salesmen of the societies stands in the way of expansion of credit business. We note in this connexion that the state government have decided to introduce a common cadre of secretaries and accountants for primary agricultural credit societies. Rules for the purpose have been framed in terms of the Agriculture Production Department's Notification dated 3 August 1976. In terms of this Notification, the scheme for common cadre of secretaries and accountants for primary agricultural credit societies envisages setting up of an authority known as an Administrative Committee for the area of each of the central co-operative banks and the state co-operative bank. The following is the composition of the Administrative Committee.

1. Chairman of the concerned bank : Chairman
2. Two Directors of the bank to be
nominated by the Board Members

BASE LEVEL INSTITUTIONS

TABLE 8

Rs Thousands

District	No. of Societies	Working at Profit		Working at loss		Without Profit or Loss
		No.	Amount	No.	Amount	
Jammu Division						
1. Doda	111 (116)	68	8.43	24	3.40	19
2. Jammu	216 (216)	171	21.90	17	21.90	28
3. Kathua	121 (122)	92	77.88	21	36.63	8
4. Poonch	53 (53)	36	88.51	11	24.77	6
5. Rajouri	104 (104)	48	46.90	45	50.82	11
6. Udhampur	147 (147)	69	34.91	34	8.00	44
Sub-total	752 (758)	484	278.53	152	135.52	116
Kashmir Division						
7. Anantnag	199 (199)	174	966.00	10	18.00	15
8. Baramulla	179 (193)	132	86.00	35	19.00	12
9. Srinagar	152 (155)	120	53.00	—	—	32
Sub-total	530 (537)	426	1105.00	45	37.00	59
Ladakh Division						
10. Ladakh	N.A. (84)	N.A.	N.A.	N.A.	N.A.	N.A.
State	1282 (1379)	910	1393.53	197	172.52	175

Note : Figures in brackets indicate the number of societies in the respective districts.

3. Registrar or his nominee not below the rank of Deputy Registrar of Co-operative Societies : Member
4. Managing Director/General Manager of the Bank : Member-Secretary

The Administrative Committee has authority to create posts in the common cadre in the area of operation of a bank. The Administrative Committee will recruit the candidates for the cadre and also arrange for their training. The minimum qualification for being an eligible candidate is matriculation with knowledge of Urdu. As regards in-service candidates, those with a minimum service of 5 years and below the age of 45 years can be included in the common cadre subject to their not being involved in any transaction harmful to the societies' interests. Further, the candidates are eligible for inclusion in the panel only after they successfully complete the training for the period specified by the Registrar. The candidates are required to give a bond undertaking to serve in the cadre for a minimum period of 3 years although their initial appointment will be for a period of one year. Further, their services are liable to be transferred to any society within the area of operation of the bank. As regards the salary, travelling allowance and daily allowance, they are to be determined from time to time by the Administrative Committee. The cost of cadre employees is to be shared among the primary agricultural credit societies and the bank and the Administrative Committee has to constitute a fund and determine the rate of contributions. The contributions would be reduced to the extent of the amount of subsidy, if any, available from the state government. In pursuance of this scheme, the Jammu & Kashmir State Co-operative Bank and the Jammu Central Co-operative Bank have initiated action for recruitment of personnel.

24. However, common cadre scheme as envisaged at present suffers from certain drawbacks which are mentioned below :

(i) The common cadre is meant for the entire area of operation of a bank. In the state, the areas of operation of the central banks are not necessarily confined to one district each, e.g., in

the Kashmir division the cadre scheme will be confined to the concerned districts in the case of Anantnag and Baramulla Central Co-operative Banks as the banks serve only one district each and to two districts in the case of the state co-operative bank as it operates as a central co-operative bank for Srinagar and Ladakh districts. As against this, in the case of the Jammu division, for six districts, there is only one central co-operative bank, viz., Jammu Central Co-operative Bank and the scheme would, therefore, extend to six districts. This means that while the cadre employees in Anantnag and Baramulla will be required to work only in one district, in the case of the state co-operative bank and the Jammu Central Co-operative Bank, the common cadre employees will be liable for posting in two and six districts respectively.

(ii) There may not be uniformity in approach in fixing the emoluments of the common cadre employees as they are to be fixed by the respective Administrative Committees.

(iii) The creation of posts in the cadre has necessarily to be linked to the number of societies in the area of the bank. It is obvious that most of the existing societies which have meagre loan business cannot afford to appoint and pay for an employee from the common cadre. At a meeting held on 8 March 1977 in the Jammu Central Co-operative Bank to consider the common cadre scheme, it was decided to post a common cadre employee in each of the viable and potentially viable societies. The introduction of common cadre scheme thus pre-supposes reorganization of societies. This work has not commenced so far.

(iv) While appointing the candidate from the common cadre, the problem of the existing salesmen who are working in the societies has to be sorted out. The paid employee from the common cadre and a salesman earning a commission cannot obviously continue to work together. The paid common cadre employee has to be made responsible for the entire working of the society.

(v) There is no gradation of the posts on the basis of loan business, working capital, etc., resulting in uneven workload and lack of avenues for promotion to the cadre employees.

(vi) The contributions to the Fund are to be decided by the Administrative Committees and accordingly in the meeting of the representatives of the Co-operation Department and co-operative banks held on 8 March 1977 at Jammu it was decided that the state co-operative bank will contribute at the rate of 0.25 per cent of interest recovered on short and medium-term loans from the central banks availed of from the Reserve Bank only. This would mean that if there are no Reserve Bank credit limits no contribution will be forthcoming from the state co-operative bank. Further, there is no mention of the share of the state co-operative bank in respect of the loans advanced by it to societies as a central bank although *prima facie*, it should be the same as that of the central banks namely, 0.50 per cent of the interest recovered on short and medium-term loans from societies. It is reported that the Registrar of Co-operative Societies has advised the state co-operative bank to reduce the interest rates to central banks by $\frac{1}{4}$ per cent on the borrowings from the Reserve Bank which may be utilized for creating a fund by the central co-operative bank by adding $\frac{1}{2}$ per cent from its own resources. As regards primary agricultural credit societies, they are required to contribute 1.25 per cent of the interest earned by them on their short-term and medium-term loans to their members. Central banks will recover the same by charging 1.25 per cent over their usual lending rate and credit this amount to the fund directly.

(vii) The income by way of contributions and expenditure on the cadre secretaries have not been estimated and no mention has been made about meeting the deficit, if any.

25. This analysis of the working of base level institutions i.e., primary agricultural credit societies in the state brings out various weaknesses in their functioning. This position is broadly confirmed by the findings of on-the-spot study of primary agricultural credit societies as will be seen from Section II.

SECTION II

FINDINGS OF THE ON-THE-SPOT STUDY

26. In this section, we have analysed the findings of on-the-spot study of primary agricultural credit societies, which was under-

taken at our instance. The primary agricultural credit societies have a direct link with the cultivators and we felt that for having a first hand knowledge of the working of the primary agricultural credit societies in the state, it was essential to have detailed studies of a few selected societies. Accordingly, on a random basis, one society from each block, barring two blocks in Baramulla district, was selected with a combination of good, weak and indifferent type of societies. Further, in order to get a cross-section of views, the study was entrusted to the officers of three agencies, viz., Co-operation Department, state co-operative bank and central co-operative banks and the regional offices of the Agricultural Credit Department of the Reserve Bank of India at Jammu and New Delhi. We have received as many as 65 reports as against 70 planned for as may be seen from Table 9.

TABLE 9

Division	No. of Districts	No. of Blocks	On-the-Spot Study		
			No. of Societies	No. of Reports received	Short-fall in Reports received
Jammu	6	35	35	34	1
Kashmir	3	35	33	31	2
Ladakh	1	2	2	—	2
State	10	72	70	65	5

In Jammu division, one study report from Rajouri District has not been furnished by the Jammu Central Co-operative Bank while in Kashmir division, the Jammu & Kashmir State Co-operative Bank has not furnished two study reports from Srinager district. No study report had been received from Ladakh division wherein the studies had been entrusted to the Co-operation Department. The data contained in the on-the-spot study reports received by us relate to the position in 1976-7. In the absence of any study report from Ladakh District our comments are confined to two divisions only i.e., Jammu and Kashmir.

Coverage

27. The district by district position regarding the number of cultivating families in the area of societies, their membership, borrowing membership, indebted membership, defaulting membership with the relevant proportion of small farmers (with land holdings up to 5 acres) separately is given in Annexure 6 while for the divisions, a summary is given in Table 10.

TABLE 10

	Division		
	Jammu	Kashmir	Total
1. No. of Primary Agricultural Credit Societies Studied	34	31	65
2. No. of Cultivating Families in their Area	15593	23453	39046
3. Membership			
(i) Number	3297	15730	19027
(ii) Of (i) Small Farmers	2463	13934	16447
(iii) Percentage of 3(i) to (2)	21.1	67.1	48.7
(iv) Percentage of 3(ii) to (2)	15.8	59.6	42.1
4. Borrowing Membership			
(i) Number	681	2552	3233
(ii) Of (i) Small Farmers	428	2526	2954
(iii) Percentage of 4(i) to 3(i)	20.6	16.2	17.0
(iv) Percentage of 4(ii) to 3(ii)	17.4	18.1	18.0
5. Indebted Membership			
(i) Number	1880	13392	15272
(ii) Of (i) Small Farmers	1440	12286	13726
(iii) Percentage of 5(i) to 3(i)	57.0	85.1	80.3
(iv) Percentage of 5(ii) to 3(ii)	58.5	87.8	83.4

The total membership of 65 societies is 19027 giving an average of 293 members per society. The coverage of the cultivating families in terms of percentage is 49 and although this is not unsatisfactory, there is large scope for increasing the coverage. However, between the divisions, the position is unsatisfactory in Jammu division where the average membership per society is 97 and the coverage in terms of percentage is only 21 as against a coverage of 67 per cent and average membership of 507 per society in the case of Kashmir division. The proportion

of small farmers to the total membership shows a similar trend e.g., while for the two divisions together the coverage is 42 per cent between the divisions it is poor in the case of Jammu division at 16 per cent as against 60 per cent in Kashmir division. The better coverage of small farmers in Kashmir division is due to the existence of a large proportion of cultivating families with small holdings. A similar position holds good in the case of indebted membership also. The percentage of indebted membership to total membership i.e., for general as well as for small farmers is 57 per cent in Jammu division. Thus, 43 per cent of the members have not availed themselves of any credit facilities. This position is far from satisfactory. The low level of borrowing membership compared to the indebted membership is indicative of the fact that a large number of indebted members are defaulters and in this respect there is not much of a difference in both the divisions i.e., Jammu and Kashmir.

Loan Business

28. While the district-wise position in regard to loan business is given in Annexure 6, the division-wise position is shown in Table 11.

TABLE 11

	Rs Lakhs		
	Division		
	Jammu	Kashmir	Total
1. Societies Studied	34	31	65
2. Loans Issued			
(i) Total	3.93	14.14	18.07
(ii) Of (i) for Short-term Agricultural Purposes and Medium-term (conversion)	3.45	11.71	15.16
(iii) Of (ii) to Small Farmers	1.23	3.97	5.20
(iv) Percentage of (iii) to (ii)	35.7	33.9	34.3
(v) Average per Society ('000)	11.5	45.6	27.8
3. Loans outstanding			
(i) Total	11.30	50.91	62.21
(ii) Of (i) against Small Farmers	5.02	39.35	44.97
(iii) Percentage of (ii) to (i)	49.7	77.3	72.1
(iv) Average per Society ('000)	33.2	164.2	95.7

Although the average loan business (outstandings) per society works out to Rs 0.96 lakh, between the divisions, the societies in Jammu have a poor loan business at Rs 0.33 lakh per society while those in Kashmir division have a comparatively better business at Rs 1.64 lakhs per society. Most of the loans are issued for short-term agricultural purposes, but this position is more pronounced in Jammu division where the percentage is almost 100 for this purpose. The purpose-wise analysis of medium-term agricultural loans indicates that in Kashmir division, there is some loaning for purchase of milch cattle in particular. In Jammu division medium-term loans are negligible.

29. Another important feature observed in regard to loan business is that there is a decline in the issue of loans in both the divisions, but the trend is uneven. In Jammu division, the loans issued decreased from Rs 9.79 lakhs in 1972-3 to Rs 2.81 lakhs in 1975-6 but increased to Rs 3.93 lakhs in 1976-7. In Kashmir division the loans issued declined from Rs 19.12 lakhs in 1972-3 to Rs 12.95 lakhs in 1973-4, increased to about Rs 17 lakhs in 1974-5 and 1975-6, and declined to Rs 14.14 lakhs in 1976-7. The position may be seen at a glance in Table 12 at page 60.

30. The analysis of coverage and loan business made in the earlier paragraphs shows that the position is relatively unsatisfactory in Jammu division. It will be seen from Annexure 6 that the position in the four districts, viz., Doda, Poonch, Rajouri and Udhampur in Jammu division accounts for the comparatively poor performance of this division.

31. The important reasons for low coverage and loan business as revealed by the field studies are listed below :

(i) In the absence of a full-time paid employee, there is general apathy on the part of the managing committee towards increasing the membership.

(ii) The salesman in the society displays interest only in non-credit activities for which he is given commission up to 75

per cent of the total commission earned by the society. He evinces hardly any interest in the credit business for which no remuneration is paid and consequently this attitude adversely affects the coverage of cultivators by the society as well as its agricultural loan business.

TABLE 12

		Rs Thousands		
		Division		
		Jammu	Kashmir	Total
Loans issued				
(i)	Short-term Agricultural Purposes			
	1972—3	673	1199	1872
	1973—4	618	1104	1722
	1974—5	365	1506	1871
	1975—6	251	1602	1853
	1976—7	341	969	1310
(ii)	Medium-term Agricultural Purposes			
	1972—3	209	35	244
	1973—4	93	12	105
	1974—5	3	3	6
	1975—6	7	56	63
	1976—7	46	104	150
(iii)	Medium-term Conversion Loans			
	1972—3	65	607	672
	1973—4	7	88	95
	1974—5	1	72	73
	1975—6	23	6	29
	1976—7	4	202	206
(iv)	Others			
	1972—3	32	78	110
	1973—4	15	91	106
	1974—5	—	102	102
	1975—6	—	35	35
	1976—7	2	139	141
Total				
	1972—3	979	1912	2891
	1973—4	733	1295	2028
	1974—5	369	1683	2052
	1975—6	281	1699	1980
	1976—7	393	1414	1807

(iii) There is overlapping of jurisdiction in the case of some societies which restricts the scope for increasing the coverage and loaning.

(iv) The poor crop conditions in the area of some of the societies have limited the scope for lending.

(v) Misappropriation of funds, particularly in Jammu division, has resulted in the activities of several of the societies coming to a standstill.

(vi) The stipulation of minimum recovery percentage for fresh borrowings by the societies comes in the way of societies increasing their coverage as well as loan business as they are unable to issue finance even to new and non-defaulting members.

(vii) The loaning policy of the banks is defective inasmuch as there is no provision for financing crops other than paddy during *kharif*. Further, no financing is done for *rabi* crops in the Kashmir division. In many cases, the cash component is not given and only fertilizers are supplied, thereby restricting the off-take of loans by members. Further, by and large, societies do not evince interest in the issue of medium-term loans. For this, the central banks are largely responsible. They depend on Small Farmers Development Agency/Marginal Farmers and Agricultural Labourers Agency for medium-term lending and do not take any initiative on their own.

(viii) In the absence of a full-time paid employee, credit limit statements are also not prepared in time and consequently no lending is possible even if there is scope for the same.

(ix) The Differential Interest Rate Scheme of commercial banks has created a feeling among cultivators that it is better to approach commercial banks direct than becoming members of a co-operative society and obtaining loans at a higher cost.

(x) The government policy of disbursement of *taccavi* loans to all, irrespective of membership of a society or default to the society discourages individuals from joining the society and those who are members also do not care to come to the society for loans.

(xi) In view of the inactivity of the societies in general and availability of *taccavi* loans, cultivators do not evince interest in becoming members as they do not get any specific advantage in becoming members of a society.

(xii) The supervision over societies is ineffective. In the case of Doda and Udhampur districts, though supervision is with the Co-operation Department there is no additional staff to attend to financial supervision over societies. The Department follows the same staffing pattern for all the districts irrespective of whether financial supervision is with the financing bank or not or whether the district covers plane tract or hilly areas.

(xiii) A major portion of the loans outstanding is accounted for by fertilizer loans disbursed in kind out of stocks obtained from the State Co-operative Marketing Federation. These loans are given at a reduced rate of interest to both members and non-members and do not either increase the earnings of the society or the business of the central bank. In many cases, the stocks are reported to have been forced on the societies as per the instructions of the Agriculture Department and the societies generally have no voice in the matter. Further, the value of fertilizer stocks shown in the books of accounts of many societies is not actually backed by adequate stocks on hand.

Overdues

32. We have noted earlier that the coverage and loan business of the primary agricultural credit societies are poor for various reasons. We now deal with the connected problem of recovery performance of the societies. The district-by-district position of defaulting membership and overdues is given in Annexure 6. In Table 13 the position obtaining in the divisions has been summarised. The percentage of defaulting members to indebted members in Jammu division is 85 as against 71 in Kashmir division.

33. It is relevant here to consider as to whether conversion facilities have been availed of or not, whenever there were natural calamities leading to damage to crops and declaration of *annewari*

at 6 annas or below as this could otherwise lead to overdues. Table 14 gives the position in respect of conversion facilities availed of by the societies.

TABLE 13

	Rs Lakhs		
	Division		
	Jammu	Kashmir	Total
1. Indebted Members	1880	13392	15272
2. Defaulting Member	1602	9522	11124
3. Percentage of 2 to 1	85.2	71.1	72.8
4. Loans Outstanding	11.30	50.91	62.21
5. Loans Overdue	8.09	21.90	29.99
6. Percentage of 5 to 4	71.6	43.0	48.2
7. Period-wise Classification of Overdues			
(i) Above 3 years	3.20	6.16	9.36
(ii) 1-3 years	3.28	11.37	14.65
(iii) Below 1 year	1.61	4.37	5.98
8. Percentage of 7(i) to 5	39.5	28.1	31.2

TABLE 14

	Division		
	Jammu Kashmir Total		
	Jammu	Kashmir	Total
1. No. of Villages covered	163	207	370
2. No. of Villages for which <i>annewari</i> was declared at 6 annas or below	56	116	172
3. Percentage of 2 to 1	34	56	46
4. No. of Members who approached for conversion facility	28	1642	1670
5. No. of Members for whom conversion limit was sanctioned by the central bank	28	1585	1613
6. No. of members who were granted conversion facility	28	1069	1097
7. Percentage of 6 to 4	100	67	68

34. Despite the fact that conversion facilities have been extended, there have been widespread defaults, particularly in Jammu division. In this connexion, the defaults have been analysed on the basis of size-wise holdings to find out whether they are confined to a particular class of borrowers or are prevalent among all classes. The position of overdues in relation to size of holdings of defaulters is indicated in Table 15.

TABLE 15

	Division					
	Jammu		Kashmir		Total	
	%	No.	%	No.	%	No.
1. Percentage of Indebted Members in each size-wise group to total Indebted Members						
Total Number of Indebted Members		1880		13392		15272
Above 10 acres	3.3	(62)	1.1	(149)	1.4	(211)
5-10 acres	18.5	(348)	6.6	(890)	8.1	(1238)
3-5 acres	30.3	(570)	16.1	(2160)	17.9	(2730)
Below 3 acres	46.3	(870)	75.6	(10126)	72.0	(10986)
Tenants and Agricultural Labourers	1.6	(30)	0.5	(67)	0.6	(97)
Total	100.0	(1880)	100.0	(13392)	100.0	(15272)
2. Percentage of Defaulters in each size-wise group to Total Defaulters						
Total Number of Defaulters		1602		9522		11124
Above 10 acres	2.7	(43)	1.3	(128)	1.5	(171)
5-10 acres	18.8	(301)	6.2	(589)	8.0	(890)
3-5 acres	29.1	(467)	16.0	(1520)	17.9	(1987)
Below 3 acres	47.1	(755)	75.8	(7221)	71.7	(7976)
Tenants and Agricultural Labourers	2.2	(36)	0.7	(64)	1.0	(100)
Total	100.0	(1602)	100.0	(9522)	100.0	(11124)
Note : Figures in brackets indicate actual number of members						

The percentage of indebted members and defaulter members is almost the same in each class of landholders given in Table 15. Thus, defaulters are not confined to any class of landholders and defaults have been prevalent on a large scale.

35. Although overdues over one year at Rs 24.01 lakhs form 80 per cent of the total overdues at Rs 29.99 lakhs, efforts towards recovery have been lacking. As may be seen from Table 16 at page 66, not many cases have been filed against the defaulters. Even where awards have been obtained, there are instances particularly in Jammu division of staying the awards thereby adversely affecting recovery performance.

Reasons for default

36. Our field studies showed that defaults have arisen mainly on account of the following reasons :

(i) In the absence of full-time employees in most of the primary credit societies, no follow-up action is being taken for recovery of dues.

(ii) The managing committee members, themselves being defaulters, have neither the will nor the moral courage to initiate action for recovery.

(iii) The provision in the Co-operative Societies Act and Rules regarding disqualification of defaulters from continuing in the managing committee is generally not acted upon by the societies.

(iv) Supervision over societies is ineffective and the maintenance of account books is very poor. In some cases, although departmental supervisors are not expected to write the account books, they are required to do so in the absence of competent staff in the societies.

(v) The borrowers are not particular about repaying their dues as they are apprehensive of the ability of the societies to issue fresh finance which may be either on account of failure on the part of the society to approach the banks for finance in time or non-fulfilment of the condition regarding minimum recovery of 50 per cent stipulated by the banks or both.

(vi) The departmental staff failed to dispose of suit cases filed against defaulters quickly and also to execute the awards expeditiously.

TABLE 16

	Rs Lakhs					
	Division					
	Jammu		Kashmir		Total	
	No.	Overdue Amount	No.	Overdue Amount	No.	Overdue Amount
1. No. of Societies	34	8.09	31	21.90	65	29.99
2. Overdues over one year	N.A.	6.48	N.A.	17.53	N.A.	24.01
Initiation of action						
3. Suit cases pending as on 30-6-1976	60	0.78	92	0.74	152	1.52
4. Suit cases filed during 1976-7	40	1.14	17	0.09	57	1.23
5. Total No. of suit cases during 1976-7 (3+4)	100	1.92	109	0.83	209	2.75
6. Awards obtained during 1976-7	26	0.42	18	0.13	44	0.55
7. Cases pending at the end of 1976-7 (5-6)	74	1.50	91	0.70	165	2.20
Execution process						
8. Awards pending execution as on 1-7-1976	30	0.12	1	0.01	31	0.13
9. Awards for execution during 1976-7	56	0.90	19	0.13	75	1.03
10. Total Awards for execution during 1976-7 (8+9)	86	1.02	20	0.14	106	1.16
11. Awards Executed during 1976-7	21	0.10	—	—	21	0.10
12. Awards Pending Execution at the end of 1976-7 (10-11)	65	0.92	20	0.14	85	1.06
13. Awards stayed	35	0.24	—	—	35	0.24

(vii) External aggression in the past, leading to damage to crops, as also migration of population from near the border areas have also contributed to defaults.

(viii) Of the loans outstanding against members, a major portion is accounted by long-term loans which were originally issued as short-term loans and converted in 1972 as long-term. No interest is levied on such loans. The loans are to be repaid in 10 annual instalments. The overdues against members are partly accounted for by instalment of dues of long-term loans. The members are apathetic to repaying such loans as they entertain hopes of government writing off these dues in due course.

(ix) In a large number of societies, funds are reported to have been misappropriated by their staff and the members of the managing committees. The misappropriation is reported to be sizeable in the districts of Doda, Udhampur, Rajouri and Poonch. According to a limited survey conducted by the Jammu Central Co-operative Bank in the districts of Doda and Rajouri, misappropriation of funds to the tune of Rs 12 lakhs in Doda and Rs 7 lakhs in Rajouri came to light by the end of June 1977. Most of the misappropriations have been made either by not disbursing loans to members or not accounting for or passing on the entire amount recovered from borrowers to the bank.

(x) Misappropriations have gone unnoticed for a long period for want of timely audit of accounts of societies. Out of 65 societies studied, audit classification was available for the period 1974-5 to 1976-7 only in respect of a few societies from Anantnag and Baramulla districts in Kashmir division and Jammu district in Jammu division. During this three-year period audit classification was available in respect of 23 societies (16 from Kashmir division and 7 from Jammu division) for 1974-5, 19 societies (15 from Kashmir division and 4 from Jammu division) for 1975-6 and for 17 societies (13 from Kashmir division and 4 from Jammu division) for 1976-7. A large number of societies have remained unaudited.

37. The other findings of the field study are briefly referred to below :

(i) The distance of the farthest village in the areas of societies is generally within 5 kms and only in a few cases does it extend up to 10 kms.

(ii) Many of the societies do not have a building or a godown of their own and the majority are housed in the buildings belonging to or hired by the salesmen.

(iii) Excepting a solitary case in Jammu, none of the societies has declared a dividend.

(iv) Non-credit business undertaken by primary agricultural credit societies is more in evidence in the Kashmir division than in Jammu division. Of the 31 societies studied in that division, 30 societies are doing non-credit business. In the case of Jammu division, of the 34 societies, only 16 societies are engaged in non-credit business. The sales turnover in Kashmir division in 1976-7 aggregated Rs 37.28 lakhs giving an average of Rs 1.24 lakhs per society. In Jammu division the relevant figures of sales turn-over and average per society are Rs 8.54 lakhs and Rs 0.53 lakh respectively. In Kashmir division, of 31 societies studied, 25 worked at profit, while in Jammu division 21 of the 34 societies studied worked at profit in 1976-7. This profit, however, was nominal.

Credit requirements met

38. With a view to assessing the societies' role in providing credit in their area of operation, the credit requirements have been calculated at 40 per cent of the estimated credit potential for short-term production loans on the basis of the cultivated area under different crops multiplied by the scales of finance. The credit requirements met have been assumed at the level of the figure of maximum outstandings for the purpose during the year 1976-7. This information could be gathered in respect of 51 of the 65 societies studied. Of these 51 societies, 11 societies (Jammu division 4, Kashmir 7) have been able to meet credit requirements above 50 per cent. Another 12 societies (Jammu 3, Kashmir 9) met credit requirements to an extent varying from 25 per cent to 50 per cent and the remaining 28 societies (Jammu 16, Kashmir 12) have been able to do so up to 25 per cent.

39. As may be seen from paragraph 38 above a large number of societies have not been able to adequately meet the credit inadequacies in view of the various deficiencies mentioned in the earlier paragraphs. To sum up, the state of health of the co-operative credit structure, specially at the primary level, in the state is weak. The co-operative credit structure has recorded an uneven growth in the state as a whole with wide regional disparities and imbalances. While co-operative coverage has been satisfactory in the Kashmir division inasmuch as the bulk of the rural cultivating households have been brought under co-operatives, the effective membership has been quite poor. In the Jammu division, apart from fair coverage in the planes and irrigated areas of Jammu and Kathua districts, the coverage in extent and depth has been very poor in the other districts. The societies, by and large, do not have full-time paid officials to manage their affairs. The growth of owned funds and deposits is not satisfactory. The system of salesmen working on commission earned on non-credit business, dependence on honorary secretaries, ineffective supervision, distribution of fertilizers at lower rates of interest to members irrespective of whether they are defaulters or not and to non-members, defective loaning policies, absence of scheme formulation for lending medium-term loans for milch cattle and sheep rearing activities, etc., limited progress in the reorganization of societies resulting in large number of societies remaining non-viable, overlapping jurisdiction, mounting overdues, misappropriations, defalcations and benami transactions are some of the major ills from which the societies are suffering.

SECTION III

40. The major objective of the agricultural credit policy outlined in the draft Five Year Plan for 1978-1983 is progressive institutionalization with a multi-agency approach and the earmarking of an increasingly larger share for weaker sections. The main burden of providing credit continues to be on the co-operative sector and it is essential to take early steps for reorganization and reorientation of the co-operative credit system. In this connexion the reorganization of primary agricultural credit societies into strong and viable multi-purpose units so that

cultivators, artisans and self-employed could get all the services at one point and efficient management by professionally trained full-time paid managers or secretaries have been suggested. The Government of India in the Ministry of Civil Supplies and Co-operation in terms of their circular letter No. R. 11014/11/77-Coord dated 20 February 1978 while outlining the approach to co-operation in the medium-term Plan for 1978-9 to 1982-3 have stated that to cope with the expanding programme of credit disbursement, the capability of the co-operative institutions will have to be raised and suggested in this context that the objective should be to develop each primary agricultural credit society as a multi-purpose society dealing with agricultural credit, supply of inputs, marketing of agricultural produce and rural consumer distribution so as to serve as a single contact point for the cultivators. Each primary agricultural credit society must also be viable, capable of having a properly recruited and trained secretary and godown-cum-office-cum-residence for the secretary and for this purpose the programme of reorganization of these societies needs to be completed speedily. Keeping this national policy in view and the deficiencies from which the base level institutions suffer in the state we suggest in the following paragraphs certain measures to remedy the existing ills. These measures, if implemented, would in our opinion enable the movement to progress on sound and healthy lines.

41. As observed in paragraph 16, the state government had made an attempt in 1971 to identify viable and potentially viable societies which, however, remained on paper. Consequently, a large number of societies are having poor loan business and are non-viable. As indicated in paragraph 18, almost two-thirds (62 per cent) of societies are having loan business of less than Rs 0.50 lakh which is far below the norm of Rs 2 lakhs considered necessary for viability of a society. Thus, the societies at the village level are not in a position to maintain qualified and trained staff and earn adequate income to strengthen their internal resources and give reasonable return on the share capital investment of the members.

Norm for viability

42. As regards the norm for viability for the societies in the state, an indication of the present thinking on the subject is available in the minutes of the meeting held on 8 March 1977 in the office of the Jammu Central Co-operative Bank which was attended by representatives of the co-operative banks and the Registrar of Co-operative Societies for fixing the norms for indentifying potentially viable and viable societies for introduction of the Common Cadre Scheme and the arrangements for sharing the cost. In these minutes, there is a mention of the norm for potentially viable societies only. Accordingly, a society is considered as potentially viable if it has attained a loan business of Rs 0.75 lakh and is in a position to transact consumer and fertilizer business of the order of Rs 0.50 lakh. Besides, in the society's area of operation, there should be 2,000 acres (800 hectares) of irrigated land or 5,000 acres (2000 hectares) of unirrigated land and should cover 75 per cent of the population with a borrowing membership of 50 per cent of the total membership. Normally, the norm for a potentially viable society is assumed at 50 per cent of the norm for a viable society expecting an average annual increase in the business at 15 per cent in the course of 5 years. On this basis, a viable society should have a loan business of at least Rs 1.50 lakhs. Further, non-credit business is not taken into consideration for judging the viability as the income generated from this activity is generally adequate to meet the expenses on this account. Even if the basis of a loan business of Rs 0.75 lakh, which is far below the accepted norm of Rs 2 lakhs of loan business, is taken into consideration for identifying potentially viable societies, a large number of societies especially in the Jammu division, will have to go out of existence in view of their meagre loan business and poor prospects. Almost three-fourths of the societies have a loan business below Rs 0.75 lakh and all are not having non-credit business. This position further emphasizes the imperative need for reorganization of societies without loss of time.

43. It is reported that following the decision referred to above at the meeting held at the Jammu Central Co-operative Bank on 8 March 1977, an exercise for identification of viable and

potentially viable societies has been undertaken particularly in the Jammu division and the survey is in progress. Unless determined and effective follow up action is taken in bringing about reorganization, the co-operative credit structure in the state cannot be built up. The matter, therefore, calls for clear orders from the state government, backed by effective executive action.

44. Unfortunately, the state government has no concrete plan at present for reorganization of societies. New societies are being registered in the normal course besides the organization of special types of societies such as fruit growers co-operative marketing and processing societies in Kashmir division and supply and sale societies in the hilly areas of the state. It is true that the primary agricultural credit societies have so far generally failed to provide adequate credit support for various activities. But at the same time, setting up of different types of societies only for a limited purpose such as fruit growers societies will cut into the business prospects of the primary agricultural credit societies which are already having poor loan business. Keeping in view the geophysical and climatic conditions, we suggest that it would be advantageous to have three types of societies working as multi-purpose units in the state. These three types may be (i) the conventional agricultural credit societies for areas where food crops are predominant; (ii) fruit-growers societies for areas where apple is the major crop and (iii) supply and sale societies for the hilly terrain of the state. It has been generally accepted that only a viable, professionally managed primary co-operative society will be in a position to give the package of services needed by the cultivators. More recently, the Sixth Plan Working Group has emphasized in this context that the base level institutions should serve as single contact points for farmers for meeting all the requirements of credit i.e., short, medium and long-term, including consumption credit, and inputs and essential consumer goods. Keeping the above considerations in view, we recommend that the pattern of reorganization of the primary credit structure in Jammu & Kashmir may be on the lines broadly indicated in the following paragraphs. We would strongly urge in this context that new

societies should not be organized and registered for sometime till the reorganization of societies has been successfully accomplished.

45. A gross cropped area of 2000 hectares, even if the entire area is unirrigated, as stated in paragraph 3, is expected to give a minimum short-term loan business of Rs 2 lakhs considered necessary for a viable society. This basis of a gross cropped area has been accepted in the meeting held on 8 March 1977 referred to in paragraph 42 above. In the circumstances, we recommend that the norm for a viable society may be a minimum loan business of Rs 2 lakhs with a gross cropped area of not less than 2000 hectares within its area of operation even if the entire area is unirrigated or 800 hectares of irrigated land. The area of operations of the society may be limited to a radius of 10 kms to ensure easy accessibility to the society's headquarters for the members.

46. As regards potentially viable societies, we agree with the norm adopted in the state as indicated in paragraph 42, namely, a loan business of Rs 0.75 lakh for identifying a potentially viable society, if other conditions, viz., the coverage in terms of the cropped area and the membership are fulfilled. Such a society could be expected to reach a loan business of Rs 2 lakhs in the next five-year period i.e., the period by which we expect the societies to lend adequate support for meeting credit requirements as estimated by us in Chapter 2. This level could be attained if such societies increase their loan business at a rate of a little over 20 per cent every year.

47. What we have indicated above refers to reorganization of societies in plane areas. In the matter of reorganization of societies in hilly areas which are locally known as *kandi* areas, we recommend a different approach in view of the conditions prevailing in such areas. This aspect is discussed later in this chapter in paragraph 50.

48. Presently, not all primary agricultural credit societies are undertaking financing of fruit crops and supply of consumer articles. As the primary agricultural credit societies neglected

financing of fruit crops, particularly apples, the fruit-growers co-operative marketing and processing societies were set up since 1972 at the instance of the Directorate of Horticulture (Planning and Marketing) in the predominantly fruit-growing areas. The fruit-growers societies in their turn are restricting their activities to supply of production and marketing credit to the fruit growers and arranging marketing of their produce. In the predominantly fruit-growing areas, the agricultural credit societies suffer from lack of adequate business and have hardly any prospects of becoming viable units. This situation is not conducive to the healthy growth of the base level institutions. There should be only one base level institution and it should work as a multi-purpose co-operative society issuing production credit for all the crops raised in its area of operations and undertaking distribution of essential consumer goods as well. Once the base level societies function as multi-purpose societies — whether they are primary agricultural credit societies or fruit-growers societies — the controversy now going on in the state over the organization of separate fruit-growers societies would come to an end. As a practical measure in predominantly fruit growing areas, which are in the Kashmir division, primary societies can be named as fruit-growers societies, but they will purvey credit for other crops as also for marketing of members' produce. As regards marketing of fruits in an area where fruit crops are not grown on a large scale, the concerned primary society can have suitable arrangements with the nearest fruit-growers society for marketing of its members' fruits. The working of the fruit-growers societies and their role has been discussed in detail in Chapter 4.

49. Further, the recommendations of the National Commission on Agriculture (1971) regarding reorganization of Farmers Service Societies are also very relevant in the context of the reorganization of primary societies. The Government of India in this connexion proposed two models of Farmers Service Societies — one covering a whole block with about 10 branches and the other without branches covering a population of approximately 10,000. Ordinarily, the latter type is to be preferred to facilitate supervision and mutual contact. The Farmers Service Society organized

in the Jammu division in the Ravi Tavi Command Area has an area of operation extending to about 160 villages of Vijapur Block of Jammu District and has 5 branches. This would mean, on an average, each office of the society will have to cater to about 30 villages. This is a very wide area and limits the capacity of the society to serve its members. On the whole, it is better to go ahead with the scheme for reorganization of primary agricultural credit societies rather than spend time, money and effort in setting up Farmers Service Societies at this stage.

50. In the hilly areas i.e., in the districts of Doda, Poonch, Rajouri, Udhampur and Ladakh in view of the geo-physical and agro-climatic conditions, activities pertaining to cultivation are limited and consequently the scope for lending for these activities is also restricted. The concept of viability and pattern of societies in the hilly areas will have, therefore, to be somewhat different. People in the areas generally earn their livelihood by engaging in activities allied to agriculture such as sheep-breeding, dairying, goat-rearing and also blanket-weaving. They have also earnings by way of wages as many work in projects of the public works department and with forest contractors. The government, keeping in view the difficulties in such areas in regard to getting adequate supplies of consumer and other goods of common consumption due to inaccessibility, have organized in some areas co-operative sale and supply societies which are to cater to all the requirements of cultivators in the area as can be seen from Annexure 7. Though these societies are expected to provide a wider range of services than those in other areas, presently they are saddled with too many functions. Further, the area of operation of each society covers an entire block which is expected to be served by setting up branches at convenient places. Instead of having branches of these societies, a separate society with headquarters at a growth centre can be established, if there is sufficient scope for business in the selected area. The separate society would be in a better position than a branch to secure involvement of the local people necessary for its success. Such societies should specifically undertake the undernoted functions to begin with :

- (i) Provision of short, medium and long-term credit for agricultural purposes,

- (ii) provision of seeds, fertilizers, pesticides, etc.
- (iii) provision of essential domestic requirements such as foodgrains, cloth, salt, sugar, vegetable oil, kerosene, matches, tobacco, soap, etc., against the member's entitlement under the cash component of the scale of finance or against a limit specifically sanctioned,
- (iv) marketing of agricultural produce or products of allied activities like dairying including collection of milk, sheep-breeding, etc.,
- (v) undertaking, wherever possible, forest or other labour contracts which will provide employment and additional income to members.

Further, the reorganization of societies in the hilly areas may be considered on the basis indicated below :

- (i) Every reorganized society should have its headquarters at a growth centre and include in its area of operation all the villages that are traditionally linked with that growth centre. Its area of operation may not normally extend to more than 8-10 kms in radius and may be less at 5-6 kms where there are mountainous tracts with difficult and poor means of communications.
- (ii) The area of operations of a society may include the area of one or more gram panchayats. It is not necessary that all the villages in its area should belong to the same panchayat as long as the traditional links of a cluster of villages with a growth centre are not disturbed.
- (iii) While the requirements at (i) and (ii) above should serve as a general rule, it should be ensured that the area of every reorganized society covers a gross cropped area of at least 800 hectares if the society is situated at a place with relatively better means of communications and 400 hectares in the case of a society with poor and difficult means of communications in its area. This would mean that a society in the former category will have a short-term agri-

cultural loan business of Rs 1 lakh. A society in the latter category will have a loan business of at least Rs 50,000.

- (iv) In view of the limited area, the attainment of viability would be dependent on the scope for other business available in the area. The society may not, therefore, attain viability in a period of five years, but may require a longer period.

51. In the matter of reorganization, generally, societies covering a larger area than what is being served by the existing societies are required to be established. Consequently, reorganization involves liquidation or amalgamation of at least about fifty per cent of the existing societies with those which are proposed to be retained or organized afresh. While implementing the programme of reorganization a number of procedural and legal problems are being encountered. Besides, there are problems connected with taking over of liabilities of amalgamated societies by the reorganized or the new units. With a view to overcoming the difficulties of the type mentioned above, the Reserve Bank, in May 1976, circulated to all the state governments certain guidelines in the matter. In terms of these guidelines, to start with, it has been suggested that once the area of operation of a reorganized society is decided, a good working society, if available in that area, may be selected for retention. It may be called the nucleus society and all the other good working societies in the area may be merged with this nucleus society and the non-viable ones liquidated. The nucleus society, besides being a good working society, should also be conveniently located from the viewpoint of communications, accessibility, etc., in regard to the villages in its area. In case a good working society is not available in the proposed area then a new society can be organized.

52. Even if only good working societies are amalgamated, the question of taking over the bad debts of the amalgamating societies still arises, because even such societies may have some bad debts. If, therefore, all the assets and liabilities of the amalgamating societies are taken over by the reorganized or new socie-

ties, the real or exchangeable value of the share capital of the reorganized or new societies may be adversely affected. To safeguard the interests of the reorganized unit, the procedure given below which is broadly on the lines of the guidelines circulated by the Reserve Bank, may be followed.

(i) A society whose estimated bad debts do not exceed its reserves, may be straightway amalgamated with the reorganized unit i.e., its balance sheet may be incorporated with that of the new unit. Since the bad debts are fully covered, the new unit will not be affected adversely by taking over all the assets and liabilities of the amalgamating societies.

(ii) If the aggregate value of the bad debts of a society meant for merger exceeds its reserves but is within its owned funds, first the shares and deposits of a member whose loan has been estimated as bad should be adjusted against his loan, leaving one share to his credit and second, if even after such individual adjustments, bad debts remain, the reserves of the society should be fully adjusted. The balance of such bad debts, if any, should be adjusted against the share capital so as to arrive at the real and exchangeable value of the share capital.

(iii) If both reserves and share capital of the society are not adequate to cover the bad debts, it will mean that the real value of the share capital of the society is nil and such a society should be liquidated instead of being merged and the ultimate loss, if any, after realizing its assets, will have to be borne by the central bank concerned.

(iv) The procedure in regard to amalgamating societies indicated at (ii) above will apply also to a society meant for retention after reorganization as a viable society provided its bad debts are not fully covered by reserves.

(v) In the case of those units which are proposed to be amalgamated, it will be desirable to arrange for their special audit before amalgamation to ascertain the realizable value of their assets and the accuracy of their profit and loss account in particular. If it is not possible to arrange for a special audit of a large number of societies at short notice, the latest available audit report may be considered for estimating the bad debts

of a society meant for merger. However, if the audit is in arrears for 2 years and more, a quick survey should be conducted by the Co-operation Department to assess the bad and doubtful debts and to arrive at the realizable value of the assets of the societies.

(vi) Amalgamation of two or more societies as per the procedure suggested above may not pose any serious problem in the State as the State Co-operative Societies Act and Rules empower the Registrar of Co-operative Societies to order compulsory amalgamation of societies in the public interest, interest of the co-operative movement and for securing proper management.

Reorganization Plan

53. In the light of the above suggestions, a block-wise plan should be drawn up by the Co-operation Department in association with the State and Central Co-operative Banks for reorganization of societies. Such plans should be prepared at the base level by block level committees under the chairmanship of the block level development officer. Thus block level committee may comprise the Assistant Registrar of the block from the Co-operation Department, a representative of the central bank, the revenue inspector of the area and a representative of the primary agricultural credit societies in the area and, in the case of the Kashmir division, a representative of the Directorate of Horticulture (Planning and Marketing). The plan prepared by this committee should be sent for consideration to the District Level Committee which, we suggest, may consist of the Deputy Commissioner of the district who may be the Chairman, the Deputy Registrar of Co-operative Societies of the concerned district, the General/District Manager of the concerned central co-operative bank, a representative of the state co-operative bank and a non-official co-operator from the district who may be nominated by the state government. The District Level Committee should forward the plan, with its recommendations, to the State Level Committee for approval. The State Level Committee presided over by the Secretary, Agriculture Production Department, should include the Registrar of Co-operative Societies, Chairman of the state co-operative bank and the Managing Director of the state co-operative bank as members. The State Level Committee should, while considering the district-wise plan,

associate the Chairman of the respective central co-operative bank of the area and the Director of Horticulture (Planning and Marketing) in the case of district-wise plans for the Kashmir division where fruit-growers societies are involved. The above programme should be completed within a period of 6 months and a detailed and specific time-schedule for this also should be prepared by the Registrar of Co-operative Societies.

54. For the reorganized societies, it is necessary to have by-laws which include important progressive features such as universal membership, representation to small farmers, etc. The Reserve Bank had prepared model by-laws and circulated them to all the state governments for adoption in terms of their circular letter No. ACD Plan 1643/PR. 422(9)-77/8 dated 27 October 1977. We recommend adoption of these by-laws for primary agricultural credit societies in the state.

55. We have made an attempt to work out the number of societies which could be sustained on the basis of production credit requirements indicated in Chapter 2 assuming that for a loan business of Rs 2 lakhs, there will be one society. Further, in the case of the hilly areas of the state i.e., in five districts, viz., Doda, Poonch, Rajouri, Udhampur (Jammu division) and Ladakh (Ladakh division) the number of societies which may be required has also been worked out. For this purpose, it is assumed that for every 800 hectares of gross cropped area there will be one society in these five districts. On the above basis, the district-wise position of societies will be as shown in Table 17 at page 81.

56. On the assumption that a minimum loan business of Rs 2 lakhs of short-term agricultural credit is necessary to make a society viable, the total number of societies needed comes to 853 as against the present 1379 societies in the state. On the basis of gross cropped area of 800 hectares per society in the hilly areas for five districts the total number of societies comes to 1016. However, this estimated number of societies may get reduced when the actual process of reorganization is gone through. The Jammu Central Co-operative Bank which has initiated a survey of viable and potentially viable societies in its area has proceeded on the basis of a loan business of Rs 2 lakhs. It is reported that

TABLE 17

District	No. of existing societies	Gross Cropped Area in Lakh Hectares		Credit Requirement (Rs lakhs)	No. of Societies required to sustain a Loan Business of Rs 2 lakhs per Society	No. of Societies on the basis of 800 hectares per Society
		Irri-gated	Unirri-gated			
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Jammu Division						
1. Doda	116	0.089	0.551	77.35	39	80
2. Jammu	216	0.651	1.067	328.68	164	164@
3. Kathua	122	0.181	0.712	143.30	72	72@
4. Poonch	53	0.041	0.248	35.05	17	36
5. Rajouri	104	0.057	0.584	72.65	36	80
6. Udhampur	147	0.061	0.784	93.65	47	106
Sub-total	758	1.080	3.946	750.68	375	538
Kashmir Division						
7. Anantnag	199	0.827	0.535	369.70	185	185@
8. Baramulla	183	0.637	0.675	324.20	162	162@
9. Srinagar	155	0.515	0.270	220.75	110	110@
Sub-total	537	1.980	1.480	914.65	457	457@
Ladakh Division						
10. Ladakh	84	0.169	—	42.25	21	21
State	1379	3.229	5.426	1707.58	853	1016

@ In respect of these districts figures indicated in column (6) are repeated

in the hilly tracts, although the terrain is difficult and means of communications are poor, a wider area could still be covered as the people in the area are used to trekking long distances and it is generally the experience that the growth centres are visited by people from villages situated at a distance of even 10 kms and above. Thus, ultimately on block-wise assessment, the number of reorganized societies may be around 800. The distance from the headquarters of the society to the farthest village may not

thus pose any serious problem and smooth working can be ensured if a full-time paid secretary is in position and the supervision machinery is tightened.

57. However, if the area of a reorganized society is required to be limited to a prescribed radius particularly in the *kandi* areas, the level of short-term loan business will necessarily be limited and would be even less than Rs 2 lakhs. However, since these societies will operate as multi-purpose units and would provide loans for animal husbandry, sheep-breeding, goat-rearing activities etc., there will be large scope for expanding medium-term loan business in addition to that of short-term agricultural loans. Besides, the societies will also have non-credit business such as distribution of fertilizers and essential consumer goods and are expected to handle the marketing of members' produce arising from agricultural and allied activities. These taken together will help to improve the prospects of viability of a society.

58. In addition, the societies are expected to undertake long-term loan business because, at present, the branches of the state land development bank are not able to cater to a large clientele spread over a vast area. It would also not be economical to the land development bank to open more branches to reach the interior. In the circumstances, if the primary societies undertake long-term loaning it will help them further in attaining viability quickly and a borrower will also not be required to approach different credit agencies for obtaining his credit requirements. As a result of this arrangement, the reorganized society will serve as a single contact point for all the credit, marketing and allied needs of the cultivators which will, besides enabling it to become a viable unit, facilitate closer supervision and ensure proper use of credit and timely recovery.

59. According to available information, there are very few functional societies in the state barring the fruit-growers societies at the base level. In the case of fruit-growers societies, we have recommended in Chapter 4 that they should function as multi-purpose primary co-operative societies though they may be called by different names.

Primary marketing societies

60. The next question which needs consideration is about the role of the primary marketing societies numbering 76, most of which have a block as their jurisdiction. They do not undertake any real marketing function i.e., the sale of members' produce but work merely as agents of the state level marketing federation for distribution of fertilizers and consumer articles. The position of the working of these societies can be seen from the details furnished in Annexure 8 relating to a few marketing societies in respect of which data are available for the year 1976-7. Since the reorganized societies will handle marketing work, the network of marketing societies would become superfluous and as such will have no role to play in the reorganized set-up. However, existing primary marketing societies can also be selected as nucleus societies referred to in paragraph 51 while reorganizing primary agricultural credit societies and then their godown and office facilities could be put to better use. The state/regional marketing federation can open district level offices to stock goods so that the primary societies can lift their requirements without difficulty. As regards marketing of fruits, the fruit-growers societies can deal directly with the Apex Fruit Marketing Society as suggested in Chapter 4.

61. Every reorganised society should have an office and also a godown/store. A plan for providing such facilities may be prepared by the state government which may seek assistance for the purpose from the National Co-operative Development Corporation. The building can have such a design as may provide space for office, godown/store and also preferably, residential accommodation for the secretary. The suggestion to provide accommodation for the secretary is important keeping in view in particular, the introduction of the common cadre for the secretaries and their transferability within the area specified. Even otherwise it will be desirable for the secretary to live in the society's premises so that he is readily available and can be easily located. We recommend the creation of a technical cell in the Registrar's Office with qualified staff to draw plans for such buildings and provide technical guidance and help in the smooth implemen-

tation of such a programme. Similar arrangements are under implementation in a few states such as Tamil Nadu, Uttar Pradesh and Madhya Pradesh.

62. The next question that needs consideration is about the services of a secretary from the common cadre for each of the reorganized societies. We have stated in Section I of this chapter that the state government has already introduced a common cadre scheme in terms of its notification dated 3 August 1976 but it suffers from certain deficiencies. With a view to making the common cadre scheme effective and purposive we suggest the following modifications in the scheme:

(i) The area of operation of the common cadre scheme may be confined to a district irrespective of the area of operation of the bank so that employees are not required to go on transfer to very distant places. For example, without such a stipulation, in the case of the Jammu Central Bank, one employee could be transferred from Poonch to Badharwah (Doha district).

(ii) In the Administrative Committees, whose jurisdiction extends to more than one district, a representative on the Board of the central bank from the concerned district may be associated when matters concerning co-operatives in the particular district are considered.

(iii) A state level committee should be set up for formulating uniform policies for implementation of the common cadre scheme. The Administrative Committees constituted under Rule 4 of the Common Cadre Service Rules 1976 by the concerned banks should administer the scheme under the guidance of and within the overall policy decisions taken by the state level committee. The composition of the state level committee may be as follows :

Chairman of the state co-operative bank	Chairman
Registrar of Co-operative Societies	Member
Two non-officials from among the directors of the state co-operative bank	

representing central co-operative banks from the areas other than the one represented by the Chairman, to be nominated by the Board of the state co-operative bank	Members
The Chairman of the State Land Development Bank	Member
Director of Horticulture (Planning and Marketing)	Member
Managing Director, State Co-operative Bank	Member-Secretary

(iv) (a) With a view to providing promotional avenues to the secretaries there should be classification of societies on the basis of the volume of loan business. As annual lendings may vary for one reason or the other and create difficulties in classification of societies, the classification should be in relation to total outstandings as at the end of 31 December of the previous co-operative year when the outstanding advances generally reach the peak level. Such classification, besides providing promotional avenues, would ensure distribution of work-load according to the grades and an employee will not be required to shoulder higher responsibilities without corresponding benefit.

(b) Initially, there could be 3 categories of societies, viz., (1) societies with loan business below Rs 1 lakh, (2) between Rs 1 lakh and Rs 3 lakhs and (3) above Rs 3 lakhs. The scales of pay as well as other allowances may be fixed on the basis of the above classification.

(v) As and when the loan business develops, additional staff may be posted in such societies from the lower grades to assist a higher grade secretary.

(vi) Besides providing promotional avenues within the cadre, service as a secretary should also be given weightage by co-operative banks as well as by the Co-operation Department while recruiting personnel in the categories of clerks and supervisors.

(vii) The rates of contribution to the common cadre fund are determined by the Administrative Committees as stated in

item (vi) under paragraph 24 in Section I. This is not a convenient arrangement from the view point of uniformity in approach. Although a uniform rate of contribution has been prescribed at present as stated in item (x) below, the possibility of Administrative Committees differing in this matter cannot be ruled out in view of the authority vested in them as per the Rules. The state level committee suggested earlier in item (iii), may, therefore, decide the rates of contributions and prepare guidelines for administering the fund.

(viii) The common cadre fund should not be on a district or bank-wise basis, but should be for the state as a whole. In other words, the contributions collected in the districts/banks should be pooled at the state level in an account maintained by the state co-operative bank. This would help to set off the deficits in less developed districts against the surpluses of relatively better off districts, besides reducing the burden on the state government which might otherwise have to bear it in the form of grant-in-aid to meet the deficits.

(ix) With a view to ensuring that the contributions to the cadre fund do not fall in arrears, the recovery of such contributions should be styled as "caderization fees" and given precedence over the recovery of interest, other charges, etc. and should have a first charge on the remittances by the society to the central financing agency.

(x) The rates of contributions to the cadre fund by the central banks and the primary agricultural credit societies can be the same as already decided at the meeting held at Jammu Central Co-operative Bank of 8 March 1977 mentioned in Section I, viz., 0.50 per cent and 1.25 per cent of the short-term and medium-term loans outstanding against the primary agricultural credit societies and members respectively.

(xi) In the case of commercial banks wherever they are acting as financing agencies, the rate of contribution to the cadre fund may be the same as that for the central co-operative banks.

(xii) In the case of the state co-operative bank, however, the rate of contribution may be fixed at 0.50 per cent in respect of its advances to societies in the districts of Srinagar and Ladakh

where it is acting as a central financing agency. Further, it should also be required to contribute at the rate of 0.25 per cent of its outstanding loans against central banks, irrespective of the fact whether refinance for the purpose has been availed of from the Reserve Bank or not. In view of this suggestion, it may not be necessary for the state co-operative bank to reduce its interest rates for its advances to central banks by $\frac{1}{4}$ per cent as has been suggested by the Registrar of Co-operative Societies as referred to in item (vi) under paragraph 24.

63. Keeping in view the suggestions for classification of secretaries and the rates of contributions to the fund, we have examined in the paragraphs that follow the economics of the scheme i.e., how far the contributions will be enough to meet the expenditure for the maintenance of cadre employees.

64. In the first instance, the expenditure on the common cadre employees has been worked out and for this purpose certain assumptions have been made as under :

(i) There will be 3 grades among secretaries, viz., Gr. I, Gr. II and Gr. III for attending to the work of the societies in relation to their credit business. In 800 societies, which are expected to emerge on reorganization, it is assumed that 150 societies will have a loan business of over Rs 3 lakhs; 250 societies will have a loan business between Rs 1 lakh and Rs 3 lakhs and the remaining 400 societies will have a business of Rs 1 lakh and below. On this basis, 150 Gr. I, 250 Gr. II and 400 Gr. III secretaries will be required.

(ii) The total emoluments of each secretary in Grades I, II and III are taken as Rs 400, Rs 300 and Rs 250 per mensem respectively.

(iii) Secretaries may be recruited over a period of the next 2 years i.e., 1978-9 and 1979-80 at the rate of 200 every 6 months. This would mean that by 1980-81 all the 800 secretaries will be in position. The year-wise position of secretaries will then be as in Table 18.

BASE LEVEL INSTITUTIONS

TABLE 18

Year	First half year			Second half year		
	In position	Posted during the period	Total	In position	Posted during the period	Total
1978-9	—	200	200	200	200	400
1979-80	400	200	600	600	200	800
1980-81 onwards	800					

The actual expenditure per secretary taking the three Grades together is expected to be on an average Rs 3525 per annum. The yearly expenditure is given in Table 19.

TABLE 19

Year	Expenditure Rs Lakhs
1978— 9	10.58
1979—80	24.68
1980—81	28.20
1981— 2	28.20
1982— 3	28.20

65. As against the above expenditure, the contribution that is expected to be collected in the cadre fund on the basis of the rates recommended will have to be worked out. This necessitates certain assumptions being made in respect of the loan business that the three tiers will handle over the next 5 years ending 1982-3. According to the latest data available which relate to the position as on 30-6-1976, the outstanding loans at the primary level were Rs 5.89 crores consisting mostly of short-term loans. Assuming an annual growth rate of 15 per cent, the short-term loan business will reach a level of Rs 15.67 crores by the end of 1982-3. The year-wise level of advances of the three tiers is expected to be as in Table 20.

TABLE 20

Rs Crores

Year	Societies	@ Central Co-operative Banks (75% of Col. 2)	Apex Bank (30% of Col. 3)
(1)	(2)	(3)	(4)
1978—9	8.96	6.72	2.02
1979—80	10.32	7.74	2.32
1980—81	11.85	8.88	2.66
1981—2	13.62	10.23	3.07
1982—3	15.67	11.75	3.52

@ Includes the state co-operative bank and commercial banks acting as central financing agencies.

On the basis of the above level of outstandings at each of the three tiers, the year-wise contributions to the cadre fund would be as given in Table 21.

TABLE 21

Rs Lakhs

Year	Contributions by			
	Primary Agricultural Societies (1.25% of the outstandings)	Central Co-operative Banks (0.50% of the Advances)	State Co-operative Bank (0.25% of the Advances)	Total
1978—9	11.20	3.36	0.50	15.06
1979—80	12.90	3.87	0.58	17.35
1980—81	14.81	4.44	0.67	19.92
1981—2	17.02	5.12	0.77	22.91
1982—3	19.59	5.88	0.88	26.35

66. The collection of contributions to the cadre fund as estimated in paragraph 65 *vis-a-vis* the expenditure on the emolu-

ments to the cadre employees in Table 19 indicates that the scheme is not self-sufficient except in the first year i.e., 1978-9 when only a few employees will be in position. The expected level of income and expenditure in the five-year period could be seen at a glance in Table 22.

TABLE 22

Rs Lakhs			
Year	Contributions	Expenditure	Surplus (+) Deficit(-)
1978— 9	15.06	10.58	+4.48
1979—80	17.35	24.68	-7.33
1980—81	19.92	28.20	-8.28
1981— 2	22.91	28.20	-5.29
1982— 3	26.35	28.20	-1.85

67. Thus, the scheme will not become self-sufficient if the short-term loan business alone is taken into account. However, the contributions to the cadre fund are linked to the medium-term loans as well and hence the deficit would be reduced or it may be completely wiped out from the year 1982-3. In this connexion, it may be noted that in Chapter 2, we have estimated medium-term loan requirements for purchase of sheep and milch cattle alone at Rs 25 crores i.e., Rs 5 crores annually and if this target is attained substantially, the contributions to the fund will be quite sizeable requiring no outside assistance for the purpose. However, as it is, the state government will have to make provision for subsidy to the extent of nearly Rs 18.27 lakhs during the years 1979-80 to 1982-3 after adjusting the surplus of 1978-9. The state government could, in turn, share this deficit with the Government of India which has a scheme to share the deficits in the cadre fund.

68. While estimating the expenditure, no account has been taken of the increase in the expenditure consequent to increments, etc., in the grades which will have running scales of pay. This

may necessitate somewhat larger subsidy from the state government. - With a view to avoiding such a situation, it is desirable to reduce the number of societies wherever feasible, by providing for a higher loan business potential of more than Rs 2 lakhs, which may help reduce the number of cadre employees as well. Further, long-term credit business may also be entrusted to the primary credit societies which would help in increasing their loan business and consequently additional contributions to the cadre fund could be collected on these loans also. However, despite all these possibilities it will be necessary to provide for subsidy from the state government as indicated in paragraph 67 so that the scheme of common cadre can make an immediate start. The subsidy can be withdrawn at a later date if there is no problem of resources in the fund to meet the cost of cadre secretaries.

69. For implementing the suggestions made earlier, suitable amendments to the Common Cadre Rules of 1976 will have to be carried out by the state government.

Arrangements for Training

70. In regard to arrangements for training of the newly recruited secretaries, presently there are only two centres run by the Jammu and Kashmir State Co-operative Union, one at Jammu and other at Srinagar which are equipped to train 30 trainees each at a time. This will mean that in every six months only 60 candidates can be trained for posting as against 200 expected to be in position. The State Co-operative Union should chalk out a quick programme and seek the assistance of the National Co-operative Union of India and, if necessary, avail itself of the facilities of the training centres of adjoining states such as Punjab and Haryana. Further, the Registrar of Co-operative Societies may consider reducing the duration of the training programme from six months to three or four months giving more emphasis on job-oriented training. Further, there should also be a provision in the training scheme for arranging periodical refresher courses for the secretaries of primary agricultural societies trained earlier.

Financial Assistance

71. The reorganized societies are expected to play an effective role in furthering agricultural development in the state and therefore financial support to strengthen their owned funds would be of great help to them. For this purpose a contribution up to Rs 0.50 lakh, depending on the size of the society, towards share capital may be given by the state government.

CHAPTER 4

FINANCING OF FRUIT GROWERS

1. This chapter deals with the sixth term of reference which requires us to study the organization of fruit-growers societies and financing of the production and marketing of fruits. We are dealing specially with apple cultivation in view of its importance in the economy of the state.

2. Unlike almond and walnut trees, maintenance is of prime importance in the case of apple trees and fruits. An apple tree starts bearing fruit at the eighth year and its life-span is up to 45 years but optimum yield is generally up to 30 years. In view of the larger area under apple, the constant care and attention the apple crop demands and the large financial outlay in the maintenance of the trees and marketing of fruits, we confine our enquiry mainly to the cultivation and marketing of apples. We have divided this chapter into two sections. In Section I the background leading to the organization of fruit-growers societies and their actual working have been dealt with. Section II contains suggestions and recommendations for streamlining the working of these societies and their ultimate position in the base level of the reorganized co-operative credit structure.

SECTION I

Area under Orchards

3. The State of Jammu & Kashmir abounds in fruits and grows a wide variety of them. The area under orchards which was 12,400 hectares in the year 1949-50, more than doubled by 1970-71 to 26,628 hectares which further increased to 56,000 hectares in 1972-3 forming about 6 per cent of the total gross cropped area at 9.02 lakh hectares. Of the total area under orchards, almost 95 per cent area is concentrated in the three districts of Kashmir division as may be seen from the district-wise data relating to

1970-71 from the Agriculture Census Report furnished in Table 1 at page 95. This is due to the fact that the climate of this division is well suited to fruit crops.

4. It is estimated that about 1.5 to 2 lakh hectares of rainfed cultivated area in the temperate regions of the state are suitable for development of orchards and ideally suited for growing different varieties of temperate fruits. The data relating to orchards do not reveal the exact area under apple cultivation. However, apple accounts for about 66 per cent of the area under orchards. For long, the state was considered to be the home of apples in the country, but of late Himachal Pradesh and the hilly areas of Uttar Pradesh have entered the field and have made an impact in the market, particularly Himachal Pradesh. Apple being the most important fruit crop, the state government through its Directorate of Horticulture had initiated various schemes to increase the production of apples as well as marketing in other states. In 1967-8, the Directorate of Horticulture launched the Horticulture Area Development Programme providing technical assistance and guidance to encourage farmers to bring more area under orchards. It was proposed to cover a total area of 15,540 hectares mainly in the Kashmir division including Ladakh. Another 3125 hectares were also proposed to be covered under the Drought Prone Areas Programme. In 1969-70, a scheme known as the Intensive Fruit Production Programme was initiated to provide guidance to orchardists to increase productivity through improved practices of fruit cultivation. An area of 20040 hectares was expected to be covered under this scheme. Besides, in 1971-2, a scheme known as the Development of Horticulture in Hilly and Backward Areas was started for establishing model orchards-cum-nurseries in Gurez, Uri, Poonch, Nawshera, Budtal, Rajouri, Hondwara, Kupwara, Brang and Pahalgam.

Production of Apples

5. We have not been able to get the actual figures of production of apples in the state. However, as a result of the sustained efforts of the government, production of apples has been consistently increasing as may be seen from the figures in Table 2 at page 96 relating to the despatch of fruits from the state.

TABLE I

District	Gross Cropped Area (in Lakh Hectares)	Area under Orchards (In Hectares)	Percentage of Col. 3 to Col. 2	Percentage of Col. 3 to Total Area under Orchards in the State
(1)	(2)	(3)	(4)	(5)
Jammu Division				
1. Doda	0.64	70 (1417)	0.1	0.3
2. Jammu	1.72	376 (950)	0.2	1.4
3. Kathua	0.89	336 (1020)	0.4	1.2
4. Poonch	0.29	1 (612)	—	—
5. Rajouri	0.64	1	—	—
6. Udhampur	0.85	94 (1583)	0.1	0.3
Sub-total	5.03	878 (5583)	0.2	3.2
Kashmir Division				
7. Anantnag	1.36	7800 (14542)	5.7	28.5
8. Baramulla	1.31	13972 (21967)	10.7	51.1
9. Srinagar	0.79	4594 (9858)	5.9	16.8
Sub-total	3.46	26366 (46366)	7.0	96.5
Ladakh Division				
10. Ladakh	0.17	88 (N.A.)	0.5	0.3
State	8.66	27331 (51952)	3.2	100.0

Note : Figures in brackets are as per the survey of 1971-2 by the Directorate of Horticulture

About 85 to 90 per cent of the despatches of fruits are accounted for by apples. The bulk of the fruits produced in the state is marketed outside and local consumption is insignificant.

TABLE 2

Year	Fruits Exported In Tonnes
1966— 7	33,942
1970—71	1,08,644
1972— 3	1,58,156
1973— 4	1,68,892
1975— 6	2,61,889
1976— 7	2,40,304
1977— 8	1,53,027

(Up to October 1977)

6. The progressive increase in production and marketing of fruits, especially apples, resulted in greater inward flow of funds which had an impact on the state's economy. However, it was noticed that this did not benefit orchardists as a class as the gains were derived by the middlemen. The middlemen are able to exploit the situation as the orchardists themselves do not have direct links with the outside markets and transportation of goods over a long distance poses additional risks acting as a deterrent to the orchardists venturing in the field of marketing on their own. Further, in the absence of any strong arrangements for institutional finance for maintenance of apple orchards, an orchardist has necessarily to look to other sources to meet his requirements. This helps the middleman, who generally happens to be an *arhtia* or commission agent, to step in. The *arhtias* generally take orchards on lease before the commencement of the flowering season offering a very low price as they take a risk about the produce, which is only a guesswork at this time of the season. Normally, the lease is for a period of two years as the yield of apple is said to be better in the alternate year. Under this arrangement, an orchardist loses interest in the maintenance of the orchard as all the risk or benefit is that of the lessee. Those orchardists who do not give their orchards on lease are also not able to benefit much as they too have to depend on the middlemen for marketing.

Government Efforts

7. With a view to benefitting the orchardists, particularly the smaller ones, institutional arrangements for providing production and marketing credit were found to be absolutely necessary. The state government established in June 1972 a separate Directorate of Horticulture (Planning and Marketing) popularly referred to as the Horticulture Directorate to serve the interests of orchardists. The broad objectives of the Directorate are to :

- (i) identify new markets and commission agents/buyers for outright purchase of fruits at terminal markets;
- (ii) identify varieties of fruits for different markets, fix prices, and arrange for cold storage facilities at terminal markets;
- (iii) get scales of finance fixed for marketing of fruits and arrange for institutional finance from co-operative and commercial banks for the activities of fruit growers societies; and
- (iv) provide technical guidance, packing cases and help in transport of fruits.

Organization of Fruit-growers Societies

8. Till the setting up of the Horticulture Directorate, neither short-term production credit nor marketing credit was made available by institutional agencies. Primary agricultural credit societies gave little or no attention to short-term production credit needs of apple growers. The Directorate, therefore, initiated action in 1972-3, to organize separate co-operative societies at the primary level to issue short-term production and marketing loans and arrange for marketing of fruits. These societies are registered as fruit-growers co-operative marketing and processing societies generally called fruit-growers societies, with the objectives set out in the model by-laws given in Annexure 9. These societies do not undertake at present any processing activities. In the absence of processing activities, the fallen and culled out fruits are wasted which otherwise could have been marketed profitably in the form of processed goods. The powers for or-

ganization, including registration and supervision of the fruit-growers societies are vested in the Horticulture Directorate and the state government have delegated the powers of the Registrar of Co-operative Societies to this Directorate in so far as they relate to the working of these societies. Initially i.e., in 1972-3 two such societies were organized and their number has since increased to 55 in 1977-8 (up to November 1977) as will be seen from Table 3.

TABLE 3

Year	Number of Fruit-Growers Societies	
	Organized during the Year	As at the end of the Year
1972—3	2	2
1973—4	11	13
1974—5	6	19
1975—6	10	29
1976—7	18	47
1977—8 (up to November 1977)	8	55

9. It was also visualized at the time of organization of fruit-growers societies that they will face problems in marketing of fruits on their own individually as they will be dealing in small quantities. To help the societies in marketing their fruits, an apex body called the Kashmir Fruit Growers Co-operative Marketing Federation was set up in August 1973 with headquarters at Sopore in Baramulla district, which is a predominantly apple growing district. The Federation was initially provided with a share capital of Rs 10,000 by the state government and had a membership of 10 fruit-growers societies. Some of the important objectives of the Federation are (i) to initiate and facilitate marketing strategy and thereby reduce marketing costs; (ii) to provide better services and facilities; and (iii) to get enhanced returns to the growers. Accordingly, the Federation has to arrange sale of fruits on its own at terminal markets either directly or through co-operative organizations like NAFED. But the Federation has not yet started functioning and the societies are marketing the produce on their own with the help of the Horticulture Directorate.

Findings of the Field Visits

10. In the light of what has been mentioned above we refer in the paragraphs that follow to the working of fruit-growers societies. At our instance, the Officers of the Study Team's Secretariat visited in October-November 1977 selected societies—two each in Anantnag and Baramulla districts and one in Srinagar district—and held discussions with the societies, financing banks and the Horticulture Directorate. We have relied mainly on this study while formulating our recommendations. Besides, we have also taken note of the report submitted by the Regional Office of the Agricultural Credit Department of the Reserve Bank of India at Jammu which had in 1975 studied the question of appropriate arrangements for production and marketing of fruit crops.

Number of Societies

11. The provision of institutional finance to fruit-growers started in 1972-3 with the organization of fruit-growers societies. However, the organization of such type of societies dates back to the sixties when a few societies, 2 in Baramulla district and 3 in Anantnag district, called fruit-growers and dealers co-operative credit societies were registered exclusively to meet the requirements of fruit-growers. The societies were financed mainly by the central co-operative banks out of the funds provided by the state government. These societies failed in their working and still had dues amounting to about Rs 8 lakhs as on 30-6-1974, to be repaid to the banks. The main reasons for their failure reportedly are (i) misutilization of loans; (ii) absence of proper scales of finance; (iii) large and unwieldy area of operations; (v) inadequate and defective documentation; (v) absence of linking of credit with marketing; and (vi) dominance of influential grower-cum-dealers.

12. As stated in paragraph 8, there were 55 fruit-growers societies at the end of November 1977. Their district-wise distribution, details of share capital and of financing agencies as at the end of November 1977 are given in Table 4.

FINANCING OF FRUIT GROWERS

TABLE 4

Rs Lakhs

District	Number of Societies	Number of Societies financed by		Share Capital		Average Share Capital per Society
		Co-operative banks	Commercial banks	Total	Of which from Govt.	
Jammu Division	2	1	1	0.06	0.02	0.03
Kashmir Division						
1. Anantnag	14	2	10	0.58	0.19	0.04
2. Baramulla	32	7	24	6.85	1.47	0.21
3. Srinagar	7	3	4	2.43	0.65	0.35
Total	55	13	39	9.92	2.33	0.18

Of the 55 societies, 3 societies—2 in Anantnag and 1 in Baramulla are defunct. Of the remaining 52 societies, 39 societies are financed by commercial banks and 13 by co-operative banks. Among the co-operative banks, the role of the Jammu & Kashmir State Co-operative Bank in financing fruit-growers societies is relatively better as it is financing almost one-half of the societies in its area of operation. Co-operative banks are lagging behind in financing fruit-growers societies, by and large, due to factors such as constraint of resources, apathy and lack of initiative in handling a new line of business.

Coverage and Marketing

13. The coverage of societies and their share in handling the export of fruits from the state during the period 1972-3 to 1977-8 (upto the end of November 1977) are given in Table 5. Although there is progressive increase in the number of societies and their coverage and also export of fruits, the share of co-operatives in total exports is still negligible.

TABLE 5

Year	Number of Societies	Number of Members	Fruit Exported In Lakh Tonnes		Percentage of col. 5 to col. 4
			Total	Of which by Societies	
(1)	(2)	(3)	(4)	(5)	(6)
1972—3	2	436	1.56	0.01	0.6
1973—4	13	1200	1.69	0.05	2.9
1974—5	19	2185	1.50	0.03	2.0
1975—6	29	2982	2.62	0.05	1.9
1976—7	47	4440	2.41	0.10	4.1
1977—8 (up to November 1977)	55	5087	1.53	0.08	5.2

14. With a view to having details of the working of these societies, data have been obtained from the Horticulture Directorate. The Horticulture Directorate has furnished the data in respect of 13 societies out of the total number of 55 societies in the state selected on a random basis from 3 districts of Kashmir division. The same is analysed and commented upon in the following paragraphs.

15. The details about the coverage by the societies are given in Annexure 10. It will be seen therefrom that the number of villages covered by societies ranged between 3 and 85 and the area of operations ranged between 2 kms and 16 kms in radius. The area of operations of each society generally extended to 20 villages within a radius of 5 kms to 7 kms and covered 5 to 6 primary agricultural credit societies. By and large, the area of operation can be considered as manageable. A large number of cultivating families i.e., almost about 60 per cent, are reported to be orchardists in the area of each society. Their coverage in terms of membership by the societies is, however, only about 10 per cent. The district-wise position is seen in Table 6. While considering and evaluating the performance of these societies, it has to be noted that most of them have been working only for the last two years.

FINANCING OF FRUIT GROWERS

TABLE 6

	District		
	Anantnag	Baramulla	Srinagar
	(1)	(2)	(3)
(i) Number of Societies	2	7	4
(ii) Number of Villages Covered			
(a) Maximum	85	23	46
(b) Minimum	20	3	7
(c) Average	53	13	24
(iii) Area of Operations (Radius in kms)			
(a) Maximum	8	10	11
(b) Minimum	6	2	3
(c) Average	7	5	8
(iv) Number of Primary Agricultural Credit Societies in the Area of the Society			
(a) Maximum	13	6	11
(b) Minimum	5	1	3
(c) Average	9	3	7
(v) Percentage of Orchardists to Cultivating Families			
(a) Maximum	61	100	65
(b) Minimum	31	40	35
(c) Average	37	65	50
(vi) Percentage of Membership (as on 30-6-77) to the Total Number of Orchardists in the Area			
(a) Maximum	7	13	25*
(b) Minimum	3	0.5	1*
(c) Average	5	5	13*
(vii) Percentage of Area of Members under Orchards to Total Area under Orchards			
(a) Maximum	12	100	23
(b) Minimum	3	6	9
(c) Average	6	11	15

* Data relate to only 3 societies

16. It will be observed from the above that the coverage is poor inasmuch as the percentage of membership to the total orchardists in the area of a society does not exceed 15. One of the important factors coming in the way of expanding membership is that many orchardists are still having their orchards leased to private commission agents and the lease is normally for a period of not less than two years.

Paid-up Capital

17. The societies have been given matching share capital contribution and managerial subsidy by the Horticulture Directorate of the state government. The share capital of the 13 societies under reference aggregates Rs 2.64 lakhs of which government contribution is Rs 0.51 lakh. The average share capital per society at the end of November 1977 works out to Rs 0.20 lakh.

Management

18. Each fruit-growers society has a Board of Directors in which two are government nominees, one representing the Horticulture Directorate and the other the financing bank.

Institutional Finance

19. The societies provide both production and marketing finance to their members. The scales of finance as drawn up by the Horticulture Directorate are generally adopted by the financing banks. The scales of finance in vogue as furnished by the societies are given in Annexure 11. They are broadly as under :

District	Scales of Finance per Acre					
	Crop loan			Marketing loan		
	Cash	Kind	Total	Boxes & Packing Material	Transport	Total
Anantnag	900	600	1500	1200	1500	2700
Baramulla	810	1190	2000	1400	1600	3000
Srinagar	900	600	1500	1200	1500	2700

The scales of finance in Baramulla district are higher in respect of both crop loan and marketing loan. The higher quantum of crop loan in Baramulla is said to be accounted for by the heavier doses of pesticides required in that area. Similarly, a higher limit for marketing loan is said to be necessary because of the better yield of fruits requiring more boxes, packing material and transport charges for despatch of fruits to the markets. Cost of watch and ward varying from Rs 400 to Rs 600 is also given as marketing finance and in certain cases it is included in the scales of finance. Although the financing banks accept the scales of finance recommended by the Horticulture Directorate, there are instances when certain changes have been made. As an example, it may be pointed out that in Srinagar district, the State Co-operative Bank is advancing to societies a higher scale of crop loan of Rs 2000 per acre as against Rs 1500 per acre by the State Bank of India. The state co-operative bank has not allowed full drawal of the marketing finance on the ground that the scales are higher in the case of *kandi* areas where the yield would be less compared to the plane tracts.

20. The society-wise position regarding sanction of credit limits, advances and overdues during the years 1975-6 and 1976-7 is given in Annexure 12. The position at a glance may be seen in Table 7 at page 105.

21. The above data are inadequate for any meaningful comparison and to assess the impact of the societies on the production and marketing of apples. In the absence of separate data relating to issue of production and marketing advances we have not been able to assess the proportion of utilization of these two types of limits and defaults thereunder. However, it is evident that recovery performance is not satisfactory despite the arrangement for receipt of sale proceeds by the society directly or through the financing bank. The receipt of sale proceeds is not commensurate with the quantum of finance drawn. This could be either on account of over-financing or lower returns consequent on bad quality or fall in prices. Another likely reason could be that a borrower-member may be sending his produce in the name of a non-borrower/non-member to avoid deduction of the loan amount at source or he may not be handing over the produce at all to the society.

TABLE 7

		Rs Lakhs	
		1975-6	1976-7
1. Societies which have been sanctioned limits for :			
(a)	Production	(i) Number of Societies	2*
		(ii) Amount	2.12
			11.85
(b)	Marketing	(i) Number of Societies	4
		(ii) Amount	19.84
			10.96
2. Production & Marketing Loans to Members			
(i)	(a)	Number of Borrowers	485
	(b)	Amount Advanced	18.47
			18.39
(ii)	(a)	Number of Indebted Members	306
	(b)	Amount Outstanding	14.58
			10.41
(iii)	(a)	Number of Defaulters	157
	(b)	Amount in Default	8.17
			6.99

* One society has not furnished details of the credit limits sanctioned to it.

Marketing Activities

22. The society-wise details of volume of marketing of apples for the year 1976-7 and commission earned by them are given in Annexure 13. The position has been summarised in Table 8. The value of total sale proceeds handled by 12 societies is Rs 26.31 lakhs against which sale proceeds of Rs 3.23 lakhs in respect of 8 societies had not been received by the close of the year. The marketing period of fruit is generally from mid-July to the end of December. However, it is customary to hold stocks in cold storage at terminal markets for sale during the off-season so as to reap maximum price. Despatches made during November-December are generally held for a couple of months in cold storage and the societies arrange for their disposal in due course. The commission charged by the societies for marketing of produce ranges between Re 1.00 and Rs 2.25 per box (Re 1.00 in Anantnag, Re 1.00 to Rs 1.50 in Baramulla and

TABLE 8

District	Number of Societies	Number of Boxes des- patched	Total Sale Proceeds	Of which		Volume of Business handled on behalf of Non-members				Commis- sion earned
				Sale Proceeds in arrears						
				No. of societies	Amt.	No. of boxes	Value	No. of societies	No. of Non- members	
Anantnag	2 (193)	14955	4.61	1	1.73	2500	0.70	1	84	0.16
Baramulla	6 (656)	52135	12.17	5	0.97	5139	1.04	2	59	0.70
Srinagar	4 (770)	67001	9.53	2	0.53	1110	0.10	2	22	1.75
Total	12 (1619)	134091	26.31	8	3.23	8749	1.84	5	16	2.67

Note : Figures in brackets indicate the number of members.

Rs 2.00 to Rs 2.25 in Srinagar). Some societies charge an extra commission of Re 0.50 per box from non-members. The total commission earned by the 12 societies was Rs 2.67 lakhs giving an average of Rs 0.22 lakh per society.

Production Finance

23. After this brief review of the financial assistance rendered to members by fruit growers co-operatives for production and marketing of produce it will be useful to refer to the procedure for sanctioning of the loans. Production finance includes cash, fertilizers and pesticides whereas marketing finance includes cost of boxes, packing materials and transportation charges. Credit limit applications are prepared in two parts, one for production and the other for marketing. The Manager/Accountant of the society prepares a statement in quadruplicate which is scrutinized by the Zonal Officer of the Horticulture Directorate to check calculations in respect of scales of finance, acreages, etc. The statement is certified by the *patwari* as the revenue authority in respect of the area of cultivation reported in the statement. The revenue authorities are required to certify the credit limit applications as the societies do not maintain land registers with details of crops cultivated by the members. After certification by these two officials, viz., the Zonal Officer of the Horticulture Directorate and the *patwari*, the statement is forwarded to the Assistant Registrar of Co-operative Societies for recommendations and from there to the Horticulture Directorate for final recommendations. After this process, the statement is received by the financing bank where it is again scrutinised by its field officer. In respect of commercial banks the statement goes to their regional/divisional office either at Srinagar or New Delhi with the recommendations of the branch manager. It has been reported that the branch manager has no powers to sanction such loans. The sanction as and when received is communicated by the branch manager to the societies. On receipt of sanction the society prepares a demand list in respect of those borrowers who have applied for loans. The demand list has also to be routed through the same channel through which the credit limit application has passed earlier excepting the *patwari*. On a review of the above procedure, we feel that the recommendations

of the Assistant Registrar of Co-operative Societies on credit limit applications as well as demand lists are avoidable in the present set up when the entire responsibility in respect of fruit-growers society vests with the Horticulture Directorate. If proper land records indicating details of acreage held under different crops are maintained the certification by the *patwari* every time a credit limit application is prepared can be dispensed with. This will reduce the delay in processing applications and issue of loans.

24. Fruit-growers societies are required to observe specified seasonality in respect of issue of loans. Production finance is disbursed in two to three instalments. A part of the cash and fertilizers is given as first instalment and pesticides and the remaining portion of cash as the second instalment. Production loans are generally required from March onwards. The due date for their repayment varies from December to March. In respect of marketing loans, the component in the form of boxes is given to a grower according to his acreage under orchard. Ordinarily, an acre of apple orchard is estimated to yield about 200 boxes of fruits. However, in Baramulla district, the average production is claimed to be 400 boxes. The societies supply the kind component, viz., fertilizers and pesticides. The societies have arrangements with the Kashmir Peoples Co-operative Service for purchase of fertilizers. Pesticides are supplied to the societies by the Horticulture Department at subsidised rates.

Marketing Finance

25. In regard to the procedure for issue of marketing finance, it is first provided to the societies by financing banks and then apportioned among the members by the societies. Boxes are in the first instance bought by societies and supplied to members according to their requirements against their credit limits. For arranging the supply of boxes, the societies, before the commencement of the marketing season, invite tenders from approved box manufacturers. The tender committee constituted by the society includes representatives from the Horticulture Directorate and the financing bank. The rate and quantum of boxes to be purchased are determined by the tender committee and

thereafter societies enter into contracts with the suppliers. However, no performance guarantee is obtained to ensure satisfactory execution of the orders. The societies make advance payment for the boxes and keep the boxes with them to be distributed to the members as and when needed. We observe that this system is defective inasmuch as the society takes the risk of keeping the boxes in its own custody without insurance. Besides this avoidable risk, large funds are locked up in stocking of boxes resulting in considerable loss of interest. Further, even if the burden is passed on to the ultimate borrower he will be burdened unnecessarily with interest, as his requirement of boxes comes much later and that too in instalments as all the fruits are not harvested at one point of time. During the marketing season which gathers momentum from August, the cultivator takes the required number of boxes and other packing material from the society and hands over the packed boxes to the society for marketing. Every member has to execute a bond to the effect that the entire produce will be marketed through the society and the loan can be recovered out of the sale proceeds. The societies have to send stocks for sale to approved dealers recommended by the Horticulture Directorate. The societies prepare invoices in quadruplicate, of which one copy goes to the Horticulture Directorate, another to the dealer along with the other documents, one to the financing bank, and the last copy is retained by the society.

26. Goods are generally transported by trucks having national permits. Here also, the selection of the agents is done with the knowledge of the Horticulture Directorate. After loading the fruits, the documents are handed over to drivers to be delivered to dealers. Drivers are usually paid a part of transportation charges to enable them to meet toll payments, octroi charges, etc. The remaining part of the transportation bill is paid at the destination by the dealer to whom the stocks are delivered as per instructions from the society. We have observed that as in the case of manufacturers of boxes, the societies do not enter into a firm contract with the transport agent. Further, the stocks are also not insured in transit against the risk of loss through accidents. Stocks are normally delivered by the drivers on the second or third day of despatch depending on the destination.

As there is no pooling of stocks, boxes are identified member-wise and grade-wise and invoices prepared accordingly. On sale of the stock, the dealers advise the societies telegraphically about the rates at which the stocks have been sold. Thereafter, the dealers prepare documents indicating member-wise details of stocks sold and advise the societies. The sale proceeds are remitted to the societies either by means of Telegraphic Transfers or Demand Drafts generally through the financing banks. In certain cases the Demand Drafts are received through the financing banks and in certain cases by the societies directly. Some of the financing banks like the State Bank of India and the Punjab National Bank have stipulated that societies should not maintain accounts with any other bank and all their transactions should be routed through the concerned bank only. On receipt of sale proceeds, the members are paid their dues after deducting the production and marketing loans. At the bank level also, similar deductions are made and loan accounts adjusted. In certain cases it was pointed out that banks, while adjusting the society's borrowings out of sale proceeds, failed to take note of whether the proceeds received related to members who had outstanding borrowings or not. In the circumstances the societies were not able to pay those members who had tendered fruits for sale without availing themselves of any production credit from the societies. This created often unpleasant and embarrassing situation for the societies. As the banks have got complete details regarding member-wise borrowings and fruits offered for sale by them, it is desirable that banks refrain from whole-sale adjustment of sale proceeds towards the dues of the societies. The non-borrowing members' and non-members' sale proceeds should be available to the societies for making the necessary payments to them.

Due Dates

27. The due dates for recovery range from December to March both in respect of production and marketing loans. In the field of marketing of apples, as already mentioned in paragraph 22, it is the practice to keep the stocks in cold storage at terminal markets from December onwards to be disposed of over a period of next 3 to 4 months. The delay thus entailed in the receipt

of sale proceeds affects the repayments particularly when the due date is in December. We, therefore, are of the opinion that these due dates will have to be readjusted as indicated in paragraph 37.

28. The staff of the marketing society generally comprised a Manager, Accountant and a Chowkidar-cum-Peon. Some of the Managers and Accountants have not passed matriculation examination, whereas some others are graduates/double graduates. The salary per mensem for a Manager is around Rs 400 - Rs 500 and for an Accountant Rs 250 - Rs 350. The chowkidar receives a salary of Rs 200 per mensem. The commission earned by a society is generally adequate to meet the salary bill of the staff. The Horticulture Directorate generally insists on a fruit-growers society having a qualified manager who is a graduate and provides managerial subsidy on a tapering basis. The Directorate has not fixed any scales of pay, etc. Each society has fixed the scales of pay.

Horticulture Directorate

29. The Horticulture Directorate has posted departmental officials in the field to help fruit-growers societies. The broad set up of the Directorate is that at the head office in Srinagar there is a Director assisted by a Deputy Director and a number of Assistant Directors looking after various aspects such as planning and research, grading, packing and marketing, transport, storage, publicity, promotion, etc. One Assistant Director is posted at Jammu. In the field there are 6 zonal offices, 2 in Anantnag district, 3 in Baramulla district and 1 in Srinagar district. The zonal offices are under the charge of Grading Supervisors (proposed to be re-designated as Assistant Marketing Officers) who are assisted by Inspectors. The zonal officer is an agricultural graduate with specialization in marketing while inspectors are generally those who have passed the matriculation examination and have undergone a basic course for one year in agriculture. They are also given a short duration training of 15 days in grading. Normally, the charge of an inspector is only one society. For exploration of markets, Area Marketing Officers are posted at Bombay, Madras and Delhi. Cities such

as Ahmedabad, Calcutta, Hyderabad, Bangalore and Amritsar are also likely to be covered soon. These officers are required to send credit and market reports on the basis of which the dealers are selected at various centres. After selection of dealers, the Horticulture Directorate draws up a calendar of despatch of goods on the basis of market preferences according to which the societies are required to arrange the supply to the specified dealers. A copy of the calendar of despatch is also to be supplied to the financing banks so that they can watch the marketing activities of their borrower-societies.

30. The supervision is exercised by the Horticulture Directorate. We have, however, observed that apart from the technical aspects of fruit cultivation and marketing, the Directorate has not been able to guide or control the societies in their working involving maintenance of books of account and other records. This is mainly because the staff of the Horticulture Directorate itself is not equipped for this job and is also not adequate to attend to a large number of societies formed recently.

Deficiencies in the Working of Societies

31. The deficiencies observed in the working of the societies could be summarised as under :

(i) There is no uniformity either in the maintenance of records or in the types of books prescribed. Each society follows its own procedures.

(ii) There is no constant supervision on marketing activities of the societies either by the financing bank or by the Horticulture Directorate. Marketing activities involve huge funds and there is scope for manipulation and diversion of funds. As the Managers or Accountants of some societies are alleged to be orchardists-cum-businessmen themselves, the chances of their attempting business on outright purchase basis involving funds of societies cannot be ruled out.

(iii) Societies market produce belonging not only to member cultivators but to others also. This other category might be local dealers or representatives of borrower members of the socie-

ties. These representatives can help the borrower-members in receiving the entire sale proceeds avoiding deduction of their dues to the societies.

(iv) The scales of finance approved for both production and marketing require revision and rationalization. Separate scales of finance both for production and marketing should be prescribed for the hilly areas where the quantum of fertilizers and pesticides used will be relatively less than those in the plane areas. Moreover the yield in hilly areas is less than the plane areas.

(v) The issue of marketing loans in bulk is not necessary as members do not require the boxes in one lot.

(vi) Transportation charges are paid by societies directly to the transport agent and as such there is no need to pass on funds to members who at the most can be paid some amount to meet incidental expenses.

SECTION II

32. As mentioned in paragraph 8, fruit-growers societies have come into existence with the active support and involvement of the Horticulture Directorate to help fruit-growers who, in the absence of institutional finance, were leaning heavily on money-lenders and commission agents for their financial requirements as well as marketing arrangements. Most of the societies have started effective working from 1976-7. They have made a good start in regard to provision of production and marketing finance and have made a dent in the marketing of apples. It would be too much to expect spectacular results within a span of a couple of years from any new organization. No doubt there are certain deficiencies in their working but these can be rectified provided corrective measures are taken in time.

Need for Fruit-growers Societies

33. The first question which needs consideration according to us, in the context of the overall structure of the co-operatives at the base level, is whether fruit-growers societies could fit into the structure or not. There is no denial of the fact that the

primary agricultural credit societies were not financing fruit crops on any significant scale and hence fruit-growers societies have come up to make up for the gap. It is equally true that the agricultural credit societies were not meeting adequately the credit requirements of cultivators who grew food-crops. The question that needs consideration is whether the existing primary agricultural credit societies could not have undertaken this business. The answer is that the primary agricultural credit societies in their present form are not equipped to shoulder this responsibility as can be seen from the position of such societies discussed in Chapter 3. However, it cannot be denied that the setting up of separate fruit-growers societies have cut into the legitimate and potential loan business of the primary agricultural credit societies and have thus eroded their chances of attaining viability. In the circumstances, the existing primary agricultural credit societies cannot be expected to be of much service to the people in their area. At the same time, the fruit-growers societies confine their activities only to the provision of production and marketing finance for fruits. A cultivator cannot be expected to go to different agencies for credit for different crops, for marketing and for his other requirements such as consumer articles. As such, two societies of which one exclusively catering to the needs of fruit-growers and the other to the other requirements of cultivators cannot co-exist. This is not a happy situation. A practical measure in our opinion, is for the fruit-growers societies to function as multipurpose societies catering to the production credit requirements of other crops as well and also undertake non-credit business such as supply of essential consumer goods. Therefore, the existing primary agricultural credit societies in the area of fruit-growers societies have no future and will have to be wound up. In this connexion we urge that organization of fruit-growers societies should, however, be a part of the general reorganization pattern of the primary credit structure suggested in Chapter 3. This would call for reorganization of the existing fruit-growers societies to fit into the general pattern. The organization of new fruit-growers societies should be confined to predominantly fruit growing areas by converting the existing good working primary agricultural credit societies. Thus, as already suggested in paragraph 48 of Chapter 3, the base level societies in the predominantly fruit growing areas in

Kashmir division may be called fruit-growers societies. Within the Kashmir division, where fruit crops are not dominant, we recommend that the societies could be called primary agricultural credit societies as at present but they should undertake financing of fruit crops as well on the lines of fruit-growers societies. In regard to arrangements for marketing of fruits of members, the quantum of which will be relatively small, we suggest that such primary agricultural credit societies should make arrangements with the nearest fruit-growers society for marketing of their members' fruits.

Co-ordination

34. At present, the power of registration of fruit-growers societies is vested in the Horticulture Directorate. We have envisaged close co-ordination between the Horticulture Directorate and the Co-operation Department. In the matter of reorganization of societies in Kashmir division, we have already suggested in Chapter 3 that a representative of the Horticulture Directorate should be associated with the Block Level and State Level Committees. This would mean ultimately that the power of registration should be handed back to the Co-operation Department. In the meantime, however, i.e., until the reorganization plan is taken up for implementation, we suggest that the present arrangements for registration of fruit-growers societies may continue to be with the Horticulture Directorate. We would, however, recommend that the Horticulture Directorate, while examining proposals for organization of new fruit-growers societies, should consider, as indicated in paragraph 33, the conversion of existing good working primary agricultural credit societies which are likely to remain even after implementation of the reorganization plan as fruit-growers societies. The Horticulture Directorate should consult and seek the assistance of the Co-operation Department in this regard. We also suggest that pending reorganization, the areas where fruit-growers societies can be organized should be identified. This aspect should be attended to jointly by the Co-operation Department, the Horticulture Directorate and the central co-operative bank of the district concerned.

Sanction of Credit Limits

35. We have dealt briefly with the shape and structure of the base level organization to emerge finally to serve the credit and related requirements of fruit-growers. We next offer certain suggestions in regard to the working of the fruit-growers societies particularly in respect of policy and procedures for the provision of production and marketing finance by them. As neither commercial banks nor co-operative banks are well experienced in the field of horticulture, certain difficulties in the initial stages are inevitable. However, as the banks gain experience these difficulties would gradually disappear. In the matter of production credit as mentioned earlier in paragraph 19, the scales of finance contain a cash and a kind component comprising fertilizers and pesticides. We recommend that the scales of finance for production credit should continue to be fixed by the financing banks in consultation with the Directorate of Horticulture which has expertise in this field. While fixing the scale of finance it should be ensured that the cash portion takes care of the labour charges as well as watch and ward charges. We would also suggest that the watch and ward charges now included in the marketing limit should form a part of production credit as the charges are incurred for protection of produce. Another matter is about supply of pesticides. The Directorate of Horticulture is making available pesticides at subsidised rates. We recommend that the government may restrict the supply of these pesticides through the societies to their members only which would help in increasing the membership of the societies and ensure proper utilization of the subsidy.

36. In the case of the marketing limit, the components are boxes, packing material and transport. In some cases, the watch and ward cost is also included. As recommended in paragraph 35, the watch and ward cost should form a part of production finance. In regard to packing material which mainly consists of nails, grass and old paper, the same may be given in cash or kind as at present but its quantum should be realistic and in relation to the anticipated produce in terms of boxes which a member may despatch through the society. As regards supply of boxes, we suggest

that the policy and procedure should be re-oriented. In this connexion we recommend that the societies should continue to obtain tenders as at present for supply of boxes, but they should be obtained from manufacturers approved by the Fruit-growers Co-operative Marketing Federation, the revival of which has been suggested by us later in paragraph 41. Further, a performance guarantee backed by a bank should also be taken from the manufacturers to whom the contract is given. This would ensure proper and continuous supply of boxes to meet the requirements of societies and also compensate societies for losses due to failure on the part of the suppliers. It is reported that during the peak season, the demand for boxes increases and the manufacturers have a tendency to divert supply to others to reap the benefit of the higher market price thereby leaving the societies high and dry. The performance guarantee is suggested to take care of the societies' interests. Besides, it is not considered necessary to pay the manufacturers the bulk of the contract amount in advance. It should be spread over and payments should be related to the quantity supplied. It is also not necessary for the societies to receive the entire season's requirements of boxes in one lot. Delivery of boxes by the suppliers should be phased over in convenient lots which would avoid the problem of storage, insurance, etc., as well as blocking of funds. As a measure of streamlining the business in boxes, we suggest that the financing banks grant separate cash credit facilities to the societies for purchase of boxes according to their members' requirements and supply them to members as per their actual needs and within their eligibility. It may be noted that the members do not require the entire supply of boxes and other materials in one lot as the fruits are marketed in instalments spread over a period of 3 to 5 months. The society could then account for the cost of boxes member-wise. This will reduce the interest burden on the societies and the members and also avoid over-financing of societies and members and prevent diversion of funds. These changes will result in fruitful rotation of resources and lesser cost to the societies as well as to the members. Yet another matter relates to toll charges and octroi expenses. Only a portion relating to the toll charges and octroi expenses is generally paid to the transport agents. In view of this, we recommend that the element of transport cost may be reduced suitably from the scale of marketing finance.

Even this limited transport cost can be met by the societies with a cash credit limit from the financing bank as indicated earlier in respect of purchase of boxes. The cost of transport can be arrived at member-wise, on the basis of the number of boxes in a particular truck-load. If necessary, small amounts for incidental expenses such as local transport, labour charges etc., can be paid to the members as part of the loan.

Period of Repayment

37. In respect of the marketing loan, a view has been put forward that repayment should not be insisted within a period of 90 days. We have observed that the sale proceeds are not generally delayed beyond one month. The delays noticed have been mostly in respect of the goods despatched at the end of the season during November/December which were kept in cold storage at the instance of societies and disposed of in instalments in the next 3 to 4 months. This has handicapped certain societies in clearing their borrowings on the due dates which varied from October to March. To obviate such difficulties we recommend that the banks may stipulate clearance of 75 per cent of the borrowings for marketing by 31 December and the remaining by 31 March by the societies.

Marketing of Non-members' Produce

38. In order to deprive a person not subject to co-operative discipline enjoying the advantages of the society's services, we recommend that the societies should not undertake marketing of the produce of non-members. This is very essential because if this is not done, the societies' working will be badly affected in the long run and their efforts to increase coverage will suffer and linking of credit with marketing will become ineffective as borrower-members will manage to market their produce in the name of non-members and avoid recoveries.

Maintenance of Books of Account

39. In the maintenance of books there is no uniformity. The quality of maintenance of books of account and other records also leaves scope for improvement. The Horticulture Directorate

is not equipped to give guidance in the matter and the financing banks are also not giving adequate attention to it. We, therefore, recommend that a Group consisting of the representatives of the financing banks, both co-operative banks and commercial banks, Co-operation Department (Audit Wing) and the Horticulture Directorate may be constituted by the state government with a view to streamlining the maintenance of books of account and records in respect of fruit business of societies.

Staff for Societies

40. Another important matter relates to the staff of the fruit-growers societies. When these societies form part of the general pattern of the base level institutions after reorganization, a cadre employee will be appointed as a secretary/manager. Like the primary agricultural credit societies, the fruit-growers societies also should be required to contribute to the cadre fund on the basis of their production loans. Similarly, the other staff such as accountant, chowkidar, etc., maintained by the societies will have to be paid out of their own earnings from marketing business. Besides, the society is also expected to undertake non-credit activities such as distribution of consumer articles. Normally, the earnings out of such business should be adequate to pay for the staff employed for the purpose.

Supervision

41. Another important question is about supervision. It is the Horticulture Directorate which is attending to this function at present. As a matter of fact financial supervision should be with the financing bank and the government's supervisory machinery should look to the administration of the Co-operative Societies Act and Rules. We have examined the various aspects connected with supervision over societies in Chapter 10. As mentioned in paragraph 30 above, the Horticulture Directorate is not able to guide or control the societies in their working and maintenance of books of account and other records. The present supervision of the Horticulture Directorate is more in the nature of making arrangements with the financing banks for funds to societies and more particularly to help them in their marketing

activity. We recommend that the Horticulture Directorate should continue to play its role in making arrangements for funds until the financing of societies by banks to which they are affiliated becomes an automatic process with the reorganization of societies. In the matter of marketing, the Horticulture Directorate is playing a very useful role but the question is how long the Directorate should involve itself in these activities to a substantial extent. The Directorate, as a matter of fact, had rightly thought of institutional arrangements to take up marketing functions when it organized the Kashmir Fruit-Growers Co-operative Marketing Federation in August 1973 which unfortunately has not been able to get off the ground so far. One of the main reasons for the Federation not making any headway is the absence of mutual trust and non-co-operative attitude of some of the affiliated societies. The Horticulture Directorate, therefore, has been planning to introduce an element of state trading either through the Agro-Industries Corporation or a new Corporation. The proposed Corporation is expected to undertake marketing of produce of fruit-growers societies and also allow other growers to use it as a medium for marketing their fruits. This issue is linked with the International Development Association project for development of processing and marketing facilities for horticulture sanctioned in July 1978. We recommend that the Marketing Federation should be revived and strengthened both financially and administratively to enable it to play its expected role and in the mean time, the Horticulture Directorate should continue to guide the fruit-growers societies as at present.

Fruit-growers Marketing Federation

42. As is common knowledge, fruit is a perishable commodity and its price is susceptible to wide fluctuations. This calls for trained personnel to handle marketing arrangements profitably. We, therefore, suggest that initially the Kashmir Fruit-Growers Co-operative Marketing Federation may be provided with the services of the Director of Horticulture (Planning and Marketing) as Managing Director which has been envisaged while setting up the Federation and of certain other key personnel on deputation from the Directorate. The state government, on its part, should provide management subsidy during the initial years i.e., at least

for a period of first three years. The Federation should, during this period, arrange to recruit staff of its own and train them under the personnel taken on deputation. The officers taken on deputation, if they are willing and suitable may be absorbed in the services of the Federation. The dependence on officer taken on deputation should normally be only an interim arrangement and it should be the endeavour of the Federation to build up its own staff cadres at the earliest opportunity. Thus, we recommend that the Horticulture Directorate should gradually divest itself of its present functions of arranging for the marketing of fruits and the Federation should take over this function in a phased manner. The Federation should arrange for sale of fruits at terminal markets by drawing up a suitable calendar of despatch of goods for the various societies ensuring that all the societies get a reasonable chance to sell their produce in all important markets. We also recommend that the Federation should not make any outright purchase and transact business on its own account as its main objective is to market its members' produce. Further, with a view to ensuring quality of goods, we recommend that grading may be made compulsory by statute for goods despatched not only by the Federation but even by private dealers. The Federation should have grading supervisors of its own. Their services could be made available to a group of four or five fruit-growers societies depending on the workload. Since the Federation will be indicating a calendar of despatch it should not be difficult for a grading supervisor to manage a group of societies. In case the volume of business handled is heavy and the grading supervisor is not able to cope with the work, the strength of supervisors may be augmented by the Federation.

43. The Federation was given a share capital of Rs 10,000 by the state government in 1973. This capital base is very inadequate for a Federation which has to take up a highly specialized and sophisticated job. We, therefore, recommend that the Federation may be given by the government an additional share capital contribution of Rs 10 lakhs. To build up its internal resources, affiliated societies should be required to subscribe to the Federation's share capital in relation to their annual value of sales subject to certain ceilings. Besides, the Federation should

also recover reasonable charges for services rendered. Presently these charges are not required to be paid by the growers as the Horticulture Directorate is making all the arrangements. The growers should not ordinarily have any objection to paying these charges which they would have otherwise paid to a private *arhtia* and that too at a much higher rate.

44. As regards the constitution of the Board of Directors of the Federation, we suggest that it may be a nominated Board for the first three years safeguarding the interests of the genuine growers.

45. In the field of marketing, availability of boxes at reasonable rates and assured transportation arrangements play a very important role. Individual societies left to themselves may not be able to cope up with the problem. Therefore, we suggest that the Federation should make arrangements for transport and purchase of boxes for packing. In the matter of transportation, the state government should continue to take active interest as at present and the policy of nominating the Director, Government Transport Undertaking, on the Board of the Federation may be continued to help sort out the problems in this regard. In the matter of procurement of boxes, we recommend that the Federation should prepare a list of approved manufacturers of boxes in order to minimize the chances of societies being cheated by the manufacturers. As a long-term measure, we would suggest that the Co-operation Department and the Federation initiate in due course organization of a unit for manufacturing boxes. If a separate institution cannot be organized, the Federation can take up the job as an ancillary function.

46. The Federation should have a net-work of its offices spread over the Kashmir division to function effectively. In this regard it can adopt the pattern of the organizational set up of the Horticulture Directorate suited to the convenience of the societies. The grading supervisors of the Federation can be attached to the zonal offices.

Resources of Societies

47. The share capital contribution to fruit-growers societies from the the government has been on a very limited scale. We

suggest that the state government may give share capital contributions to the extent of Rs 0.50 lakh per society as indicated in Chapter 3, to deserving societies. Further, as a measure to increase the internal resources of the societies, we recommend that they should deduct a certain percentage of the sale proceeds towards deposits which can be utilized in their business.

48. To sum up, although the co-operative fruit-growers societies have been doing good work, their separate existence could be justified only as a transitory measure and in the ultimate analysis they should form an integral part of the base level institutions, with the implementation of the reorganization plan referred to in Chapter 3.

CHAPTER 5.

CENTRAL CO-OPERATIVE BANKS

1. We have dealt in this chapter with the terms of reference numbers (i), (ii), (iii) and (viii), which are inter-related particularly with reference to the capacity of the central co-operative banks to meet the credit needs of agriculture. The relevant terms of reference are reproduced below :

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

the steps necessary to enable the state co-operative bank or the commercial banks to take the place of the central bank and to discharge the responsibility more effectively and efficiently than the latter;

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

2. Besides, this chapter also partly deals with the terms of reference numbers (vii) and (xii) regarding examination of the position of overdues at the various levels of co-operative credit structure and the outside assistance necessary for its reorganization and rehabilitation.

3. In Jammu & Kashmir State, a three-tier as well as a two-tier co-operative credit structure exists side by side. In Srinagar and Ladakh districts there is a two-tier structure with the Jammu & Kashmir State Co-operative Bank directly financing the societies. Originally, Srinagar district had a central co-operative bank which was converted into the state co-operative bank in the year 1954. In other districts, there is a three-tier structure with a central co-operative bank at the intermediate level. Here again, each district does not have a separate central co-operative bank. Thus, in Jammu division for six districts, viz., Doda, Jammu, Kathua, Poonch, Rajouri and Udhampur there is only one central co-operative bank, viz., Jammu Central Co-operative Bank whereas the Anantnag and Baramulla districts in Kashmir division have a separate central co-operative bank each, viz., the Anantnag Central Co-operative Bank and the Baramulla Central Co-operative Bank respectively. Although the Jammu & Kashmir State Co-operative Bank is acting as a central financing agency as well, in view of its important role as an apex body, we have examined its position in detail in Chapter 6.

4. This chapter has been divided into three sections. Section I contains an analysis of the financial position and working of the

central co-operative banks. Against this background, the justification for the continuance or otherwise of these banks has been examined in Section II. Section III contains our suggestions and recommendations for removing the deficiencies in these banks and for strengthening the co-operative credit structure at the intermediate level.

SECTION I

5. The important details about the financial position and number of offices of the three central banks for the period 1972-3 to 1976-7 are given in Annexure 14. The bank by bank position for the years 1972-3 and 1976-7 is given in Table 1 at pages 127 to 130.

Owned funds

6. Of the increase of Rs 32.79 lakhs in the share capital, from 1972-3 to 1976-7, 57 per cent i.e., Rs 19 lakhs is accounted for by the share capital contribution from the state government. As for raising the share capital from the societies which has a direct relation to the loan business of the institution, it is observed that the Jammu Central Co-operative Bank has increased its share capital from societies by Rs 10.12 lakhs while the Baramulla Central Co-operative Bank and the Anantnag Central Co-operative Bank have been able to increase it only by Rs 2.51 lakhs and Rs 1.16 lakhs respectively. The performance of the Anantnag Central Co-operative Bank in this behalf is very poor. The small increase in the share capital of the banks is not only on account of the stunted growth of loan business but also the non-observance of the norms of sharelinking to borrowings at 10 per cent suggested by the Reserve Bank. The reserves increased by Rs 25.30 lakhs and stood at Rs 65.53 lakhs on 30-6-1977. Here again the major share i.e., 89 per cent of the increase is of the Jammu Central Co-operative Bank (Rs 22.52 lakhs) followed by Anantnag Central Co-operative Bank (Rs 2.74 lakhs) and the Baramulla Central Co-operative Bank (Rs 0.04 lakh). The Baramulla Central Co-operative Bank has not even made a beginning in regard to building the Agricultural Credit Stabilization Fund and in the case of each of the other two central banks, it is below Rs 1.00 lakh for each bank.

TABLE 1

Central Co-operative Banks : Financial Particulars for 1972-3 and 1976-7

Item	Rs Lakhs							
	Jammu		Anantnag		Baramulla		Total	
	1972-3	1976-7	1972-3	1976-7	1972-3	1976-7	1972-3	1976-7
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1. Paid-up share capital	31.15	54.27	20.78	24.94	14.72	20.23	66.65	99.44
2. Of I from State Government	10.00	23.00	14.00	17.00	8.00	11.00	32.00	51.00
3. Total Reserves Of item 3	27.09	49.61	10.11	12.85	3.03	3.07	40.23	65.53
(i) Agricultural Credit Stabili- zation Fund	0.62	0.81	0.24	0.24	—	—	0.86	1.05
(ii) Special Bad Debts Reserve	0.75	3.54	1.44	0.61	0.61	0.32	2.80	5.30
(iii) Bad Debts Reserve	10.97	11.54	5.35	5.19	1.62	1.33	17.94	18.06
4. Owned Funds (1+3)	58.24	103.88	30.89	37.79	17.75	23.30	106.88	164.97
5. Deposits (i) total	168.75	347.35	66.95	39.87	32.11	38.89	267.81	426.11

TABLE 1 (Contd.)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
(ii) Of (i) from Co-operative Societies	33.68	99.86	39.19	23.73	10.43	13.34	83.30	136.93
(iii) Of (i) from local bodies etc.	—	14.79	1.85	—	1.12	—	2.97	14.79
(iv) Of (i) Fixed Deposits	49.98	151.94	4.13	7.26	4.02	6.96	58.13	166.10
(v) Of (i) Current Deposits	57.77	56.79	21.28	13.80	20.01	10.65	99.06	81.24
(vi) Of (i) Reserve Fund Deposits	0.38	0.35	0.01	0.08	—	—	0.39	0.43
6. Borrowings Outstanding								
(i) Total	340.12	160.44	139.05	135.60	76.72	68.48	555.89	364.52
(ii) Of (i) from Apex Bank	79.80	55.28	124.53	129.28	67.90	62.14	271.23	246.70

TABLE 1 (Contd.)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
(iii) Of (i) from State Government	243.67	58.16	14.52	6.32	3.82	3.01	262.01	67.49
7. Working capital	597.64	633.71	268.22	218.90	153.85	170.67	1019.71	1023.28
8. Loans issued or advanced								
(i) Total	N.A.	1010.84	N.A.	149.08	N.A.	41.11	956.23	1201.03
(ii) Short-term agricultural purposes (S.A.O.)	N.A.	129.39	N.A.	46.14	N.A.	18.03	249.36	193.56
(iii) Medium-term (Total)	N.A.	93.12	N.A.	59.78	N.A.	0.48	132.86	153.38
(iv) Medium-term (Conversion)	N.A.	56.69	N.A.	50.00	N.A.	—	N.A.	106.69
9. Loans outstanding								
(i) Total	433.49	452.31	163.73	205.08	93.13	113.70	690.35	771.09
(ii) Short-term	342.06	359.19 (140.72)*	78.18	75.22 (62.79)*	49.21	49.92 (42.37)*	469.45	484.33 (245.93)*
(iii) Medium-term (Total)	91.43	52.96	85.55	88.91	43.92	40.53	220.90	182.40
(iv) Medium-term (Conversion)	1.87	17.20	69.53	63.23	22.40	8.01	93.80	88.44
(v) Long-term (Conversion)	N.A.	39.49	N.A.	36.53	N.A.	20.28	N.A.	96.30

TABLE 1 (Contd.)

Item	Jammu		Anantnag		Baranulla		Total	
	1972-3	1976-7	1972-3	1976-7	1972-3	1976-7	1972-3	1976-7
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
10. Loans overdue								
(i) Total	50.06	136.22	51.22	63.28	38.54	60.65	139.82	260.15
(ii) Short-term	44.27	105.12	46.12	30.43	33.06	31.52	123.45	167.07
(iii) Medium-term	5.79	27.07	5.10	18.74	5.48	20.21	16.37	66.01
(iv) Overdues over 3 years	N.A.	55.51	N.A.	22.89	N.A.	22.79	N.A.	101.19
(v) Overdues below 1 year	N.A.	20.24	N.A.	13.20	N.A.	10.45	N.A.	43.89
11. Cost of Management								
(i) Total	8.68	17.43	3.01	13.56	2.82	11.32	14.49	42.31
(ii) Of (i) salaries	6.71	13.16	1.91	4.77	2.19	3.71	10.81	21.64
12. Profit (+) / Loss (-)	+ 1.15	+ 0.21	+ 1.08	+ 0.92	+ 1.08	+ 0.30	+ 3.31	+ 1.43
13. Dividend								
Declared (%)	3%		---	---	---		---	
14. No. of offices including H.O.	16	22	8	8	7	8	31	38
15. Membership								
(i) Total	1376	1617	464	502	348	378	2188	2497
(ii) Of (i) Individuals	151	149	116	141	63	70	330	380

* For seasonal agricultural operations as per the banks' statements.

Deposits

7. There is an increase of Rs 158.30 lakhs over the period 1972-3 to 1976-7 in the deposits which stood at Rs 426.11 lakhs as on 30-6-1977. Although there is an overall increase, bank-wise figures indicate that there is substantial fall in the deposits of the Anantnag Central Co-operative Bank where the decline has been from Rs 66.95 lakhs as on 30-6-1973 to Rs 39.87 lakhs on 30-6-1977. The Baramulla Central Co-operative Bank has registered a marginal increase of Rs 6.78 lakhs during the period when its deposits stood at Rs 38.89 lakhs as on 30-6-1977. This level of deposits itself is very low. The increase in deposits of the Jammu Central Co-operative Bank is quite substantial i.e., the deposits have more than doubled from Rs 168.75 lakhs as on 30-6-1973 to Rs 347.35 lakhs as on 30-6-1977. In regard to sources of deposits, in the case of the Anantnag Central Co-operative Bank, deposits to the extent of 60 per cent are from co-operative societies whereas in the case of the Baramulla Central Co-operative Bank and the Jammu Central Co-operative Bank they are 35 per cent and 29 per cent respectively from co-operative societies. The Jammu Central Co-operative Bank has been able to raise deposits from local bodies although the amount of Rs 14.79 lakhs as on 30-6-1977 cannot be considered as substantial. The other central banks have not been able to tap any deposits from this source. The Anantnag Central Co-operative Bank had local bodies' deposits of Rs 1.85 lakhs on 30-6-1973 but as at the end of June 1977 there were no such deposits with it. In this context it may be pointed out that according to the instructions issued by the state government under the Finance Department's U.O. No. 44BKG/687 dated 8 December 1971, funds belonging to government, semi-government institutions, autonomous bodies etc., are required to be kept with the Jammu and Kashmir Bank which is a banker to the government and in which the government has a major shareholding. Thus co-operative banks are not recognized as eligible institutions for receiving deposits from government/semi-government institutions and this affects their efforts for deposit mobilization adversely.

8. The average deposits per central bank come to Rs 142.04 lakhs as compared with the all-India average of Rs 286.31 lakhs

per bank as on 30-6-1976. The composition of deposits indicates that the reserve fund deposits are quite negligible, thus showing the very poor financial structure of the primary credit societies. As on 30-6-1977 such deposits in the Baramulla Central Co-operative Bank are nil while in the Anantnag Central Co-operative Bank they are nominal at Rs 0.08 lakh and in the Jammu Central Co-operative Bank they are negligible at Rs 0.35 lakh.

Branch Network

9. During the five-year period 1972-3 to 1976-7, 7 additional offices have been opened raising the total number of offices of the central banks to 38 including head offices as on 30-6-1977. This increase is mainly accounted for by the opening of 6 additional branches by the Jammu Central Co-operative Bank. For 35 blocks in the area of the Jammu Central Co-operative Bank there are 22 offices, while in the areas of the Anantnag and Baramulla Central Co-operative Banks there are 8 offices each for 13 and 14 blocks respectively. Most of these branches are either at block headquarters or at important centres of business within the block. In about 12 blocks out of a total of 72 blocks in the entire state, there are no bank offices including those of commercial banks.

10. The performance of branches of central co-operative banks in deposit mobilization can be seen from their deposits as on 30-6-1977 in Table 2.

TABLE 2

Central Co-operative Bank	No. of branches	Deposits		Rs Lakhs
				Average Deposits per Branch
		H.O.	Branches	
Jammu	21	33.28	314.07	14.95
Anantnag	7	21.98	17.89	2.55
Baramulla	7	8.93	29.96	4.28

The achievement of the branches of the Anantnag Central Co-operative Bank is very poor. In the case of the Baramulla Central Co-operative Bank, it is relatively better owing to the performance of two of its branches at Sopore (Rs 11.28 lakhs) and Kupwara (Rs 8.85 lakhs). The average deposits per branch of the Jammu Central Co-operative Bank are relatively more although more than one-third of branch deposits at Rs 131.96 lakhs is from two of its 3 branches in Jammu city. Here also, the Jammu branch alone accounts for Rs 105.91 lakhs, 50 per cent of which are from individuals. The majority of 21 branches of the the Jammu Central Co-operative Bank have deposits of Rs 10 lakhs and above. Only in the case of its 4 branches the deposits are below Rs 5 lakhs.

11. The branches of the central banks, by and large, attend to banking transactions only. The branches of the Baramulla and Jammu Central Co-operative Banks, however, disburse loans sanctioned by the head office. Adequate powers regarding sanction of overdraft, remittance facilities, bill collection, etc., have not been given to the branch managers. Besides, the branch premises leave much to be desired. Many branches do not have a proper location and usually are housed on the first floor, particularly in Jammu division. These factors affect the deposit mobilization efforts adversely.

12. There are no regular inspections of the branches except in the case of the Jammu Central Co-operative Bank. These inspections, however, need to be improved qualitatively to make them purposive.

Borrowings

13. The banks' outstanding borrowings have come down from Rs 555.89 lakhs on 30-6-1973 to Rs 364.52 lakhs on 30-6-1977. As on 30-6-1973, nearly 50 per cent (Rs 262.01 lakhs) of the outstanding borrowings were from the state government. The reason for such large borrowings from the state government was that during the period 1965-6 to 1970-71 when the Reserve Bank had suspended its line of credit due to poor recovery performance and weak financial position of the banks, the state government

had stepped in and provided funds. However, these funds were also locked up in overdues which the state government converted in March 1972 into long-term loans repayable in 10 annual instalments. The borrowings from the government have come down by almost Rs 200 lakhs i.e., from Rs 262.01 lakhs on 30-6-1973 to Rs 67.49 lakhs on 30-6-1977. This reduction is mainly accounted for by the Jammu Central Co-operative Bank which has reduced its borrowings during this period from Rs 243.67 lakhs to Rs 58.16 lakhs. The Anantnag Central Co-operative Bank has brought down its borrowings from the government from Rs 14.52 lakhs to Rs 6.32 lakhs while in the case of the Baramulla Central Co-operative Bank the reduction is by Rs 0.81 lakh only i.e., from Rs 3.82 lakhs to Rs 3.01 lakhs.

Reserve Bank Limits

14. The banks' outstanding borrowings from the apex bank have come down from Rs 271.23 lakhs on 30-6-1973 to Rs 246.70 lakhs as on 30-6-1977. This decline is accounted for by the Jammu Central Co-operative Bank in particular. The details of the various types of limits sanctioned by the Reserve Bank of India during the period are given in Table 3 at page 135.

15. The trend in the sanction of short-term credit limits by the Reserve Bank of India indicates that none of the banks has been able to obtain higher limits during the period under review. On the contrary in the case of the Anantnag and Baramulla Central Co-operative Banks the limits have come down from Rs 100.00 lakhs and Rs 50.00 lakhs in 1972-3 to Rs 60.00 lakhs and Rs 25.00 lakhs respectively in 1976-7. In the matter of utilization, the performance of the Anantnag Central Co-operative Bank is relatively better with percentages varying between 80 and 100 barring the year 1974-5 when it was 60. The Baramulla Central Co-operative Bank has not been able to utilize the limit in full any time during the period. In the case of the Jammu Central Co-operative Bank although the limit has not been reduced there is a decline in its utilization from 100 per cent to 65 per cent.

TABLE 3
Central Co-operative Banks

Rs Lakhs

Year	Jammu			Anantnag			Baramulla		
	Short-term	Medium-term (Normal)	Medium-term (Conversion)	Short-term	Medium-term (Normal)	Medium-term (Conversion)	Short-term	Medium-term (Normal)	Medium-term (Conversion)
1972-3	S@ 80			@ 100	-	24.70	50@	---	8.50
	U 60 (75)			80 (80)		24.70 (100)	30 (80)		8.50 (100)
1973-4	S 60	7		50	6	---	40	---	-
	U 60 (100)	7		44.82 (90)	Nil		19 (48)		
1974-5	S 60	9		50	5	---	30	5	---
	U 46 (77)	7.20 (80)		30 (80)	3.20 (64)		18 (80)	4 (80)	
1975-0	S 60	-	---	60	2	---	30	5	---
	U 40.50 (68)			50 (83)	1.44 (72)		20 (67)	Nil	
1976-7	S 60		---	60	2	40.75	25	---	---
	U 39 (65)			60 (100)	Nil	42.51 (91)	23.50 (94)		

@ Includes Supplementary Limits

S Limit Sanctioned

U Maximum Utilization

Note : Figures in brackets indicate percentage of utilization

16. During the period, only the Anantnag and Baramulla Central Co-operative Banks have obtained medium-term (conversion) limits from the Reserve Bank. It may be added that the Anantnag Central Co-operative Bank had availed itself of conversion facilities from the apex bank in 1974-5.

17. The banks have been sporadically obtaining medium-term limits. The banks have not been able to utilize even such limits fully as may be seen in the case of Anantnag Central Co-operative Bank and Baramulla Central Co-operative Bank.

Non-overdue cover

18. With a view to ensuring efforts on the part of the banks to make prompt recoveries and raise resources to support their loaning programmes, the Reserve Bank requires them to provide non-overdue cover by way of current outstandings at the societies level for their borrowings on the Reserve Bank limits. The central banks have not been able to provide adequately such cover all the time for their borrowings on the Reserve Bank credit limits. There were deficits in the non-overdue cover at one time or the other during all the five years, in the case of the Baramulla Central Co-operative Bank and in four years i.e., barring 1975-6 in the case of the Anantnag Central Co-operative Bank. In the case of the Jammu Central Co-operative Bank deficits occurred in 3 years from 1974-5 to 1976-7. The banks' failure to provide sufficient non-overdue cover has been one of the reasons for their inability to draw on the limits fully.

Defaults

19. The central banks have been defaulting in repayment of their dues to the apex bank. The amounts defaulted by them during the years 1975-6 and 1976-7 as also in 1977-8 upto 31 December 1977 are given in Table 4. The banks' defaults in repayment of dues relate mostly to loans which were initially issued by the state government for various purposes and the liability in respect of which was then transferred to the banks. The banks maintain that they are not party to the issue of these loans, and are not responsible for the repayments

thereof, which would be made as and when recoveries are received from the borrowers. The co-operative department is supporting the banks' contention and a government decision is awaited.

TABLE 4

Amount defaulted during the Year	Central Co-operative Banks		
	Anantnag	Baramulla	Jammu
1975-6	27.67	4.40	2.00
1976-7	28.37	4.40	2.00
1977-8	27.64	4.40	2.00

(Up to December 1977)

Loans and Advances

20. The loaning operations of the banks have been showing an uneven trend. During 1973-4 to 1975-6, the loan business has shrunk and touched a level of Rs 474.55 lakhs in 1975-6, as compared with Rs 956.23 lakhs in 1972-3. However, during 1976-7 it again picked up to attain a level of Rs 1201.03 lakhs showing an increase of about Rs 700 lakhs over the performance of 1975-6. The advances and outstandings during the five-year period have been revolving around Rs 1000 lakhs and Rs 750 lakhs respectively exhibiting symptoms of stagnation. The loans issued for short-term agricultural purposes (seasonal agricultural operations including loans for seeds and fertilizers) have been around Rs 200 lakhs. In 1972-3, loans for this purpose totalled Rs 249.36 lakhs. Such loans declined to Rs 138.35 lakhs in 1975-6. Between the banks, the short-term loans for agricultural purposes (seasonal agricultural operations) issued in 1976-7 by the Jammu, Anantnag and Baramulla Central Co-operative Banks amounted to Rs 129.39 lakhs, Rs 46.14 lakhs and Rs 18.03 lakhs respectively. Compared to the credit requirements in their areas at Rs 14.45 crores details of which have been given in Table 2 of Chapter 2, these advances were quite inadequate. The advances of the Jammu Central Co-operative

Bank which has 6 districts under its jurisdiction, are concentrated mainly in the plane areas of Jammu and Kathua districts as can be seen from Table 3 of Chapter 2.

Loaning Policy and Procedures

21. The scales of finance are generally fixed only for paddy. The advances are mostly for *kharif* crops and are generally issued from April. The due date for recovery of *kharif* advances is usually the end of December. *Rabi* crops are normally sown in November in Kashmir division and the due date for recovery is the following September. In Jammu the period for advancing loans for *rabi* crops is between April and July and the due date for recovery is the end of December. Normally *rabi* crops are not harvested and marketed by the end of December and proper attention is not given to fixing of the period of advances and recovery of such loans.

22. It is reported that the condition of recovery of 50 per cent of the loans by the societies for being eligible for fresh finance from central banks comes in their way of providing finance to non-defaulting and new members. No doubt this condition has been imposed with the intention of keeping the management of societies under pressure to ensure prompt recoveries but, in effect, in the absence of proper arrangements for running the societies and slack supervision, it acts as an inhibiting factor in increasing loaning. In view of the uncertainty of the society's repayment of 50 per cent of its demand and acquiring eligibility for fresh finance from the banks many of the borrowers who otherwise would have repaid their dues are said to withhold payments. Further, the element of compulsion in respect of lifting the B component to become eligible for the A component of the scales of finance is another impediment in the way of expansion of the credit business of the societies.

23. It has also to be noted that seasonality in lending, particularly in the Kashmir division and the Ladakh division will have to be different from that in the other areas. It is argued in this connexion that the A component i.e., cash portion of the crop loan is meant partly to take care of the consumption require-

ments as well and a cultivator-borrower needs this portion of his loan in October-November i.e., just before the winter sets in, to take care of his needs for clothing for winter, storing of food, fuel and other requirements during the winter months. Moreover, agricultural operations in Kashmir valley commence soon after the winter season when snow starts melting in March and therefore, there should not be any objection to issuing the A component of the crop loan during November. It is true that a cultivator has some funds during this period with the sale of his produce. However, he is reluctant to part with the money as he requires it to meet his needs of the winter months. This attitude has an adverse effect on recoveries. Thus, if fresh loans towards his eligibility of the A component are assured and provided before the winter sets in, there are more chances of cultivator-members repaying their dues and borrow afresh, thereby helping both recoveries and loaning. Component B can be issued when agricultural operations commence from March onwards.

24. Another important factor in the way of increasing loans is the inability of societies to approach their central co-operative banks for loans in time for want of a full-time paid employee. Further, the procedure of submission of normal credit limit statements and demand applications through the Assistant Registrar of Co-operative Societies and *patwari* are cumbersome. The normal credit limit statements are routed through the *patwari* in order to get certificates regarding land holdings and then through the Assistant Registrar of Co-operative Societies of the concerned block. In some cases even the demand loan applications are also routed through the Assistant Registrar of Co-operative Societies. All these applications are scrutinized at the head office of the central banks by supervisors before submitting them for sanction. The scrutiny, however, is perfunctory particularly in Anantnag and Baramulla Central Co-operative Banks. The scrutiny note does not contain essential information such as operations on the previous year's limit, general financial position, age-wise classification of overdues, etc. In the Anantnag Central Co-operative Bank, the General Manager is authorized to sanction loan applications but the demand applications need sanction of the administrator/authority appointed by the state

government to manage the affairs of the bank on supersession of its Board. As a matter of fact, the powers to sanction loans should be vested in the managing body while the drawals could be sanctioned by the General Manager. The branches have no role in this process of sanctioning loans/drawals except disbursement of loans when authorized by the administrator/authority.

25. Co-operative banks in Kashmir division have scope for financing fruit crops. The banks, however, have not been able to finance these crops on a large scale as the primary credit societies are not undertaking this business. The fruit-growers co-operative marketing societies which have been referred to in Chapter 4 are financing fruit crops, but as stated therein the majority of such societies are receiving finance from commercial banks.

26. The central co-operative banks have also been neglecting the financing of activities such as sheep breeding, purchase of milch cattle. etc., for which medium-term loans are required. The position as regards issue of medium-term loans by central co-operative banks during the period 1972-3 to 1976-7 could be seen at a glance from Table 5.

TABLE 5

Year	Rs Lakhs	
	Medium-term Loans issued for Purchase of Milch Cattle	Purchase of Machinery, Pumpsets for Irrigation
1972-3	5.93	
1973-4	6.37	1.23
1974-5	2.14	0.27
1975-6	11.11	0.31
1976-7	6.52	0.24

27. Sheep breeding activity has considerable scope in the Kashmir division as well as in the districts of Rajouri, Poonch, Doda and Udhampur in the Jammu division. Similarly, there is scope for financing purchase of milch cattle. The Animal and Sheep Husbandry Departments of the state government have built up a network of their organization at district levels as well as at block and village levels for providing health cover facilities which are of prime importance for upkeep of milch cattle and sheep. The Small Farmers Development Agencies/Marginal Farmers and Agricultural Labourers Agencies in the state provide subsidies to small and marginal farmers to enable them to purchase a unit of sheep/milch cattle. There are no conscious efforts to motivate a cultivator to obtain these loans. The banks, on their part, depend on these agencies to sponsor the cultivators for obtaining these loans. The agencies in turn refer the cases of those cultivators who approach them and fulfil the conditions of a small/marginal farmer either to a commercial bank or a co-operative bank. It is not as though other cultivators do not need these loans. But without the active support of a primary credit society and encouragement from a central co-operative bank very few proposals are received and entertained by co-operative banks. Consequently, loaning for medium-term agricultural purposes by central co-operative banks has been small and insignificant as will be seen from item 9(iii) of Table 1.

Overdues

28. The central co-operative banks' overdues are showing an increasing trend. The overdues in relation to demand have generally been between 40 and 60 per cent. As on 30 June 1977 the overdues in respect of each of the three central co-operative banks far exceeded their respective owned funds. Further, overdues over three years which could be considered as chronic formed nearly 40 per cent of the total overdues. The main reasons for the accumulation of overdues are the defective lending policies and procedures, unrealistic scales of finance and untimely due dates for repayment of loans, poor supervision over societies, absence of full time paid employee at the society and absence of a proper climate for recovery.

29. The societies generally initiate coercive action by filing arbitration cases against defaulters under pressure from central co-operative banks and not on their own initiative. Here again, their efforts are defeated by the inaction on the part of the departmental staff in disposing of arbitration cases and execution of awards. The Department has stated that it is not in a position to expedite action for want of adequate staff to cope with the work.

Supervision

30. Supervision over primary agricultural credit societies has generally been transferred to the financing agencies with certain exceptions. This aspect has been commented upon and dealt with in detail in Chapter 10.

Dividend

31. The high level of overdues, poor loan business and meagre internal resources comprising owned funds and deposits have led to a situation in which the institutions, even if they work at profit, are unable to declare a dividend as the profit is nominal. In the case of the Anantnag and Baramulla Central Co-operative Banks the profits are only apparent as these banks have not been providing adequately for overdue interest in respect of their chronic overdue loans. The profit of all the three banks taken together declined from Rs 3.31 lakhs in 1972-3 to Rs 1.43 lakhs in 1976-7. During the period 1972-3 to 1975-6, only the Jammu Central Co-operative Bank has been able to declare a nominal dividend at 3 per cent and 1 per cent in the years 1972-3 and 1973-4 respectively. Compared to the position in 1972-3, the profit of each bank has come down to a level below Rs 1 lakh in 1976-7. As a result of the poor working results of the banks, they have not been in a position to appropriate any sizeable amounts to the various reserves constituted.

Cost of Management

32. The cost of management of the three central co-operative banks has increased from Rs 14.49 lakhs in 1972-3 to Rs 42.31 lakhs in 1976-7 i.e., it has increased three-fold during the period. The increase is mainly accounted for by the expenses under establishment.

Management

33. According to the by-laws, the management of the banks is vested in the elected Boards of Directors. None of the central banks is currently having an elected Board of Directors. The Board of the Jammu Central Co-operative Bank was superseded in the middle of 1977 whereas those of Anantnag and Baramulla Central Co-operative Banks were superseded in 1975. In the case of the authority/administrator appointed by the state government in the last mentioned two banks, viz., Anantnag and Baramulla Central Co-operative Banks there have been frequent changes in their constitution as may be seen from details in Table 6 at pages 144 and 145.

34. Section 29 of the Jammu and Kashmir Co-operative Societies Act specifies the aggregate term of office for such an Administrator initially for a period not exceeding six months which could be extended from time to time, but the aggregate period should not exceed $1\frac{1}{2}$ years. Despite this provision, the administrators have been continued for almost the last $3\frac{1}{2}$ years i.e., beyond the stipulated period.

35. According to the provisions in the by-laws, the constitution of the Board of Directors of each central bank has to be as given in Table 7 at page 146.

36. In the case of the Jammu Central Co-operative Bank, seats are reserved for members of the area served by each branch at the rate of one director per branch and 4 seats for members of the area served directly by the head office. Besides, the Registrar, in consultation with the Jammu Central Co-operative Bank, can raise the maximum strength of the Board. This particular provision in the by-law may make the membership of the Board unwieldy with the increase in the number of branches, which is a likely development in the long run. Further, no specific representation has been given to the different types of societies. In the case of the Baramulla Central Co-operative Bank, all the seats for the societies are meant for primary agricultural credit societies thereby denying representation to other types of societies. In the case of the Anantnag Central Co-operative Bank,

TABLE 6

Anantnag Central Co-operative Bank			Baramulla Central Co-operative Bank	
Government order dated	Designation of officer	Tenure of Office	Designation of Officer	Tenure of Office
(1)	(2)	(3)	(4)	(5)
18-3-1975	Joint Registrar, Banking and Finance	9 Months	Individual Authority	23-6-1975 to 20-11-1975
18-12-1975	1. Individual, Chairman 2. Individual, Member 3. Deputy Registrar, Anantnag Member—Secretary	18-12-1975 to 17-3-1976	Individual, Chairman Individual, Member Deputy Registrar, Member	21-11-1975 to 31-8-1976
31-3-1976	1. Individual, Chairman 2. Individual, Member 3. Deputy Registrar, Anantnag Member—Secretary	17-3-1976 to 30-4-1976	Individual, Chairman Individual, Member Deputy Registrar, Member	1-9-1976 to 26-4-1977
30-4-1976	Joint Registrar, Co-operative Societies	1-5-1976 to 30-6-1976	District Development Commissioner, Baramulla, Chairman	27-4-1977 to 28-8-1977
30-6-1976	Joint Registrar, Co-operative Societies	17-9-1976	Deputy Registrar, Member	
17-9-1976	Joint Registrar, Co-operative Societies	31-12-1976	District Agriculture Officer, Baramulla, Member	

(1)	(2)	(3)	(4)	(5)
27-4-1977	1. District Development Commissioner, Anantnag 2. Deputy Registrar, Co- operative Societies, Anantnag 3. Project Officer, SFDA, Anantnag	30-6-1977	Individual, Chairman Individual, Member Deputy Registrar, Baramulla, Member	29-8-1977 onwards
19-10-1977	1. Joint Registrar, Banking and Finance, Srinagar, Chairman 2. Assistant Commissioner, Agricultural Development, Member 3. Project Officer, SFDA, Member	20-10-1977	Project Officer, MFAL, Member	

Note : 1 In the case of Baramulla Central Co-operative Bank, 4 individuals have been nominated as members of the authority from 13 October 1977 onwards.

2 The Table has been prepared on the basis of information furnished by the respective banks

TABLE 7

Constitution of the Board	Anantnag Central Co-operative Bank	Baramulla Central Co-operative Bank	Jammu Central Co-operative Bank
No. of representatives of			
Primary Agricultural Credit Societies	15	10	} 15
Marketing Societies	3	—	
Weavers and Industrial Co-operatives	1	—	
Other type of societies	1	—	
Individuals	1	4	4
Government Nominees	7	1	1
Total	28	15	20

the membership of the Board is 28 with 7 nominees of the state government. As against this, in the Baramulla Central Co-operative Bank and Jammu Central Co-operative Bank there is provision for only one government nominee. The representation to individuals in the Baramulla and Jammu Central Co-operative Banks is on the high side. In view of the provision for one member one vote, the individual members who are in sizeable number are in a position to influence the election of the members to the Board of Directors. The number of individual members is quite substantial in the Anantnag Central Co-operative Bank at 141, followed by Baramulla Central Co-operative Bank at 70. In the case of the Jammu Central Co-operative Bank the number is also high at 149. The average individual membership of the Jammu Central Co-operative Bank comes to 25 per district, as its jurisdiction is spread over 6 districts. The district-wise distribution of individual membership, however, is not readily available so as to have data on the concentration of membership in a particular district. Another feature of individual membership in the case of the Anantnag and Baramulla Central Co-operative Banks is that their individual membership has increased since 1972-3. As a matter of policy, individual membership is to be reduced over a period of time as the central co-operative banks are federations of societies at the base level.

37. According to the by-laws of central co-operative banks, committees such as Executive Committees, Loan Committees etc., could be formed by the Board to deal with such matters as are required to be dealt with by them.

38. The President is expected to exercise general control and supervision over the affairs of the bank and the work of its officers. The Secretary is to supervise the working of the office and is responsible for the proper maintenance of books of accounts and has to work as officer-in-charge of the bank and discharge administrative duties regarding bank staff, operate bank account etc. In effect the Secretary, who is an honorary functionary as one of the office bearers, discharges executive functions thereby reducing the chief executive of the bank to a subordinate and ineffective position. In view of the increasing transactions and the technical nature of the functioning of banks, honorary workers may not be always able to cope with the responsibilities and may not find the required time to look after the affairs of banks. In the circumstances delegation of powers relating to executive functions to professional managers will reduce the burden of the honorary workers who can then concentrate their attention on policy matters.

39. The staffing pattern now followed in central co-operative banks is broadly as follows. The General Manager is the chief executive officer who is assisted by a Deputy General Manager or a Manager and other key personnel, viz., a Chief Accountant in charge of accounts and an Executive Officer controlling the field staff. For inspection of branches, there is a separate officer designated as Inspector of Branches-cum-Developmental Officer in the Jammu Central Co-operative Bank whereas this work has been entrusted to the Chief Accountant in the case of the Anantnag Central Co-operative Bank. There is no special officer to attend to this work in the Baramulla Central Co-operative Bank. The key personnel are supported by other staff at the head office and in the field, viz., Accountants, Branch Managers, Cashiers, Supervisors, Clerks, Typists etc. Bank-wise information regarding the key-personnel and other supporting staff in position as on 30 June 1977 is indicated in Table 8.

TABLE 8

Category of staff	Anantnag Central Co-operative Bank	Baramulla Central Co-operative Bank	Jammu Central Co-operative Bank
(1)	(2)	(3)	(4)
Key-Personnel			
General Manager	1	1	1
Deputy General Manager	—	—	1
Manager	1	—	—
Chief Accountant	1	1	2
Executive Officers/District Managers	2	3	4
Inspector of Branches-cum-Develop- mental Officer	—	—	1
District Managers	—	—	4
Supporting Staff			
Office Superintendents/Accountants/ Statisticians etc.	4	2	21
Branch Managers	7	6	13
Supervisors/Inspectors	23	14	80
Field Officers	2	—	2
Cashiers/Clerks/Typists	30	13	47
Subordinate staff	24	19	38

40. As mentioned in paragraph 38 above, honorary office-bearers, viz., the President and the Secretary, particularly the latter, have been vested with executive powers under the by-laws. On supersession of a Board these powers are exercised by the administrator. Consequently, the General Manager continues to be in a subordinate position. The duties of the managerial staff do not include developmental functions with the objective of expanding and developing business. There are no technical personnel in banks for identifying projects and local schemes. For industrial financing, the banks do not have any specialised staff. Some of the key-personnel and most of the staff members in other categories have not received any training in co-operation and banking.

Moreover some of them do not have appropriate academic qualifications commensurate with the duties and responsibilities expected to be undertaken by them.

41. The recruitment of staff is made on an *ad hoc* basis and although certain procedures are prescribed it is observed that they are not followed in the case of many appointments.

42. In view of the weak financial position and low level of operational efficiency of the central co-operative banks all of them are under rehabilitation. But the banks have not been able to draw any definite programme for undertaking a survey of the overdues and attending to other matters for their strengthening.

43. In short, the cumulative effect of the various deficiencies is that the central co-operative banks have not been able to adequately meet the credit requirements in their respective areas of operation.

SECTION II

44. The present state of affairs as revealed in Section I indicates that the central banks in the state are not able to lend support for meeting the credit requirements of agriculture and allied activities adequately. The question that, therefore, arises is whether these banks will be able to play the role expected of them in the near future and justify their existence as independent units or should make room for other institutional credit agencies. It may be recalled here that the Committee on Co-operation in India (Maclagan Committee) 1915 preferred organization of a central bank for a district in preference to the branches of a state co-operative bank as the directors of a central bank by virtue of their local contacts and standing, would be in a better position to take care of the requirements of credit, resource mobilization and recovery of dues. These aspects were once again emphasized several years later in 1973 by the Reserve Bank of India's Study Team on the Two-tier Co-operative Credit Structure in Kerala which stressed the need for the continued existence of a central bank as an independent democratic institution at the intermediate

level of the co-operative credit structure in Kerala. This Study Team for Kerala has observed that central banks being district level organizations and consisting largely of elected representatives of affiliated societies, could lend support in a variety of ways to the growth of the co-operative credit movement and to the development of agriculture. More recently similar Study Teams which were set up by the Reserve Bank of India for the states of Rajasthan (1974), Madhya Pradesh (1975) and Uttar Pradesh (1975) have held the view that the most important consideration in the context of justification of an independent status for a central bank is that of viability and allied with it is the question of its efficiency. These Study Teams have stated that a central bank can justify its continuance as the principal channel for short-term agricultural credit for its area of operation if it is a viable unit or has the potential for reaching viability in the near future and has also been able to maintain a certain minimum level of efficiency.

Viability

45. The Study Teams referred to in the preceding paragraphs have suggested certain norms for assessing viability and efficiency. In the first instance we have dealt with the aspect of viability of central co-operative banks in the Jammu & Kashmir State in the light of the norms suggested by these Study Teams. It has been accepted that viability is an economic concept related to a certain minimum level of loan business and it cannot be uniformly applied in respect of all the banks. The question is not of an institution's earning being adequate to meet the expenditure but also its ability to maintain an efficient organizational set-up and a good branch network to keep close contact with affiliated societies and the depositing public. To quote the Study Team on Agricultural Credit Institutions in Uttar Pradesh (1978) :

“In short, to function as a central financing agency in the true sense of the term, a district central bank must maintain a certain minimum number of branches in its area of operations depending upon the business potential available in the area served as, for obvious reasons, no branch can be allowed to be a losing proposition except for some reasonable

initial period. It is in view of this consideration that the adoption of one uniform norm of viability is deemed unrealistic as the business or credit potential offered by the district or the area served and in turn the minimum number of branches necessary differs, and that too in many cases widely, from bank to bank." (pages 73-74)

46. Thus, we have now to consider as to what should be the viability and potential viability standards for central banks in the state. This, however, could be determined only after ascertaining the position regarding the number of branches each central bank should have in order to efficiently serve its clientele of borrowers. In Jammu & Kashmir, as will be observed from Chapter 3, each viable society is expected to have a minimum loan business of Rs 2 lakhs. In the case of the Anantnag Central Co-operative Bank and Baramulla Central Co-operative Bank which serve relatively plane tracts, one branch could serve 20 viable societies with an aggregate short-term agricultural loan business of about Rs 40 lakhs. In the case of the Jammu Central Co-operative Bank, however, in 4 of its 6 districts, viz., Doda, Poonch, Rajouri and Udhampur which are having difficult terrain, the short-term agricultural loan business potential is relatively less but at the the same time the number of societies is comparatively more. This would mean that either the number of societies in the area of a branch will have to be increased to have short-term loan business of Rs 40 lakhs or else the loan business may have to be less than Rs 40 lakhs. However, as indicated in Chapter 2 the societies in these areas will have larger medium-term loan business and further they will also have to undertake a variety of service functions as indicated in Chapter 3 which would compensate for a lower short-term agricultural loan business in the area. We have therefore, arrived at the number of branches required by each central bank in relation to the total short-term agricultural credit requirements in its area, on the assumption that each branch should cater to 20 viable primary agricultural credit societies with a potential of short-term agricultural loan business of Rs 40 lakhs. Further, one extra branch in each of the four districts having difficult terrain in the area of operation of the Jammu Central Co-operative Bank could also be provided keeping in view the difficulties of communication.

47. On the basis indicated in the preceding paragraph, the number of branches required by each central bank is given in Table 9.

TABLE 9

Bank/District	Total Short-term Agricultural Credit Require- ments (Rs Lakhs)	No. of Branches required At the Rate of One Branch Per Potential of of Rs 40 Lakhs	No. of Existing Branches
Anantnag	369.70	9	7
Baramulla	324.20	8	7
Jammu	750.68	18	21
Doda	77.35	2	4
Jammu	328.68	8	8
Kathua	143.30	4	3
Poonch	35.05	1	1
Rajouri	72.65	2	2
Udhampur	93.65	3	3

Note : The requirements of branches in the case of the Jammu Central Co-operative Bank have been worked out district by district also keeping in view the credit needs of the concerned district.

48. It will be seen from Table 9 that the Anantnag Central Co-operative Bank will require 9 branches as against the existing number of 7 branches while in the case of the Baramulla Central Co-operative Bank it will need 8 branches as against the existing number of 7 branches. The Jammu Central Co-operative Bank has 21 branches as against 18 required by it for purpose of viability. But as per district by district requirement in Jammu division the number of branches required works out to 20 i.e., one less than the existing number of branches. Keeping in view the difficult terrain of the 4 districts if one extra branch is provided the total number of branches would work out to 24. Thus, it can be seen that the existing number of branches is just enough to serve the societies adequately. However, when the actual business of societies increases along with the reorganization of societies the need for additional branches will have to be examined taking into account the then prevailing circumstances.

49. After having ascertained the number of branches required to be maintained by each central bank we have to estimate how much expense it will have to incur for maintaining these branches and the loan business it should have to generate adequate earning to defray the required expenditure. On this basis, it will be possible for us to arrive at the norms of viability and potential viability for each central bank. In this connexion, we may refer to certain assumptions made by the earlier Reserve Bank of India Study Teams. These can be broadly applied to the central co-operative banks in Jammu & Kashmir. These assumptions are summarised as under :

(i) The assumed monthly and annual consolidated salary including leave salary, employer's contribution to provident fund, etc., for different categories of staff normally posted in the head office and the branches of a central bank is given in Annexure 15. The aggregate annual expenditure on the staff at the head office for the banks with a set of 5 and its multiple of branches is given in Annexure 16 and that on the staff posted at a branch is given in Annexure 17.

(ii) The total annual expenditure on salaries, etc., of staff as also on other items of establishment with a set of 5 or of 10 branches has been worked out in Annexure 18 on the basis indicated in Annexures 16 and 17.

(iii) After arriving at the total annual establishment expenditure as mentioned under item (ii) an exercise has been made in Annexure 19 to find the margin per Rs 100 of loans outstanding that will be available to meet the establishment expenditure after providing for interest on deposits, borrowings as also appropriations to various reserves and for payment of dividend. It will be seen therefrom that a margin of Rs 3.20 per Rs 100 of loans outstanding is required for a bank to meet its establishment expenditure.

(iv) On the basis of the margin, as percentage of loan business, available for meeting the establishment cost as indicated in Annexure 19, the quantum of loan business necessary to meet the total establishment cost of the banks with a set of 5, 10 etc.

number of branches as estimated in Annexure 18 is worked out in Annexure 20. The amount of loan business so reckoned will be the viability norm for the concerned category of banks. Fifty per cent of the viability norms so calculated can be taken as the norm for a potentially viable unit on the assumption that a unit should be able to maintain an average annual growth rate of 15 per cent in its loan business which would double over the period of the next five years and attain a viable status.

50. It may be noted in this connexion that the existing staffing pattern of the central banks at head office and particularly in branches now in vogue is different from that considered by us in making various assumptions. However, the pattern envisaged by us may emerge in the near future as a follow up of our recommendations to strengthen the set-up of central banks.

51. We may now examine the position of viability and potential viability of the central co-operative banks in the state on the basis of the norms indicated in Annexure 20, a summary of which is presented in Table 10 for ready reference.

TABLE 10

Rs Lakhs

Central banks which need branches around	Norm in terms of Loan Business	
	Viability	Potential Viability
5	125.00	62.50
10	220.00	110.00
15	330.00	165.00
20	405.00	202.50
25	515.00	257.50

The position in respect of viability of the three central co-operative banks has been examined by us with reference to the loans outstanding as on 30 June 1977 which indicates that all the three banks are either viable or potentially viable units as given in Table 11.

TABLE 11

Rs Lakhs

Central Co-operative Bank	No. of Branches Required	Total Loans Outstanding as on 30-6-77	Norms in terms of Branches and Loan Business (Annexure 20)		Whether the Bank is viable/Potentially Viable
			Viability	Potential Viability	
(1)	(2)	(3)	(4)	(5)	(6)
Anantnag	9	205.08	220.00	110.00	Potentially viable
Baramulla	8	113.70	125.00	62.50	Potentially
Jammu	18	452.31	405.00	202.50	Viable

Note : In the case of Baramulla and Jammu Central Co-operative Banks viability norm is with reference to the requirement of 5 and 20 branches respectively

52. On the above basis and assumptions the Jammu Central Co-operative Bank is a viable unit while the Anantnag and Baramulla Central Co-operative Banks are potentially viable units. In the case of the Jammu Central Co-operative Bank even if we assume that for the estimated 24 branches it will need a higher level of loan business of say Rs 490 lakhs, still the bank is almost a viable unit even at present or would be able to attain viability within an year itself. The present level of loan business of the Anantnag Central Co-operative Bank is much nearer to the expected level for a viable unit and it may not have any appreciable difficulty in achieving this status within a period of one to two years. In the case of the Baramulla Central Co-operative Bank, the norm for viability will be about Rs 180 lakhs in view of the need for it to have 8 branches to meet the needs of societies. Even then the present level of loan business is above the level of a potentially viable unit (Rs 90 lakhs) and it should not experience any serious difficulty in reaching the expected level of loan business for a viable unit i.e., Rs 125 lakhs to Rs 180 lakhs in the next 3 to 5 years maintaining the annual growth rate of 15 per cent.

53. Thus, all the three central co-operative banks are viable or potentially viable units. As stated in paragraph 44, the next aspect that needs consideration is of efficiency in operations and in this connexion also the earlier Study Teams have adopted certain norms which we feel could be adopted for rating the efficiency of the central co-operative banks in Jammu & Kashmir also. The rating was done on the basis of quantification of the achievements under various heads of activities. There are five broad major norms which are divided into 15 sub-norms giving due weightage to each sub-norm. While rating the performance in relation to each sub-norm a note has been taken of the potential available in that behalf in the area of operation of a bank. Out of a total of 1000 marks the maximum marks allotted for each major norm with their sub-division among the different sub-norms falling under each major norm, are given in the chart at page 157. As the norms adopted by the earlier Study Teams are realistic we have followed the same norms. The five broad major norms are : (1) performance in mobilizing resources, (2) performance in meeting credit needs of the area, (3) performance in ensuring recovery of loans, (4) ability in regard to efficient management of funds and (5) role played as federal body of primary agricultural credit societies. Their sub-division into 15 sub-norms for assessment of the efficiency is given in Annexure 21.

54. The ratings received by the central banks on the basis of the norms and procedure indicated in Annexure 21 are given in detail in Annexure 22. It will be seen therefrom that the ratings secured by the central banks ranged between 37 and 43 per cent. Thus, if we assume that one-third rating could be deemed to be adequate to identify the banks as having at least a bare minimum efficiency all the three banks are above the bare minimum efficiency level. Since these banks are viable or potentially viable units and possess the bare minimum efficiency the view may be taken that all the three units have a future provided there are vigorous efforts on the part of all concerned to develop the business of these banks and put them in charge of professional and competent Chief Executives/Managers.

MAJOR NORMS AND SUB-NORMS FOR RATING THE EFFICIENCY OF CENTRAL CO-OPERATIVE BANKS

		Marks Allotted	Percentage to aggregate marks
Assessment of efficiency of a central bank Total marks 1,000 (100 per cent)	I Performance in mobilizing adequate internal resources Marks allotted 225 or 22.5 per cent	1 Size of owned funds	50 5
		2 Size of deposits	100 10
		3 Extent of reliance on external borrowings	50 5
		4 Size of working capital	25 2½
	II Performance in meeting credit needs of the area Marks allotted 200 or 20 per cent	5 Total loans outstanding	100 10
		6 Performance in meeting demand for short-term agricultural credit	100 10
	III Performance in ensuring recovery of loans Marks allotted 300 or 30 per cent	7 Level of overdues	100 10
		8 Proportion of chronic defaults	100 10
		9 Coercive steps taken for recovery	100 10
	IV Ability in regard to the efficient management of funds Marks allotted 200 or 20 per cent	10 Defaults in repayment to the apex bank	50 5
		11 Defaults in maintaining prescribed percentage of liquid assets	50 5
		12 Rate of dividend	100 10
	V Role played as federal body of primary agricultural credit societies Marks allotted 75 or 7.5 per cent	13 Coverage of pacs	25 2½
		14 Size of loan business of pacs	25 2½
		15 Proportion of pacs with full-time paid managers	25 2½
		1000	100

SECTION III

55. In the light of the position indicated in Sections I and II, our suggestions for removing the deficiencies in the working of the banks and to strengthen them financially and administratively are given briefly in the paragraphs which follow :

56. It will be seen from paragraph 6 (Table 2) of Chapter 2 that the total short-term agricultural credit requirements in the areas of the central banks aggregate Rs 14.45 crores as against which their total short-term agricultural loans for seasonal agricultural operations outstanding as on 30-6-1977 were only Rs 2.46 crores. The bank-wise position indicates that as against the short-term agricultural credit requirements of Rs 7.51 crores, Rs 3.70 crores and Rs 3.24 crores in the areas of the Jammu, Anantnag and Baramulla Central Co-operative Banks respectively, their outstanding advances for seasonal agricultural operations were Rs 1.41 crores, Rs 0.63 crore and Rs 0.42 crore. Thus, these banks will have to make strenuous efforts to increase their capacity to lend adequate support to the programmes in the field of agriculture in the state.

57. However, for improving the flow of fund from banks, the primary credit structure will have to be strong. The major constraints at the primary level have been brought out by us in Chapter 3 in which we have also suggested measures to remove them. If these measures, the more important of which relate to reorganization of societies into viable units and posting adequately trained full-time secretaries, are not taken, the central co-operative banks will have to consider issuing loans directly to the individual cultivators through their branches. This, however, is not an easy task and besides the inconvenience to cultivator borrowers, the cost of retailing credit will also be very high which ultimately will have to be borne either by the borrower in the form of higher rates of interest or by the state government in the form of subsidy. Even then, a large number of cultivators who may be staying far away from the branches of the bank, may not be in a position to avail themselves of these facilities. In the circumstances, direct lending by the central co-operative banks is not considered necessary or practicable by

us. This makes it all the more important to strengthen the central co-operative banks so that they are in a position to give adequate support to the primary credit societies.

Loan Business

58. It is necessary for central co-operative banks to fix realistic scales of finance for various crops and undertake loaning for *kharif* as well as *rabi* crops. The compulsion for lifting the kind component before allowing drawal on the cash component has to be removed at least in those areas where fertilizers are not used on large scale. In the remaining areas where fertilizer consumption is quite sizeable, any compulsion may be largely unnecessary as the cultivators themselves would be willing to lift their quota as and when required. We are aware in this connexion of the state government's anxiety to encourage use of fertilizers for increasing agricultural production. But the fact remains that compulsion to utilize the kind portion first has resulted in decrease in drawal of loans. No doubt, the policy of the state government of issuing fertilizers by way of *taccavi* loans and that too at a lower rate of interest than that charged by co-operative societies to all the cultivators irrespective of their membership of co-operatives or their defaults to institutions is related to the government's anxiety to increase agricultural production, but this policy has an adverse effect on the working of the co-operatives as the loan business representing the value of fertilizers is lost and it becomes hard to recover the co-operative dues. It is for this reason that we suggest that the state government may discontinue its policy of issuing *taccavi* loans and that too at a lower rate of interest than that charged by co-operatives. To begin with, in areas where co-operatives are functioning well, the distribution of fertilizers should be only through co-operative societies. In areas where government intervention is needed that is, in areas where co-operatives are weak the state government should safeguard the long-term interests of co-operatives e.g., by not offering terms for provision of fertilizers which will dissuade persons from joining co-operatives or taking loans from them. The increased use of fertilizers can be achieved with the help of extension agencies instead of disbursing the same as *taccavi* loans at subsidised rates.

59. Besides, the procedure for sanction of loans and disbursement thereof by the banks has to be streamlined to avoid delays. The normal credit limit statements prepared by the secretary of a primary credit society may be scrutinised by the bank's supervisor for ensuring its correctness with reference to land record registers and other books of account of the societies. The central co-operative banks should for this purpose ask the societies to prepare registers on the basis of certificates issued by the *patwari*. Whenever mutations are noticed in the land records a second certificate should be called for from the *patwari* to bring the records up-to-date. The scrutiny note by the supervisor should give details about society's operations on the previous year's limit, performance in financing of small farmers, repayment performance, position of overdues according to the period, action taken for recovery, financial position of the society, major defects pointed out by the auditor and any other information as is required in terms of the bank's policy and procedures for sanction of loans. If branches are functioning as full-fledged units i.e., dealing with loans and advances also, normal credit limit statements can be routed through the branch manager who should forward the same to the head office with his comments for necessary action. These normal credit limits statements should then be further scrutinised by the loan section in the head office before putting them up to the loan committee/executive committee which normally is the sanctioning authority. Once the sanction is accorded by the loan committee, the sanction should be communicated to the society with details of the terms and conditions of such sanction. Thereafter, drawals on the limit by demand applications on behalf of eligible members of the society may be allowed by the branch manager on the basis of the recommendation of the supervisor of the bank who should ensure that the drawal application is in order. Where the branches are not working as full-fledged units, drawals may be allowed by officers of the banks at the head office who have been authorized in this regard. It is also necessary to call for disbursement statements from societies within a specified period say, 15 days, to ensure disbursement of funds and avoiding retention of undisbursed cash by the society. This is required only if loans are disbursed in cash. It is, therefore, necessary once again for the supervisor to ensure the correctness of the disbursement statements by its verification with the drawal

applications. At present, the practice of disbursement of loans by way of cheques is not in vogue and its introduction would be a welcome step. It may, however, take time to introduce this system due to poor communication facilities and non-availability of banks' branches within easy reach of borrowers. We recommend that a farmer's credit book as devised by the Jammu & Kashmir State Co-operative Bank may be introduced in societies which will help in curbing the large incidence of defalcation. The credit book is affixed with the borrower's photograph for identification, and contains village address, details of landholdings and loans sanctioned, drawn and repaid by him.

60. We have noted in paragraph 23 of this chapter that there is scope for giving component A of the scale of finance before the onset of winter in the Kashmir division. We recommend that A component of the *kharif* limit should be given some time in November-December. Accordingly, the due date for *kharif* loans should be advanced to October-November to ensure that the cultivators are not in possession of two *kharif* loans at a time.

61. While working out the short-term agricultural credit requirements in the districts an account has been taken of the production credit requirements for apple cultivation in the areas of the banks in Kashmir division. As noted in Chapter 4, a large number of fruit-growers societies are being financed by commercial banks while primary agricultural credit societies are not undertaking financing of fruit crops, resulting in loss of potential business to the central co-operative banks. We have suggested in Chapters 3 and 4 that fruit-growers societies should be an integral part of the base level institutions and whether the primary financing agency is either a primary agricultural credit society or a fruit-growers co-operative society it should finance all the crops and function as a multipurpose society. This recommendation when implemented, will directly increase the loan business of the central banks.

62. The central banks have been neglecting financing of activities like dairying, sheep breeding, etc., for which medium-term loans are required. There is scope for financing these activities and our estimates in this regard are given in Table 4 of Chapter 2.

It is necessary in this connexion that the Small Farmers Development Agencies in collaboration with the Animal and Sheep Husbandry Departments of the state government make conscious efforts to motivate the farmers to obtain loans for the purpose and refer the cases to banks through primary agricultural credit societies of the area. The present practice of Small Farmers Development Agencies referring individual loan cases is not helpful to central co-operative banks which operate through societies. Incidentally, the procedure followed by the Small Farmers Development Agencies in passing on the subsidy direct to a borrower is not desirable. Instead, a borrower should be sanctioned the full amount of the loan by the bank and the subsidy paid to the bank direct as repayment of part of the loan.

63. A constraint in increasing loaning for milch cattle is absence of arrangements for organized marketing which help in linking credit with marketing thereby ensuring prompt recovery of dues. It is learnt that arrangements for marketing are not presently considered necessary as there is no difficulty for a producer to dispose of milk at remunerative prices due to large demand for it and the overall shortage. However, this argument is not tenable because such scarcity may be a temporary feature and with increased availability of milk this situation may not hold good for long. It is, therefore, necessary to have arrangements for organized marketing of milk and this function i.e., collection and marketing of milk could be undertaken by primary agricultural credit societies and attended to with the help of district/regional agencies as mentioned in Chapter 3. The extension agencies of the state government should widely publicise facilities available for loans for purposes such as purchase of milch cattle and sheep and supervisors of central co-operative banks should help societies in the preparation and submission of loan proposals. In this connexion, the benefit of the recent reduction in the rate of interest by 1 per cent i.e., from $1\frac{1}{2}$ to $2\frac{1}{2}$ per cent from 1 March 1978 and further reduction of one-half per cent i.e., from $2\frac{1}{2}$ per cent to 3 per cent below the Bank Rate from 1 January 1979 on financial accommodation from the Reserve Bank for medium-term could be taken advantage of by co-operative banks.

64. The economics of one unit of sheep (one ram and 10 ewes) and cow (one cow or 2 cows) as furnished by the Animal and Sheep Husbandry Departments of the state government is given in Annexure 23. It will be seen therefrom that the loan amount for each unit on an average is Rs 3500. On this basis, we have estimated in Chapter 2 the medium-term credit requirements at Rs 25 crores. Although such a large potential may not be exploited in the near future for want of fodder and grazing grounds and of improved breed, it is possible to have a breakthrough in this sector of medium-term lending for dairying and sheep breeding activities with the active help of the state government and initiative on the part of central co-operative banks.

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

66. Further, those who are unable to secure the required accommodation from the Khadi and Village Industries Board could be financed by the central co-operative banks for their industrial activities by enrolling them as individual members. This finance can be provided from their own resources within the overall ceiling of 10 per cent of their time and demand liabilities. Industrial financing can also be started by the newly set up urban co-operative bank at Jammu when it is equipped for the purpose.

67. Thus, central co-operative banks have wide scope for developing loan business in their respective areas of operation. On

their part, central co-operative banks should streamline lending policies and procedures. The banks may be expected to maintain an annual growth rate in their total loan business at 15 per cent but while doing so, they will have to make special efforts to increase their short-term agricultural lendings so that the credit inadequacies are reduced substantially. This would call for a higher annual growth rate say, at 20 per cent in respect of short-term agricultural loans. In other words, while banks should endeavour to increase their total loan business at the annual growth rate of 15 per cent, in respect of short-term agricultural loans the attempt should be to have a growth rate of 20 per cent. On this basis, the central co-operative banks' total loan business as also their short-term agricultural loan business as at the end of 1982-3 would be as in Table 12 at page 165.

Resource Mobilization

68. Any large lending programme cannot be sustained with outside assistance only. The institutions have to build up internal resources to provide a cushion for absorbing overdues and also to provide margins for the borrowings which may be stipulated by the higher financing agencies.

69. The central co-operative banks have not been able to build up their owned funds to any appreciable extent as they could not increase their lendings and maintain a satisfactory rate of recovery of dues both under principal and interest. The banks' capacity for fresh borrowings is affected as the overdues are heavy. As the interest is in arrears, they have to provide for overdue interest reserve which erodes the profits. The growth of share capital is closely related to the growth of loans as the borrowing units are required to contribute to the share capital in a certain proportion to their borrowings. Poor lendings thus affect the growth of owned funds while the nominal profit earned results in poor growth of reserves. Thus, the banks are caught in a vicious circle. We are hopeful that once our recommendations for increasing the loan business and for tackling overdues are simultaneously implemented the banks will be able to come out of this situation and will be able to strengthen their financial structure.

TABLE 12

Rs Lakhs

Bank	Loans Outstanding as on 30-6-1977		Expected Level of Outstandings at the end of 1982-3 with Annual Growth Rate of			
	Total	Short-term Agricultural (seasonal agri- cultural operations)	15%		20%	
			Total	Short-term	Total	Short-term
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Anantnag	205.08	62.79	474.00	145.00	613.00	187.00 (370)
Baramulla	113.70	42.37	263.00	98.00	339.00	128.00 (324)
Jammu	452.31	140.72	1046.00	325.00	1351.00	420.00 (751)

Note : Figures in brackets are of estimated credit requirements for short-term agricultural loans

70. The banks have to be active in building up their deposits. The head office as well as branches of the central banks need a major facelift to catch the public eye. It is, therefore, necessary that these offices should as far as possible be located at convenient places and given a good and presentable appearance. The branches should provide all banking facilities such as acceptance of different types of deposits, collection of bills, etc. The branches should be given targets for deposit mobilization and their performance should be reviewed periodically.

71. The state government, on its part, has also to play a positive role in enabling central co-operative banks to mobilize deposits from local bodies, government, semi-government corporations/institutions, etc. However, the government orders of the nature referred to in paragraph 7 in Section I of this chapter come in the way of such institutions keeping their funds with co-operatives and, therefore, should be modified to recognize co-operative banks also as eligible institutions for receiving deposits from government/semi-government institutions.

72. To induce co-operative banks to mobilize deposits, the Reserve Bank has stipulated that a central bank would qualify for the concessional rate of interest for borrowings only if it puts from its own resources Rs 1 for every Rs 2 from the Reserve Bank. Thus, for every Rs 100 additional short-term loans, the bank has to find Rs $33\frac{1}{3}$ from its internal resources to qualify for Rs $66\frac{2}{3}$ from the Reserve Bank at a concessional rate of interest. The share of owned funds is ordinarily 5 per cent or Rs 5 leaving Rs $28\frac{1}{3}$ to be met from deposits. Taking into account the statutory and optimum liquidity at $33\frac{1}{3}$ per cent of deposits, additional deposits to be mobilized will be of the order of Rs 45. Thus for advancing every Rs 100 a central bank has to mobilize Rs 45 as deposits. If, however, the central bank has to do diversified lending, it will require higher level of deposits say at about Rs 80. But if the involvement of the bank in non-agricultural advances is low, the deposits to be mobilized for every Rs 100 of short-term loans issued can be placed at Rs 66 on the assumption that the deposits over Rs 45 would be available for issue of loans for other purposes. On this basis, the level and annual growth rate of deposits required to be achieved and maintained by each

central bank by end of June 1983 for sustaining the estimated level of loan business by that date as worked out in Table 12 could be seen in Table 13 at page 168.

73. The central co-operative banks have certain outstanding borrowings from the state government which in fact represent loans directly disbursed by the government to the beneficiaries and subsequently transferred to banks. These assets and liabilities appearing in the books of central co-operative banks are a result of transfer of such loan accounts effected by the state government. As the banks did not have any voice in the selection of the beneficiaries or in determining the quantum of loans, it does not appear to be reasonable especially in view of the already poor financial position of the banks to burden them with apparently irrecoverable dues. These transactions should be treated purely as an agency business and the banks should be held responsible to repay such dues only when recoveries are effected. At the same time, the banks should not slacken their efforts for recovering these loans. The banks should be compensated for their efforts in recovering these dues by giving a reasonable share in the interest earned.

Problem of Overdues

74. With a view to achieving higher levels of lending business and mobilization of deposits it is necessary that the central banks should reduce the burden of overdues and keep the same under check and simultaneously build up their organizational strength. All the three central co-operative banks, due to their poor financial position, have been brought under the rehabilitation programme as far back as February 1971 to help them improve their position. The central banks at Anantnag and Baramulla are covered by the Central Sector Plan Scheme and the Government of India had released a sum of Rs 6.78 lakhs upto 30-6-1977 as assistance against the sanctioned amount of Rs 7.75 lakhs. This assistance is to be utilized for writing off irrecoverable debts. Unless central co-operative banks undertake a definite programme for carrying out the survey of overdues and identification of bad and doubtful debts, it will not be possible for them to utilize this assistance and show improve-

TABLE 13

Rs Lakhs

Central Bank	Expected Loan Business as on 30-6-1983 (Table 12)		Level of Deposits required as on 30-6-1983		Level of Deposits as on 30-6-1977	Annual Growth Rate Required for level of deposits	
	Total	Short-term Agricultural	For total Loan Business at 66 per cent of Col. (2)	For short-term Loan Business at 45 per cent of Col. (3)		In column (4)	In column (5)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Anantnag	474.00 (613.00)	145.00 (187.00)	313.00 (404.00)	65.00 (79.00)	39.87	41 (47)	8 (12)
Baramulla	283.00 (339.00)	98.00 (128.00)	173.00 (213.00)	44.00 (56.00)	38.89	28 (33)	2 (6)
Jammu	1046.00 (1351.00)	325.00 (420.00)	690.00 (891.00)	140.00 (190.00)	347.35	12 (17)	-- (-)

Note : Figures in brackets relate to the estimates made with reference to the expected level of loan business with annual growth rate of 20 per cent.

ment in their position. In Chapter 7 certain recommendations have been made by us for tackling the problem of overdues which would go a long way in rehabilitating the central banks.

Management

75. The managements of all the three central banks have been superseded and they are presently run by administrators or nominated Boards. As will be seen from the details given in Section II in respect of administrators/authority for Anantnag and Baramulla Central Co-operative Banks the composition thereof has been changed from time to time. Sometimes the administrator is a government official or a group of government officials or a group of non-officials with the association of a government official. Such frequent changes in the composition of the authority are obviously undesirable. The Boards of the Anantnag and Baramulla Central Co-operative Banks are under suspension for quite some time i.e., from 1975 and no elections have so far been planned for handing over the management to elected Boards. In any case, administrators when required to be appointed should be selected carefully from among those who have a background in co-operation and experience in banking.

76. As per the by-laws of central co-operative banks, representation is provided on the Boards to affiliated institutions and no allocation of seats has been made among the various types of societies. Since central co-operative banks are mainly dealing with primary agricultural credit societies which form the largest group among their affiliated institutions, it is in fitness of things that primary agricultural credit societies should have largest representation on the Board. Other institutions such as weavers societies, industrial societies etc., should also be given some representation. In the matter of individual members, it is suggested that they should have only one member on the Board elected by a separate electoral college of individual members formed on the lines indicated in paragraph 32 of Chapter 6. Representation on the Board to the government is primarily meant for taking care of government's interest and ensuring implementation of

accepted policies. We suggest that the government nominees should preferably be experts whose advice would be of direct value to the banks, depending on the business of the banks. For instance, in the Anantnag and Baramulla Central Co-operative Banks in Kashmir division an officer of the Horticulture Directorate can be usefully nominated as a director. The number of members on the Board of Directors should also be within reasonable limits and normally it should not exceed 15 to 20 depending on the area of operation and the number of affiliated societies. In the Jammu Central Co-operative Bank the number could be a little more to ensure proper representation for the primary agricultural credit societies from all the 6 districts in the area of the bank. While doing so, the seats should be distributed district-wise to ensure due representation to all the districts on the Board. The present practice of giving representation on the basis of the number of branches, head office, etc., may be discontinued.

77. The by-laws of central co-operative banks assign a dominant role to honorary office-bearers, particularly the Secretary, in the day-to-day administration of banks. It is the Secretary who discharges the executive and administrative functions of a chief executive. In the interest of effective management and smooth working of banks, the relevant provisions in the by-laws should be suitably amended so as to demarcate the powers of office-bearers and the chief executive officer. The honorary secretary should be divested of his executive and administrative functions as recommended in paragraph 38 of Chapter 6 and the chief executive officer, who is an employee of the bank, should be empowered fully to deal with day-to-day executive and administrative matters. The chief executive may be designated as Managing Director or General Manager and made an ex-officio member of the Board.

78. In the long-term interests of a central co-operative bank it is essential to have an officer of its own to head the institution as its chief executive. However, as a temporary measure the state government may depute an officer from the co-operation department who has got adequate qualifications and experience in banking. Once posted, he should be allowed to continue in the

post for at least 3 to 4 years so that he can plan and initiate programmes for improvement of the bank. When departmental officers are posted as chief executives they should not be burdened with other assignments as administrators of other institutions even for temporary periods. Further, in the interim period when government officers are deputed to work in central co-operative banks, they should be from a panel of eligible officers which should be prepared and maintained by the co-operation department.

79. The creation of a common cadre of key personnel to occupy the posts of General Manager, Manager, Chief Accountant, Chief Supervisor etc., which are the senior posts, may not be necessary for the present, in view of the limited number of posts. There are only 3 central co-operative banks and with the inclusion of the state co-operative bank also the total number of key posts in the cadre will be around 25. Creation of a common cadre and administering it for such a limited number of key personnel may not be practicable. In this context, we urge that the banks should have their own officers and for this purpose they may recruit qualified management trainees who, after their training in due course, could fill up key level posts. While recruiting these candidates, talent available within the bank's own establishment should be considered for selection, subject to their suitability. Although a common cadre is not considered quite necessary for the present, it is essential that central co-operative banks should have more or less a uniform staffing pattern. As far as possible, the categories of staff should be limited. Uniform qualifications and service conditions should be prescribed by the Registrar of Co-operative Societies for adoption by central co-operative banks. Wide variations in service conditions especially in respect of pay and allowances should be avoided. Further, the conditions of service in central co-operative banks and the state co-operative bank should also be as far as possible uniform for the categories of personnel performing broadly similar functions as there is not much of a difference in the size or nature of business of these institutions in the state.

80. The central banks should have, besides the Managing Director or General Manager, a Manager/Assistant Manager, a Chief Accountant, an Executive Officer i.e., Chief Supervisor and a

Development Officer. These key personnel should be supported by intermediate level officers functioning as sections-in-charges at the head office. All branch managers except those posted at pay offices may also be included in this group and made interchangeable with the intermediate level officers at the head office.

81. Below the intermediate level officers, banks should have junior level staff consisting of cashiers, supervisors, clerks and typists. The different items of work at the head office may be broadly divided under 4 divisions, viz., (i) Accounts; (ii) Loans and Supervision; (iii) Development and (iv) Administration. Each of these divisions may be under the charge of an officer forming part of the key personnel. However, subject to the availability of key personnel at the head office, a group of divisions could be under the charge of one officer. The divisions may be further sub-divided into convenient sections which may be placed under the charge of an intermediate level officer with a suitable complement of junior level staff to support him. A chart broadly indicating the divisions that may be created in the head office in regard to allocation of functions among key personnel is given at pages 173 and 174.

82. The Jammu Central Co-operative Bank, besides having branches in each of the 6 districts, has posted a District Manager each in Jammu, Kathua, Poonch and Rajouri districts where supervision over primary agricultural credit societies is the responsibility of the bank. The district managers are field officers looking after the work of supervision of societies. The supervisors in the respective districts are working under them. The branches in the respective districts are also under the control of district managers. However, the district manager does not have an office of his own. In the case of Doda and Udhampur districts, since supervision is with the co-operation department, there are no posts of District Managers and branches are under the direct control of the Assistant General Manager at the Head Office. We have recommended in Chapter 10 that the responsibility for supervision over societies should be transferred to the financing institutions and as such when this change has been made, the appointment of District Managers in these 2 districts

Organizational Chart for Central Banks

Managing Director or General Manager			
Manager/Assistant Manager (Administration Division)	Chief Accountant (Accounts Division)	Executive Officer (Loans and Supervision Division)	Development Officer @ (Development Division)
(1)	(2)	(3)	(4)
1. Branch Inspection	1. Borrowings	1. Scrutiny and Sanction of Credit Limit Applications	1. Deposit Mobilization
2. Establishment	2. Management of Funds	2. Disbursement and Recovery of Loans	2. Rehabilitation
3. General Administration	3. General Banking, Loans and Advances and other Accounts (Head office and Branches)	3. Verification of utilisation of loans	3. Reorganization of Societies
4. Premises and Dead Stock	4. Statistical Information	4. Supervision and control over Field Staff	4. Problems of SFDA
5. Compliance with Reserve Bank of India/ apex bank inspection reports	5. Investments	5. Coercive action i.e., Arbitra- tion and Execution cases	5. Co-ordination with Commer- cial/Regional Rural Banks

(1)	(2)	(3)	(4)
6. Board Matters		6. Financing of Fruit Growers Societies@	6. Development of Marketing of Agricultural Produce and Distribution of production requisites and essential commodities and Other items of Non-agricultural Financing 7. Linking of Credit with Marketing 8. Training of Banks' and Societies' Staff

@ In due course when societies start financing fruit-growers, this section can be merged with the loan section.

@@ In the case of Anantnag and Baramulla Central Co-operative Banks the Development Division can initially be handled by the General Manager.

is necessary. The District Managers should be made responsible for development of loan business and mobilization of resources in the respective districts besides exercising control over supervisors to ensure proper discharge of their responsibilities. We feel that such an arrangement would help effectively in building up business in these areas.

83. Direct recruitment may be resorted to by central co-operative banks at two stages viz., at lower levels such as clerks, typists, etc., and for appointment of management trainees as suggested by us in paragraph 79 for filling up the posts of key personnel level officers. Posts for the intermediate level officers may be filled up by promotions on seniority-cum-merit basis from the lower level staff.

Supervision

84. Although supervision over agricultural credit societies has been transferred to central co-operative banks, the banks' supervision and control over the societies have not been quite effective particularly in the Anantnag and Baramulla Central Co-operative Banks as they have failed to deploy the supervisory staff properly. Although supervisors are expected to conduct inspections of societies, this is not being done now on the plea that central banks do not have statutory powers under the co-operative societies act and rules. Our comments and suggestions in this behalf have been given in Chapter 10.

Financial Assistance

85. While the banks will have to take action on the lines indicated above to build up the loan business and mobilization of resources it is necessary that initially some financial assistance is provided to central co-operative banks to improve their liquidity position. This assistance can be given by way of share capital contribution by the state government at a flat rate of Rs 10 lakhs each to the Anantnag and Baramulla Central Banks and Rs 20 lakhs to the Jammu Central Bank. However, the entire assistance should not be released in one lump sum in the beginning itself. Only 50 per cent of such assistance may be given without any precondition in the first year and the balance

can be released subsequently subject to the completion of the reorganization programme for primary agricultural credit societies in the area of the bank, appointment of full-time personnel for managing the affairs of the societies and completion of the investigation of overdues to determine their realisability or otherwise as recommended by us in Chapter 7. Besides, our observations in paragraph 23 of Chapter 7 may be kept in view for releasing share capital assistance to the banks.

86. We have given our recommendations in general for all central co-operative banks in the preceding paragraphs. Now we would like to give our specific recommendations in respect of the Jammu Central Co-operative Bank which has a larger area of operation comprising six districts. Of these six districts, 4 districts, viz., Doda, Poonch, Rajouri and Udhampur have been identified as those having difficult terrain with poor means of communication facilities. Besides, the entire district of Doda and part of Udhampur are drought-prone areas where lending is fraught with heavy risks. The scope for lending and mobilization of deposits in these 4 districts is limited. It is contended by the bank that its activities in this area are sustained mainly with the help of its operations in the two districts, viz., Jammu and Kathua. However, of late, the scope for increasing the operations in these two districts is getting restricted in view of the growing competition from commercial banks and the Regional Rural Bank at Jammu. Commercial banks have been concentrating their efforts in financing agriculture in these two districts and they have been helped in the business, due to the introduction of the scheme of financing societies by commercial banks under which 34 societies have been attached to 5 commercial banks. The Farmers Service Society which has come up in Vijaypur Block of Jammu district is being financed by a commercial bank. In view of the loss of business in these 2 districts and inadequate business potential in the other 4 districts, the Jammu Central Co-operative Bank has been experiencing some difficulty in expansion of business to meet its increasing costs. It has been urged on behalf of the Jammu Central Co-operative Bank that the encroachment on the profitable field of its area by commercial banks and the Regional Rural Bank should be stopped and a realignment of area of operation should be made among the various agencies. It is also pointed out that

commercial banks and the Regional Rural Bank should expand their activities in areas where the Jammu Central Co-operative Bank has not been able to penetrate and meet the credit requirement. A suggestion has also come from some quarters that these 4 districts may be served by two separate central banks one to cover Doda and Udhampur districts and the other to serve Poonch and Rajouri districts in view of their geographical contiguity and similar agro-climatic conditions. Our observations and recommendations in this behalf are given in the paragraphs that follow.

87. The credit requirements estimated by us for short-term agricultural purposes in these 6 districts, and also the position regarding mobilization of deposits, loans outstanding and overdues as on 30-6-1977 are given in Table 14 at page 178. The present level of loan business as well as deposits mobilized from the districts of Doda, Udhampur, Rajouri and Poonch by the Jammu Central Co-operative Bank are very meagre. At the same time, the overdues in these districts are almost 100 per cent leaving no scope for fresh lending unless the societies are made eligible for fresh borrowing by waiving the condition of minimum recovery performance for financing non-defaulting and new members and simultaneously initiating effective action to reduce the level of overdues.

88. In view of the background indicated above, any move to start new central banks to take over the business in these areas would not be desirable. The need of the hour is to make the existing institution work properly and to make it useful to the people. The Jammu Central Co-operative Bank which has an organizational structure to serve the entire area under its operation should be enabled to strengthen its organizational structure. For this purpose it may be given staff subsidy on a tapering basis for a period of 5 years, by the state government. This would enable the bank to appoint additional staff in different areas to vigorously campaign for recovery of overdues, enrolment of additional members in the societies and increase loan business.

89. The question of competition by the commercial banks has to be viewed from the present policy of multi-agency approach

TABLE 14

Rs Lakhs

District	Estimated Credit Require- ments	Position as on 30-6-1977							Deposits	
		Loans Outstanding					Over- dues	Amt.	No. of offices	
		Short- term	Medium- term	Long- term	Others	Total				
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
Jammu @	329	48.75 (14.93)	19.90 (8.48)	9.95 (1.23)	31.14 (1.84)	109.74	26.40	176.15	8	
Kathua	143	20.93 (14.71)	3.97 (3.59)	7.09 (1.73)	0.23 (0.23)	32.22	20.31	27.87	3	
Total	472	69.68 (29.64)	23.87 (12.07)	17.04 (2.96)	31.37 (2.07)	141.96	46.80	204.02	11	
Doda	77	16.21 (16.21)	14.26 (6.24)	6.45 (1.75)	1.06 (0.63)	37.98	24.83	27.58	4	
Udhampur	94	9.31 (9.02)	0.02 (0.02)	2.21 (0.13)	0.14 (0.14)	11.68	9.67	32.03	3	
Total	171	25.52 (25.23)	14.28 (6.26)	8.66 (1.88)	1.20 (0.77)	49.66	34.50	59.61	7	
Poonch	35	14.36 (14.28)	5.60 (3.60)	3.98 (0.96)	---	23.94	18.92	20.10	1	
Rajouri	73	22.11 (19.01)	8.55 (5.04)	9.81 (2.96)	1.19 (1.18)	41.66	29.10	30.24	2	
Total	108	36.47 (33.29)	14.15 (8.64)	13.79 (3.82)	1.18 (1.18)	65.60	48.02	50.43	3	

Note : Figures in brackets refer to overdues.

@ Excludes figures relating to head office at Jammu.

and, therefore, the Jammu Central Co-operative Bank has to learn to co-exist with other agencies in the field. However, while opening branches by commercial and Regional Rural Banks, care should be taken not to reduce the scope and potential for future business of a central co-operative bank. As far as possible, commercial banks and Regional Rural Banks should go to the areas where the central co-operative bank has not been able to make any headway.

90. The question of launching new Regional Rural Banks has also to be viewed very seriously as they are likely to siphon off the business potential of central co-operative banks and jeopardize their viability. This calls for careful examination with reference to the credit potential, credit inadequacies and capacity of existing central co-operative banks and branches of commercial banks, to disburse additional loans before a decision is taken to organize new Regional Rural Banks.

CHAPTER 6

STATE CO-OPERATIVE BANK

1. In this chapter we have dealt with certain aspects referred to for our consideration under terms of reference numbers (i), (vii) and (viii). These aspects generally cover the financial position and organizational structure of the state co-operative bank, its lending policies and procedures, position of its overdues, etc. Further, the major inhibiting factors which have come in the way of the apex bank assuming its rightful role as the leader of the co-operative movement in the state have also been examined in some detail.

2. The chapter is divided into two sections. Section I deals with the existing position of the apex bank with reference to its financial and operational deficiencies. Section II deals with various measures which will have to be taken at different levels to remove the deficiencies so as to enable the bank to assume its legitimate responsibilities as an apex co-operative financing institution for the state with the primary objective of dispensing credit for agriculture and allied activities and to function as the leader of the co-operative movement in the state, guiding and directing the working of co-operative institutions in general and the credit structure in particular.

3. Apart from being the apex institution of the state, the Jammu & Kashmir State Co-operative Bank has been acting as a central financing agency for Srinagar and Ladakh districts for which there are no separate central co-operative banks. The bank which was originally registered in 1914 as the Srinagar Central Co-operative Bank Ltd., was later converted in 1954 as the State Co-operative Bank. As the apex bank did not satisfy certain financial and operational norms it was not included in the second schedule to the Reserve Bank of India Act, 1934 at the time of extension of the Banking Regulation Act, 1949 to co-operative societies in 1966.

4. In view of the bank's dual capacity as the apex bank and a central financing agency for the districts of Srinagar and Ladakh, the weaknesses of the lower tiers of the co-operative credit structure are directly reflected in its working. In the recent past, several factors such as very high level of overdues, weak financial position of the co-operative credit institutions and certain other inhibiting features affecting the smooth working of the co-operative system such as procurement price for agricultural produce being fixed much lower than the prevailing market rates, disbursement of kind loans, mainly fertilizers, through primary societies by the state government to members irrespective of their being in default to the societies as well as to non-members had virtually choked the flow of institutional agricultural credit in the state. The state co-operative bank which suffered the impact of the partition of the country in 1947 and the onslaught of the tribal raids could not recover its position for sometime. During 1948-9 the state government stepped in to help the bank and initially entrusted the work of distribution of essential commodities to co-operatives and allowed the bank to retain a margin of half per cent on the funds provided by the state government for the purpose. Again, in 1953-4, the state government provided a subsidy of Rs 4 lakhs to help the bank to scale down its bad debts. Although the Reserve Bank opened a line of credit for the co-operatives of the state with an initial credit limit of Rs 30 lakhs to the state cooperative bank in 1957, it was frozen in 1965 due to the problem of non repayments. The state government had to step in again and provide funds to the co-operative bank for lending to the societies. However, the situation did not improve and overdues increased. In the circumstances, the government in terms of its order No. 114 A.G. dated 4 February 1972 decided to convert all short-term agricultural loans outstanding as on 1-2-1972 to the state government into long-term loans repayable in ten annual instalments. Out of Rs 133.30 lakhs so converted into long-term loans in 1972, a sum of Rs 92.45 lakhs was outstanding as on 30-6-1977.

5. As a result of discussions between the Government of Jammu & Kashmir and the Reserve Bank, the latter re-opened the line of credit with a short-term credit limit of Rs 2 crores in 1971-2 to the apex bank. Further, with a view to accelerating the deployment of agricultural production credit through the co-operatives

and streamlining the functioning of the co-operative credit structure, it was suggested during the discussions which the state representatives had in March 1972 at New Delhi with the then Deputy Governor and the Executive Director of the Reserve Bank that a Master Plan might be prepared by the Reserve Bank. The Master Plan which was made available by the Reserve Bank to the state government in October 1972 envisaged improvement in the coverage of cultivating families by providing medium-term loans for purchase of shares in societies, reorganization of societies into viable units, strengthening of the financial position of the state and central co-operative banks and also of the societies by giving share capital contributions and placing of long-term deposits by the state government with the Anantnag and Baramulla Central Co-operative Banks, and a common cadre of secretaries of societies and their training, and recovery of overdues. However the Master Plan was not implemented with any seriousness and the co-operative credit structure failed to record any appreciable improvement.

SECTION 1

Management

6. The apex bank is managed by a Board of Directors constituted in terms of by-law No. 9 and the instructions issued by the Registrar of Co-operative Societies, from time to time. The by-law provides for a maximum strength of 24 to be allocated among individual share holders, affiliated societies, central banks and government nominees. The representation to various interests was reallocated by the Registrar, in 1959 as provided in the by-laws *vide* his circular No. 9694-95 dated 24 October 1959 and the total strength was restricted to 20. This strength was raised to 21 in 1974 when the Registrar provided for an additional nominee from the state government *vide* his letter No. BK-86(11)-3328 dated 13 February 1974. The representation to various interests on the Board and its actual strength as on 31-12-1977 is given in Table 1 at page 183. The present Board elected as far back as on 26 May 1968 is continuing for the past 10 years. This has been possible because the Registrar can extend the term until such time within which an election, in his opinion, could be held.

TABLE 1

	Stipulated Strength	In Position
1. Central Co-operative Banks	3	3
2. Primary Agricultural Credit Societies	6	4
3. Marketing Societies	4	2
4. Consumer Societies	1	—
5. Industrial Societies	2	1
6. Individuals	1	1
7. Government	4	4
Total	21	15

7. Besides the Board, there are functional committees such as the Executive Committee with five members, Loan Committee with four members and a Recruitment Committee, which in terms of its composition, is the same as the Executive Committee. The General Manager, although not a member of the Board, is associated with all these sub-committees.

8. The Chairman who is presently a representative of individuals on the Board presides over meetings of the Board and other committees in which he is a member and exercises control over the affairs of the bank and working of its officers. The Honorary Secretary who is also a member of the Board virtually functions as the Chief Executive of the bank. He exercises all administrative powers normally vested in the Chairman. Thus, the General Manager has neither been made a member of the Board nor has he been vested with powers of control over the general administration of the bank.

9. Besides the General Manager there is a Manager, two Chief Accountants, two Accountants, a Planning Officer, two Assistant Accountants, an Executive Officer and an Assistant Executive Officer with supporting staff as indicated in Table 2.

TABLE 2

Category of Staff	Head Office	Branches
General Manager	1	—
Manager	1	—
Chief Accountants	2	—
Executive Officer (Field)	1	—
Assistant Executive Officer	1	—
Planning Officer	1	—
Accountants	2	—
Assistant Accountants	2	—
Branch Managers	—	4
Clerks	11	4
Stenographers/Typists	2	—
Cashiers	3	—
Supervisors/Inspectors	19	—

Of the total employees, there are 9 graduates besides a post-graduate. A large number of employees are neither adequately qualified nor have undergone any training either in the field of co-operation or banking. This has an adverse effect on the efficient working of the bank. The bank has since initiated steps to recruit a few management trainees in November-December 1977 on the basis of the scheme suggested by the Reserve Bank, for occupying key posts in due course.

Supervision

10. Only in Srinagar district supervision over primary agricultural credit societies is with the apex bank. But such supervision performed by the apex bank is ineffective. This aspect has been brought out in Chapter 10.

Financial Position

11. The financial position of the apex bank during the five-year period 1972-3 to 1976-7 is given in Table 3. The owned funds of the bank increased by Rs 21.13 lakhs recording a growth of 36 per cent during the four-year period 1972-3 to 1976-7. This growth of Rs 21.13 lakhs in the owned funds is mainly due to the contribution of Rs 11.65 lakhs (i.e., 54 per cent) received

from the state government towards share capital (Rs 8 lakhs), Agricultural Credit Stabilization Fund (Rs 1.40 lakhs) and bad and doubtful debts reserve (Rs 2.25 lakhs).

TABLE 3

Rs Lakhs

Item	1972-3	1973-4	1974-5	1975-6	1976-7
(1)	(2)	(3)	(4)	(5)	(6)
1. Paid-up Share Capital	29.00	33.23	36.27	36.69	40.38
(i) Of which from the State Government	12.00	15.00	17.00	17.00	20.00
2. Reserves					
(i) Agricultural Credit Stabilisation Fund	13.41	15.81	17.06	17.56	19.12
(ii) Special Bad Debts Reserve	0.06	0.06	0.06	0.06	0.06
(iii) Bad Debts Reserve	9.70	9.70	9.17	9.17	11.42
(iv) Other Reserves	6.21	6.61	10.39	11.26	8.53
(v) Total Reserves	29.38	32.18	36.68	38.05	39.13
3. Deposits	129.50	119.51	139.23	147.45	163.05
4. Borrowings					
(i) From the State Government	135.52	126.75	111.16	106.81	102.26
(ii) From the Reserve Bank	149.15	87.00	67.00	170.66	70.16
5. Working Capital	563.77	503.13	559.12	611.83	534.50
6. Loans Advanced during the year	358.35	N.A.	205.89	245.64	378.39
7. Loans and Advances Outstanding	361.35	311.35	359.11	387.12	382.18
8. Overdues	52.16	53.16	60.91	61.03	72.00
9. Percentage of Overdues to Loans Outstanding	14.4	17.1	16.9	15.8	18.8
10. Profit during the Year	2.18	5.76	6.38	8.27	8.87

12. The bank's deposits increased from Rs 129.50 lakhs on 30-6-1973 to Rs 163.05 lakhs on 30-6-1977 registering a growth of 26 per cent. The annual growth rate has been on an average around 6.5 per cent. During the year 1973-4 the bank's deposits

had decreased by Rs 10 lakhs and stood at Rs 119.51 lakhs as at the end of that year. Thus, in effect the increase in deposits in the last three years i.e., 1973-4 to 1976-7 is of the order of Rs 43.54 lakhs registering an increase of 36 per cent.

13. The position regarding composition of deposits during 1974-5 to 1976-7 is given in Table 4 at page 187. As on 30-6-1977 more than 55 per cent of the bank's deposits are from societies and another 20-25 per cent from central banks. Thus, about 75-80 per cent of the deposits are from the co-operative sector alone. One of the major reasons for the failure of the bank to attract deposits from other sources is, as already mentioned in paragraph 7 of Chapter 5, the state government's policy of keeping surplus funds of local bodies and other government/quasi-government institutions/agencies with a commercial bank, viz., the Jammu & Kashmir Bank Ltd. Deposits from individuals constituted even less than 10 per cent of the total deposits during 1974-5 and 1975-6 but registered an increase in 1976-7 and formed 14.2 per cent of the total deposits. Fixed deposits are increasing and constitute 50 per cent of the total deposits. As these deposits bear a higher rate of interest they cut into the earnings of the bank if the resources raised are not advantageously utilized in medium-term and non-agricultural loans which fetch a higher rate of interest.

14. The bank's deposits are no doubt progressively increasing but this pace cannot be considered adequate to sustain a higher lending programme that the bank will have to undertake to effectively meet the credit inadequacies.

Branches

15. The bank has five branches of which four are in Srinagar district and one at Leh in Ladakh district. The latest branch of the bank was opened in Srinagar district in December 1977. The branches are mainly working as deposit raising centres. The branch managers have no role either in scrutiny and sanction of loan applications or in supervision over societies. Even the supervisors stationed at branch headquarters are to report to the

TABLE 4

Rs Lakhs

Type of Deposits	30-6-1975					30-6-1976					30-6-1977				
	Total	Indivi- duals	Central Banks	Socie- ties	Others	Total	Indivi- duals	Central Banks	Socie- ties	Others	Total	Indivi- duals	Central Banks	Socie- ties	Others
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
1. Fixed	59.79	6.06	14.09	32.73	6.91	72.59	3.87	23.34	40.92	4.46	86.93	4.64	21.42	55.83	5.04
2. Savings	7.96	4.09	—	1.52	2.35	8.84	5.24	—	1.29	2.31	17.13	12.95	—	1.65	2.53
3. Current	70.51	1.78	22.08	46.65	—	64.79	2.39	20.43	41.97	—	57.23	3.74	12.05	41.44	—
4. Call/Short-Term	0.97	0.97	—	—	—	1.23	1.23	—	—	—	1.76	1.76	—	—	—
5. Total	139.23	12.90	36.17	80.90	9.26	147.45	12.73	43.77	84.18	6.77	163.05	23.09	33.47	98.92	7.57
		(9.3)	(26.0)	(58.1)	(6.6)		(8.6)	(29.7)	(57.1)	(4.6)		(14.2)	(20.5)	(60.7)	(4.6)
6. Percentage of (1) to (5)	42.3					49.2					53.2				
7. Percentage of (2) to (5)	5.6					5.9					10.5				
8. Percentage of (3) to (5)	50.6					43.9					35.3				

Note : Figures in brackets indicate percentage to the total.

STATE CO-OPERATIVE BANK

Executive Officer in the head office and as such the supervisors function independently of the branch managers. The branches disburse loans against the limits sanctioned by the head office. An exception is made in the case of Leh where the loan applications are scrutinized and put up for sanction by the branch manager to the local branch committee.

16. In respect of mobilization of deposits, the role played by the majority of branches is very insignificant. The total deposits of all the branches put together as on 30-6-1977 amounted to Rs 16.27 lakhs of which as much as Rs 13.51 lakhs forming about 80 per cent are accounted for by the branch at Leh alone. None of the branches in Srinagar district has been able to make a significant contribution to the total deposits. The bank had not fixed any targets for mobilization of deposits by the branches and the branch managers had no special urge to put in more efforts for collection of deposits. The efforts of the branches in this direction were not reviewed periodically and, therefore, the branch managers felt no accountability on their part for their failure or otherwise.

17. The apex bank has no separate staff for supervision and inspection of branches. Further, the bank has not introduced any system of inspection of its affiliated central banks or other societies nor has it prescribed any periodical returns to watch the performance of the central banks and societies.

Borrowings

18. The line of credit from the Reserve Bank remained suspended for a period of six years from 1965-6 to 1970-71 as mentioned in paragraph 4 due to various deficiencies in the working of the bank such as default in repayment of loans on due dates, heavy overdues, etc. During this period, the state government provided funds to the bank on the condition that no interest should be charged from the ultimate borrowers but at the same time no service charges were also allowed to the bank. Although initially the bank acted as an agent, the outstanding loans are now shown as borrowings from the state government. The Reserve Bank re-opened its line of credit from 1971-2 to the bank

by sanctioning separate short-term credit limit for financing agricultural credit societies in the districts of Srinagar and Ladakh. The bank enjoyed a credit limit of Rs 20 lakhs for the years from 1971-2 to 1973-4 which was reduced to Rs 10 lakhs for the years 1974-5 to 1976-7. Besides, being an apex bank, credit limits are also sanctioned to it on behalf of the three central co-operative banks in the state.

19. The position of the apex bank's borrowings during the last three years is given in Table 5.

TABLE 5

Item	Rs Lakhs		
	30-6-1975	30-6-1976	30-6-1977
1. Borrowings from the State Government	111.16	106.81	102.20
2. Borrowings from the Reserve Bank	67.00	170.66	70.16
3. Total Borrowings	178.16	277.47	172.42
4. Total Loans and Advances	359.11	387.12	382.18
5. Percentage of (3) to (4)	49.6	71.6	45.1

The bank has generally been complying with seasonality requirements in operating the short-term credit limits sanctioned to it on behalf of central co-operative banks and on its own behalf by the Reserve Bank. The apex bank did not approach the Reserve Bank for normal medium-term agricultural credit limits during the period 1972-3 to 1976-7. However, the apex bank was sanctioned medium-term credit limits on behalf of some of the central banks during this period.

Defaults in Repayment

20. The state government had in the past i.e., during 1963 to 1969 directly financed fruit-growers, meat retailers, transport operators, consumer societies, etc., These accounts were subsequently transferred to the apex bank. The outstandings under

these old accounts amounted to Rs 10.11 lakhs as on 30-6-1977. The bank has defaulted in repayment of these loans to the government. However, the bank has contended that as these loans were advanced by the state government through the revenue authorities and as it had no role either in the selection of borrowers or in the determination of the quantum of credit disbursed it should not be held responsible for recovery of these dues. The bank has observed that in such circumstances, it can be considered only as an agent with the limited responsibility of passing on recoveries as and when made. The co-operative department has also supported the bank's contention. A government decision in this regard is awaited.

TABLE 6 (refer para 21)

	Rs Lakhs		
Item	30-6-75	30-6-76	30-6-77
(i) Short-term for			
(a) Seasonal Agricultural Operations	142.93	148.93	112.79
(b) Marketing of Crops	---		0.30
(c) Loans, Cash Credits and Overdrafts for non-agricultural purposes	69.44	73.46	83.79
Sub-total	212.37	222.39	196.88
(ii) Medium-term for			
(a) Agricultural purposes			
(1) Normal	1.97	18.24	10.91
(2) Conversion	42.61	32.10	67.54
(b) Industrial	0.03	--	0.07
(c) Others	14.92	29.94	26.20
Sub-total	59.53	80.28	104.72
(iii) Long-term loans	80.65	77.51	73.68
(iv) Loans to Individuals	0.47	0.85	0.81
(v) Outstandings against societies under liquidation	6.09	6.09	6.09
(vi) Grand Total	359.11	387.12	392.18
(vii) Bank's own involvement in advances	180.95	109.65	209.76

Advances

21. The broad purpose-wise break-up of outstanding advances and the bank's involvement for the three-year period ending 30-6-1977 are given in Table 6 at page 190.

While the position of outstanding advances is as given in Table 6, information regarding issue of loans during 1975-6 and 1976-7 is given in Table 7.

TABLE 7

Purpose	Rs Lakhs	
	Loans issued	
	1975-6	1976-7
(i) Seasonal Agricultural Operations	203.06	302.26
(ii) Marketing of Crops	---	17.72
(iii) Consumer Credit, Supply and Distribution of Fertilizers	---	6.33
(iv) Others	14.97	22.52
(v) Medium-term Agricultural (including conversion)	27.07	44.36@
(vi) Medium-term Industrial		0.07
(vii) Individuals	0.54	0.67
(viii) Societies under Liquidation		0.63
Total	245.64	378.39

@ Mainly for conversion purpose.

Table 7 reveals that the loan business has improved in 1976-7. However, in 1976-7, the bank had hardly issued any loans for medium-term agricultural purposes. This is mainly because of the bank's inability to formulate schemes for medium-term lending for dairying and sheep breeding activities in the districts of Srinagar and Ladakh where it is acting as a central financing agency.

22. The details of loans issued by the apex bank as a central financing agency in Srinagar and Ladakh districts are not readily available. However from the existing data of outstanding advances, the position regarding the bank's financing of societies can be indicated. The distribution of the bank's outstanding loans and advances between central co-operative banks and societies is given in Table 8.

TABLE 8

Type of Borrower	Rs Lakhs		
	Outstandings as on		Overdues
	30-6-76	30-6-77	as on 30-6-77
1. Central Co-operative Banks	308.35	295.95	41.85
2. Agricultural Credit societies and Marketing Societies	33.11	33.47	18.00
3. Salary Earners' Societies	10.13	11.65	4.97
4. Central Consumer Stores	16.95	16.13	2.19
5. Weavers and Industrial Societies	12.12	19.32	2.00
6. Others	6.46	5.66	2.99
Total	387.12	382.18	72.00

The bank's outstanding advances against societies are 23 per cent of the total advances as on 30-6-77 and are mostly for short-term agricultural purposes. Its entire advances as a central financing agency are concentrated in Srinagar district inasmuch as out of total outstandings of Rs 86.23 lakhs against societies as at the end of June 1977 only a meagre sum of Rs 2.04 lakhs was outstanding against societies in Ladakh district. Of this meagre amount, Rs 1.77 lakhs were overdue.

23. The Reserve Bank's stipulation of advances to small farmers at least up to 20 per cent of the bank's advances is being generally complied with by the bank. The bank's advances to small farmers during 1976-7 (April 1976 to February 1977) formed 43.6 per cent of its total advances during that period.

Scales of Finance

24. The bank has not fixed crop-wise scales of finance. Instead, the scales are prescribed area-wise depending on altitudes. The per acre scales of finance for *kharif* 1977, as decided in the field workers' conference held on 22 February 1977 are given in Table 9.

TABLE 9

Area	Irrigated		Unirrigated	
	Cash	Fertili- zers	Cash	Fertili- zers
	Rs	Rs	Rs	Rs
<i>Altitude :</i>				
(i) Below 1675 metres (5500 ft.)	200	240	100	120
(ii) Above 1675 metres	120	160	75	90

Areas below the altitude of 1675 metres are generally plane areas in the valley with paddy as the main crop. Above this altitude, maize and pulses are generally grown. Separate scales of finance have been fixed for fruit-growers societies on the recommendation of the Horticulture Directorate as referred to in Chapter 4.

25. The time-schedule for loaning and recovery is given in Table 10.

TABLE 10

Crop	Loaning Period	Recovery Period	Last Date for Repayment by society to the bank
Kharif	20 March to 31 March	15 October to 31 December	15 January
Rabi	November December	31 July	15 August

As mentioned in Chapter 5, there is a demand for issuing component A of the scale of finance for *kharif* crops some time in November-December i.e., before the onset of winter in Kashmir division and we have recommended that these loans can be issued during November-December.

Overdues

26. Failure to recover loans advanced on or before the due date from the borrowers has been one of the major shortcomings in the working of the apex bank. In the earlier years, supervision was not with the bank and it was considered by all concerned that recovery of loans was the responsibility of the Co-operation Department. It was left to the departmental officers to collect the dues and deposit them at the bank at their will. The bank had also no voice in supervising the work of departmental officers and waited for the borrowers to come on their own to pay back their dues. However, because of this unsatisfactory state of affairs, supervision has been vested with the apex bank since 1970-71. But the two wars with Pakistan and their after-effects affected the attitude of borrowers to a large extent. After the wars, a part of the loan amounts was written off and a sum of Rs 133.33 lakhs was converted into long-term loans. Interest payable by the borrowers on these loans was waived and banks were subsidised by the government in respect of such dues. Borrowers generally came to believe that whatever loans they have taken from the co-operatives were not required to be repaid. This type of attitude has affected more than anything else the recovery performance of the apex bank.

27. The position of overdues of the apex bank during the last five years is given in Table 11. As can be seen from the above, the overdues of the bank have been generally increasing both in absolute terms as well as as a percentage to the total loans outstanding. The major portion of these overdue loans as on 30-6-1977 at Rs 67.69 lakhs i.e., almost 95 per cent is accounted for by long-term loans representing the outstanding dues converted by the state government in the year 1972 into ten-year loans.

OVERDUES

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TABLE 11

Item	Rs Lakhs				
	30-6-73	30-6-74	30-6-75	30-6-76	30-6-77
1. Overdues	52.16	53.16	60.91	61.03	72.00
2. Percentage of Overdues to Loans Outstanding	14.4	17.1	16.9	15.5	18.8

28. The period-wise break-up of the overdues (including unrenewed cash credits) as on 30-6-1977 is given in Table 12.

TABLE 12

Rs Lakhs	
1 year and below	18.86
1 to 3 years	13.36
3 to 5 years	5.57
Above 5 years	34.21
Total	72.00

Overdues over 3 years worked out to 55 per cent of the total overdues. Overdues which are not recovered within a period of 3-5 years from the due date can be considered as difficult of recovery. The bulk of such chronic overdues i.e., Rs 34.21 lakhs is overdue for periods over 5 years. The bank as no doubt initiated action for the recovery of dues through arbitration proceedings and the progress can be seen from the statement given in Annexure 24. However, the disposal of such petitions at the departmental level is far from satisfactory. Petitions are pending for quite a long time before awards or decrees have been passed. Similar is the position when awards are sent for execution. The reason given for the delay in disposal of arbitration petitions and execution of awards is inadequacy of staff at the district levels to attend to such work. This aspect has been dealt with in Chapter 12.

Profits

29. The bank's net profit has steadily been increasing over the last four years. The profit at Rs 5.76 lakhs for 1973-4 increased to Rs 8.87 lakhs in 1976-7. The percentage of net profit to working capital has been around 1 to 2 during this period.

SECTION II

30. This section contains our suggestions and recommendations which, when implemented, will enable the apex bank to work in an efficient and purposeful manner and make it possible for it to take up the leadership of the co-operative movement and to guide the working of co-operatives.

Board of Directors

31. The present constitution and functioning of Board of Directors suffer from various deficiencies such as inadequate representation for the various territorial and sectoral interests and dominance of individual membership. The 3 central banks have three directors in the present 21 member Board as against 4 provided in the by-laws though the membership of a state co-operative bank is normally open only to central banks operating at the district level and other regional/state level co-operative institutions in addition to the state government. As regards individual members, there are as many as 700 which is a legacy of the past. These individual members can have as many as 3 directors on the Board as per the by-laws but presently they have one director.

32. We suggest that individual members may constitute a separate electoral college and nominate their own representative which may be restricted to one. The Jammu & Kashmir Co-operative Societies Rules contain an enabling provision under Rule 14 to constitute separate electoral colleges for different types of members of societies. The bank should take advantage of this provision and suitably amend its by-laws. At the same time, action should also be initiated to discontinue individual membership gradually. As a first step in this direction, no fresh admission should be allowed of individuals even by transfer of shares.

33. Normally, no representation need be given to organizations below the district level. But as the apex bank is acting as a central financing agency in the districts of Srinagar and Ladakh the primary level institutions in these two districts should also find due representation on the Board of Directors of the bank.

34. There are only 3 representatives of the central banks as there are 3 central banks in the state. However, an important point to be noted in this connexion is that the Jammu Central Co-operative Bank is functioning as a central financing agency not for one district alone but for the entire Jammu division comprising 6 districts. We suggest that the Jammu Central Co-operative Bank may have six members on the Board of the state co-operative bank to represent each of the six districts falling in its area of operation. As the state and regional marketing federations are given representation in the Board there is no need for separate representation to marketing societies. Moreover we have recommended in Chapter 3 the removal of primary marketing societies from the field.

35. In the light of the above observations, we recommend that the representation on the Board may be provided as under :

Central Co-operative Banks (6 representatives of the Jammu Central Co-operative Bank representing one district each in the division and one representative each of the remaining 2 central banks, viz., Anantnag and Baramulla)	8
Jammu & Kashmir State Marketing Federation	1
Kashmir Peoples Co-operative Service	1
Land Development Bank	1
Weavers & Other Industrial Co-operatives	3
Individuals	1
Government nominees	3
Primary Agricultural Credit Societies	
Srinagar district	4
Ladakh district	2
Managing Director (ex-officio)	1
Total	25

36. With a view to having better co-ordination between the short-term and long-term credit structures, pending their eventual integration, we recommend that the chairman of the Jammu &

Kashmir Co-operative Central Land Development Bank may be made an ex-officio member of the Board of the apex bank. This principle may also be extended to the land development bank's Board and the Chairman of the apex bank may be made its ex-officio director.

37. Further, we recommend that the Chief Executive of the bank should be designated as Managing Director and made an ex-officio member of the Board.

38. Whatever may be the justification in the initial stages to have honorary functionaries to discharge executive functions, when they were far and few, this position no longer holds good. The activities of co-operative institutions have become complex and they require competent full-time employees to manage their affairs efficiently. The Chairman and the Board of Directors should be primarily concerned with giving policy directions to the Managing Director and should leave the implementation of policies to the Managing Director and the staff of the bank. The Managing Director should report to the Board from time to time on important developments. We note that the bank is already aware of the need for such a change and had proposed suitable amendments to the by-laws in the general body meeting held in 1974-5. However, the amendments were not approved as the text in regional language was not circulated and have not been pursued thereafter. We recommend that the post of Honorary Secretary in the apex bank who is discharging the functions of Chief Executive should be abolished so as to enable the Managing Director to act as the real and effective chief executive.

39. In the matter of holding elections there has been a delay of about 6 years and it is not known when elections will be held. This is not a desirable situation and our suggestions to overcome this situation are given in Chapter 12. Briefly the recommendation is to amend the Act and Rules to provide for holding elections periodically.

40. The bank's staff is not adequately equipped either in the matter of educational qualifications or job-oriented training. We,

therefore, urge that the existing staffing pattern of the bank should be reviewed on a priority basis by the Board and an appropriate staff development plan drawn up. As regards the staff taken on deputation, while there may be no objection to the practice of obtaining staff on deputation as an interim arrangement, such appointments should be made from out of a panel consisting of personnel of the requisite qualifications, experience, aptitude and competence in co-operative credit and banking. To facilitate such selection the Registrar should prepare a panel of suitable staff taking into account their educational background and experience. The actual selection out of the panel should be made by a special committee constituted by the Board. Further, we recommend that the deputationists should be under the full administrative control of the bank, and to ensure this, the annual confidential reports of those on deputation should be written by their higher officials of the appropriate rank in the apex bank.

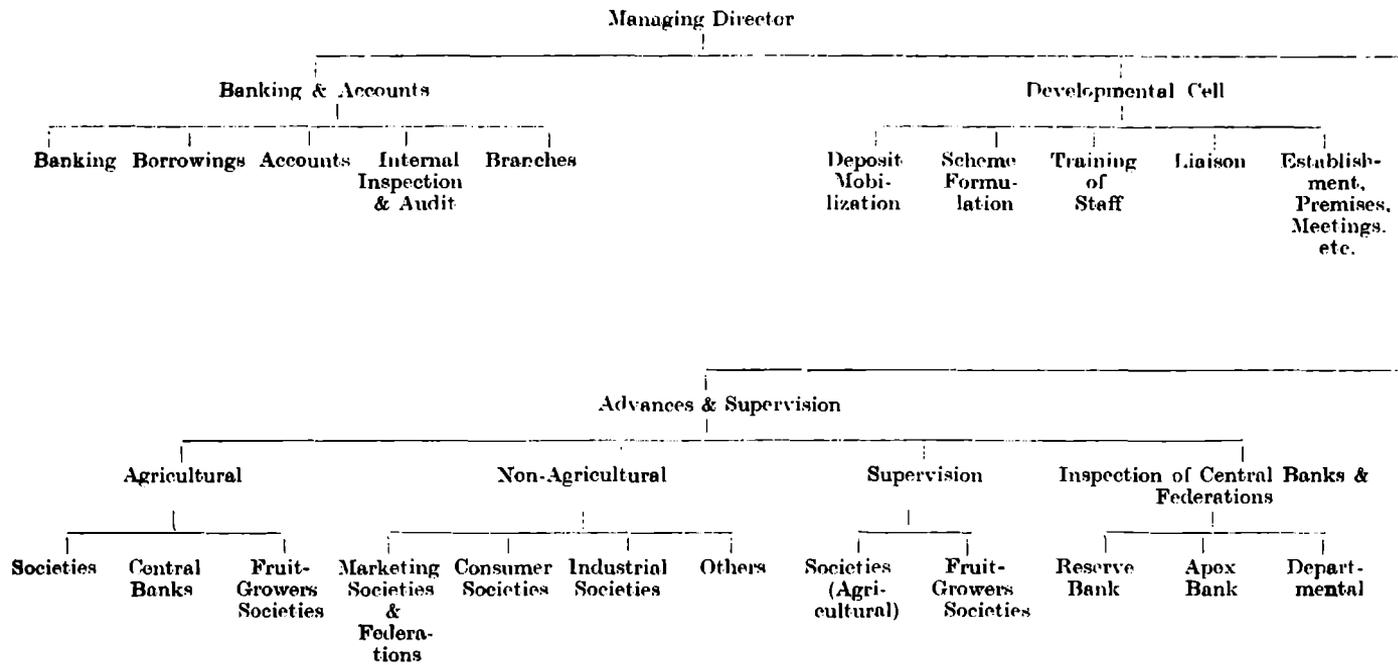
41. We recommend that as a matter of policy the bank should lay down a university degree with a first or high second class as a basic qualification for entry into the services of the bank to the posts of cashiers/clerks and supervisors. As regards managerial positions we suggest that the minimum qualification should be first or second class post-graduate degree, preferably with experience in banking and co-operation. It is heartening to note that in the recruitment of the recent past i.e., sometime in 1974-5 graduates have been selected for clerical posts. However, no training has been provided to them. The bank finds it difficult to send a large contingent for training at a time in view of its limited staff strength. Therefore, we suggest that this problem should be tackled in consultation with the state co-operative union by arranging short-term job-oriented training for the apex bank's staff. The posts of clerks and supervisors should be made inter-changeable so as to enable them to acquire proficiency in both fields of work. This will give the management a wider field to choose suitable candidates for different jobs in the bank.

42. As regards the post of Managing Director, the apex bank should recruit one with the requisite qualifications, experience and ability from open market. In the meantime, as a transitional

arrangement, services of an experienced officer may be obtained on deputation from the banking sector if it is felt that recruitment on the lines referred to above will take considerable time. We note that the apex bank has initiated action to implement the scheme of management trainees recommended by the Reserve Bank and has advertised the posts in November 1977. This is a step in the right direction and in due course such trainees should be able to take over senior managerial positions in the bank.

43. Next as regards the work at the head office of the bank, we suggest that it may be divided into broad functional Divisions on the lines indicated in the chart at page 201. Being a relatively small apex bank, it will be enough at present to have two major Divisions headed by senior level officers and a small Developmental Cell directly under the Managing Director. One of the Divisions can deal with banking activities including accounts while the other could attend to lending and supervision over affiliated societies. The Developmental Cell under the Managing Director should attend mainly to developmental and promotional activities and also to the secretarial work connected with meetings of the Board and committees. The Banking Division can deal with functions related to the day-to-day working of the bank e.g., raising of deposits, arranging for funds including borrowings and their proper investment, remittances, collection of bills, maintenance of accounts, internal inspection, audit, etc. The work in the Division can be further divided into sections headed by sectional heads in the supervisory cadre designated as Accountants and assisted by supporting staff.

44. The other Division, viz., Advances and Supervision can attend to agricultural and non-agricultural lending both direct and indirect. This Division can be divided into sections dealing with loans and advances for agriculture (central banks and societies separately) and non-agricultural purposes (such as marketing, consumers, industrial activities, etc.). Further, we suggest that there should be a separate section to deal with the supervision of affiliated societies. The supervisors/inspectors in the field should be attached to this section. This section needs only a nucleus staff at the head office since most of the supervisors and inspectors



will be in the field. Supervision over recovery work, both through normal channels and through coercive measures and also inspection of societies should be the responsibility of this section. There should be another section dealing with inspection of central co-operative banks, state and regional level federations and for taking follow-up action on the inspection reports of the Reserve Bank. Further, as indicated in the chart, initially the apex bank should have a cell within the Advances & Supervision Division to process loan applications of fruit-growers societies and to effectively supervise them. When the fruit-growers societies take up financing of other crops and the primary agricultural credit societies take up financing of fruit-crops, the separate cell may not be necessary. The Developmental Cell referred to in paragraph 43 should also deal with training of staff.

45. In the matter of mobilization of resources and increase in the loan business, the bank needs active salesmanship. The branches of the bank are only deposit mobilization centres. These branches as well as head office need a major facelift to catch the public eye. The head office, though situated in the heart of the city, needs a better appearance. It is functioning on the first floor of a rented building, the approach to which is through a narrow and steep staircase. Besides, there are three commercial banks functioning in the ground floor of this building and the adjoining one with modern counter facilities. These features act as inhibiting factors and adversely affect the efforts of the bank in mobilizing deposits. We, therefore, suggest that the bank should make strenuous efforts to find alternative accommodation at least for the banking section in the head office. The branch managers should be given targets for deposit mobilization and their efforts periodically reviewed by the Executive Committee. Besides, the apex bank will also have to consider expansion of its branch network not only for deposit mobilization but also to serve its clientele of cultivator-members of affiliated societies as it is serving as a central financing agency in Srinagar and Ladakh districts. We recommend further that the bank should explore possibilities for opening more branches in Srinagar city mainly in the residential and business areas with convenient working hours so as to tap additional deposits.

46. We recommend that the branch manager may be authorized to disburse loans to societies and to exercise control over supervisors in their area. The supervisors/inspectors should, therefore, be posted to the respective branches. Presently the control of the Executive Officer (Field) over the supervisory machinery is not effective and if branch managers are empowered to exercise control over supervisors, the work of supervisors could be closely watched.

47. The bank is discharging the dual function of an apex bank and central financing agency. In regard to development of its own loan business as a central financing agency, the bank will have to actively involve itself in this task, as a separate central co-operative bank for each of the districts of Srinagar and Ladakh is not considered necessary or feasible as the credit structure will not be able to sustain such independent units.

48. As may be seen from Table 3 in Chapter 2, the short-term agricultural credit requirements for Srinagar and Ladakh districts have been estimated at Rs 220.75 lakhs and Rs 42.25 lakhs respectively. As against this, on 30-6-1976 the deficit in credit flow in terms of percentage was 95 and 88 respectively. Thus there are wide credit gaps in both the districts. The apex bank should, therefore, streamline its loan policy and procedures on the lines suggested in Chapter 5 on Central Co-operative Banks to ensure free flow of credit. Further, there is also scope for increasing the quantum of finance for apple cultivation and its marketing with the base level institutions undertaking the financing of all types of crops as recommended by us in Chapter 3. In the meantime the bank should make efforts to increase its financing of fruit-growers societies which would provide a useful venue for expansion of business.

49. In the case of central co-operative banks they are expected to maintain an annual growth rate of at least 20 per cent in meeting the short-term credit requirements. In the case of the apex bank the present level of outstandings against agricultural credit and marketing societies is low at Rs 33.47 lakhs on 30-6-1977. The annual growth rate of 20 per cent will take the level of out-

standings of Rs 33.47 lakhs, which is mostly for short-term agricultural purposes, to Rs 100 lakhs by 1982-3 leaving a gap of about Rs 163 lakhs in Srinagar and Ladakh districts. In the circumstances we urge the apex bank to endeavour to increase its advances for short-term agricultural purposes at a still higher annual growth rate and equip itself for the purpose by having qualified staff at all levels and having effective control over the supervisory machinery.

50. The apex bank has not been conducting any survey to identify areas of potential development for scheme formulation and expansion of business. For instance, although there is considerable scope for financing purchase of milch cattle and sheep breeding activities, the apex bank has not made any significant efforts in these directions. It is reported that the apex bank was waiting for the establishment of the Small Farmers Development Agency in the district. This has since been set-up at the end of 1977. Similarly, there is scope for advances to weavers, handicrafts and industrial societies. In order to exploit such business potential the bank should adopt a bold and imaginative policy. The Developmental Cell recommended under paragraph 43 should be responsible for identifying areas of development and for formulating business plans to exploit the credit potential.

51. In the absence of urban co-operative banks in the state, except for the recently set up urban bank at Jammu, the co-operative banking sector has not been able to significantly help the small artisans, entrepreneurs or self employed persons. We recommend that the state co-operative bank should consider ways and means of filling up this vacuum and in this connexion take a note of our recommendations in paragraphs 65 and 66 of Chapter 5 such as devising special measures for financing individual entrepreneurs and self employed persons.

52. The Jammu & Kashmir State Co-operative Bank being the apex bank as well as a central financing agency, has the dual responsibility of giving a lead and direction to the affairs of the central banks on the one hand and setting an example to the central banks by showing positive results as a central financing

agency. Thus, it has to involve itself very closely in the reorganization of societies and in identifying areas of development and to meet the credit requirements adequately, not only for strengthening its own position but also to give a positive direction to the central co-operative banks and to the co-operative banking structure generally in the state.

CHAPTER 7

PROBLEM OF OVERDUES

1. This chapter deals with the seventh item of the terms of reference which is reproduced below :

To examine the position of overdues at the various levels of the co-operative credit structure with a view to considering the feasibility of, and the financial assistance required for rescheduling the overdues in respect of non-wilful defaulters so that the line of credit to institutions and individuals is re-opened and to suggest measures, including administrative arrangements, necessary for recovery of the overdues from wilful defaulters.

2. The failure on the part of a debtor to repay his dues in time is a serious matter which should be of concern to the financing bank. However, as long as arrears in repayment are confined within manageable limits and are on account of reasons beyond the control of borrowers, the situation may not pose any serious problem. The Section I of this Chapter deals with the size of overdues at the various levels of the co-operative credit structure and the main causes therefor. Section II deals with certain suggestions and recommendations to tackle the problem of overdues.

SECTION I

3. The quantum of overdues as well as its relation to internal resources and loans outstanding at the level of state and central co-operative banks, bank-wise in the state, during the years 1972-3 and 1976-7 and at the level of primary agricultural credit societies for the years 1970-71 and 1975-6 are given in Table 1 at page 207. The Table shows that overdues at all levels in relation to outstandings are on the increase. In the case of primary agricultural credit societies the overdues have exceeded the total owned funds and deposits, eroding their capacity to provide

TABLE 1

Item	Rs Lakhs											
	Co-operative banks level		Jammu & Kashmir State Co-operative Bank		Central Co-operative Banks						Primary Agricultural Credit Societies level	
					Anantnag		Baramulla		Jammu			
	1972-3	1976-7	1972-3	1976-7	1972-3	1976-7	1972-3	1976-7	1972-3	1976-7	1970-71	1975-76
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
(a) Internal resources i.e., owned funds plus deposits	562.57 (165.08)	834.24 (244.48)	187.88 (58.38)	242.56 (79.51)	97.84 (30.89)	77.66 (37.79)	49.86 (17.75)	62.79 (23.30)	226.99 (58.24)	451.23 (103.88)	86.19 (69.69)	160.36* (128.80)
(b) Loans outstanding												
Total :	1051.70	1163.27	361.35	382.18	163.73	205.08	93.13	113.70	433.49	452.31	200.54	538.73
Short-term	N.A.	681.21	N.A.	196.88	78.18	75.22	49.21	49.92	342.06	359.19	189.80	449.68
Medium-term	N.A.	287.12	N.A.	104.72	85.55	88.91	43.92	40.53	91.43	52.96	10.74	139.05
(c) Loans overdue : Total	191.98	337.15	52.16	72.00	51.22	68.28	38.54	60.65	50.06	136.22	110.88	213.70
Short-term	N.A.	N.A.	N.A.	N.A.	46.12	30.43	33.06	31.52	44.27	105.12	103.07	170.71*
Medium-term	N.A.	N.A.	N.A.	N.A.	5.10	18.74	5.48	20.21	5.79	27.07	7.81	N.A.
(d) Percentage of overdues to outstandings : Total	18.2	29.2	14.4	18.8	31.3	30.8	41.4	53.3	11.5	30.1	55.0	36.3
Short-term	N.A.	N.A.	N.A.	N.A.	59.0	40.4	67.2	63.1	18.0	29.3	54.3	38.0
Medium-term	N.A.	N.A.	N.A.	N.A.	7.8	21.1	12.5	49.9	0.1	51.1	72.7	N.A.
(e) Overdues over 3 years : Total	N.A.	140.97	16.22	39.78	N.A.	22.89	N.A.	22.79	N.A.	55.51	21.43	61.85*

Notes : 1. Figures in brackets indicate owned funds.

2. The overdues at the level of the Jammu & Kashmir State Co-operative Bank are mostly in relation to its advances in Srinagar and Ladakh districts where it acts as a central financing agency.

* Excludes Ladakh district

a cushion for outside borrowings. Further, the total overdues of the apex and central co-operative banks at Rs 337.15 lakhs as on 30-6-1977 exceeded their owned funds at Rs 244.48 lakhs. Such blocking of resources adversely affects the liquidity of institutions and also their image which tells on their efforts in mobilizing resources by way of deposits in particular. Heavy overdues, apart from crippling the working of the institutions have also choked the lines of credit affecting the capacity of co-operative banks and societies to lend adequate support for various plans in the field of agriculture and allied activities. In the circumstances it is necessary to first ascertain the main causes for the prevalence of a high level of overdues in the co-operative credit structure.

4. The main reasons for default as revealed by on-the-spot studies of primary agricultural credit societies have been indicated at some length in paragraph 36 of Chapter 3. The important reasons are the absence of full-time paid employees for each society, large-scale defaults by members of the managing committees who in turn had no interest as well as willingness to proceed against defaulters for recovery of dues, embezzlement of funds on a large scale by the staff and managing committee members of societies particularly in the districts of Doda and Udhampur arising mainly from slack supervision and absence of prompt audit, inability of the departmental staff to effectively deal with suit cases filed against defaulters and to attend to prompt execution of decreed cases and the government's policy of issuing *taccavi* loans to non-members as well as members of co-operative societies irrespective of their defaults.

5. This situation has been further aggravated by the definition of a defaulter under the state co-operative societies rules. Under Rule 2(e), a borrower who fails to repay his loan on or before the due date is not deemed a defaulter until an award has been obtained against him. Thus, a defaulter does not incur any disqualification until an award is obtained against him which takes considerable time. To add to this problem, the state government converted in the year 1972 short-term loans advanced to cultivators from their funds through the co-operative banks into

ten-year loans. There has been no serious effort to take coercive action against defaulters, thereby creating a climate of non-recovery and the hope that loans may be written off ultimately. To some extent, the prevalence of a high level of overdues is due to lack of initiative and efforts on the part of societies and banks to convert short-term dues into medium-term dues in areas affected by natural calamities. In Annexure 25, we have given data regarding areas affected by natural calamities. It will be seen therefrom that although one area or the other was affected during the four-year period 1972-3 to 1975-6, by and large, conversion facilities have not been extended to the members at the society level. It is thus likely that all those whose crops have been affected by natural calamities requiring relief as admissible under the existing scheme of assistance might not have derived the benefit of stabilization arrangements i.e., conversion of short-term loans into medium-term loans.

SECTION II

6. The present level of overdues is the outcome of a combination of factors which indicate that defaults could have arisen either owing to reasons beyond the borrower's control or by deliberate design. It is, therefore, necessary to segregate these two categories of defaulters. While defaulters who fall in the first category could be considered as non-wilful, those in the second category have to be treated as wilful. The question is how to identify these two types of defaulters. The Study Team on Overdues of Co-operative Credit Institutions (1974) appointed by the Reserve Bank has identified a non-wilful defaulter as the one who has his cultivated holdings in villages which were affected by a natural calamity during the preceding three-year period with the exception of those defaulters who had deceived the society by showing false data on holdings or crops to secure higher loan amounts; where 75 per cent of agricultural income is from cash crops; whose total agricultural income is above Rs 5000 per annum and those who are income-tax assesseees. The state government has not furnished data in respect of villages affected by natural calamities where *annevari* was declared at 6 annas or less. However, there are areas which were affected by natural calamities and where *annevari* had been declared at 6 annas or

less consequent on natural calamities, as may be seen from Annexure 25. There were also local factors such as external aggression in 1970-71 which would have either affected seasonal operations or damaged crops. Keeping these factors in view the exercise for identification of defaulters as non-wilful may be made with reference to the position obtaining as on 30 June 1978 so as to ensure that the undeserving members do not get the benefit of relaxation.

7. Keeping in view the above considerations, a non-wilful defaulter could be defined as under :

(i) A defaulter whose cultivated holdings are in the villages affected by natural calamity in any one or more years i.e., where *annevari* was declared as 6 annas or less during the period 1975-6 to 1977-8.

(ii) A defaulter whose landholdings are in the villages affected by external aggression in the year 1970-71 and no relief was provided by the central or state government/co-operative bank for writing off his then outstanding dues.

(iii) A defaulter in whose case clear proof is available to show non-receipt of loan amount, or to show repayment of his dues which have not been credited to his account in the books of the society.

(iv) A defaulter in whose case the principal amount of overdue outstandings as on 30 June 1978 is Rs 200 and below.

(v) A defaulter who has made part repayment of his original dues on his own. This would prove his bonafides i.e., willingness to repay but inability to clear the entire dues owing to circumstances beyond his control.

8. However, in regard to those defaulters who could be deemed as non-wilful on the basis of criteria at items (i) and (ii) in paragraph 7 above an exception should be made in respect of those (a) who have deceived the societies by showing false data on holdings and crops to secure large loans; (b) whose gross

agricultural income inclusive of horticulture is above Rs 5000 per annum; and (c) who are income-tax assesses. The considerations which weigh in excluding those falling in categories (a), (b) and (c) are as under :

Those in category (a) have deceived societies and should not be allowed to get away with this. Those in category (b) could be considered relatively affluent and could have at least made efforts to clear their dues over a period of time which would have been reflected in part clearance of their loans. Those in category (c) have non-agricultural income and could, therefore, be considered to be relatively better off.

9. The objective of identifying non-wilful defaulters is to open a line of credit by providing them with fresh finance and allowing time to clear their overdue loans. The non-wilful defaulters identified on the above basis should be required as a pre-condition for relief to pay the overdue interest less penal interest which is to be waived irrespective of the fact whether crops during the year 1978-9 are normal or not.

10. It is likely that there may be some defaulters who could not be identified as non-wilful but are willing to clear their overdues provided an opportunity as well as relief is granted to them. To cover such category of defaulters who are otherwise wilful defaulters, it is suggested that if they volunteer to clear fifty per cent of their overdue outstandings as on 30-6-1978 under all types of loans along with the overdue interest exclusive of penal interest, they may be deemed as non-wilful defaulters and given the facilities which are extended to other non-wilful defaulters.

11. The earlier Study Teams appointed by the Reserve Bank for other states such as Madhya Pradesh, Bihar and Uttar Pradesh, had recommended different time-schedule for repayment of overdue loans in respect of non-wilful defaulters ranging from three to seven years with a write off of part of some loans assuming the repaying capacity at 60 per cent so as to ensure that the burden of instalment of rehabilitation loan (i.e., the overdue loans which are spread over for repayment) together with a fresh loan remains within the assumed repaying capacity at 60 per cent of the value of gross produce.

12 It is suggested that the entire outstanding amount which is overdue under all types of loans i.e., short-term, medium-term and long-term (i.e., the one originally given as short-term loan for agricultural production purposes and later converted into long-term loan) may be consolidated and deemed as rehabilitation loan and allowed a period of 3 to 7 years for repayment assuming the repaying capacity at 60 per cent of the value of gross produce. A uniform rate of interest may be charged on this loan. In case the rehabilitation loan requires phasing beyond 7 years, which is quite unlikely as the number of loans in default may not ordinarily exceed two loans, the write off of the excess amount is not desirable. In such exceptional cases i.e., where phasing is required to be made beyond 7 years, it would be preferable to extend the period of such loans upto 10 years instead of writing off the excess amount. It may be noted that the state government has converted its short-term dues into 10 year loans earlier.

13. A rough estimate of non-wilful defaults with reference to the position at the level of apex/central co-operative banks as at the end of June 1977 could be placed at Rs 98.09 lakhs i.e., 50 per cent of the total overdues at Rs 337.15 lakhs less overdues over three years at Rs 140.97 lakhs. No separate financial assistance is necessary for converting the defaulted amounts into rehabilitation loans. However, as the institutions' funds of an equivalent amount are already locked up in such overdues, the banks' internal resources position would not show any immediate improvement. The banks will, therefore, continue to face difficulty in providing adequate non-overdue cover for their borrowings from the higher financing agency. Further, on account of demand for issue of fresh loans to the non-wilful defaulters there will be added strain on their resources. Besides, as a result of such conversions, the term investments of the banks are likely to exceed their term resources. It would, therefore, be necessary for the state government to take a liberal view of the share capital requirements of such banks so as to enable them to provide sizeable relief to non-wilful defaulters. Such contributions may be to the extent of 50 per cent of the loans converted. The period of repayment of the share capital loans could synchronize with the period of repayment allowed for the rehabilitation loans.

14. The work relating to identification of non-wilful defaulters and deciding the period of rehabilitation loans may be entrusted to screening committees set up at block levels comprising the branch manager of the apex bank/central bank, the concerned inspector or supervisor of the apex/central bank in the block, the Assistant Registrar of Co-operative Societies of the block and a non-official connected with primary agricultural credit societies from the block. The work of these screening committees should be supervised and their reports confirmed jointly by the Deputy Registrar of Co-operative Societies and the bank's Officer-in-charge of supervisors in the concerned district. These reports should be put up for final sanction to the board of the respective banks. The work of these committees should be completed within a period of 4 to 5 months so as to enable the identified non-wilful defaulters to borrow afresh for raising their next crop.

15. On identification of non-wilful defaulters, those left out could be deemed as wilful defaulters. A few of them, as suggested earlier in paragraph 10 above, may be able to avail themselves of rehabilitation facility by repaying part (fifty per cent) of their dues. The recovery of defaults, particularly those which are old i.e., say overdue over three years, would be a time consuming process as in most cases coercive action has to be resorted to. In view of this, overdues over three years could be deemed as chronic. The chronic overdues, in particular, render the institutions un-serviceable as channels for purveying credit flowing from the higher financing agencies. To avoid this situation the earlier Study Teams for the states like Uttar Pradesh, Bihar and Madhya Pradesh referred to in paragraph 11 had recommended separate treatment for such chronic overdues keeping in view the difficulty in their realisability as also the assistance available under Central Sector Plan Scheme for the rehabilitation of weak central banks for writing off a portion of bad and doubtful debts, accumulated losses and overdues over three years subject to certain conditions. According to the arrangement recommended by the Study Team on Agricultural Credit Institutions in Uttar Pradesh (1978), for instance, overdues over three years are blocked in a separate collection account on the assets side and a provision is made for a corresponding fund by way of rehabilitation fund, etc., on the

liabilities side. In the case of the Jammu & Kashmir State a similar arrangement is recommended, taking into account the existing position of overdue loans.

16. Overdues over three years i.e., chronic overdues may be segregated from the total overdues in respect of wilful defaulters and may be deemed as "segregated overdues". This segregation will have to be done at the level of central co-operative banks as well as the primary credit societies. These segregated overdues will be of two types, viz., overdues which can be accounted for and can, therefore, be recovered over a period of time say three years and overdues which are not accounted for representing the cases of loans without documents, misappropriation of recovery, *benami* loans or loans otherwise irrecoverable, etc. For deciding upon the nature of realisability of these segregated overdues, it is necessary to have block level assessment committees. These assessment committees may be formed soon after the work of identification of non-wilful defaulters is completed. These block level committees may also be given a time-bound programme of six months to complete this work and its composition may also be the same as that of the earlier screening committee referred to in paragraph 14. These committees during their investigations may associate a village level worker from the area of the concerned society as he may have more intimate knowledge about the dealings and creditworthiness of the defaulter-members from his area. These assessment committees should investigate society-wise every segregated overdue individual loan case to decide whether the defaulted amount can be accounted for and recovered over a period of time or whether the default may have to be written off. The assessment committees should be given suitable guidelines for the purpose by the Registrar. The proposals of assessment committees may be put up for approval to the Deputy Registrar of Co-operative Societies, District Manager/Manager of the bank and finally approved by the Board of the concerned bank. In the case of central banks while considering those reports, a representative of the state co-operative bank may be associated with the work.

17. Overdues which are considered irrecoverable after the above work of screening and assessment has been completed, may be

written off by debit to the rehabilitation fund, which has been constituted under the Central Sector Plan Scheme for rehabilitation of weak central banks and the balance amount may be provided by the state government. The assistance provided under the above arrangement will be limited to a write off only of the amounts due from small farmers.

18 Thus, the overdue loans will get segregated into three types : (1) Loans in respect of non-wilful defaulters; (2) loans in respect of chronic defaulters; and (3) other overdue loans. The entire action on the lines indicated by us above, should be completed in 1978-9 and the first two types of overdue loans may not be included in the demand for 1978-9. They may be included in the demand only from the following year i.e., from the year 1979-80. In the case of loans from non-wilful defaulters they will be included in the demand from the year 1979-80 according to the instalments fixed. As regards loans in respect of chronic defaulters, the demand may be spread over a three-year period i.e., 1979-80, 1980-81 and 1981-2 and one-third of the amount at the end of each co-operative year may be reckoned for purposes of demand. Defaults under this arrangement would figure as arrear demand and should be added to the subsequent year's demand. This arrangement may be accepted by higher financing agencies for the purpose of deciding upon the eligibility of the banks for sanction of credit limits provided the Government of Jammu & Kashmir agree to make good the short-fall between the actual recoveries and the demand so reckoned by way of sanction of a term loan for an equivalent amount, if the balance available in the Rehabilitation Fund over and above the amount earmarked for write off is not adequate to cover the short-fall in recovery. Such additional assistance from the state government will improve the liquidity of the bank concerned and help it to tide over a difficult financial position. Besides, the involvement on the part of the state government will assist action by the Co-operation Department for disposal of suit cases filed with it and also exert pressure on banks for recovery of defaults. Such a loan by the state government may be made repayable as and when corresponding recoveries are made. This loan, however, may carry a rate of interest of at least two per cent higher than the normal lending rate of the state

co-operative bank to the central banks for short-term agricultural purposes. This higher rate is considered necessary so as to act as disincentive to the central banks to obtain costly funds and prevent complacency on their part in effecting recoveries.

19. The central banks will have to gear up their recovery machinery and should require societies to initiate legal action against all defaulters who do not fall in the category of chronic defaulters. In respect of chronic defaulters, action should be initiated or pursued soon after the investigations of such chronic defaults by the assessment committees are over and dues from such defaulters are considered realisable. There should not be any delay or hesitation on the part of the managements of the societies in filing arbitration cases against identified wilful defaulters. In case it is observed that societies are not earnest and are delaying matters, financing banks should step in and proceed against the ultimate borrowers directly as provided in Section 63A of the Jammu & Kashmir Co-operative Societies Act. The government on its part should expedite disposal of arbitration cases. The pace of disposal of awards and execution petitions at present is unsatisfactory. The disposal of award cases is held up for want of departmental staff at the block level as the Assistant Registrar of Co-operative Societies is burdened with other regular duties also. In the interest of speedy disposal of cases it would be desirable to post an additional officer with supporting staff to attend to award cases which are large in number. The inspector/senior supervisor of the Co-operation Department may be posted as a Recovery Officer in each district. He may have all the powers for execution of awards including the one relating to the proclamation of sale and the fixing of auction date. Another measure to ease the problem of execution of award cases and pressure on the limited departmental staff is to empower specified officials, preferably the supervisory officials, of financing banks to exercise the powers enjoyed by the departmental sale officers.

20. The above arrangements to tackle the problem of defaults, if carried out quickly and effectively, will help co-operative banks and societies inasmuch as the burden of overdues in respect of

non-wilful defaulters will not obstruct their eligibility for larger credit limits from higher financing agencies. The banks would thus be able to mobilize more resources to adequately meet the credit requirements in their area. The primary agricultural credit societies in turn will be in a position to provide a larger quantum of credit and substantially improve their effective coverage.

21. In order to mitigate the problem of lack of resources experienced by banks, we recommend that the state government may give liberal share capital contribution to the central banks by borrowing from the Reserve Bank of India's Long-Term Operations Fund or keep term deposits with them. This assistance may be at roughly one-third of the amounts locked up in segregated overdue loans. The period of repayment of share capital contribution or the long-term deposits may be in annual instalments spread over a period more or less corresponding to the period within which the segregated overdues are expected to be recovered.

22. It may be noted that our recommendations are applicable to the state co-operative bank also as it is functioning as a central financing agency in Srinagar and Ladakh districts. Further, the apex bank also be considered for financial assistance under the Central Sector Plan Scheme for rehabilitation of central banks in relation to its overdues in Srinagar and Ladakh districts.

23. We have suggested assistance to the state and central co-operative banks by way of share capital contribution or term deposits by the state government under different items in paragraph 85 of Chapter 5 and paragraphs 13, 21 and 22 of this chapter. In the absence of adequate data, we have not been able to make a realistic estimate of such assistance. We suggest that such estimates may be made by the state government in consultation with the Regional Office of the Reserve Bank's Agricultural credit Department at Jammu. In the case of primary agricultural credit societies, we have not suggested any assistance under the rehabilitation scheme in view of our recommendation in paragraph 71 of Chapter 3 regarding share capital contribution upto Rs 0.50 lakh for each society as a measure of general support to them.

24. The full benefits of the measures proposed for rehabilitation of non-wilful defaulters and for clearing the institutional credit channels will not be reaped if efforts towards recovery are slack. A concerted drive for recovery by co-operative banks and societies with the active association of the co-operation department and full support of the state government can greatly help to achieve the desired results. Initiative on the part of the field staff of the state government and whole-hearted participation of managements and staff of co-operative credit institutions at all levels in this major task will be essential to ensure speedy recovery of loans due for repayment. This is of prime importance not only for the progress of the institutions themselves but also for bringing in an era of growth and discipline in the co-operative credit sector.

CHAPTER 8

INTEGRATION OF THE LONG-TERM AND SHORT-TERM CREDIT STRUCTURE

1. This chapter covers the aspect of integration of the short-term and long-term co-operative credit structures referred to in item (v) of our terms of reference which is reproduced below :

To study the financial position and working of primary agricultural credit societies with a view to suggesting measures to make each one of them a viable unit which may include the societies undertaking the function of providing long-term agricultural credit in addition to short-term and medium-term credit facilities.

2. In the initial stages of the co-operative movement in the country, the primary agricultural credit societies were permitted to advance long-term loans also along with short-term loans. These societies, however, could not provide long-term finance on any appreciable scale due to lack of resources and inability to handle long-term credit business. Hence separate institutions, viz., land mortgage banks came into existence in various parts of the country. The working of these institutions was, however, not smooth and suffered from various deficiencies. As observed by the All-India Rural Credit Survey Committee (1954), land mortgage banks raised inadequate funds in a manner ill-related to demand and usually lent them in a manner un-coordinated with development, acted as if prior debts, and not production, had prior claims on their attention, reached mainly the bigger cultivator and reached him late. However, the Committee appreciated the role of the land mortgage banks and recommended their establishment in each state.

3. In Jammu & Kashmir State, land development banking had a very late start i.e., in 1964 with the establishment of the Jammu & Kashmir Co-operative Central Land Development Bank Ltd.

Although the bank was registered on 4 January 1962, it commenced business only in May 1964. The state is having a unitary structure for land development bank with 22 branches.

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

5. The Land Development Banks Committee had constituted separate study teams for detailed study of the working of land development banks in each of the co-operatively less developed states. The major deficiencies noted by the study team@ in the working of the Jammu & Kashmir Co-operative Central Land Development Bank are summarised below :

(i) Loan policy was more security-oriented than production-oriented. No norms had been fixed for giving loans for various purposes. Maturity periods were fixed arbitrarily. No rational norms were adopted for valuation of hypotheca.

(ii) Defective loaning policies resulted in the mounting up of overdues. The other main reason for increase in overdues was

@Appendix 7 of the Appendix to the Report of the Committee on Co-operative Land Development Banks, 1976 (pp 346 to 363)

the inadequacy of supervisory machinery for verification of the use of loans by the ultimate borrowers.

(iii) The senior posts in the bank are held by the officers of the co-operation department. Besides out of the twenty land valuation officers, fifteen were on deputation from the co-operation department and the bank had no administrative control over them.

(iv) The bank had 21 branches. The area of operation of the branches was not uniform. Three districts, viz., Poonch, Rajouri and Ladakh had one branch each whereas in the remaining seven districts the number of branches ranged from 2 to 4. The branches were opened without conducting any detailed survey to assess business potential which resulted in most of them becoming non-viable units.

(v) The branches worked merely as liaison offices between the bank and the borrowers, arranging to hand over cheques to the borrowers in return of pronotes to be passed on to the head office. The operations were centralized at the head office which maintained parallel sets of books of account for each branch.

6. The study team was of the view that there was limited scope for providing long-term credit for farm mechanization and horticultural development but the Jammu & Kashmir Co-operative Central Land Development Bank could play a useful role in advancing loans for land levelling, reclamation of land, water management, lining of field channels, etc., provided the state undertook systematic and scientific surveys for formulation of suitable projects.

7. The Land Development Banks Committee has noted that the major deficiencies* in the working of the land development banks in the 9 co-operatively less developed states including Jammu & Kashmir are a weak capital base, heavy overdues, poor management of funds and inadequate staff for appraisal of

*Chapter 5 of the Report of the Committee on Co-operative Land Development Banks, 1975

loan proposals and supervision. The Committee, therefore, was of the view that the weak financial position and lack of operational efficiency of the bank had resulted in a yawning gap between its performance and what was expected of it. In the circumstances, the Committee felt that there were distinct advantages in integration of the short-term and long-term credit structures in the state to enable them to play an effective role in meeting the credit needs of cultivators for production and development. Another consideration which weighed with the Committee in recommending integration was the lack of co-ordination between the two wings. The Committee recommended that the state government may set up a committee to work out the details of the merger. This recommendation of the Land Development Banks Committee for integration at all the levels in the state of Jammu & Kashmir has been endorsed by the Committee on Integration of Co-operative Credit Institutions appointed in September 1975 by the Reserve Bank under the chairmanship of Dr R. K. Hazari, the then Deputy Governor of the Bank.

8. The Government of Jammu & Kashmir following a meeting with the representatives of the state and central co-operative banks and land development bank held on 8 March 1977 addressed a communication vide their letter No. 85/76-Coop. dated 5 April 1977 from the Agriculture Production Department to the Reserve Bank of India agreeing in principle with the proposal for integration of the two wings of the co-operative credit structure and decided to initiate action in the matter on the following lines.

(i) The integration will be carried out in a phased manner. Immediately only a few viable primary co-operative societies, in selected areas, may take up the work of long-term loaning and central banks will make arrangements for necessary funds.

(ii) The co-operation department will immediately take up the programme of reorganization of weak primary co-operative societies and make them viable to take up the burden of advancing long-term loans also in due course.

(iii) Pending implementation of the merger of the two credit structures at all levels, the land development bank will continue

to cater to long-term loans in areas which are not covered by central co-operative banks.

(iv) A small committee under the chairmanship of the Registrar of Co-operative Societies with representatives of the state and central co-operative banks, land development bank and the Reserve Bank of India (Agricultural Credit Department) and the Joint Registrar as convenor will prepare a scheme for implementation of integration at various levels, adjustment of the land development bank staff in the new set up and other allied matters.

9. Although integration has been accepted in principle and the committee headed by the Registrar referred to in item (iv) above has met since then on a few occasions, no appreciable progress has been made in regard to the issue of long-term loans by central co-operative banks and societies.

10. The position in so far as the Jammu & Kashmir Co-operative Central Land Development Bank is concerned has not shown any appreciable improvement during the period from 1971-2 to 1972-3, the period upto which the Land Development Banks Committee had reviewed its working, and 1976-7 as may be seen from the information given in Table 1 at pages 224 and 225.

11. Thus, in view of the continued weaknesses of the Jammu & Kashmir Co-operative Central Land Development Bank, energetic steps have to be taken by the state government to implement their decision to bring about integration between the short-term and long-term co-operative credit structures. The reorganization of societies has not been brought about so far. Further, a beginning has to be made in the matter of issue of long-term loans by primary agricultural credit societies which will not be able to undertake long-term loaning unless their reorganization is brought about and they are provided with requisite staff. As regards financing of primary agricultural credit societies for issue of long-term loans, the required resources cannot be provided by the central financing agencies unless suitable arrangements are made to enable them to raise long-term

TABLE 1

**Financial and other particulars of the Jammu & Kashmir
Co-operative Central Land Development Bank**

Rs Lakhs

Item	1971-2	1972-3	1975-6	1976-7
(1)	(2)	(3)	(4)	(5)
1. No. of Branches including Head Office	20	22	22	22
2. Membership				
(a) Regular	23,472	25,790	28,727	29,345
(b) Nominal	13,652	14,613	17,230	17,601
3. Paid-up capital				
(a) Government	10.00	10.00	10.00	10.00
(b) Primary Land Development Banks	—	—	—	—
(c) Others	14.89	18.25	20.85	21.86
4. Statutory Reserve	—	—	—	—
5. Other Reserves	—	—	—	—
6. Deposits	16.10	1.87	7.07	4.17
7. Borrowings				
(a) Debentures				
(i) Ordinary	138.71	198.12	267.37	274.47
(ii) Rural	0.41	0.44	0.44	0.31
(iii) Special	94.00	94.00	115.86	125.18
(b) Government	—	2.00	—	—
(c) Co-operative Banks	0.73	27.43	—	—
(d) Commercial Banks	—	—	—	—
(e) Others	—	—	—	—
8. Working Capital	307.43	385.25	468.27	489.15
9. Investment :				
(a) General Reserve Fund	0.43	3.90	0.43	0.43
(b) Sinking Fund	26.63	39.64	84.51	101.71
10. Loans Outstanding	240.41	290.44	298.22	296.00
11. Overdues	3.15	5.04	16.13	19.96
12. Interest on Loans	33.84	46.04	70.07	74.42
13. Overdue Interest	1.41	3.48	7.82	N.A.
14. Cost of Management	3.99	5.56	8.65	7.75
15. Profit (+) or Loss (—)	(+)1.81	(+)1.83	(+)0.02	(+)0.53
16. Dividend Declared	—	—	—	—
17. Loans issued :				
A (i) For sinking of wells, construction of tanks and repairs etc.	2.23	1.35	0.50	0.24

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	(1)	(2)	(3)	(4)	(5)
(ii) For purchase and installation of pumpsets		2.77	2.81	1.25	0.66
(iii) For purchase of tractors and implements		26.74	41.13	8.37	12.13
(iv) For construction of godowns, farmsheds		—	5.04	4.60	4.54
Total Identifiable Productive Purposes		31.74	51.33	14.72	17.57
B (i) For levelling, bunding & soil conservation etc.		2.32	4.78	3.81	4.01
(ii) For preparation of orchards		15.29	8.73	0.70	1.25
Total Unidentifiable Productive Purposes		17.61	13.51	4.51	5.26
C Unproductive Purposes		0.45	0.75	—	—
D Total Loans Issued (A+B+C)		49.80	64.59	19.23	22.83
18. Total Loans Recovered		N.A.	N.A.	23.72	30.75

Source : Statistical Statements relating to the Co-operative Movement in India published by the Reserve Bank of India, Agricultural Credit Department, Bombay

resources by bringing about the integration at the intermediate and state levels in respect of which no steps have been taken so far.

12 To begin with, as already decided by the state government, existing viable societies may take up long-term business on an agency basis initially till the integration is brought about at all levels. However, it should be ensured that each of such societies has a full-time paid secretary.

13. Advancing of both short-term and long-term loans will increase business of the societies and quicken the process of attaining viability, thereby enabling them to function more efficiently. This will also ensure that borrowers of long-term loans get short-term credit to support their investment credit. The additional work involved in long-term lending may not require appointment of additional staff at least in the short run as the society would be expected only to collect loan applications, make a preliminary scrutiny, disburse instalments of loans, do the *prima facie* verification and undertake recovery of loans. It will be necessary to impart adequate training to the secretary of the society in order to enable the society to carry

out the different functions expected of it under the scheme of integration. Such training could be arranged by the state government either as a part of the training that is being imparted to the cadre secretaries at present or by arranging special short-term courses for the purpose. The secretaries of those societies which are selected for routing long-term loans may be given preference over others for receiving training in these courses.

14. The question of supervision over the use of credit by the financing institution is of great importance. The existing supervisory machinery with the land development bank is inadequate or is almost non-existent and appointment of its own supervisory staff is not considered feasible. The land development bank should, therefore, rely in this matter on the supervisory machinery of the short-term credit structure and pay them a suitable fee in relation to the loan amount. This would obviate the necessity on the part of the land development bank to have additional staff. At the same time, the supervisory machinery of central co-operative banks should not also be over-burdened as this work would only be incidental to their regular job. Where technical matters are involved, the land development bank can take care of them with the help of its own technical staff.

15. While the above arrangements could be introduced at the primary level, measures have to be considered for bringing about the integration at the intermediate and apex levels of the short-term and long-term credit structures. However, pending such an integration, the question that needs consideration is the agency which will make available financial assistance to societies for the purpose. We have noted in paragraph 11 that central co-operative banks cannot provide funds for long-term business. We suggest following arrangements in this behalf.

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

(ii) Loans when sanctioned may be disbursed through primary agricultural credit societies.

(iii) The primary agricultural credit societies may be provided funds by the land development bank for the purpose of long-term loans. The amount of loans sanctioned may be credited to the account of the societies with central co-operative banks to help them to have dealings only with one bank.

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

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

(vi) In the matter of supervision, the arrangements suggested in paragraph 14 of this chapter may be implemented to start with.

16. In the matter of integration at the district level, in view of the basic organizational differences between the short-term and long-term credit structures and the need for keeping the integrated units clear of the deficiencies of the original units, the Committee on Integration of Co-operative Credit Institutions 1976 has suggested @ registration of a new institution called the District Co-operative Development Bank. The branches of both the existing units will be the branches of the new unit and the District Co-operative Development Bank will be affiliated to both the state co-operative bank and the state land development bank. The new Development Bank can be expected to become viable and strong and be in a position to absorb the existing staff both technical and general of the erst-while units and rely less on the state government. This new Development Bank will also ensure overall efficiency in resource mobilization and better management of funds.

17. Similar advantages are expected to accrue in regard to integration at the state level. In this connection, Committee on Integration of Co-operative Credit Institutions has observed

@ Chapters 5 and 6 of the Report of the Committee on Integration of Co-operative Credit Institutions, 1976.

that since the pattern of resource mobilization has changed considerably after the establishment of the Agricultural Refinance and Development Corporation, the system of obtaining mortgages and floating debentures is not considered essential and, therefore, there will be no need to retain the Central Land Development Bank as a separate unit.

18. An extract from the Report of the Committee on Integration of Co-operative Credit Institutions, 1976, for effecting integration at all levels of the co-operative credit structure is given in Annexure 26. These may be broadly followed by the Committee referred to in item (iv) of paragraph 8 which has been set up by the state government under the chairmanship of the Registrar of Co-operative Societies to bring about integration in a phased manner.

CHAPTER 9

OTHER INSTITUTIONAL ARRANGEMENTS

1. In this chapter we have dealt with the term of reference number (iv) which is reproduced below and certain aspects of the term of reference number (ii) not covered in Chapter 5.

(iv) To examine the scheme of financing of agriculture by commercial banks through primary agricultural credit societies and suggest, if necessary, measures for extension of the scheme, streamlining the procedure and/or overcoming the shortcomings, if any.

2. We have estimated in Chapter 2 that the total short-term agricultural credit requirements in Jammu & Kashmir will be about Rs 17.08 crores which may have to be reviewed and revised to Rs 20 crores when schemes for horticulture, cattle and fodder developments are taken up under a scheme of assistance from the International Development Association of the World Bank. In Chapters 5 and 6 we have indicated that by 1982-3, the co-operative banking sector could be expected to meet the credit requirements of the order of about Rs 8.35 crores. Further, the societies themselves with the proposed strengthening of their internal resources as indicated in Chapter 3, could be expected to involve their own resources to the extent of Rs 2 crores (i.e., at the rate of Rs 0.25 lakh per society for 800 societies) thus leaving a gap of about Rs 6.73 crores forming 39 per cent of the total credit requirements. This indicates the need for other institutional agencies such as commercial banks including Regional Rural Banks to play a useful, effective and supplementary role. We have, therefore, first referred in Section I to the role played so far by commercial banks in the state in financing agriculture. In Section II we have assessed the support that commercial banks may be in a position to lend in bridging the credit gap.

SECTION I

Operations of Commercial Banks

3. There are 17 commercial banks operating in Jammu & Kashmir of which 9 (State Bank of India and 8 nationalized banks) are in the public sector. The State Bank of India is functioning as the Lead Bank for all the districts. As on 30 June 1977, there were 289 offices of commercial banks in the state of which 170 i.e., 58.8 per cent were located in rural centres and 37 i.e., 12.8 per cent in semi-urban centres. The average population served by a commercial bank office worked out to 16,000 for the state and compared favourably with the national average at 22,000. The district-wise position in respect of the distribution of offices and availability of banking facilities is given in Table 1 at page 231. The position in this regard differs from district to district. The districts of Anantnag, Ladakh and Poonch have comparatively limited banking facilities.

4. The total deposits mobilized by commercial banks stood at Rs 154.55 crores as on 30 June 1977, while their total advances amounted to Rs 43.46 crores on that date forming 28 per cent of deposits. The district-wise position in regard to deposits mobilized and advances made by commercial banks is given in Table 2 at page 232. As on 25 March 1977, advances to priority sectors at Rs 22.69 crores formed 60 per cent of total advances. The share of agricultural advances was 11 per cent of the advances to priority sectors.

Financing Agriculture through Societies

5. The scheme of financing agriculture by commercial banks through primary agricultural credit societies was introduced in Jammu & Kashmir in 6 selected districts in 1973, when 6 commercial banks took over 94 societies for financing through their 9 branches. At the end of June 1977, 7 commercial banks had taken over 119 societies through their 12 branches in 6 districts. No society from the districts of Doda, Poonch, Rajouri and Ladakh has been taken over for financing by commercial banks. The average number of societies per branch worked out to 10.

TABLE I

**District-wise Position of Commercial
Bank Offices as on 30 June 1977**

District	Number of Offices				Average Population per Branch Office ('000)
	Rural	Semi-urban	Urban	Total	
(1)	(2)	(3)	(4)	(5)	(6)
Jammu Division					
Doda	16	—	—	15	21
Jammu	50	—	38	88	8
Kathua	12	5	—	17	16
Poonch	2	4	—	6	29
Rajouri	10	—	—	10	22
Udhampur	13	8	—	21	18
Sub-total	103	17	38	158	13
Kashmir Division					
Anantnag	23	7	—	30	28
Baramulla	20	13	—	33	24
Srinagar	20	—	44	64	13
Sub-total	63	20	44	127	19
Ladakh Division					
Ladakh	4	—	—	4	26
Total	170	37	82	289	16

6. Not all the 119 societies taken over by commercial banks are being financed by them. The societies financed during the four-year period numbered 39 in 1973-4, 64 in 1974-5, 76 in 1975-6 and 64 in 1976-7 and their percentage to the societies taken over ranged between 41 and 62, the highest percentage being in the year 1975-6. In 1976-7, due to heavy overdues, fresh finance was not given to 44 societies. As on 30 June 1977, 14 societies had not been financed by commercial banks even once after their transfer.

TABLE 2

**District-wise Position of Deposits, Outstanding Advances
and Credit-deposit Ratio of Commercial Banks as on
30 June 1977**

District	No. of branches	Deposits		Outstanding advances		Credit deposit ratio (%)	Percen- tage of Col. 6 to Col. 5
		Total	Per branch office	Total	Agri- cultural		
		(3)	(4)	(5)	(6)		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Jammu Division							
Doda	16	2.14	0.13	0.34		15.9	-
Jammu	88	48.68	0.55	11.78	0.45	24.2	3.8
Kathua	17	3.83	0.20	2.68	0.21	70.0	7.8
Poonch	6	1.27	0.21	0.06		4.7	
Rajouri	10	1.62	0.16	0.24	0.01	14.8	4.2
Udhampur	21	5.91	0.28	1.39	0.03	23.5	2.2
Sub-total	158	63.45	0.40	16.49	0.70	26.0	4.2
Kashmir Division							
Anantnag	30	6.76	0.23	2.69	0.53	39.8	19.7
Baramulla	33	7.04	0.21	2.99	0.91	42.5	30.4
Srinagar	64	75.65	1.18	21.17	0.32	28.0	1.5
Sub-total	127	89.45	0.70	26.85	1.76	30.0	6.6
Ladakh Division							
Ladakh	4	1.65	0.41	0.12	--	7.3	--
Total	289	154.55	0.53	43.46	2.46	28.1	5.7

7. The total membership of societies stood at 40,430 as on 30 June 1977, giving an average of 340 per society. On the same date the borrowing membership constituted 50 per cent of the total membership giving an average borrowing membership of 166 per society. The total membership and indebted membership of these societies during the four-year period 1973-4 to 1976-7 is given in Table 3.

TABLE 3

Membership in Thousands

Particulars	1973-4	1974-5	1975-6	1976-7
Number of Societies	94	113	113	119
Total Membership	17	17	35	40
Borrowing Membership	9	6	15	20

8. Details of the financial accommodation extended by banks to the societies during the years 1973-4 to 1976-7 are given in Table 4.

TABLE 4

Particulars	Rs Lakhs			
	1973-4	1974-5	1975-6	1976-7
Type of Loans Issued				
1. Short-term	18.25	27.49	34.72	61.13
2. Medium-term	1.11	0.80	5.20	4.37
3. Cash Credits (outstanding at the end of the year)	2.03	2.00	—	0.01
Total	21.39	30.29	39.92	65.51
Number of Societies financed	39	64	76	64
Average Loan per Society	0.55	0.47	0.53	1.02

Although the quantum of short-term loans issued showed a progressive increase from Rs 18.25 lakhs during 1973-4 to Rs 61.13 lakhs during 1976-7, the level of disbursement of medium-term loans declined from Rs 5.20 lakhs in 1975-6 to Rs 4.37 lakhs in 1976-7. The decline was mainly due to the commercial banks' preference to advancing medium-term loans directly to cultivators for purposes such as land reclamation, dairying, apple orchards, etc. The average loan per society financed which stood at Rs 0.47 lakh and Rs 0.53 lakh during 1974-5 and 1975-6 respectively, increased to Rs 1.02 lakhs during 1976-7. Of the 105 societies financed by commercial banks, 29 societies are having loan business above Rs 1 lakh, 35 societies

have loan business between Rs 0.50 lakh and Rs 1 lakh and the remaining 41 societies (i.e., about 39 per cent) have loan business below Rs 0.50 lakh. Thus, the majority of the societies can be considered to be non-viable units.

9. The position of demand, recovery and balance i.e., overdues of commercial banks in respect of their advances to societies during the 3 years ended 1975-6 is given in Table 5, while the district by district position for the year 1976-7 is given in Table 6 at page 235.

TABLE 5

Year-wise Position of Recoveries

Particulars	Rs Lakhs		
	1973-4	1974-5	1975-6
Demand	37.56	38.06	58.99
Recovery	28.39	22.93	23.84
Overdues at the end of the Year	9.17	15.13	35.15
Percentage of Overdues to Demand	24	39	59

10. The overdues showed a rising trend. The district-wise position in 1976-7 revealed that the recovery performance is very unsatisfactory in Srinagar district where the percentage of overdues to demand has been as high as 73.1 per cent followed by Kathua at 65.3 per cent and Anantnag at 52.8 per cent. As on 30 June 1977, 39 out of 119 societies transferred to commercial banks only one-third i.e., 39 societies had full-time paid secretaries.

11. To sum up, during the last four years of operation, the scheme has not made much headway in achieving its objectives of meeting the production and investment credit requirements adequately and revitalization of societies. Many of the societies transferred are not yet being financed every year and even those which are financed have not been able to achieve the viability standard of Rs 2 lakhs of short-term agricultural loan business. There has not been any concerted move for enlarging the membership. The recovery performance has also not been satisfactory.

TABLE 6

District-wise Position of Demand, Recoveries and Overdues of Agricultural Advances of Commercial Banks through Primary Agricultural Credit Societies for the year 1976-7

District	Demand during 1976-7	Recoveries during 1976-7	Overdues as on 30-6-1977	Percentage of Overdues to Demand
Rs Lakhs				
Jammu Division				
Doda	—	—	—	—
Jammu	10.25	5.58	4.87	45.6
Kathua	8.03	2.79	5.24	65.3
Poonch	—	—	—	—
Rajouri	—	—	—	—
Udhampur	3.91	1.85	2.06	52.7
Sub-total	22.19	10.22	11.97	53.9
Kashmir Division				
Anantnag	37.01	17.44	19.57	52.8
Baramulla	40.44	25.94	14.50	35.9
Srinagar	8.19	2.10	6.09	73.1
Sub-total	85.64	45.48	40.16	46.9
Ladakh Division				
Ladakh	—	—	—	—
Total	107.83	55.70	52.13	48.3

The reasons for the poor progress of the scheme are reported to be inadequate co-operation from the extension staff of the state government, absence of full-time paid secretaries in most of the societies, indifferent attitude of the managements of many of the societies, lack of efforts on the part of the field staff of commercial banks to take effective follow-up action to recover the loans in time and to prevent accumulation of overdues and the policy of advancing direct loans to non-members by commercial banks in areas where societies are financed by them.

Regional Rural Bank

12. According to the recommendations of a Working Group constituted by the Government of India in July 1975, a programme for establishing Regional Rural Banks was launched all over the country. These banks which are established under a separate legislation, are primarily expected to cater to the needs of small and marginal farmers, agricultural labourers and rural artisans. In Jammu & Kashmir, one Regional Rural Bank, viz., the Jammu Rural Bank sponsored by the Jammu and Kashmir Bank Ltd., with jurisdiction extending to the Jammu district, has been established in March 1976. This bank had 35 branches as on 31 December 1977. The deposits of the bank stood at Rs 72.65 lakhs and outstanding advances at Rs 29.00 lakhs formed 40 per cent of deposits. Advances outstanding against small and marginal farmers amounted to Rs 21.49 lakhs or 74 per cent of total loans outstanding. All of its advances have been made directly as no society has been affiliated to it.

SECTION II

Estimate of Resources

13. The total deposits of commercial banks in the state aggregated Rs 154.55 crores as on 30 June 1977. Assuming an annual average growth rate of 15 per cent which has been the normal growth rate generally observed, the deposits could be expected to reach a level of Rs 310 crores by the end of June 1982. As against the present credit deposit ratio of 28 per cent it can be expected that about 60 per cent of the deposits would be lent by the commercial banks by June 1982. On the assumption that one-third of the total advances would be for priority sectors and 50 per cent thereof for agricultural activities, commercial banks could allocate about Rs 31 crores for financing agriculture and allied activities by 1982-3 as against Rs 2.46 crores presently advanced by them. Of the amount of Rs 31 crores about Rs 7 crores may be for short-term agricultural lendings by 1982-3 as against Rs 2.46 crores in 1976-7, assuming an annual growth rate of 20 per cent. Further, as indicated in paragraph 2, the co-operative sector is expected to meet about Rs 10 crores of the estimated credit requirement of Rs 17 crores leaving the balance to be met by commercial banks.

14. In order to lend about Rs 7 crores for short-term agricultural purposes by 1982-3 as against their present lendings at Rs 2.46 crores, reliance by commercial banks on direct financing alone may not be enough in view of the problems of supervision and the high cost of retailing of direct credit. Moreover, if direct financing is attempted, the hilly terrain and inadequate transport facilities would make the approach to the interior villages difficult and the cost of supervision prohibitive. Commercial banks may, therefore, have to operate through viable primary agricultural credit societies on a larger scale. We have seen earlier that the scheme of financing agriculture by commercial banks through societies has not so far made much progress in the state. But with the effective implementation of the recommendations made by us in Chapter 3 in regard to reorganization and revitalization of societies, posting of full-time paid secretaries in each of the reorganized society and the measures proposed for tackling the problem of overdues in Chapter 7 of this Report most of the impediments which are now hampering the progress of the scheme would be removed.

15. The Working Group appointed by the Reserve Bank of India in October 1976 under the chairmanship of Shri C. E. Kamath to study the problems arising out of the adoption of the multi-agency approach in agricultural financing has submitted its report in April 1978. The Group which considered various alternatives for lending adequate support for agricultural finance and for bringing about effective co-ordination among the different lending agencies has favoured an area demarcation approach. In this connexion, we are of the view that commercial banks may take up financing in blocks having wide credit gaps so as to ensure that while a branch of a commercial bank is given adequate business, the remaining area in the block offers sufficient potential for the central co-operative bank concerned to maintain and develop its existing branch in the block. A branch of a commercial bank should have a short-term credit business of at least Rs 20 lakhs to ensure optimum utilization of the field staff posted at the branch. This is on the assumption that normally a supervisor can supervise 10 societies with an aggregate loan business of Rs 20 lakhs.

16. We have tried to make a broad estimate of the block-wise credit requirements on the basis of norms indicated in paragraph 5 of Chapter 2. The block-wise credit gaps have been arrived at after deducting from the credit requirements the credit that is presently made available by societies. However, this exercise has been done by us in respect of 35 blocks only as the relevant data for the remaining 37 blocks are not available. The details of the exercise in this regard are given in Annexure 27 and district-wise distribution is summarised in Table 7.

TABLE 7

District	No. of Blocks		No. of Blocks with Credit Gaps			
	Total	For which data not available	Loss than Rs 10 lakhs	Between Rs 10 lakhs and Rs 20 lakhs	Between Rs 20 lakhs & Rs 40 lakhs	Above Rs 40 lakhs
Jammu Division						
Jammu	10	10	—	—	—	—
Doda	8	—	4	4	—	—
Kathua	5	5	—	—	—	—
Poonch	2	—	2	—	—	—
Rajouri	3	—	2	—	—	1
Udhampur	7	—	3	3	1	—
Sub-total	35	15	11	7	1	1
Kashmir Division						
Anantnag	13	4	2	2	3	2
Baramulla	14	8	—	1	3	2
Srinager	8	8	—	—	—	—
Sub-total	35	20	2	3	6	4
Ladakh Division						
Ladakh	2	2	—	—	—	—
Total	72	37	13	10	7	5

17. We feel that normally commercial banks may enter in blocks with credit gaps exceeding Rs 40 lakhs so that branches of both i.e., of a commercial bank and of a co-operative bank would have adequate business to sustain themselves. In this present exercise, we have been able to locate only 5 blocks out of 35 blocks with credit gaps exceeding Rs 40 lakhs and assuming that an equal number of blocks with credit gaps exceeding Rs 40 lakhs may be located in the remaining 37 blocks for which data are not available, commercial banks could enter in 10 blocks and finance to the extent of Rs 2 crores at the rate of Rs 20 lakhs per branch. As against this, we expect the commercial banks to reach a level of at least Rs 7 crores as discussed in paragraphs 2 and 13. In order to achieve this objective the commercial banks will have to enter even in those blocks with credit gaps below Rs 40 lakhs. This situation brings into prominence the size of adequate business needed for a branch of a co-operative bank which may be already existing in such a block. Here the choice may be either in the central co-operative bank concerned undertaking to expand its business in such a block sufficiently so as to cover the credit gap or its branch functioning as a deposit mobilization centre leaving the loaning business mainly to a commercial bank branch. We, therefore, suggest that a detailed exercise on the lines attempted by us for working out the block-wise credit gaps may be completed in respect of all the blocks by the Government of Jammu & Kashmir in association with the Reserve Bank so as to facilitate identification of blocks suitable for allocation of areas to commercial banks to enable them to lend adequate support to bridge the credit gap indicated by us.

18. As stated in paragraph 9 of Chapter 5, there are 12 blocks located in Jammu & Kashmir without any branch of a commercial or a co-operative bank. These blocks could be considered for allocation to commercial banks if a central co-operative bank operating in the area is not in a position to come forward and fill up the credit gap. This can be ensured by the state government in view of the Reserve Bank of India's recent decision to prepare branch expansion programmes in consultation with state governments, regional rural banks, lead banks and other banks. The Reserve Bank has outlined its approach in this regard in

its circular letter DBOD No. BL. BC. 115/C-168/78 dated 8 September 1978 issued to all the commercial banks. Thus the Government of Jammu & Kashmir should be in a position to ensure that branches are not opened by commercial banks in areas which are adequately served by co-operative banks. In this connexion, we are of the view that the state government should consult co-operative banks in advance on branch expansion programmes and offer suitable suggestions to safeguard the interests of co-operative banks *vis-a-vis* the branch expansion programmes of commercial banks.

19. In allocating areas and societies for financing to commercial banks in Jammu district, preference may be shown to the Jammu Rural Bank. Also, where the commercial banks have already taken over societies for financing, preference may be given to those banks in allocating areas in which the societies taken over by them are located.

20. A view has to be taken about the policy on direct financing by commercial banks in the areas which are not allocated to them. In such areas, as far as possible direct financing should be avoided. But there may be sections who may not join co-operatives and may need finance direct. In such circumstances, commercial banks may issue direct finance on terms and conditions broadly similar to those followed by co-operatives.

CHAPTER 10

SUPERVISION OVER SOCIETIES

1. This chapter deals partly with the term of reference number (ix) which requires us *inter alia* to examine the arrangements for the management of and supervision over primary agricultural credit societies and suggest arrangements which will ensure efficient management of and effective supervision over the societies.
2. The need and importance of supervision had been recognized as far back as 1915 when the Maclagan Committee observed that the societies are chiefly composed of uneducated persons and the problems which confront them are not always easy and that handling of money involves certain temptations. Several years later in 1954, the All-India Rural Credit Survey Committee was of the opinion that the apex and central co-operative banks are well fitted for supervision because of the intimate relations which are expected to exist between them and the societies. Further, as the financiers of the societies they are interested in ensuring soundness of the operations and solvency of the societies.
3. It has thus been recognized that supervision over societies by financing agencies is an essential aid to ensure their efficient functioning. The Study Team on Overdues of Co-operative Credit Institutions (1974) while endorsing the view that financial supervision should be the responsibility of the central banks has emphasized that control over supervisory staff should also vest in the banks.
4. Keeping in view the above observations, we have examined the position obtaining in Jammu & Kashmir regarding supervision in Section I while Section II contains our recommendations and suggestions for removing the deficiencies noticed and for ensuring effective supervision over societies.

SECTION I

5. The responsibility for supervision over societies was vested in the Registrar of Co-operative Societies till the year 1970. Since

then, the state government decided to transfer this responsibility to financing banks. However, this decision is limited to primary agricultural co-operative credit societies only. Accordingly, the supervision over primary agricultural credit societies has been transferred to respective banks excepting in the case of Ladakh district which is served by the Jammu & Kashmir State Co-operative Bank and in the districts of Doda and Udhampur falling within the area of the Jammu Central Co-operative Bank. In Anantnag and Baramulla districts, supervision over societies in three blocks in each district is still with the state government. It is reported that the state government is willing to transfer supervision over societies in the districts of Doda and Udhampur to the Jammu Central Co-operative Bank while the bank is hesitant in accepting the responsibility as it fears that this would increase its establishment cost without any corresponding return from business in these areas which has been stagnating.

6. The present pattern of supervisory machinery with the banks is as indicated in Table 1.

TABLE 1

Cadre	Jammu & Kashmir State Co-operative Bank	Anantnag (Central Co-operative Bank)	Baramulla Central Co-operative Bank	Jammu Central Co-operative Bank
(1)	(2)	(3)	(4)	(5)
1. Officers-in charge of Supervision	Executive Officer (On Deputation)	Executive Officers (2)	Executive Officers (3) (one on deputation)	Dy. General Manager
2. Intermediate level officers	Asst. Executive Officer	Field Officers (2)		Dist. Managers/Field Officers (6)
3. Inspectors	6(2 on deputation)	12	2(one on deputation)	20
4. Supervisors	13(8 on deputation)	11	12(all on deputation)	60
		} (16 on deputation)		} (a few are on deputation)

7. It will be observed that the supervisory unit is headed by an Executive Officer excepting in the case of the Jammu Central Co-operative Bank where the Deputy General Manager is the head of this unit. The Deputy General Manager is assisted by District Managers/Field Officers at the district level. The District Managers are responsible for supervision in the concerned district. The Executive Officer of the Jammu & Kashmir State Co-operative Bank and one Executive Officer of the Baramulla Central Co-operative Bank are on deputation from the co-operation department and are of the rank of Deputy Registrar and Assistant Registrar respectively. The intermediate level officers in the Jammu & Kashmir State Co-operative Bank and the Anantnag Central Co-operative Bank have been assigned special items of work and do not exercise control over lower level staff in the machinery for supervision. The inspectors are generally expected to take up inspection of the societies in their area and exercise control over supervisors. The supervisors are expected to help societies in preparation of loan applications, maintenance of books of account and recovery of dues. The Registrar in his circular letter No. BK 3109/3209 dated 29 January 1974 has outlined the duties of the banks' supervisors as well as of the co-operation department's supervisors. Accordingly, the banks' supervisors' duties broadly are revision of *hasiyat* registers, preparation of credit limit statements/loan applications, making arrangements for supply of inputs, preparation of demand lists and visiting each society at least once in a fortnight and conducting a detailed inspection once in three months, etc. The duties of departmental supervisor in such areas are mainly confined to performing statutory functions under the Act/Rules and by-laws such as arbitration enquiry, inspections, conducting general meetings etc., assisting the bank supervisors in recovery and making arrangements for supply of agricultural inputs.

8. The charge per supervisor/inspector ranges between 6 and 15 societies. The position at a glance indicating the charge per supervisor/inspector in the 4 banks is given in Table 2. The

charge per supervisor/inspector is not heavy at present, particularly in the context of the poor loaning business of societies.

TABLE 2

Name of the Bank	Charge per Supervisor/ Inspector
Jammu & Kashmir State Co-operative Bank	6—8
Jammu Central Co- operative Bank	10
Anantnag Central Co- operative Bank	12
Baramulla Central Co- operative Bank	15

9. As regards the position obtaining in the districts and areas referred to in paragraph 5 above, where financial supervision is still with the co-operation department, it is observed that the supervisory staff strength of the department is the same in all the districts irrespective of the fact whether supervision is with the department or not. Normally, the staff from the co-operation department at the block consists of the Assistant Registrar of Co-operative Societies and two supervisors to assist him. The co-operation department staff is normally concerned with the administration of the Co-operative Societies Act and Rules. Added to this when supervision over the societies is entrusted to them with such limited staff, they are not able to exercise effective supervision over societies. Moreover some areas in the state have limited or no communication facilities and sometimes during winter months some of these areas are completely isolated.

10. Although the duties and responsibilities of supervisors have been spelt out by the Registrar as stated in paragraph 7, by and large, supervisors failed to perform their duties diligently resulting in the poor performance of societies and mounting overdues at the level of both societies and banks. The supervisory staff of the banks comprises deputationists from the co-operation department and direct recruits. A large number of supervisors particularly those appointed by the banks, by and large, were

neither qualified nor trained. Many of them had no basic knowledge of book-keeping and accountancy although as supervisors they are required to ensure up-to-date maintenance of accounts by the societies under their charge. Although the banks had Executive Officers and other intermediate level personnel to exercise control and supervision over the field staff, the quality of supervision has been poor as the work in the field is neither planned properly nor supervised effectively. However, the position in the Jammu Central Co-operative Bank is relatively better than in the case of other banks. The ineffective supervision over societies has been mainly responsible for large-scale misappropriation and embezzlement of funds. In many societies, accounts are not maintained up-to-date, records are said to be not readily available or are even missing. There is no proper accounting of fertilizer stocks and at times the stocks of fertilizers reported to be on hand are found missing. Supervision over societies is ineffective because control over the supervisors is slack as stated earlier. Supervisors generally do not send their tour programmes in advance to the head office/district office although they are required to do so. Instead they send their tour diaries at the beginning of the succeeding month and the tour diaries failed to throw light on the actual work performed by them. Banks have not introduced a rotation register to watch and regulate the movement of the supervisors. There is usually no follow-up of the work done by supervisors. No surprise visits are made to check supervisors' movements and work. The supervision work is carried on in a somewhat leisurely manner.

11. Although financial supervision has been transferred to banks, it is observed that credit limit applications of societies are still being routed through departmental officers, viz., Assistant Registrars, posted at the block level. This procedure is being justified on the plea that such a recommendation from the departmental officer or his association in this fashion ensures co-operation on the part of the co-operation department in the matter of recovery. This justification does not seem to be correct because it is the responsibility of a financing institution to ensure proper application of its funds by its borrowers. The departmental officers come in the picture mainly when coercive measures for recovery are required.

12. The supervisors of co-operative banks are not undertaking any inspections of societies, except in the case of the Jammu Central Co-operative Bank, on the plea that statutorily they are not authorized to carry out inspections. In terms of Section 60(3) of the Jammu and Kashmir Co-operative Societies Act, 1960 a financing bank can cause inspection of an affiliated society by its paid staff on authorization by the Registrar by an order in writing in this behalf. In the absence of such an order no inspections are being undertaken. The visits of supervisors in such cases are, therefore, ineffective. Thus the absence of inspection in the true sense of the term of societies by the banks' supervisors, is also one of the reasons for ineffective supervision. In fine, the transfer of supervision to the banks has, as a matter of fact, not resulted in improving the working of the societies. This has led to stagnation in the societies' business.

13. In brief, supervision by the financing agency over primary agricultural credit societies is, by and large, ineffective except in the case of the Jammu Central Co-operative Bank. Wherever supervision is the responsibility of the co-operation department, the staff are unable to do justice to this important item of work because of their pre-occupation with other items of work.

SECTION II

14. It follows from the analysis made in Section I above that the entire supervisory structure has to be revamped if supervision over societies is to be made effective. Our recommendations and suggestions in this behalf are given in the paragraphs that follow.

15. Financial supervision over societies should be the full responsibility of financing banks for the reasons given in paragraph 2 above. Further, financial supervision should not be limited to primary agricultural credit societies but should be extended to all types of societies financed by the banks. The state government may, therefore, take steps to transfer the function of financial supervision over all types of societies to the financing institutions. Pending such a transfer it is necessary on the part of banks to equip themselves for undertaking this work.

16. The banks' plea of having no statutory authority to conduct inspections of societies appears to be *prima facie* correct. We recommend that the provisions of Section 60(3) of the Jammu and Kashmir Co-operative Societies Act may be modified so as to provide specifically for empowering the financing institutions to undertake inspections of all types of societies which are financed by them. Moreover, financing institutions also should incorporate as one of the terms of sanction of credit limits, that they will have powers of inspection of books of accounts of societies and calling for such returns as are considered necessary by them, from time to time.

17. The Jammu Central Co-operative Bank should be entrusted with the work of financial supervision over societies in Udhampur and Doda districts. The bank should not hesitate to take over this responsibility on the ground that the establishment cost on account of additional supervisors would be a drain on its resources. If the bank has its own staff to supervise societies, it can exercise better control over the working of societies and expand their business in due course. Similarly the Jammu & Kashmir State Co-operative Bank and also the other two central banks at Anantnag and Baramulla should take up the supervision over the societies in areas where this function is presently with the co-operation department.

18. Banks in Kashmir division in particular which have executive officers/inspectors/supervisors on deputation from the co-operation department, have no immediate plans on hand to replace their services with their own employees. This is not a desirable situation. It is very necessary that the supervisory staff including field officers in charge should be bank employees. The banks should immediately draw up a plan for replacing the deputationists in a phased manner. Further, while recruiting the supervisory staff, the present staff on deputation could also be considered for direct employment in the banks' services if they are *prima facie* eligible.

19. Since banks will have to diversify their lending activities and take up financing of industrial and other types of societies and also some specialized type of activities of primary agricul-

tural credit societies like consumer business, fruit marketing, etc., it is desirable that persons with a knowledge of such business are considered for recruitment to the posts of supervisors in banks. The posts of supervisors should be inter-changeable with those of clerical staff in banks as this would give an opportunity to both of them to learn and understand banking as well as field work. This would ultimately make supervision more effective and offer a wider choice for the banks for posting the staff to different positions.

20. Supervisors should be provided with suitable job-oriented training to enable them to discharge their duties efficiently. This training should cover the working of different types of societies which are financed by banks. These training courses could be arranged by the State Co-operative Union with the help of the College of Agricultural Banking, Pune and the National Council for Co-operative Training, New Delhi. We recommend that the Reserve Bank may extend necessary assistance for organization of such courses by the College of Agricultural Banking.

21. The state government, with a view to enabling banks to take over the complete responsibility in respect of supervision, may give managerial subsidy for a period of 3 years on a tapering basis to meet the additional cost on extra staff the banks would be required to have on their establishment.

22. The inspectors and supervisors of the apex and central banks are usually posted at block headquarters and are directly responsible to the officer who is at the head office or at district headquarters. Even if banks have branches in these areas, the branch managers have no control over the inspectors/supervisors. This is not a satisfactory arrangement from the view point of effective supervision. Further, the duties of supervisors and inspectors are almost identical. It is, therefore, necessary to clearly demarcate the duties of these two categories of staff. The supervisors, besides helping societies in preparation of credit limit applications, maintenance of books of account, etc., should also inspect the societies periodically and attend to recoveries. The inspector should be posted at the block level and he should supervise the work of supervisors in the block. Besides, inspec-

tors may also be required to inspect on a regular basis bigger and specialized types of societies in their jurisdiction. These inspectors may be posted in a branch of the bank in the block. In most of the blocks there are branches of the bank and those blocks which have no such branches are expected to have them soon. The branch manager may be authorized to exercise immediate control over supervisors and inspectors in his area and all the reports to the head office should be routed by supervisors/inspectors through branch managers.

23. Most of the ills from which societies suffer are the direct result of lack of proper and effective control and supervision over their work arising from the present dual control over societies by the co-operation department and the financing bank. There should be a clear cut demarcation of responsibility for supervision over societies between the co-operation department and financing banks. Financial supervision, i.e., broadly, supervision in regard to matter such as maintenance of books of account, loan transactions, recovery, utilization of loans, etc., should be the responsibility of the financing banks. General supervision should be the responsibility of the co-operation department. The question of supervision should not be left in a nebulous state and a firm date should be indicated by the state government by which time the banks should take over the responsibility for financial supervision in all the districts and areas and also over all types of societies.

24. Banks should have suitably trained technical staff to supervise specialized societies. The state government should subsidise the banks to bear the extra cost they would have to incur when they assume the responsibility of supervision over primary agricultural credit societies in the areas which are presently with the co-operation department as well as over the other types of societies in general as recommended in paragraphs 15 and 17 above. The departmental staff should be mainly concerned with aspects regarding the administration and implementation of the statutory provisions contained in the Co-operative Societies Act and Rules framed thereunder.

CHAPTER 11

PROBLEM OF DIFFICULT TERRAIN

1. This chapter deals with the term of reference number (x) which is reproduced below :

To study the problems of difficult terrain of the State as also the tribal areas and suggest, if necessary, special financial assistance and a different organizational pattern for such areas.

2. As indicated in Chapter 1, Ladakh district, which administratively forms part of the Kashmir division, has the most difficult terrain in the state. For the purpose of our study we have treated Ladakh as a separate division. Two blocks of Baramulla district, viz., Gurez and Tangdar are geographically contiguous to Ladakh and could be classified as difficult terrain. However, as data are not available in respect of these two blocks, no reference has been made to them in this Chapter. Our observations in this Chapter are, therefore, confined to the problems of difficult terrain relating to Ladakh division only. Further it is reported that there are no tribal areas in the state.

3. The area being hilly and climatic conditions reaching arctic cold, large tracts are devoid of any vegetation and means of communications are quite inadequate. Agricultural and horticultural activities have limited scope in view of the difficult terrain and the peculiar climatic conditions. The main thrust of effort, therefore, has necessarily to be on activities such as dairy farming, sheep breeding, goat rearing etc., *Pashmina* and wool are the main items available for marketing.

4. Land being not suitable for agricultural activities, people necessarily depend on supplies from outside the district for their requirements of foodgrains and other consumer goods. The cost of consumer goods and foodgrains by the time they reach the district becomes prohibitive in view of the exorbitant freight and incidental charges which are required to be incurred in arranging

the transport of these articles. The villages in the district are farflung and scattered over a vast geographical area where the means of transport and communications are hardly available. The task of reaching these areas, therefore, becomes very difficult and sometimes almost impossible. Since the district is snow-bound for almost six months in a year, it becomes necessary to make arrangements to store the requirements for a period of six months when communications are open from July to November.

5. The situation mentioned in the earlier paragraph would indicate that any credit activity through co-operatives should necessarily take care of consumer business and help the members in marketing their produce which is mainly *pashmina* and wool. The co-operative movement was launched in Ladakh in the year 1956 when the work on the organization of a primary consumer store was initiated in Leh. This store was registered in March 1958 as the Bam-i-Duniya Co-operative Wholesale Store Ltd., Leh. The objective of the store was to procure wool and *pashmina* from its members and supply consumer goods to them. The store, however, could not attend to the work of procurement of wool and *pashmina* but confined its activities to the supply of consumer goods. In the year 1961 a similar store was set up in the Kargil sub-division. Slowly other types of societies including agricultural credit societies were also organized. The position of credit and non-credit societies in the district as on 30 June 1978 is given in Table 1 at pages 252 and 253.

6. There are at present 130 co-operative societies, of which 99 are primary agricultural credit societies. About 65 per cent of the families are covered by the societies which, although known as agricultural credit societies, are mainly dealing with the supply of consumer goods. These societies are affiliated to the wholesale stores at Leh or Kargil depending on their location. The value of purchases and sales made by the co-operative societies during the years 1974-5 to 1977-8 is given in Table 2 at page 254.

7. Until 1967-8, the movement confined its activities primarily to the supply of consumer goods and marketing of agricultural produce. Marketing of agricultural produce was confined to

TABLE 1

Sr. No.	Type of Society	Number	Membership	Amount in Rupees			Govt. Working Capital Loan
				Paid-up Capital			
				Individual	Government	Total	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1. Primary Agricultural Credit Societies		99	8,395	1,09,735	3,34,000	4,43,735	—
2. Primary Non-Agricultural Credit Societies							
(i) The Govt. Employees Credit Societies		1	35	1,400	14,000	15,400	—
(ii) The Govt. Employees Housing Societies		1	126	30,650	35,000	65,650	2,00,000
3. Non-Agricultural Non-Credit Societies							
(i) Labour		3	630	6,740	—	6,740	—
(ii) Meat		2	20	8,500	14,000	22,500	—
(iii) Transport		2	43	95,500	1,02,000	1,97,500	—
(iv) Bakery		1	19	2,000	2,000	4,000	—

TABLE 1 (Contd.)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
4. Consumer Co-operatives							
(i) Tehsil Level		2	791	45,460	2,00,000	2,45,460	2,00,000
(ii) Primary Level		14	3,941	1,03,290	5,78,500	6,81,790	2,00,000
5. Marketing Societies							
(i) Tehsil Level		2	580	7,530	—	7,520	—
(ii) Block level		1	100	1,400	—	1,400	—
(iii) Primary level		1	145	3,940	3,000	6,940	—
6. Industrial Co-operatives							
Weavers		1	37	460	—	460	—
Total		130	15,062	4,16,605	12,82,500	16,99,105	6,00,000

TABLE 2

Year	Rs Lakhs	
	Purchases	Sales
1974-5	8.15	8.16
1975-6	11.06	11.52
1976-7	18.45	18.28
1977-8	18.06	20.51

marketing of vegetables. Vegetables were supplied to the Army. Besides vegetables, fruits as well as fodder were also supplied to the Army. The value of produce marketed by the marketing society at Leh during the years 1974-5 to 1977-8 is given in Table 3.

TABLE 3

Year	Rs Lakhs
	Value of Produce Marketed
1974-5	9.92
1975-6	12.48
1976-7	11.60
1977-8	10.54

8. From 1967-8, crop loans in the form of fertilizers were advanced to cultivators through primary agricultural credit societies. Fertilizers were supplied by the Kashmir Peoples Co-operative Service Ltd., Srinagar, on government account and were issued free of interest to members. The position regarding distribution of fertilizers during the period 1967-8 to 1977-8 is given in Table 4 at page 255.

9. Details of the recovery of fertilizer loans are not available. However, it is reported that recovery has been around 75 per cent.

10. The Jammu & Kashmir State Co-operative Bank functions as a central co-operative bank for the Ladakh district. The

TABLE 4

Year	In Quintals	
	Total	
1967- 8	1005	
1968- 9	1741	
1969-70	1373	
1970-71	1710	
1971- 2	2707	
1972- 3	2242	
1973- 4	2501	
1974- 5	3255	
1975- 6	2835	
1976- 7	3576	
1977- 8	3797	

bank has a branch at Leh and its staff strength comprises a branch manager, a clerk-cum-cashier and subordinate staff. Supervision over societies is with the co-operation department. The position regarding loans and advances of the branch according to latest data available is given in Table 5.

TABLE 5

Type of loan	Year of advance	Rs Lakhs			
		Amount Advanced	Amount Recovered	Balance Outstanding	Overdues
Cash Credit	1965-6 and 1966-7	2.13	1.63	0.50	0.50
M.T. Loans					
(a) For purchase of Bullocks	1970-71 and 1973-4	1.33	0.58	0.76	0.76
(b) Meat-dealers Society	1970-71	0.50	0.17	0.33	0.33
Crop Loan (Cash Component)	1971-2	2.00	1.91	0.09	0.09
Converted Short-term Loan into Long-term Loan	1973-4	0.33	0.03	0.29	0.13

11. The Jammu & Kashmir Co-operative Central Land Development Bank opened its branch at Leh in the year 1973. The staff strength of this branch is also the same as that of the branch of the Jammu & Kashmir State Co-operative Bank, viz., a branch manager, a clerk and subordinate staff. The branch has not been able to expand its activities to any significant extent and the position regarding loans issued for various purposes by it as on 30-6-1978 is given in Table 6.

TABLE 6

Purpose of Loan	Rs Lakhs			
	Amount Advanced	Amount Recovered	Balance Outstanding	Overdues
(1)	(2)	(3)	(4)	(4)
Reclamation, Levelling, Nalling and Fencing	2.97	0.63	2.34	0.03
Setting up of New Orchards	0.20	0.07	0.13	—
Purchase of Tractor and Machinery	0.91	0.39	0.52	—
Total	4.08	1.09	2.99	0.03

12. The growth of co-operative institutions is hampered by poor means of communications, unavoidable but heavy freight charges on transport of goods and also the non-availability of trained personnel to manage the affairs of the societies.

13. In the circumstances, the state government has to come forth with further financial assistance to accelerate the growth of these institutions and make concerted efforts for making available trained personnel for managing the affairs of the societies. Supply and sale societies, to which we have made a reference in Chapter 3, would be useful in Ladakh district. While reorganizing societies it may not be necessary to organize a new supply and sale society but the existing societies could be converted into supply and sale societies as suggested in Chapter 3. When supply and sale societies are formed, which are expected to undertake all types of activities, the existing societies may have to be converted, merged or liquidated, as the case may be.

14. The state government will have to give financial assistance, particularly managerial subsidy, to enable the societies to have trained employees. Besides, the government may have to provide subsidy on articles made available in these areas through these societies. The Ladakh district is covered by the Desert Development Programme and assistance available thereunder could be made use of for strengthening co-operative organizations in matters such as encouraging their members to take up subsidiary occupations like animal husbandry, sheep breeding, etc., for developing ancillary facilities including processing and marketing to ensure proper returns on the produce.

15. The scope for marketing of members' produce is confined mainly to vegetables, fruits, wool and *pashmina*. While vegetables and fruits have a local market, arrangements could be made for collection of wool and *pashmina* at the societies. The produce thus collected could be arranged to be marketed in the plain areas by the industries department of the state government. However, selling of wool and *pashmina* as such would not fetch remunerative prices. Instead, the industries department could help the local population in undertaking weaving of shawls and other articles of wool and *pashmina* and arrange for the sale of finished products. The Jammu & Kashmir State Co-operative Bank can help the local people by granting loans for purchase of sheep as well as goats. Recovery of loans could be linked with the sale of wool and *pashmina* and other articles by its members. It will be necessary for the co-operation department and other concerned departments, such as the industries department and the agriculture department to co-ordinate their activities in this regard to avoid exploitation of the people by traders and other middlemen.

16. It cannot be disputed that the banking structure has failed to provide adequate support to the various economic activities undertaken in Ladakh. These activities could broadly be classified as supply of consumer articles, commercial activities like handicrafts, *pashmina*, wool, etc., and agriculture including growing of vegetables and horticulture. Although the base level society, which will be the supply and sale type, will be

undertaking the responsibility for catering for all these activities, it is considered necessary to pin-point the responsibility on a higher financing agency for financing a particular type of activity. From this viewpoint, the society could be allowed, if necessary, to be financed by more than one institutional agency.

17. It may be mentioned in conclusion that this chapter has been prepared on the basis of a note made available by the Office of the Registrar of Co-operative Societies, Jammu & Kashmir and the observations of Shri M. Rahman one of our members. We should like to emphasize that in order to evolve a suitable strategy for providing adequate credit support, a detailed study of the problems of the difficult terrain is necessary. We, therefore, suggest that a study for the purpose may be taken up very early jointly by the Agricultural Credit Department, in Reserve Bank of India, the Agricultural Refinance and Development Corporation and the State Government.

CHAPTER 12

OTHER RELATED ISSUES

1. The last term of reference number (xiii) provides us with an opportunity to offer recommendations which are incidental or related to, the other terms of reference given to us. This chapter accordingly contains our suggestions and recommendations which are related and incidental to the various recommendations and suggestions made by us in earlier chapters.

Amendments to the Co-operative Societies Acts and Rules

2. We have noted in Chapter 6 that elections to the Board of Directors of the state co-operative bank have been delayed for six years and as yet no date has been fixed therefor. It hardly needs to be emphasized that the governing body should seek the approval of the electorate at prescribed intervals. We observe that the Co-operative Societies Act and Rules as well as the by-laws of institutions are not sufficiently clear in respect of the procedure for conducting periodical elections to the Board. We, therefore, suggest that such matters should not be left vague, but should be incorporated in the Act/Rules/by-laws so that the Board of Directors is clearly required to arrange for a general body meeting, before the expiry of its own term of office, for the election of a new Board. It should not be necessary for the governing body to wait for the notification of a date for the purpose by the Registrar of Co-operative Societies. The outgoing Board of Directors should be required to arrange for elections to the new Board at least three months before the expiry of its term and it should vacate office as soon as its term is over. It is not a healthy practice to allow the Board to continue indefinitely after its term is over. As a matter of principle, the Registrar of Co-operative Societies should intervene if the Board fails to convene a general meeting and hold election before the expiry of its term of office as indicated above. Under such circumstances, the Registrar may supersede the Board. The Administrator appointed in its place should be bound to convene a general body meeting to elect a new Board within three months

of such supersession of the Board. Suitable provision may be made to this effect in the Co-operative Societies Act and Rules as well as the by-laws of co-operative banks.

3. The Boards of management of the Anantnag Central Co-operative Bank and Baramulla Central Co-operative Bank were superseded in the year 1975 and the administrators/authority have been continuing to manage the affairs of the banks even now. According to the provisions of Section 29(1) of the Jammu & Kashmir Co-operative Societies Act, the Registrar of Co-operative Societies is authorized to appoint an administrator to manage the affairs of a society for a period not exceeding six months which period may, at the discretion of the Registrar, be extended from time to time so that the aggregate period does not exceed one and half years. The provision, as commented by us in Chapter 5, is being circumvented by changing the administrator or by changing the composition of the authority from time to time. With a view to checking such unhealthy practices, the relevant provisions in the said section may be amended so as to clearly fix the maximum period up to which an institution can continuously be kept under the control and management of an administrator/authority.

4. The by-laws of the apex and central banks as well as the Co-operative Societies Act and Rules provide for disqualifying a defaulter from becoming a member of the managing committee. There is, however, no specific provision either in the by-laws of the apex and central banks or in the State Co-operative Societies Act and Rules to debar a representative of a defaulting society from continuing on the Board of management of another society on its behalf. In the absence of such a disqualification, the concerned representative, obviously, feels no necessity or is not obliged to make efforts, by using his local influence and contacts, in arranging clearance of the default by the institution represented by him. Further, even if a defaulter is disqualified from becoming a member of the managing committee, such an action is generally not taken by the institutions against the defaulter as in terms of Rule 2(e) of the Jammu & Kashmir Co-operative Societies Rules 1968, a defaulter is defined as

any co-operative society or any person against which/whom a decree has been obtained. It is thus interpreted that the disqualification is attracted by a defaulter only when a decree is obtained against him. Thus, despite defaults in repayment of dues, a person or a society continues to enjoy all the benefits of non-defaulting members/societies. Such a definition is not in the interest of the healthy growth of the co-operative movement and it is of utmost importance to amend the Act and Rules to define a defaulter as the one who has failed to repay his dues on the due date and also to ensure that such defaulter *ipso facto* ceases to be a member of the governing body of any co-operative institution.

5. As per the provisions of Section 60(3) of the Jammu & Kashmir Co-operative Societies Act, financing institutions require authorization from the Registrar in writing to carry out inspection of the societies financed by them through their paid staff. Such an authorization is not considered necessary because it is the normal right of a financing institution to inspect institutions which are indebted. In this context, we recommend amendment of the relevant Section of the Act, viz., Section 60(3) to empower the financing institutions to carry out inspection of institutions financed by them on their own. The relevant amendment may be on the lines of Section 53 of the Andhra Pradesh Co-operative Societies Act 1964 which is reproduced below :

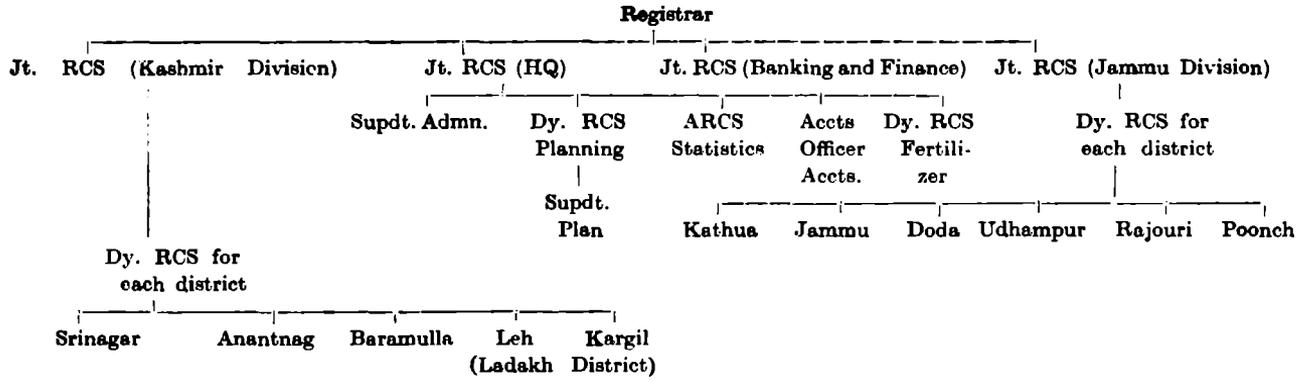
A financing bank or a federal society shall have the right to inspect the books of any society which is indebted to it. The inspection may be made either by an officer of the financing bank or federal society authorised by the committee of such bank or society or by a member of its paid staff certified by the Registrar as competent to undertake such inspection. The officer or member so inspecting shall at all reasonable time have free access to the books of accounts, documents, securities, cash and other properties belonging to or in the custody of the society and may also call for such information, statements and returns as may be necessary to ascertain the financial condition of the society and the safety of the sums lent to it by such bank or society.

Departmental Set-up

6. The present set-up of the co-operation department is given in the chart shown at page 263.

7. Below the district level, the departmental field staff is posted in the blocks. In each block there is one Assistant Registrar who is assisted by one or two supervisors. The supporting staff normally comprises a clerk and a peon. The Assistant Registrar, besides being entrusted with the administration of the Act and Rules is also required to shoulder the additional responsibility of exercising financial supervision generally over the societies other than industrial and agricultural credit societies. Although financial supervision over agricultural societies is generally with the banks, in certain blocks/districts as mentioned in paragraph 5 of Chapter 10 this responsibility is still with the co-operation department. But there is no corresponding addition to the staff strength in these areas. Besides, cases relating to the arbitration, execution of decrees, etc., are also required to be attended to by the same staff. This is the normal quota of their work and many a time they are called upon to attend to various other types of work such as ensuring supply of fertilizers, consumer articles like sugar, edible oil, etc. Moreover, the work is made difficult in some of the areas of the state where communication facilities are poor. Consequently the staff gives priority to the disposal of matters which are of immediate importance. At the Registrar's office also, the supporting staff is inadequate particularly in the Planning and Statistics Divisions.

8. We have noted in the Introductory chapter as well as in Chapter 3 that the office of the Registrar of Co-operative Societies has not been able to supply us with up-to-date statistical information regarding the co-operatives in the state. The department has not yet been able to prepare and publish annual reports and relevant statistical tables after the year 1970-71. This is mainly due to poor reporting system and the absence of a well-organized statistical cell at the head office to monitor and analyse data on important aspects of the movement. The absence of up-to-date data handicaps the process of planning also. We therefore, suggest that the staff of the co-operation department



should be suitably strengthened by the state government to enable the Registrar to discharge his legitimate responsibilities. The number of officers/personnel required and the cadres where the strengthening should be effected may be decided by the state government at an early date.

9. The audit staff of the department also needs to be suitably strengthened. The present set-up of the audit wing is that it has two Joint Registrars, one each for Kashmir and Jammu divisions, who are assisted by district audit officers of the rank of Deputy Registrar of Co-operative Societies posted at each district. At the junior level, there are senior auditors and auditors to carry out audit of the institutions. While senior auditors deal with apex institutions and district institutions, the auditors are entrusted with the audit of societies. The system of concurrent audit is prevalent in the apex level and a few intermediate level institutions. The audit wing is required to audit societies sponsored by other departments like the horticulture directorate, directorate of handicrafts and khadi and village industries board. The present strength of the audit wing is quite inadequate. This is reflected in arrears in audit of the various societies. As on 30-6-1978 number of societies not audited for three years and above was 1282 of which 754 had not been audited for more than three years. If institutions are not audited for quite some time, misappropriation of funds is likely to go undetected. With a view to completing the audit in arrears and to avoid such arrears in future, the staff strength of the audit wing also needs to be augmented suitably. The system of concurrent audit should be introduced for all the apex, regional, district level institutions as well as co-operative super bazars where the turnover of business is generally high. Further, the audit staff in the areas of difficult terrain may not be separated from the staff administering the Co-operative Societies Act and Rules as otherwise it would result in high overheads *vis-a-vis* the number of societies. It may also be inconvenient to post a large number of staff for different functions in areas of difficult terrain.

10. As noted in Chapters 3, 5 and 6 arbitration cases as well as the execution of decrees are in large arrears at the departmental

level. This, as we have observed in paragraph 7 above, is on account of paucity of staff to attend to such items of work. We, therefore, suggest that the Registrar should introduce the measures recommended in paragraph 19 of Chapter 7 in order to speed up the disposal of arbitration and execution references. However, as an initial measure, the officers in co-operative banks who are on deputation from the co-operation department may be authorized to act as special sale officers. Financing banks may also be provided with the services of special recovery officers, who may be of the rank of Assistant Registrars to attend to matters relating to the execution of decrees. The State Co-operative Societies Act and Rules may suitably be amended for the purpose as has been done in states such as Maharashtra and Madhya Pradesh.

11. While strengthening the establishment of the Registrar's office, a note has to be taken of the pivotal role the Registrar has to play in directing the implementation of our recommendations not only in his own department and at the level of co-operative institutions but also at the state government level. Continuity of planned and co-ordinated action on his part is, therefore, essential. The incumbent to the post of the Registrar in such circumstances, should hold office for a fairly long period, say at least up to 5 years as recommended by the Committee on Co-operative Administration in 1963. We should like to stress in this regard that if the incumbent to the post of the Registrar of Co-operative Societies is due for promotion in a higher scale before his term for 5 years is over, the post of Registrar itself may be elevated temporarily to that scale so that he could be continued in that post itself to complete his term.

Directorates of Sheep and Animal Husbandry

12. These two Directorates are attending to the various programmes connected with dairy and wool development in the state. For this purpose, besides arranging the supply of better breed of animals and providing cross-breeding facilities for improving the indigenous breed, health cover facilities are provided. Most of the health cover facilities are free of cost. The availability of such facilities would help co-operative institutions in developing their medium-term loan business by providing finance

for purchase of milch cattle and sheep. However, what is more important in this regard is to ensure organized marketing of the members' produce for which purpose there should be co-ordinated efforts on the part of these Directorates as well as credit institutions.

SFDA

13. In almost all the districts the SFDA have been set up. Although subsidies are provided by them for various purposes to identified small/marginal farmers, it is observed that there are no planned efforts for identification of such farmers and for publicising the assistance available. We suggest that the block development officers should be made fully familiar with the programmes of these Agencies and the programmes may be suitably publicised at the village level through village-level workers. Besides, societies and also co-operative banks should be apprised of such programmes as financing of these programmes through co-operative banks/societies would be mutually advantageous. The present practice of referring individual cases either to a co-operative or a commercial bank is far from satisfactory and has to be given up in favour of financing through societies situated in compact areas. Extension work by the Small Farmers Development Agency and block development offices need co-ordination for giving due publicity for the facilities available from them and for identifying and sponsoring small/marginal farmers.

Jammu and Kashmir Co-operative Supply and Marketing Federation

14. The Jammu and Kashmir Co-operative Supply and Marketing Federation was originally registered as the Co-operative Supply and Sale Society in the year 1941-2. It assumed its present name in October 1960. The area of operation of the society extends to the entire state and its headquarter is at Jammu. Although it is an apex body at the state level and its area extends to the entire state, the activities of the Federation are mainly confined to the Jammu division. In the Kashmir division there is a regional society, viz., Kashmir Peoples Co-operative Service which for all practical purposes is a parallel

agency having an area of operation covering the entire Kashmir division including Ladakh district. It is working on the same pattern as that of the Federation. The Board of the Federation has been superseded in December 1969 and since then it continues to be under an administrator. Similar is the position with regard to the Kashmir Peoples Co-operative Service. The main business of the Federation is supply of agricultural inputs and consumer goods. As regards agricultural inputs the major business relates to sale and distribution of fertilizers. The fertilizer business is being handled on commercial basis since 1974-5. Under this arrangement, the Federation is required to procure stocks out of its own funds. It has obtained credit facilities from the Jammu Central Co-operative Bank for this purpose and supplemented the same by obtaining additional credit facilities from the Reserve Bank through the State Co-operative Bank which routes the funds through Jammu Central Co-operative Bank. For handling fertilizer distribution, the Federation is entitled to a certain percentage of commission and incidental charges as decided by the state government which are reportedly inadequate to meet the actual expenditure. Similarly provisions allowed for shortage in transit and in godowns are said to be inadequate. This situation has resulted in considerable loss to the Federation. We recommend that this aspect may be examined by the state government and suitable remedial measures taken to ensure that the Federation does not suffer loss in handling fertilizer business.

15. The Federation has been giving credit facilities for sale of fertilizers to the marketing and agricultural credit societies up to 2 months. However, there has been no check on the part of the Federation to ensure whether the sale proceeds realized are remitted in its account immediately. Even when remitted through the central co-operative banks, it was observed that the Federation has not been getting credit advices from the concerned central co-operative banks. This delay adds to the overheads of the Federation in respect of interest payment on its borrowings. There should be strict check and watch on sales effected by societies by the Federation and co-ordination between the apex and central co-operative banks on the one hand and the Federation on the

other to pass adjustment entries in respect of sale proceeds realized and remitted. The accounts should be reconciled invariably every month by the Federation. If any bank for no justifiable reason delays adjustments of sale proceeds, the concerned bank should be penalised by charging a rate of interest of 2 per cent above its borrowing rate for the amount in default.

16. The Federation has no field staff of its own for spot visits to see what is happening to the stocks sent on credit to the affiliated marketing societies and agricultural credit societies and mainly depends on the Assistant Registrars at every block for exercising control in this behalf. In the absence of proper control over affiliated societies, the existing stock position is not known to the Federation which delays its submission of stock statements to the financing bank. Even when the statements are received from affiliated societies, the details of sales, particulars of the amounts remitted to the bank, etc., are not available. There should be strict watch on societies lifting stocks both in respect of disposal of stocks as well as proceeds realized. To ensure this the Federation should have supervisors of its own who will conduct surprise visits and check the stock position and verify the manner in which the sale proceeds have been utilized by the societies. Since the Federation is doing business on its own account and is responsible for repayment of its borrowings it has to take adequate precautions to ensure that stocks are properly accounted for.

17. The Federation, although doing business on its own, appears to have no control in respect of purchase or sale of fertilizers. It has been stocking and selling fertilizers entirely on the advice of the Agriculture Department which reportedly is not realistic in respect of demand for fertilizers as the actual off-take of fertilizers in the earlier year is not taken into account before estimates for the current year are arrived at. The estimate of fertilizer requirements should be based on the actual use of fertilizers by farmers in earlier years. Apart from the off-take in the previous year, a reasonable level of growth say about 10 to 15 per cent could also be added to the estimates. In this manner the Federation could be saved interest payment in respect of excess stocks held. The state government, therefore, should associate the autho-

rities of the Marketing Federation in finalizing arrangements for supply and distribution of fertilizers before the ensuing season. If the Federation is obliged to hold on to stocks beyond the estimated sales on the instructions of the government, the Federation should be compensated by the state government towards excess interest and storage charges paid by the Federation.

18. The state government is distributing *taccavi* loans in kind to cultivators. The kind portion is generally fertilizers. The *taccavi* loans are distributed on the recommendation of the block level officers and Assistant Registrars of Co-operative Societies. But the Federation has not been receiving the details in respect of fertilizers distributed as *taccavi* loans. The accounts relating to such loans have remained unreconciled for several years resulting in loss of interest to the Federation. The present arrangements in this regard need change. When *taccavi* loans are issued, copies of orders as well as details of fertilizers distributed should be supplied to the Federation by the state government. The Federation should tabulate the details and find out its actual involvement in respect of *taccavi* loans and bill the government accordingly.

19. We are of the opinion that when the state government has required the Federation to undertake fertilizer business on a commercial basis the best course in this regard is to allow the Federation to charge the price of fertilizers according to its estimates of expenses required to be incurred on this business. However, if the state government wants the Federation not to charge a price for fertilizer beyond a particular limit, it should examine the overheads the Federation has to incur and fix the price after providing for a reasonable profit. In the alternative, as indicated in paragraphs 14 and 17 above, the Federation should be compensated for the loss sustained in selling stocks at rates fixed by the government.

20. The Federation has not been able to attend to the handling of agricultural implements in a business like manner mostly because of lack of expertise in this field. In 1977-8 the Federation has been entrusted with the procurement business of paddy on an agency basis. As for the business in consumer goods it is mostly confined to the distribution of levy sugar in the rural

areas and sale of controlled commodities and other essential consumer goods. The Federation may have to handover this business to the Consumers' Federation which has since been organized in the State.

21. The Kashmir Peoples Co-operative Service, as indicated in paragraph 14, acts as a parallel agency in the Kashmir valley and attends to all functions as in the case of the Federation in Jammu division. As regards fertilizers it lifts the stocks from the Federation as the latter works as the sole purchasing agency for the state. The defects noted in the working of the Federation are observed in the Kashmir Peoples Co-operative Service also and our recommendations relating to the Federation are applicable to the Kashmir Peoples Co-operative Service as well.

22. The Federation as well as the Kashmir Peoples Co-operative Service have their key personnel on deputation from the state government. This is not a desirable arrangement in the long run. The staff on deputation should be replaced in a phased manner by open recruitment. Steps should also be taken to restore democratic management in both the Federation and Kashmir Peoples Co-operative Service as early as possible.

23. Further, it is clear from the working of the Federation as well as the Kashmir Peoples Co-operative Service that they are not acting as real marketing federations which are expected to help their affiliated societies in marketing members' produce. As noted in paragraph 60 of Chapter 3, primary marketing societies, mostly located at block headquarters, merely act as agents of the federations in distributing fertilizers and consumer articles and they do not render any service for marketing agricultural produce of the members of primary agricultural credit societies. The Federation and the Kashmir Peoples Co-operative Service will have to help the reorganized primary agricultural credit societies in marketing their members' produce to ensure fair return for their produce and effect linking of credit with marketing.

*Arrangements for Training of
Co-operative Personnel*

24. We have noted in Chapters 5 and 6 that most of the staff members of the apex and central co-operative banks are untrained

and are not well equipped to attend to their jobs. This is particularly more in evidence in the case of intermediate and junior personnel. To enable the central co-operative banks to meet the credit requirements in the field of agriculture and allied activities effectively it is necessary that they are manned by adequately trained staff. Therefore, the staff members already in position have to be deputed for suitable job-oriented training courses. Besides, the candidates selected for posting as cadre secretaries in the societies are also required to be trained before they are posted in the societies. It is expected, as noted in Chapter 3, that about 800 candidates will have to be trained in the course of the next two years so that each society will have a trained secretary by the end of June 1980. Before making suggestions for training of the co-operative personnel we should like to refer briefly to the facilities available in this behalf in the state.

25. At present, there are two co-operative training centres in the state which are run by the Jammu and Kashmir State Co-operative Union. These centres are located at Srinagar and Jammu. The training courses that have been arranged by the Union in 1977-8 are given in Table 1.

TABLE 1

Sr. No.	Name of Centre	Name of Course	No. of Trainees
(1)	(2)	(3)	(4)
1.	Srinagar Training Centre	Management Trainees	14
2.	—do—	—do—	5
3.	—do—	In Service	12
4.	—do—	Common Cadre Accountants	5
5.	—do—	In Service Candidates (2 weeks duration)	8
6.	—do—	Short Duration Course (13 weeks) for Employees of Industrial Co-operatives	40
Jammu Training Centre			
1.	—do—	Junior Management Course in Banking	13
2.	—do—	Common Cadre Accountants	38

During the period 1971-2 to 1976-7, 98 departmental personnel and 577 institutional candidates have been trained in the various courses organized by the Union. The centre-wise details are given in Table 2.

TABLE 2

Year	Departmental		Institutional		Direct		Total
	Srinagar	Jammu	Srinagar	Jammu	Srinagar	Jammu	
1971-2	---	---	46	61	---	---	107
1972-3	---	---	34	66	---	---	100
1973-4	---	---	44	41	---	---	85
1974-5	33	36	109	116	---	---	294
1975-6	---	---	---	---	---	---	---
1976-7	21	8	27	33	---	---	89
Total	54	44	260	317			675

26. As can be seen from Table 2, the Srinagar centre has not been able to turn out candidates from co-operative institutions in as large a number as in the case of the Jammu centre. Further, the candidates sponsored by the co-operation department are also not very large compared to the total staff strength. Besides, there has not been a single instance of a private candidate availing himself of the training facilities. The details of courses proposed to be arranged in 1978-9 are as given in Table 3 at page 273.

27. The capacity of each training centre is 30 candidates per session which could be stretched to 40-50 candidates per session. The Union will have to concentrate its efforts in the next two years on training of candidates recruited as cadre secretaries. We have suggested in Chapter 3 that with a view to completing the training of a large number of candidates, the duration of the training prescribed at 6 months may be condensed to 3 or 4 months. The Jammu and Kashmir State Co-operative Union and the Registrar of Co-operative Societies may consider this suggestion for revision of the course contents at a very early date and also make arrangements with the assistance of the National Co-operative Union of India for training of candidates in the neighbouring states of Punjab and Haryana, if necessary.

TABLE 3

Sr. No.	Training Course	No. that may be brought during the year for which training is required	No. of Sessions per Centre	Duration
A. Institutional				
1.	Cadre Personnel of Primary Agricultural Credit Societies	150	2	6 months
2.	Non-cadre Personnel of the Primary Agricultural Credit Societies	50	1	6 months
3.	Junior Level Staff of Primary Marketing Societies	50	1	3 months
4.	Junior Staff (e.g., Supervisors, Clerks) from Banks	50	1	3 months
5.	Staff of Industrial Co-operative Societies	50	1	3 months
B. Departmental				
6.	Auditors	50	1	3 months
7.	Management Trainees	20	1	12 months

28. The training of the staff of co-operative banks such as clerks, cashiers, etc., could be arranged in a condensed course of a short duration of say 15 days for a smaller number of candidates at one time as the banks will be able to depute only a few staff members in view of their limited staff strength. If the courses are conducted on a part-time basis, for the staff of the Anantnag and Baramulla Central Co-operative Banks as they are away from Srinagar, payment of travelling allowance will be necessary. The expenditure may be borne by the concerned banks as this training is in their own interest. Alternatively, short duration courses can be arranged by the Jammu and Kashmir State Co-operative Union at the headquarters of the banks during the intervening period between two regular courses in the training centres. As for the training of the intermediate level personnel and also senior officers, the banks should continue to depute the staff as at present but in much large numbers for training in institutions run by the National Council for Co-operative Training.

29. Although training is a very important aspect, unfortunately it has not been receiving due attention from managements of co-operative banks and the co-operation department. Many of the ills from which co-operatives of the state suffer, could be attributed to their being managed, by and large, by untrained and ill-equipped personnel at various levels. In the earlier paragraphs, we have outlined the measures that have to be taken by managements of the banks to properly train their staff to enable them to discharge their duties efficiently and effectively. In paragraph 44 of Chapter 6 we have suggested that the subject of training should be handled by the Development Cell of the Jammu & Kashmir State Co-operative Bank directly under the charge of the managing director. The Development Cell of the apex bank should be responsible for formulating programmes for training of not only the staff of the state co-operative bank but also of the central co-operative banks and other co-operatives in the state. The Cell should keep close liaison with co-operative banks, the Co-operative Union and training institutions in the state. In the central co-operative banks also, an officer of senior grade should look after training. In view of the limited staff strength at senior level in central co-operative banks, it would be enough if, for the present, the officer attending to the work in the developmental section looks after the training aspects and reports to the managing director/general manager of the banks concerned.

30. The existing staff strength of the training centres which comprise of a Principal and two instructors each should be strengthened suitably to help them to shoulder the additional responsibility for arranging training of various categories of personnel.

31. The member-education programme is also of prime importance for the success of the co-operative movement. The National Co-operative Union of India has already sponsored such programmes in the state. These programmes may be arranged in all the districts in a phased manner and the state government may come forward to provide funds for the purpose as is required under the scheme of the National Co-operative Union of India. Along with reorganization of societies, it is essential that the members

of managing committees are suitably educated in regard to the working of societies. Such training will enable them to have an understanding of the various duties they are expected to perform. The Jammu and Kashmir State Co-operative Union may arrange special programmes for the benefit of managing committee members of societies in all the districts on a priority basis.

32. The financial position of the state co-operative union is very weak and it depends for its activities mostly on funds made available by the state government and the National Co-operative Union of India. Normally, co-operative societies contribute to the funds of the state co-operative union in relation to a certain percentage of their profits. In the Jammu & Kashmir also, the societies are required to make such contributions if they work at a profit and declare a dividend of 4 per cent and above. This provision regarding contributions to the fund subject to a declaration of dividend has nullified in effect the contributions from co-operative societies as none of the societies is declaring dividend and even if any institution declares it, the percentage does not normally exceed 3. Since the training programme is of basic importance for management of institutions, contributions to the Union funds should not be restricted to societies declaring dividend of 4 per cent, and above but should be from all the societies working at profit.

Interest Margin

33. The Study Group on Interest Rates in the Co-operative Credit Structure appointed by the Reserve Bank of India in October 1977 which submitted its report in June 1978 has gone into the aspects of margins and lending rates at various levels in detail. It has recommended that the state co-operative bank can retain a margin in relation to the Reserve Bank's refinance rate within the range of 0.50 per cent to 0.75 per cent in respect of short-term agricultural loans and within the range of 0.25 per cent to 0.50 per cent in respect of medium-term agricultural loans. At the central bank level they can retain a margin within the range of 2 per cent to 2.25 per cent (over the concerned apex bank's refinance rate) in respect of its short-term and medium-term agricultural loan business. The apex banks functioning as central

financing agencies may retain a margin within the range of 2.50 per cent to 2.75 per cent on short-term and medium-term agricultural loan business. The primary level can retain a margin of 2.50 per cent on short-term and medium-term agricultural loan business. The present rates of interest charged by credit agencies at different levels for various purposes are given in Table 4.

TABLE 4

Rate of Interest and Margin (in per cent)

	Jammu & Kashmir State Co-op. Bank		Jammu Central Co-operative Bank		Anantnag Central Co-operative Bank		Baramulla Central Co-operative Bank	
	Bk.	Socy.	Bk.	Socy.	Bk.	Socy.	Bk.	Socy.
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
I Short-term Agricultural Loans (SAO)								
(i) Lending Rate	9½	N.A.	9½	13	9½	12	9½	12
(ii) Margin	2½	N.A.	1½	3½	1½	2½	1½	2½
II Medium-term for Agricultural Purposes								
(i) Lending Rate	10½	N.A.	11½	14	10½	12½	10½	12½
(ii) Margin	2½	N.A.	2½	2½	1½	2½	2	2
Note : (i) Bk : At bank level (ii) Socy: At society level								

The margins at all the levels were not unduly high keeping in view the contributions central co-operative banks and primary agricultural credit societies were expected to make towards the Cadre Fund for secretaries of societies at 0.50 per cent and 1.25 per cent respectively. In March 1978, the Reserve Bank has reduced the rate of interest on its refinance to co-operative banks for seasonal agricultural operations and medium-term agricultural loans by one per cent and with this, it should be possible for the ultimate borrower from a co-operative credit society in the state to get agricultural loans at 11-12 per cent.

Conclusions

34. We have made various suggestions and recommendations for administratively and organizationally strengthening and streamlining the working of co-operatives in the state with a view to enabling them to help various programmes of the state in the fields of agriculture and allied activities. The suggestions contained in this Report should, therefore, be treated as a package of proposals and implemented with all vigour and initiative to derive maximum benefits.

35. Our recommendations when fully implemented will rejuvenate the entire co-operative movement which is practically in a moribund condition at present and would enable co-operatives to take up their due role in the economic development of the state. We hope that the co-operative leaders, co-operative banks and the state government will accept and implement our recommendations effectively and quickly.

36. For ensuring implementation of our recommendations, a state level committee may be set up by the Government of Jammu & Kashmir under the chairmanship of its Chief Secretary. The other members may be the Secretary, Agriculture Production Department, Registrar of Co-operative Societies, Director, Directorate of Horticulture (Planning and Marketing), Directors in charge of the Sheep and Animal Husbandry Directorates, a representative each of the Reserve Bank's Agricultural Credit Department and Department of Banking Operations and Development at Jammu and a senior representative of the Jammu & Kashmir State Co-operative Bank. The committee should meet periodically to review the progress of implementation of the various recommendations made in this Report and bring about co-ordination and assist in timely implementation.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

Chapter 2—Position of Agricultural Credit

1. A routine way of calculating the credit requirements is to take into consideration the cropping pattern and the average per hectare outlay in respect of each crop, but this entire amount cannot be considered as the credit requirement because a part of the outlay is normally met by the cultivators themselves and all the cultivators may not approach institutional agencies for their credit requirements and even those who seek loans may not require the full amount of loans needed by them. In the circumstances about 50 per cent of the credit requirements arrived at on the above basis could normally be considered as the actual credit needs to be met by institutional agencies. (para 2)

2. In the absence of block-wise data of major crops grown and the area thereunder and scientifically worked out scales of finance for various crops, a correct estimate of the credit requirements has not been possible. In view of this we have adopted the following scales for estimating production credit needs which would suit local requirements.

(i) In view of availability of irrigation facilities and predominance of fruit crops particularly apples which need a higher scale of finance, the credit requirements in 3 districts, viz., Anantnag, Baramulla and Srinagar are relatively high and have been assumed at Rs 350 per hectare for irrigated land and Rs 150 per hectare for unirrigated land.

(ii) In view of the predominantly hilly terrain, meagre irrigation facilities and production of low value food crops the credit requirements for the 4 districts of Jammu division, viz., Doda, Poonch, Rajouri and Udhampur have been estimated at Rs 250 per hectare of irrigated land and Rs 100 per hectare of unirrigated land.

(iii) For the two districts of Jammu and Kathua of Jammu division where irrigation facilities are relatively better, credit requirements are estimated at Rs 300 per hectare of irrigated land and Rs 125 per hectare of unirrigated land.

(iv) Because of the peculiar terrain and the availability of irrigation facilities the credit requirement in Ladakh district has been estimated at Rs 250 per hectare of cultivable land. (Para 5)

3. Keeping in view the present level of institutional credit support and the capacity of the existing institutions to tone up their performance within the next 5-year period ending 1982-3, the production credit needs have been estimated at Rs 17 crores. However, the credit requirements may go up to about Rs 20 crores in view of the increased acreage proposed to be brought under apple cultivation by the state government. Further, new projects for horticulture, fodder development and sheep breeding with assistance from the International Development Association of the World Bank are expected to be taken up shortly for implementation, thereby creating a demand for more short-term production credit. (para 7)

4. The agricultural credit gap in the state as a whole is about 80 per cent and it is highest in Ladakh division (88 per cent) followed by Kashmir division (86 per cent) and Jammu division (71 per cent). Between the districts it is highest in Srinagar (95 per cent) and lowest in Poonch (27 per cent). Although there may be some reduction in the credit inadequacies after 1975-6, taking into account the past performance of co-operatives, their efforts to provide production credit will have to be supplemented by commercial banks and regional rural banks. (para 8)

5. Although the scope for increasing short-term production credit is relatively low there is large scope for advancing medium-term loans especially for financing purchase of milch cattle and sheep. The Animal Husbandry and Sheep Husbandry Departments of the state government have already provided and are continuing their efforts to provide infrastructural facilities for improving breeds and for upkeep of animals. However, in the absence of any scheme formulation and a detailed study in this

regard it is difficult to estimate the medium-term credit requirements on a realistic basis. Assuming that 25 per cent of the cultivating households are to be provided with at least a unit of either milch cattle or sheep costing Rs 3500 per unit, the total medium-term credit requirements would work out to Rs 55 crores for the state. But in view of the difficulty of achieving the potential over a period of the next few years due to non-availability of sufficient number of animals of better breed as well as enough fodder and pasture, the medium-term credit requirements that could be met in the next five years could be placed at Rs 25 crores i.e., a little less than 50 per cent of the estimated requirements. (paras 9 and 10)

Chapter — 3 — Base level Co-operative Credit Institutions

6. The needs of the people, particularly in the hilly areas, are varied and inter-related and, therefore, the base level organization should necessarily take up the functions of dispensation of credit and supply of inputs and consumer articles along with marketing of the produce of their members. A single society can undertake all these functions provided it is a structurally and operationally strong and viable unit manned by qualified and trained personnel. (para 3)

7. As at the end of June 1976 there were 1399 primary agricultural credit societies with a membership of 3.60 lakhs. Their total owned funds aggregated Rs 127.6 lakhs and the loans outstanding against members amounted to Rs 573 lakhs of which as much as Rs 172 lakhs were overdue. (para 5)

8. The coverage by agricultural credit societies which was 45 per cent of the cultivating families at the end of 1970-71 has increased to 60 per cent at the end of 1975-6. The borrowing membership and indebted membership stood at 54 per cent and 58 per cent respectively of the total membership and almost 37 per cent of the indebted members were in default as at the end of 1975-6. (para 9)

9. Although the internal resources of the agricultural credit societies have registered an increase, the increased lending by them has been sustained mainly by borrowings as is evident from

the fact that while the outstanding advances increased by Rs 388.19 lakhs, the increase in the internal resources was only Rs 75.33 lakhs during the five-year period ended 1975-6. (para 10)

10. The loans issued by the societies during the period 1970-71 to 1975-6 increased from Rs 94.46 lakhs to Rs 196.46 lakhs. The loans outstanding have also increased from Rs 200.54 lakhs to Rs 588.73 lakhs during the same period with the bulk of the advances at Rs 449.68 lakhs being for the short-term agricultural purposes. (para 11)

11. The overdues of the societies have increased from Rs 110.88 lakhs forming 55 per cent of the outstandings at the end of June 1971 to Rs 213.70 lakhs forming 36 per cent of the outstandings at the end of June 1976 and exceeded the internal resources of the societies at Rs 161.52 lakhs. (para 12)

12. Except for mobilization of deposits, the societies in the Kashmir division have gone ahead of those in the Jammu division. There are several reasons for this imbalance such as predominance of cash crops and the functioning of two central co-operative banks and the state co-operative bank to finance the societies directly in Kashmir division. The entire requirements of Jammu division have to be looked after by the Jammu Central Co-operative Bank against heavy odds such as hilly terrain, sprawling area of operation, absence of its own supervisory machinery in two districts and the adverse impact of overdues in certain districts on the overall borrowing capacity of the bank from the higher financing agencies. (para 15)

13. The number of primary agricultural credit societies in the state has increased during the five-year period ended 1975-6 despite the indication by the state government following a survey in 1970-71 that only 785 societies could be sustained in the state excluding Ladakh. Although the Registrar of Co-operative Societies issued instructions for initiating action for reorganizing the primary structure in a phased manner so as to complete the work by December 1971 the number of societies has increased indicating that not only no action has been taken to carry out the instructions but also new societies have been organized in the areas of existing societies which are themselves not viable. (para 16)

14. From the available information in respect of 1135 societies as many as 701 societies are having a loan business below Rs 0.50 lakh and of these more than 60 per cent are having loan business below Rs 0.25 lakh. Societies with a loan business between Rs 0.50 lakh and Rs 0.75 lakh and between Rs 0.75 lakh and Rs 1.00 lakh form another 14 and 8 per cent of the total number of societies respectively which means that about 84 per cent of the societies are having loan business below Rs 1 lakh. Societies having loan business between Rs 1 lakh and Rs 2 lakhs number 137 and above Rs 2 lakhs number 55. Between Jammu and Kashmir divisions the level of loan business is relatively better in respect of societies in the Kashmir division inasmuch as 56 per cent of societies are having loan business above Rs 0.50 lakh each as against 24 per cent in the Jammu division. This would indicate that a large number of societies are having very poor loan business far below the norms considered necessary for attaining viability, namely Rs 2.00 lakhs. Therefore, in view of the physical differences between the divisions as well as the districts the concept of viability and the norms will have to be modified to suit local conditions. (para 18)

15. The concept of full-time paid secretaries has yet to gain acceptance at the base level in the state and, by and large, the societies are managed by part-time accountants or salesmen. In many districts, societies have honorary secretaries and where there are salesmen they are generally engaged in non-credit business for which the salesmen get a share of the total commission earned by the societies. Salesmen are managing more societies in Kashmir division than in other divisions. The societies in Kashmir division have sizeable non-credit business offering more scope for earning larger share of commission. The practice of remunerating the salesmen in relation to the commission earned on non-credit business leads not only to the salesmen not evincing any interest in the credit business but also in discouraging credit business as it involves labour without remuneration. This has been one of the most unsatisfactory features of the base level co-operative credit structure in the state and a stumbling block in the way of its development and strengthening. (para 20)

16. Out of 1295 societies in Jammu and Kashmir division, 824 societies i.e. 64 per cent are handling distribution business and the total value of goods supplied aggregated Rs 407.87 lakhs of which the value of consumer goods amounted to Rs 193.24 lakhs as on 30-6-1976. The average non-credit business, excluding marketing of produce per society works out to around Rs 0.49 lakh. Societies numbering 910 in the Jammu and Kashmir divisions are working in profit but the profit earned being nominal, the societies, by and large, are not able to declare any dividend or strengthen their internal resources. (para 22)

17. The state government have decided to introduce a common cadre of secretaries and accountants for primary agricultural credit societies in the state. The scheme within the jurisdiction of each co-operative bank is to be administered by an Administrative Committee consisting of the Chairman of the concerned bank, two Directors nominated by the Board of the bank, a representative of the Registrar of Co-operative Societies and the General Manager or Managing Director of the bank who will act as a member-secretary. The Administrative Committee will recruit the candidates for the cadre and arrange for their training. The Committee has to constitute a fund and determine the rate of contributions. However, the scheme envisaged suffers from certain drawbacks as mentioned below :

(i) As the cadre is meant for the entire area of operation of a bank, the cadre employees in Anantnag and Baramulla districts will be required to work in one district only whereas the cadre employees in the case of the state co-operative bank and Jammu Central Co-operative Bank will be liable for posting in two and six districts respectively;

(ii) In view of separate Administrative Committees for each bank there may not be uniformity in approach in fixing the emoluments of the cadre employees;

(iii) Most of the existing societies have meagre loan business and, therefore, cannot afford to appoint and pay for an employee from the common cadre. The introduction of a common cadre scheme presupposes reorganization of societies which has not commenced so far;

(iv) The problem of the salesman working in the societies has to be sorted out as a paid employee from the common cadre and a salesman earning a commission cannot continue to work together. In view of this the paid common cadre employee has to be made responsible for the entire working of the society;

(v) There is no gradation of the posts on the basis of loan business, working capital etc., resulting in uneven workload and lack of avenues for promotion;

(vi) The contribution to the Fund has to come from the state co-operative bank at 0.25 per cent of the interest recovered on short-term and medium-term loans from the central banks availed of from the Reserve Bank only. If there are no Reserve Bank credit limits, no contribution will be forthcoming. Further, there is no mention of the share of the state co-operative bank in respect of the loans advanced by it as a central financing agency to societies.

(vii) The income by way of contributions and expenditure on the cadre secretaries have not been estimated and no mention has been made about meeting the deficit, if any. (paras 23 & 24)

18. The primary agricultural credit societies in the state suffer from various deficiencies. This position has been confirmed by the findings of the on-the-spot study of 65 societies specially conducted at the instance of the Study Team. The deficiencies noticed during the on-the-spot studies are given below :

(i) The average membership per society was 293 with 49 per cent coverage of the cultivating families in area of operations. Between the divisions, the position is unsatisfactory in Jammu division where the average membership per society is 97 and the coverage 21 per cent as against a coverage of 67 per cent and average membership of 507 per society in the case of the Kashmir division. The low level of borrowing membership compared with the indebted membership shows that a large number of indebted members are defaulters. (para 27)

(ii) Although the average loan business (outstandings) per society works out to Rs 0.96 lakh. as between the divisions, the societies in Jammu division have a poor loan business at Rs 0.33

lakh per society as against Rs 1.64 lakhs per society in Kashmir division. Most of the loans are issued for short-term agricultural purposes. (para 28)

(iii) There is a decline in the issue of loans in both the divisions, but the trend is uneven. (para 29)

(iv) The important reasons for low coverage and poor loan business are the absence of a full-time employee in the society, salesmen in the society not evincing any interest in the credit business for which no remuneration is paid, overlapping jurisdiction in the case of some societies, poor crop conditions, misappropriation of funds resulting in the activities of several societies coming to a standstill, stipulation of minimum recovery percentage for fresh borrowings by societies, defective loaning policies of the co-operative banks restricting lifting of the cash component and insistence on compulsory lifting of kind component, delayed preparation of credit limit statements, differential rate of interest charged by commercial banks on agricultural advances, disbursement of *taccavi* loans by the state government to members of societies whether they are in default or not, and ineffective supervision over societies exercised by the central financing agencies and the Co-operation Department etc. (para 31)

19. The percentage of defaulting membership to indebted membership is 72.8 in general in the societies studied. It is 85 per cent in Jammu division as against 71 per cent in Kashmir division. The percentage of indebted members and defaulter members is almost the same irrespective of the size of land holdings. Defaulters are not confined to any particular class of landholders. (paras 32 & 34)

20. Although, overdues over one year at Rs 24.01 lakhs form 80 per cent of the total overdues at Rs 29.99 lakhs, efforts towards recovery have been lacking. Even where awards have been obtained there are instances, particularly in Jammu division, of staying the awards thereby adversely affecting the recovery performance. (para 35)

21. The field studies showed that defaults have arisen mainly on account of lack of proper follow-up action, defaults by the managing committee members themselves, failure to act as per the provisions of the Co-operative Societies Act and Rules in regard to disqualification of defaulters from continuing in the managing committee of the society, ineffective supervision and poor maintenance of account books, apprehension on the part of borrowers that they may be deprived of fresh loans in the event of the society failing to achieve 50 per cent recovery performance, delay in disposal of suit cases and execution of awards by the departmental staff, general apathy on the part of the members to repay converted long-term loans due to entertaining hopes of government writing off these loans in due course, non-disbursement of loans in time or not accounting for or passing on the entire amount recovered from borrowers to the bank, delayed audit of societies, etc. (para 36)

22. Other findings of the field study are that the farthest village in the areas of societies is generally within a radius of 5 Kms. many of the societies do not have a building of their own, non-declaration of dividend by all but one of the societies studied, handling of non-credit business by societies and a better turn-over in this regard in Kashmir division and nominal profits earned by societies in general. (para 37)

23. The state of health of the co-operative credit structure, specially at the primary level, in the state is weak. The co-operative credit structure has recorded uneven growth in the state as a whole with wide regional disparities and imbalances. The societies, by and large, do not have full-time paid officials to manage their affairs and the growth of their owned funds and deposits is not satisfactory. (para 39)

24. Some of the main weaknesses of co-operative societies in the state are the system of salesmen being remunerated on the basis of the commission earned on non-credit business, dependence on honorary secretaries, ineffective supervision, distribution of fertilizers by the government at lower rates of interest to members irrespective of their defaults to the societies, defective loaning policies of co-operative banks, absence of scheme formulation

for medium-term lendings, limited progress in the reorganization of societies resulting in large number of societies remaining non-viable, overlapping jurisdiction, mounting over-dues, misappropriations, defalcations, *benami* transactions etc. (para 39)

25. As the main burden of providing credit continues to be on the co-operative sector, the objective should be the reorganization of primary agricultural credit societies into strong and viable multi-purpose units dealing with agricultural credit, supply of inputs, marketing of agricultural produce and rural consumer distribution so as to serve as a single contact point for the cultivators. (para 40)

26. Currently 62 per cent of societies are having loan business of less than Rs 0.50 lakh which is far below the norm of Rs 2 lakhs considered necessary for viability of a society. This position further emphasizes the imperative need for reorganization of societies without loss of time. (paras 41 & 42)

27. Unless determined and effective follow-up action is taken in bringing about reorganization, the co-operative credit structure in the state cannot be built up. The matter, therefore, calls for clear orders from the state government, backed by effective executive action. (para 43)

28. Although the primary agricultural credit societies have so far generally failed to provide adequate credit support for various activities, setting up of different types of societies only for a limited purpose such as fruitgrowers societies will cut into the business prospects of the primary agricultural credit societies. Keeping in view the geophysical and climatic conditions of the state, we suggest that there may be three types of societies working as multi-purpose units in the state, namely,

(i) The conventional agricultural credit societies for areas where foodcrops are predominant;

(ii) Fruit-growers societies for areas where fruits, especially apple, are the major crop; and

(iii) Supply and sale societies for the hilly terrain of the state.

We strongly urge in this context that new societies should not be organized and registered for sometime till the reorganization of societies has been successfully accomplished. (para 44).

29. We recommend that the norm for a viable society may be a minimum loan business of Rs 2 lakhs with a gross cropped area of not less than two thousand hectares within its area of operation even if the entire area is unirrigated or 800 hectares of irrigated land. The area of operation of the society may be limited to a radius of 10 Kms to ensure easy accessibility to the society's headquarters for the members. (para 45)

30. As regards potentially viable societies, we agree with the norm adopted in the state, viz., a loan business of Rs 0.75 lakh if other conditions such as coverage in terms of the cropped area and the membership are fulfilled. (para 46)

31. In predominantly fruit growing areas, which are in the Kashmir division, primary agricultural credit societies can be named as fruit-growers societies, but they will purvey credit for other crops as also arrange marketing of members' produce. In areas where fruit crops are not grown on a large scale, the concerned primary society can have suitable arrangements with the nearest fruit-growers society for marketing of its members' produce. (para 48)

32. It is better to go ahead with the scheme for reorganization of primary agricultural credit societies rather than spend time, money and effort in setting up Farmers Service Societies in the state at this stage. (para 49)

33. In the hilly areas sale and supply societies organized at present have an area of operation covering an entire block which is expected to be served by setting up branches at convenient places. Instead of having branches, a separate society with headquarters at a growth centre can be established, if there is sufficient scope for business in the selected area. The separate

society would be in a better position than a branch to secure involvement of the local people necessary for its success. Such societies should specifically undertake the following functions to begin with :

(i) provision of short, medium and long-term credit for agricultural purposes;

(ii) provision of seeds, fertilizers, pesticides, etc.;

(iii) provision of essential domestic requirements such as foodgrains, cloth, salt, kerosene, etc., against the member's entitlement under the cash component of the scale of finance or against a limit specifically sanctioned;

(iv) marketing of agricultural produce and products of allied activities like dairying;

(v) undertaking, wherever possible, forest or other labour contracts.

Reorganization of societies in the hilly areas may be considered on the basis indicated below :

(i) Every reorganized society should have its headquarters at a growth centre and include in its area of operation villages that are traditionally linked with that centre which will normally be within a radius of 8-10 Kms.

(ii) The area of operation may include the area of one or more gram panchayats.

(iii) While the requirements at (i) and (ii) above should serve as a general rule, normally the reorganized society should have a gross cropped area of at least 800 hectares in its area of operation or 400 hectares of gross cropped area depending upon the means of communication and transport facilities available within the area of the society.

(iv) As the attainment of viability is dependent on the scope for other business, a period of five years may not be sufficient in the case of certain societies to attain viability and as such they may require a longer period. (para 50)

34. The process of reorganization of societies involves liquidation or amalgamation of existing societies or organization of new societies. With a view to overcoming procedural and legal difficulties the guidelines suggested by the Reserve Bank in May 1976 can be adopted. (para 51)

35. The reorganized societies should have in their by-laws important progressive features such as universal membership, representation to the small farmers, etc. The model by-laws prepared and circulated by the Reserve Bank of India in terms of their circular letter No. ACD.Plan.1643/PR.422(9)-77/8 dated 27 October 1977 can be adopted by the societies in the state. (para 54)

36. It is estimated that after reorganization of primary societies on the basis of norms of viability recommended earlier, there would be about 800 reorganized societies in the state. (para 56)

37. The primary societies are expected to undertake long-term loan business as the branches of the state land development bank are not able to cater to a large clientele spread over a vast area. If the primary societies undertake long-term loaning it will help them further in attaining viability quickly and a borrower will also not be required to approach different credit agencies for obtaining his credit requirements. As a result of this arrangement a reorganized society will serve as a single contact point for all the credit, marketing and allied needs of the cultivators which will, besides enabling it to become a viable unit, facilitate closer supervision and ensure proper use of credit and timely recovery. (para 58)

38. The 76 primary marketing societies in the state do not undertake any real marketing function i.e., the sale of members' produce but work merely as agents of the state level marketing federation for distribution of fertilizers and consumer articles. Since the reorganized societies will handle marketing work, the network of marketing societies would become superfluous and will have no role to play in the reorganized set up. However, the existing primary marketing societies can also be selected as nucleus societies while reorganizing primary societies. The state/regional

marketing federation can open district level offices to stock goods to meet the demands of the primary societies. (para 60)

39. Every reorganized society should have an office and also a godown/store. The building can have a design which may provide space for office, godown/store and also preferably residential accommodation for the secretary. Assistance from the National Co-operative Development Corporation can be had for this purpose. Further, a cell can be constituted in the Registrar's office with qualified staff to draw plans for such buildings and to provide technical guidance and help in the smooth implementation of such a programme. (para 61)

40. With a view to making the common cadre scheme effective and purposive we suggest the following modifications in the scheme.

(i) the area of operation of the common cadre scheme may be confined to a district irrespective of the area of operation of the bank so that the employees are not required to go on transfer to very distant places.

(ii) In the Administrative Committees whose jurisdiction extends to more than one district a representative of the Board of the central bank from the concerned district may be associated where matters concerning co-operatives in the particular district are discussed.

(iii) A state level committee should be set up for formulating uniform policies for implementation of the common cadre scheme. It will formulate common policies, fix rate of contribution to common cadre fund and guide the functioning of the district level committees. The state level committee may be headed by the Chairman of the state co-operative bank and besides, may have as members the Registrar, two non-officials from the directors of the state co-operative bank, Chairman of the state land development bank, Director of Horticulture (Planning and Marketing) and the Managing Director of the state co-operative bank who will act as the member-secretary.

(iv) With a view to providing promotional avenues to the secretaries, the societies may be classified into three different categories, viz., (a) societies with loan business below Rs 1 lakh; (b) between Rs 1 lakh and Rs 3 lakhs, and (c) above Rs 3 lakhs. The scales of pay and allowances may be fixed on the basis of this classification. Additional staff may also be posted as and when the societies' loan business develops.

(v) The service as a secretary should be given weightage by the co-operative banks as well as by the co-operation department while recruiting personnel in the categories of clerks and supervisors.

(vi) The contribution collected in the common cadre fund should be pooled at the state level in an account maintained by the state co-operative bank as it would help to set off the deficits in less developed districts against the surpluses of relatively better off districts, besides reducing the burden on the state government which might otherwise have to bear it in the form of grant-in-aid. The recovery of contribution to the fund should be styled as 'caderization fees' and given precedence over the recovery of interest, other charges, etc., and should be a first charge on the remittances by the society to the central financing agency.

(vii) Rates of contribution to the cadre fund by the central banks and the primary societies can be at the rate of 0.50 per cent and 1.25 per cent of the short and medium-term loans outstanding against the primary societies and members respectively. As regards commercial banks, wherever they are acting as central financing agencies, the rate of contribution may be as in the case of central co-operative banks.

(viii) The state co-operative bank's contribution may be fixed at 0.50 per cent in respect of its advances to societies in the districts of Srinagar and Ladakh where it is acting as a central financing agency. Further, it should contribute at the rate of 0.25 per cent of its outstanding loans against central banks irrespective of the fact whether it has obtained refinance from the Reserve Bank of India or not. In view of this suggestion,

it may not be necessary for the state co-operative bank to reduce its interest rates for its advances to central banks by 0.25 per cent. (para 62)

41. On the assumption that there will be 800 societies after reorganization and 3 categories of secretaries with scales of pay of Rs 150, Rs 250 and Rs 300 the actual expenditure per secretary, taking the 3 grades together, is expected to be on an average Rs 3525 per annum. The total expenditure on the secretaries when all of them are in position would be Rs 28.20 lakhs. The contributions to the cadre fund on the basis of the loans outstanding as at the end of the year 1982-3 would be Rs 26.35 lakhs. The scheme will not, therefore, become self-sufficient if short-term loan business alone is taken into account. However, as the contributions to the cadre fund are linked to the medium-term loans as well, the deficit will be reduced or it may be completely wiped out after 1982-3. The state government will have to make provision for subsidy to the extent of nearly Rs 18.27 lakhs during the years 1979-80 to 1982-3 after adjusting the surplus of Rs 4.48 lakhs of 1978-9. The state government could in turn share this deficit with the Government of India which has a scheme to share the deficit in the cadre fund. While estimating the expenditure no account has been taken of the increase in the expenditure consequent to increments etc., in the grades. This may necessitate somewhat larger subsidy from the state government. Alternatively, the number of societies can be reduced wherever feasible by providing a higher loan business potential of more than Rs 2 lakhs, which may help reduce the number of cadre employees as well. (paras 64 to 68)

42. For implementing the suggestions made above, suitable amendments to the Common Cadre Rules of 1976 will have to be carried out by the state government. (para 69)

43. Two training centres run by the state co-operative union in Jammu and Srinagar are not equipped to train the large number of secretaries in a short period. Therefore, the state co-operative union should chalk out a quick programme and seek the assistance of the National Co-operative Union of

India and, if necessary, avail itself of the facilities of the training centres of adjoining states such as Punjab and Haryana. Further, the Registrar of Co-operative Societies may consider reducing the duration of the training programme from six months to three or four months giving more emphasis on job-oriented training with provision for suitable refresher courses for secretaries periodically. (para 70)

44. The reorganized societies may be given financial support in the form of share capital contribution up to Rs 0.50 lakh, depending upon the size of the society. (para 71)

Chapter 4 — Financing of Fruit Growers

45. The area under orchards, which was 12,400 hectares in the year 1949-50, more than doubled by 1970-71 to 26,628 hectares and further to 56,000 hectares in 1972-3 forming about 6 per cent of the total gross cropped area at 9.02 lakh hectares. Of the total area under orchards, almost 95 per cent area is concentrated in the three districts of Kashmir division, viz., Anantnag, Baramulla and Srinagar. (para 3)

46. The increase in production of apples has not correspondingly benefitted the growers as they do not have direct links with the outside markets and the gains are derived by middlemen. In the absence of any firm arrangements for institutional finance for maintenance of apple orchards, orchardists have necessarily to lean heavily on the commission agents who generally take orchards on lease even before the commencement of the flowering season. (para 6)

47. The institutional agencies neither provided production credit nor marketing credit for growing apples. The primary agricultural credit societies in the field gave little or no attention to the needs of the growers. To tackle this problem, the Horticulture Directorate initiated action in 1972-3 to organize separate fruit growers societies to provide assistance for production and marketing of apple. (para 8)

48. As at the end of November 1977 there were 55 fruit-growers societies in the state with a total share capital of Rs 9.92 lakhs. Thirteen of the societies are financed by co-operative banks and 39 societies by commercial banks. Three societies are defunct. (para 12)

49. The societies provide both production and marketing finance to their members generally on the basis of scales of finance drawn up by the Horticulture Directorate. (para 19)

50. Credit limit applications as well as applications for drawals from the limits are routed through a channel of officials belonging to the Horticulture Directorate, Co-operation and Revenue Departments and the financing banks. To reduce the delay in sanction of limits as well as in permitting drawals therefrom the recommendations of the Assistant Registrar of Co-operative Societies on these applications may be dispensed with as the entire responsibility in respect of fruit-growers societies vests with the Horticulture Directorate. If proper land records indicating details of acreage held under different crops are maintained, certification by the *patwari* every time a credit limit application is prepared can also be dispensed with. (para 23)

51. On the sale of the goods by out-station dealers the sale proceeds are received by the societies either by telegraphic transfers or by demand drafts generally through the financing banks. The financing banks set off all the dues against the societies from sale proceeds. However, this procedure causes certain difficulties to societies which are despatching apples belonging to non-borrowers and non-members. In the circumstances the societies are not able to pay those members who had tendered fruits without availing themselves of any production credit. As the banks have the details regarding member-wise borrowings and fruits offered for sale by them, it is desirable that banks refrain from wholesale adjustment of sale proceeds towards the dues of the societies. The sale proceeds of non-members as well as non-borrowing members should be available to the societies to make necessary payments to them. (para 26)

52. As it is the practice to keep the stocks in cold storage at terminal markets from December onwards to be disposed of over a period of the next 3 to 4 months, the societies find difficulty in repayment of their dues on the due date which falls in December. The due dates have to be re-adjusted and the banks may stipulate clearance of only 75 per cent of the borrowings for marketing by 31 December and the remaining by 31 March by the societies. (paras 27 & 37)

53. Apart from the technical aspects of fruit cultivation and marketing, the Horticulture Directorate has not been able to guide or control the societies in their working involving maintenance of books of account and other records. (para 30)

54. There is no denial of the fact that primary agricultural credit societies were not financing fruit crops on any significant scale. However, the setting up of fruit-growers societies have cut into the legitimate and potential loan business of the primary agricultural credit societies and have eroded their chances of attaining viability. A cultivator cannot be expected to go to different agencies for credit for different crops, for marketing and for his other requirements such as consumer articles. As such, two societies of which one exclusively caters to the needs of fruit growers and the other to the other requirements of cultivators cannot exist side by side. A practical measure is for the fruit-growers societies to function as multipurpose societies catering to the production credit requirements of other crops as well and also undertake non-credit business such as supply of essential consumer goods. Organization of fruit-growers societies should thus be a part of the general reorganization pattern of the primary credit structure. The organisation of new fruit-growers societies should be confined to predominantly fruit-growing areas by converting the existing good working primary agricultural credit societies. Within the Kashmir division, where fruit crops are not dominant, the societies may be called primary agricultural credit societies as at present but they should undertake financing of fruit crops as well. In regard to arrangements for marketing of fruits of members, the quantum of which will be relatively small, such primary agricultural credit

societies should make arrangements with the nearest fruit-growers society for marketing of their members' fruits. (para 33)

55. Pending completion of reorganization of societies the Horticulture Directorate should continue to guide the working of fruit-growers societies. While organizing new fruit-growers societies the Directorate should consult and seek the assistance of the co-operation department. Further, the areas where fruit growers societies can be organized should be identified jointly by the co-operation department, Horticulture Directorate and the central co-operative bank of the district concerned. (para 34)

56. Till the financing banks gain adequate experience in financing horticulture activities, they should be guided by the scales of finance prescribed by the Horticulture Directorate. While fixing the scales of finance, it should be ensured that the cash portion takes care of the labour charges as well as the watch and ward charges. The watch and ward charges now included in the marketing limit should form a part of production credit. Further, the government should restrict the supply of pesticides at subsidised rates through the societies to their members only, which would help in increasing the membership of the societies and ensure proper utilization of the subsidy. (para 35)

57. Packing material such as nails, grass, old papers etc., can be supplied in cash or kind as at present but its quantum should be realistic and in relation to the anticipated produce in terms of boxes which a member may despatch through the society. The policy and procedure in respect of supply of boxes should also be reoriented. The societies should continue to obtain tenders from approved manufacturers and place orders after obtaining a performance guarantee to ensure proper and continuous supply of boxes and also to compensate losses of societies due to failure on the part of the suppliers. The payments to the manufacturers should be related to the quantity supplied. The delivery of boxes by the suppliers should be phased over in convenient lots in accordance with the season's requirements to avoid the problems of storage, insurance, etc., as well as blocking of funds. As a measure of streamlining the business in boxes, the financing banks should grant separate cash credit

limits to societies for purchase of boxes according to their members' requirements and supply them as per their actual needs and within their eligibility. This will reduce the interest burden on the societies and the members and also avoid over-financing of societies and members and prevent diversion of funds. Similarly the element of transport charges may be reduced suitably from the scale of marketing finance of the societies as only a portion relating to toll charges and octroi expenses is generally paid to the transport agencies. Even this limited transport cost can be met by the societies by obtaining a cash credit limit from the financing bank as indicated in respect of purchase of boxes. (para 36)

58. In order to deprive a person, not subject to co-operative discipline, enjoying the advantage of the society's service, the societies should not undertake marketing of the produce of non-members. (para 38)

59. The quality of maintenance of books of account and other records leaves scope for improvement. As the Horticulture Directorate is not equipped to give guidance in the matter and the financing banks are also not giving adequate attention, a Group consisting of the representatives of the financing banks, both co-operative banks and commercial banks, co-operation department and the Horticulture Directorate (Audit Wing) may be constituted by the state government with a view to streamlining the maintenance of books of account and records in respect of fruit-growers societies. (para 39)

60. Although the supervision of fruit-growers societies should be with the financing banks, until such arrangements are made, the Horticulture Directorate should continue to make arrangements with the financing banks for funds to societies and more particularly help them in their marketing activities. In the field of marketing, the Horticulture Directorate cannot involve itself substantially for a long time and as such the Fruit-growers Marketing Federation should be revived and strengthened both financially and administratively to enable it to play its expected role. (para 41)

61. As the work of the Kashmir Fruit Growers Co-operative Marketing Federation will be of a specialised nature, initially the services of the Director of Horticulture as well as certain other key personnel from the Horticulture Directorate may be made available to the Federation. The government should provide management subsidy for at least a period of three years. The Federation should endeavour to build its own staff cadres at the earliest opportunity to replace the deputationists. The functions now discharged by the Horticulture Directorate in the field of marketing of apples should be progressively taken over by the Federation. The Federation should not involve itself in outright purchase or business on its own account. The government should also make grading compulsory in respect of fruits sent from the state not only by the Federation but even by private dealers. The services of qualified grading supervisors should be provided by the Federation to a group of four or five societies depending on the workload. (para 42)

62. The Federation's capital structure may be strengthened by giving an additional share capital contribution of Rs 10 lakhs by the state government. To build up its internal resources, affiliated societies should be required to subscribe to the Federation's share capital in relation to the annual value of the sales subject to certain ceilings. The Federation should also recover reasonable charges for other services rendered. (para 43)

63. The Board of Directors of the Federation may be a nominated one for the first three years safeguarding the interests of genuine growers. (para 44)

64. As individual societies may not be able to arrange for supply of boxes as well as to make transportation arrangements, the Federation should take over this responsibility. To facilitate proper transportation, the state government should nominate the Director, Government Transport Undertaking, on the Board of the Federation. As regards the procurement of boxes, the Federation should prepare a list of approved manufacturers of boxes, in order to minimize the chances of societies being cheated. As a long-term measure, the co-operation department and the Federa-

tion may initiate organization of a unit for manufacturing boxes. If a separate unit cannot be organized, the Federation can take up the job as an ancillary function. (para 45)

65. In order to function effectively, the Federation should have a network of its offices spread over the Kashmir division and in this regard it can adopt the pattern of the organizational set up of the Horticulture Directorate. (para 46)

66. The share capital contributions to fruit-growers societies from the government has been on a very limited scale. The state government may give share capital contribution up to Rs 0.50 lakh for each deserving society. Further, as a measure of increasing the internal resources of the societies, they should deduct a certain percentage of the sale proceeds towards deposits which can be utilized in their business. (para 47)

Chapter 5 — Central Co-operative Banks

67. In Jammu & Kashmir State, a three-tier as well as a two-tier co-operative credit structure exists side by side. In Srinagar and Ladakh districts there is a two-tier structure of the state co-operative bank directly financing societies. In the other districts, the three-tier structure exists with a separate central co-operative bank for each of the districts of Anantnag and Baramulla and a central co-operative bank for the entire Jammu Division comprising the districts of Jammu, Kathua, Udhampur, Doda, Rajouri and Poonch with headquarters at Jammu (para 3).

68. During the period from 1972-3 to 1976-7, the share capital and reserves of the central co-operative banks in the state have recorded poor increase. The share capital of the banks, apart from the government contributions has not shown any significant increase because of the stunted growth of loan business and the non-observance of the norms regarding share linking to borrowings at 10 per cent suggested by the Reserve Bank. (para 6)

69. Although there has been an overall increase of Rs 158.30 lakhs in the deposits of central co-operative banks, bank-wise figures indicate that there is substantial fall in the deposits of

the Anantnag Central Co-operative Bank. The Baramulla Central Co-operative Bank has registered only a marginal increase whereas the increase in the case of Jammu Central Co-operative Bank has been quite substantial with the deposits increasing by about 200 per cent. (para 7)

70. During the five-year period 1972-3 to 1976-7 the number of offices of the central co-operative banks has increased from 31 to 38. For the 35 blocks in the area of the Jammu central bank there are 22 offices while in the areas of the Anantnag and Baramulla central banks there are 8 offices each for 13 and 14 blocks respectively. Although most of the branches are either at block headquarters or at important centres of business, in about 12 blocks out of a total of 72 blocks in the entire state, there are no bank offices, including those of commercial banks. (para 9)

71. In the case of deposit mobilization, the achievement of the branches of the Anantnag Central Co-operative Bank is very poor while that of the Baramulla and Jammu central co-operative banks, the performance is relatively better. (para 10)

72. The branches of central co-operative banks, by and large, attend to banking transactions only. Adequate powers regarding sanction of overdraft, remittance facilities, bill collection etc., have not been given to the branch managers. Besides, the premises of many of the branches leave much to be desired as they do not have a proper location and approach. (para 11)

73. The trend in the sanction of short-term credit limits by the Reserve Bank of India indicates that no bank has been able to obtain a higher limit during the period 1972-3 to 1976-7. On the contrary in the case of the Anantnag and Baramulla central co-operative banks, the limits have come down during the period. The performance of the Anantnag central co-operative bank in respect of utilization of the limit is relatively better than that of the Baramulla central co-operative bank which has never utilized the limit in full during the period. In the case of the Jammu Central Co-operative Bank, although the limit has been reduced there has been a decline in its utilization from 100 per cent to 65 per cent. (para 15)

74. Although the central banks have been obtaining sporadic medium-term limits they have not been able to utilize them fully. (para 17)

75. The central banks have not been able to draw upon the limits sanctioned to them by the Reserve Bank of India as they have failed to provide sufficient non-overdue cover for their borrowings. (para 18)

76. The banks have defaulted in repayment of dues relating mostly to loans which were initially issued by the state government for various purposes and the liability of which was then transferred to the banks. (para 19)

77. The loaning operations of the banks have been showing an uneven trend. The advances and outstandings during the 5-year period 1972-3 to 1976-7 have been revolving around Rs 1000 lakhs and Rs 750 lakhs respectively exhibiting symptoms of stagnation. Issue of short-term loans for agricultural purposes has been around Rs 200 lakhs. Between the banks, the short-term agricultural loans issued in 1976-7 amounted to Rs 129.39 lakhs, Rs 46.14 lakhs and Rs 18.03 lakhs in the case of the Jammu, Anantnag and Baramulla central co-operative banks respectively. These advances are quite inadequate when compared with the credit requirements in their areas at Rs 14.45 crores. (para 20)

78. Loans and advances of the banks have not been showing significant increase because of certain restrictive features such as condition of recovery of 50 per cent of loans by societies for eligibility for fresh advances even in respect of non-defaulting and new members, absence of proper arrangements for running societies and slack supervision and the element of compulsion in respect of lifting the 'B' component to become eligible for the 'A' component of the scales of finance. (para 22)

79. Seasonality in lending particularly in the Kashmir and Ladakh divisions will have to be different from that in the other areas. Agricultural operations in Kashmir valley commence

soon after the winter season in March and as such the 'A' component of the crop loan is required by the cultivator borrowers during October-November to take care of their needs for consumption requirements as well such as clothing for winter, storing of food, fuel and other requirements during the winter months. If fresh loans are assured and provided before winter sets in there are more chances of the cultivator members repaying their dues and borrowing afresh thereby helping both recoveries and loaning. (para 23)

80. In the absence of a full-time paid employee in the society, the procedure of submission of normal credit limit statements and demand applications to the central co-operative banks through the Assistant Registrars of Co-operative Societies and *patwaris* are cumbersome and stand in the way of central banks increasing their loan operations. The branches have no role in the process of sanctioning loans and drawals, except for disbursement of loans when authorized by the head office, as all the application are dealt with at the head office. (para 24)

81. Although the co-operative banks in Kashmir division have scope for financing fruit crops, the banks have not been able to finance these crops on a large scale, as the primary credit societies are not undertaking this business. (para 25)

82. The central co-operative banks have been neglecting financing of activities such as sheep breeding, purchase of milch cattle, etc., for which medium-term loans are required. Sheep breeding activity has considerable scope in the Kashmir division as well as in the districts of Rajouri, Poonch, Doda and Udhampur in Jammu division. Similarly, there is scope for financing purchase of milch cattle and the state government have also built up a net work cover of their organization for providing health facilities through the animal and sheep husbandry departments. There is no conscious effort to motivate a cultivator to obtain loans from the banks and societies as the banks are depending mainly on the Small Farmers Development Agency to sponsor borrowers. Without the active support of primary co-operative societies

and encouragement from the central co-operative banks, loaning for medium-term agricultural purposes has been insignificant. (para 27)

83. The overdues of central co-operative banks have been showing an increasing trend. As on 30-6-1977, overdues in respect of each of the 3 central co-operative banks far exceeded their owned funds. As much as 40 per cent of the overdues are in the nature of chronic overdues. The main reasons for the accumulation of overdues are defective loaning policies and procedures, unrealistic scales of finance and untimely due dates for repayment of loans, poor supervision over societies, absence of a full-time paid employee in the society and absence of a proper climate for recovery. (para 28)

84. The societies initiate coercive action against defaulting borrowers under pressure from the central co-operative banks and not on their own initiative. Their efforts are defeated by the inaction on the part of departmental staff in disposing arbitration cases and execution of awards. (para 29)

85. The high level of overdues, poor loan business and the meagre internal resources comprising owned funds and deposits have led to a situation in which the institutions are unable to declare a dividend as the profit earned is nominal. In the case of the Anantnag and Baramulla Central Co-operative Banks, the profits are not real as the banks have not been providing adequately for overdue interest in respect of their chronic overdue loans. As a result of the poor working of the banks they have not been able to appropriate any sizeable amounts to their various reserves. (para 31)

86. None of the central co-operative banks is currently having an elected Board of Directors and they are all managed by authorities/administrators appointed by the state government. In the case of the Baramulla and Anantnag Central Co-operative Banks, there have been frequent changes in the constitution of the authorities/administrators. (para 33)

87. Although section 29 of the Jammu & Kashmir Co-operative Societies Act specifies the aggregate term of office, this provision is not being taken cognizance of and the administrators are allowed to continue beyond the stipulated period. (para 34)

88. In the case of the Jammu Central Co-operative Bank, allocation of representation on the Board is on the basis of one director per branch and 4 directors for the areas served directly by the head office and without any specific representation for different types of societies. In the case of the Baramulla Central Co-operative Bank, the representation for societies is limited to only agricultural credit societies. There is no uniformity for nomination of government representatives on the Board of Directors of the central banks. (para 36)

89. The President of the central bank is expected to exercise general control and supervision over the affairs of the bank and the work of its officers, whereas the Secretary is to supervise the working of the office and is responsible for the proper maintenance of books of account and has to work as officer in-charge of the bank and discharge administrative duties regarding bank's staff and operate bank accounts, etc. In effect, the Secretary who is an honorary functionary, discharges the functions of the Chief Executive of the central co-operative bank and this has reduced the paid Chief Executive to a subordinate and ineffective position. (para 38)

90. Although there is a sort of division of functions among the officers of the banks, the duties of the managerial staff do not include developmental functions with the objective of expanding and developing business. There are no technical personnel in banks for identifying projects and schemes and for financing small scale and cottage industries. Besides, some of the key-personnel and most of the other staff members have not received any training in co-operation and banking. Some of the staff do not even have appropriate academic qualifications commensurate with the duties and responsibilities expected of them. Recruitment of staff is made on an *ad hoc* basis by-passing the prescribed procedure. (paras 40 & 41)

91. All the central co-operative banks are under rehabilitation because of their weak financial position and low level of operational efficiency. None of the banks has taken any definite step to prepare a programme for survey of overdues and to attend to other matters for their rehabilitation. The cumulative effect of various deficiencies have rendered the central co-operative banks unable to adequately meet the credit requirements in their respective areas. (paras 42 & 43)

92. The existence of a central co-operative bank can be justified if it can function as an economically viable unit. Viability is an economic concept related to certain minimum level of loan business, although it cannot be uniformly applied in respect of all the banks. On the basis of the norms of viability accepted for primary credit societies each one of them is expected to have a loan business of Rs 2 lakhs. On this basis a branch of a central co-operative bank should have 20 societies in its area with a loan business of Rs 40 lakhs to work as a viable unit. It is estimated that the Anantnag and Baramulla Central Co-operative Banks will need 9 and 8 branches respectively as against the existing 7 branches each. The Jammu Central Co-operative Bank has 21 branches, although it requires only 18 branches for the purpose of viability. When the actual business of the societies increases along with their reorganization, the need for additional branches will have to be examined in the light of the then prevailing circumstances. (paras 45, 46, 47 & 48)

93. On the basis of the assumption in regard to the number of branches required to be maintained as well as the staffing pattern suitable for the banks, the 3 central co-operative banks namely, Jammu Central Co-operative Bank, Anantnag Central Co-operative Bank and Baramulla Central Co-operative Bank would satisfy the test of viability or a potential viability to justify their continued existence. The Jammu Central Bank is a viable unit whereas the Anantnag and Baramulla Central Co-operative Banks are potentially viable. The present level of business of the Anantnag and Baramulla Central Co-operative Banks is much nearer the expected level for a viable unit and it may not experience any appreciable difficulty in achieving this status within a period of one or two years. (paras 51 & 52)

94. The total short-term agricultural credit requirements in the areas of Jammu, Anantnag and Baramulla Central Co-operative Banks aggregated Rs 14.45 crores as against which their total short-term agricultural loans outstanding as on 30-6-1977 were only Rs 2.46 crores. Thus, these banks will have to make strenuous efforts to increase their capacity to lend adequate support to the programmes in the field of agriculture in the state. (para 56)

95. For improving the flow of funds from the central co-operative banks, the primary agricultural credit societies will have to be reorganized into viable units and adequately trained and full-time paid secretaries should be posted to run them. If this is not done, the central co-operative banks will have to consider issuing loans directly to the individual cultivators through their branches. Apart from increase in cost, a large number of cultivators staying away from the branches may not be able to avail themselves of loans from the banks and as such direct lending by banks is not considered necessary or practicable in the State. (para 57)

96. The central co-operative banks will have to fix realistic scales of finance for various crops and undertake loaning for *kharif* as well as *rabi* crops. The compulsion for lifting the 'B' component before allowing drawals on the cash component has to be removed at least in those areas where fertilizers are not used on a large scale. Although the state government is anxious to increase agricultural production by intensive application of fertilizers, it may discontinue its policy of issuing *taccavi* loans at a low rate of interest than that charged by co-operatives. To begin with, in areas where co-operatives are functioning well, distribution of fertilizers should be only through societies. In areas where government intervention is needed i.e., in areas where co-operatives are weak, the government should safeguard the long-term interests of co-operatives i.e., by not offering terms for provision of fertilizers which will dissuade persons from joining co-operatives or taking loans from them. (para 58)

97. The banks have to streamline the procedure for sanction and disbursement of loan with a view to avoiding delays. The nor-

mal credit limit statement prepared by the secretary of the primary credit society may be scrutinised by the bank's supervisors for ensuring its correctness with reference to the land record register and other books of account of the society. The central bank should make sure that primary societies maintain land registers on the basis of certificates issued by the *patwari* and record mutations on the basis of the *patwari*'s certificate to keep the records up-to-date. The scrutiny note by the supervisors should be comprehensive throwing light on the various aspects of the working of the society. If the branches are functioning as full-fledged units, the normal credit limit statements can be routed through the branch managers who should forward them with their comments to the head office for necessary action. The applications should be further scrutinized in the loan section of the head office before placing them before the loan committee or executive committee. The sanction should then be communicated to the society and drawals may be allowed thereafter by the branch manager on the basis of the recommendation of the supervisors of the bank after ensuring that the drawal applications are in order. Where branches are not working as full-fledged units drawals from the limits may be allowed by an authorized officer of the bank at the head office. Disbursement statements should be obtained from the societies within 15 days to ensure proper disbursal of funds and avoiding retention of undisbursed cash by the society. Due to poor communication facilities and the non-availability of bank's branches within easy reach of borrowers, it is not possible for introduction of disbursement of loan by means of cheques for the present. However, the banks can try to introduce a farmer's credit book as devised by the Jammu & Kashmir State Co-operative Bank which will help in curbing the large incidence of defalcation. (para 59)

98. The 'A' component of the *kharif* limit should be given some time in November-December in the Kashmir division before the onset of winter. Accordingly, the due date for *kharif* loan should also be advanced to October-November to ensure that the cultivators are not in possession of two *kharif* loans at a time. (para 60)

99. The central co-operative banks have been neglecting financing activities such as dairying, sheep breeding etc., for which

there is wide scope in the state. It is necessary, in this context, that the Small Farmers Development Agency, in collaboration with the Animal and Sheep Husbandry Departments of the state government, make conscious efforts to motivate the farmers to obtain loans and refer the cases to the central banks through the primary agricultural credit societies of the areas. Further, the Small Farmers Development Agency should discontinue the system of passing on subsidy direct to a borrower. Instead, the borrower should be sanctioned the full amount of the loan by the bank and the subsidy paid to the bank direct as repayment of part of the loan. (para 62)

100. Conscious efforts have to be made by providing necessary arrangements for organized marketing of milk. The collection and marketing of milk could be undertaken by primary agricultural credit societies and attended to with the help of district/regional agencies. The extension agencies of the government should widely publicise the facilities available for loans for purposes of purchase of milch cattle and sheep and central co-operative banks should help societies in the preparation and submission of loan applications. (para 63)

101. The central banks could increase their lending for cottage and small scale industries through the primary agricultural credit societies in the absence of organized functional societies for these activities. Such advances are eligible for refinance from the Reserve Bank at a concessional rate and the banks should avail themselves of these facilities. (para 65)

102. In view of the large potential for development of loan business in their areas, while the central co-operative banks should streamline their loaning procedures and policies and endeavour to increase their loan business at the annual growth rate of 15 per cent in respect of short-term agricultural loans, an attempt should be to have a growth rate of 20 per cent. To meet the growing demand for credit, banks should strive to build up their internal resources to provide a cushion for absorbing overdues and also to provide margins for borrowings. (paras 67 & 68)

103. The central co-operative banks have not been able to build up their owned funds to any appreciable extent in view of their

poor performance both in respect of lending as well as recovery of dues under principal and interest. When overdues are heavy, the concerned bank's capacity for fresh borrowing is restricted. The share capital of the banks would get strengthened if the societies contribute to the share capital in a certain proportion of these borrowings. If lendings are increased the banks can come out of the vicious circle in which they are caught at present. (para 69)

104. The banks should increase their deposits and for this purpose they should endeavour to have their offices located as far as possible at convenient places and give them a good and presentable appearance. The branches should provide all banking facilities to the customers such as acceptance of different types of deposits, collection of bills, remittance of funds, etc. The state government should also remove the restrictions in respect of depositing of funds in co-operative banks by local bodies, government, semi-government corporations and institutions. (paras 70 & 71)

105. In view of the conditions stipulated by the Reserve Bank for the central banks to qualify for concessional rate of interest for borrowings they should put from their own resources Re 1 for every Rs 2 from the Reserve Bank. Thus, for every Rs 100 of additional short-term loans, the banks have to find Rs $33\frac{1}{3}$ from their internal resources to qualify for Rs $66\frac{2}{3}$ from the Reserve Bank at a concessional rate of interest. Taking into account the statutory and optimum liquidity of $33\frac{1}{3}$ per cent of deposits, additional deposits required to be mobilized by the banks will be of the order of Rs 45. However, if the involvement of the banks in diversified activities is to be provided for, the banks will have to mobilize about Rs 80 for every Rs 100 of short-term loans issued. But if the involvement in non-agricultural advances is low, the deposits to be mobilized for every Rs 100 of short-term loans issued can be placed at Rs 66 on the assumption that deposits over Rs 45 would be available for issue for other purposes. (para 72)

106. The outstanding borrowings of the central co-operative banks from the state government under the converted long-term loans should not be considered as a liability of the banks as they

did not have a voice in the selection of the beneficiaries or in determining the quantum of loans. In view of the poor financial position of the banks, it is not desirable to burden them with these apparently irrecoverable dues. These transactions should be treated purely as on agency basis with the responsibility of the banks to repay the government as and when recoveries are effected. The government should compensate the banks for their recovery efforts by giving them a share in the interest earned. (para 73)

107. With a view to achieving higher levels of lending business and mobilization of deposits, it is necessary that the central banks should reduce the burden of overdues and keep them under check and simultaneously build up their organizational strength. Although Anantnag, Jammu and Baramulla Central Co-operative Banks are under rehabilitation programme, they have not yet completed the survey in regard to identification of bad and doubtful debts for writing off irrecoverable loans with the assistance received from the government. The banks should tighten their machinery for tackling the problem of overdues which would go a long-way in rehabilitating them. (para 74)

108. When the boards of management are superseded and administrators or authorities are to be appointed they should be carefully selected from among those who have background in co-operation and experience in banking. Further, frequent changes in the composition of the authority should be avoided. (para 75)

109. Since the central co-operative banks are mainly dealing with the primary agricultural credit societies which form the largest group among their affiliated institutions they should have the largest representation on the Board. However, other institutions such as weavers societies, industrial societies etc., should also be given some representation. Individual members should have only one representative on the Board and the election of their representative should be by a separate electoral college of individual members. As representation for government in the Board is primarily meant for taking care of government's interest and ensuring implementation of accepted policies, the government nominees should preferably be experts whose

advice would be of direct value to the banks. In the case of Anantnag and Baramulla Central Co-operative Banks, an officer of the Horticulture Directorate could be usefully nominated as a director. The number of members of the Board of Directors should also be within a reasonable limit of 15 to 20 depending on the area of operation and the number of affiliated societies. In the case of the Jammu Central Co-operative Bank, the number can be somewhat more to ensure proper representation for the societies from the six districts in the area of the bank. The seats should be distributed district-wise to ensure proper representation. The practice of granting representation on the basis of number of branches should be discontinued. (para 76)

110. In the interest of effective management and smooth working of the banks, the relevant provisions in the by-laws should be suitably amended so as to demarcate the powers of office bearers and the Chief Executive Officer. The honorary secretary should be divested of his executive and administrative functions and the chief executive officer who is an employee of the bank should be empowered to deal with the day-to-day executive and administrative matters. The Chief Executive may be designated as Managing Director or General Manager and made an Ex-Officio member of the Board. (para 77)

111. In the long-term interest of the banks, they should strive to have officers of their own to head the institutions as chief executives. However, as a temporary measure, the state government may depute officers from the co-operation department who have got adequate qualification and experience in banking. Once posted, he should not be disturbed for 3 to 4 years so that he could plan and initiate programmes for improvement of the bank. Further, in the interim period when government officers are deputed to work in central banks, they should be from a panel of eligible officers, which may be prepared and maintained by the co-operation department. (para 78)

112. In view of the limited number of officers under the category of key personnel, as the number of banks is quite small, creation of a common cadre may not be quite necessary for the

present. In this context, the banks should have their own officers and for this purpose they may recruit qualified management trainees who after their training could fill up the key level posts in due course. The central co-operative banks should have more or less a uniform staffing pattern with limited categories of staff having uniform qualifications and service conditions. There should not be wide variations in service conditions, especially in respect of pay and allowances. It should also be ensured that the conditions of service in central co-operative banks and the state co-operative bank are as far as possible uniform for the categories of personnel performing mostly similar functions. The Registrar of Co-operative Societies should prescribe suitable service conditions for adoption by the banks. (para 79)

113. The banks should have, besides the Managing Director or General Manager, a Manager/Assistant Manager, a Chief Accountant and Executive Officers i.e., Chief Supervisor and a Development Officer. These key personnel should be supported by intermediate level officers functioning as section in-charges at the head office. Branch Managers may also be included under this category and made inter-changeable with the intermediate level officers at the head office. (para 80)

114. The different items of work at the head office may be broadly divided into 4 divisions, viz., (i) Accounts (ii) Loans and Supervision (iii) Development and (iv) Administration, each division to be headed by an officer forming part of the key personnel. The divisions may be conveniently sub-divided into sections to be headed by intermediate level officers to be supported by adequate number of junior level staff consisting of cashiers, supervisors, clerks, typists, etc. (para 81)

115. The Jammu Central Co-operative Bank should appoint district managers for the districts of Doda and Udhampur, once the responsibility for supervision over primary agricultural credit societies is taken over by the bank from the co-operation department. The district managers should be provided with an independent office and made responsible for development of loan business and mobilization of resources in the respective districts besides exercising control over the supervisors to ensure proper discharge of their responsibilities. (para 82)

116. Direct recruitment of staff may be resorted to by the central bank at two stages, viz., at lower levels such as clerks, typists etc., and for appointment of management trainees as suggested in paragraph 79 of this chapter for filling up the posts of key personnel level officers. Posts for the intermediate level officers may be filled up by promotions on seniority-cum-merit basis from the lower level staff. (para 83)

117. In order to strengthen the financial and liquidity position and to enable the banks to build up loan business and mobilize deposits the government should give assistance by way of share capital contributions at a rate of Rs 10 lakhs each to Anantnag and Baramulla Central Co-operative Banks and Rs 20 lakhs to Jammu Central Co-operative Bank. These contributions may be disbursed in two instalments. The first instalment can be released immediately and the balance can be released subsequently subject to the completion of reorganization programme for primary agricultural credit societies and appointment of full-time personnel for management of the affairs of the societies and the completion of investigation of overdues to determine their realisability or otherwise. (para 85)

118. Four districts in the area of the Jammu Central Co-operative Bank, viz., Doda, Poonch, Rajouri and Udhampur have been identified as having difficult terrain with poor means of communication facilities. Besides, the entire district of Doda and part of Udhampur are drought prone where lending is risky. The Jammu Central Co-operative Bank is shouldering the burden of financing societies in these four districts where overdues are heavy and lending potential is poor. The financial stability of the Jammu Central Co-operative Bank is mainly sustained by the lending in the two districts of Jammu and Kathua. To enable the Jammu Central Co-operative Bank to bear the burden of maintaining adequate number of staff in the four districts to supervise the societies and to recover dues, the bank may be given staff subsidy on a tapering basis for a period of 5 years by the state government. This would be better than organizing separate central co-operative banks for those four districts. (para 86)

119. While opening new branches of commercial banks and Regional Rural Banks, care should be taken not to reduce the potential for future business of a central co-operative bank. As far as possible, the commercial banks and Regional Rural Banks should go to areas where the central co-operative bank has not been able to make any headway. (paras 88 & 90)

Chapter 6 — State Co-operative Bank

120. Apart from being the apex co-operative bank of the State, the Jammu & Kashmir State Co-operative Bank has been acting as a central financing agency for Srinagar and Ladakh districts for which there are no separate central co-operative banks. (para 3)

121. In view of the bank's dual capacity as the apex bank and a central financing agency for the districts of Srinagar and Ladakh, the weaknesses of the lower tiers of the co-operative credit structure are directly reflected in its working. (para 4)

122. With a view to accelerating the development of agricultural production credit through the co-operatives and streamlining the functioning of the co-operative credit structure, a master plan was prepared and given by the Reserve Bank to the state government in 1972. However, the master plan was not implemented with any seriousness and the co-operative credit structure failed to record any appreciable improvement. (para 5)

123. The present Board of Directors of the bank elected as far back on 26 May 1968 is continuing for the past 10 years as the Registrar could extend the term of office until such time within which election in his opinion could be held. (para 6)

124. The Chairman, who is presently a representative of individuals on the Board, presides over meetings of the Board and other committees in which he is a member and exercises control over the affairs of the bank and working of its offices. The Honorary Secretary, who is also a member of the Board, virtually functions as the chief executive of the bank exercising all administrative powers normally vested in the Chairman. Thus, the

General Manager has neither been made a member of the Board nor has he been vested with powers of control over the general administration of the bank. (para 8)

125. A large number of employees of the bank are neither adequately qualified nor have undergone any training either in the field of co-operation or banking. This has an adverse effect on the efficient working of the bank. (para 9)

126. As on 30-6-1977 more than 55 per cent of the bank's deposits are from societies and another 20 to 25 per cent from central co-operative banks. Thus, about 75 to 80 per cent of the total deposits are from the co-operative sector alone. Deposits from individuals constituted even less than 10 per cent of the total deposits during 1974-5 and 1975-6 but registered an increase and formed 14.2 per cent of the total deposits in 1976-7. Although the deposits are progressively increasing, the pace cannot be considered adequate to sustain a higher lending programme that the bank will be called upon to undertake to effectively meet the credit inadequacies. (paras 13 & 14)

127. The branches of the bank are working mainly as deposit raising centres and the branch managers have no role either in the scrutiny and sanction of loan applications or in supervision over societies. None of the branches in Srinagar district has been able to make any significant contribution to the total deposits of the bank. The efforts of the branch managers in mobilization of deposits are not reviewed periodically and the branch managers felt no accountability for performance. (paras 15 & 16).

128. The bank has defaulted in repayment of loans issued by the government directly to certain categories of borrowers during 1963 to 1969 and subsequently transferred to the bank. The bank has contended that as these loans were issued by the government through the revenue authorities and as it had no role either in the selection of borrowers or in the determination of the quantum of credit disbursed, it should not be held responsible for recovery of these dues. (para 20)

129. The bulk of the advances made by the bank is for short-term agricultural purposes and loans for medium-term agricultural purposes formed an insignificant portion mainly because of the bank's inability to formulate schemes for medium-term lending for dairying and sheep breeding activities in the districts where it is acting as a central financing agency. (para 21)

130. Instead of fixing crop-wise scales of finance, the bank has prescribed area-wise scales depending on altitudes. Separate scales of finance have been fixed for fruit-growers societies on the recommendation of the Horticulture Directorate. (para 24)

131. The bank has failed to recover in time the loans advanced and its overdues have been showing an increasing trend. In the early years, supervision was not with the bank and recovery of loans was considered to be the responsibility of the co-operation department. Further the two wars with Pakistan and their after-effects affected the attitudes of the borrowers to a large extent. A part of the loan amounts was written off and a further sum was converted into long-term loans and interest payable on those loans was waived. Borrowers generally came to believe that whatever loans they have taken from the co-operatives were not required to be repaid. This type of attitude had affected more than anything else the recovery performance of the apex bank. (para 26)

132. The major portion of the overdue loans as on 30-6-1977 i.e., almost 95 per cent is accounted for by long-term loans representing the outstanding dues converted by the state government into 10-year loans in the year 1972. Overdues over 3 years which can be termed as chronic overdues worked out to 55 per cent of the total overdues. Efforts of the bank to recover these dues through coercive measures have been handicapped by the slow progress in the disposal of arbitration petitions and delay in executing the awards. (paras 27 & 28)

133. The Board of Directors of the bank has to be reconstituted to remove the various deficiencies from which it suffers. Individual members may constitute a separate electoral college and nominate their own representative which may be restricted to

one. The Jammu Central Co-operative Bank may have six members on the Board to represent each of the six districts falling in its area of operation. (paras 31, 32 & 34)

134. With a view to having better co-ordination between the short-term and long-term credit structures, the chairman of the Jammu & Kashmir Co-operative Land Development Bank may be made an ex-officio director of the apex bank. This principle may be extended to the land development bank's Board and the chairman of the apex bank may be made its ex-officio director. Further, the Chief Executive of the bank should be designated as Managing Director and made an ex-officio member of the Board. (paras 36 & 37)

135. The complex nature of the activities of the co-operative institutions require competent full-time employees to manage their affairs efficiently. The Chairman of the Board of Directors should be primarily concerned with giving policy directions to the Managing Director and should leave the implementation of policies to the Managing Director and the staff of the bank. The post of Honorary Secretary who is discharging the functions of the Chief Executive should be abolished so as to enable the Managing Director to act as the real and effective Chief Executive. (paras 38 & 39)

136. As the bank's staff is not adequately equipped either in the matter of educational qualifications or job-oriented training, the existing staffing pattern of the bank should be reviewed on a priority basis by the Board of the bank and an appropriate staff development plan drawn up. Although there may be no objection to obtaining staff on deputation as an interim arrangement, selection of such staff should be made by a committee of the bank out of a panel of personnel having the requisite qualifications, experience, aptitude and competence in co-operative credit and banking. To ensure full administrative control of the bank over the deputationists, the annual confidential reports of those on deputation should be written by their higher officials of the appropriate rank in the apex bank. (para 40)

137. As a matter of policy the bank should lay down a university degree with a first or high second class as a basic qualification for entry into the service of the bank. As regards the managerial positions, the minimum qualification should be first or second class post graduate degree preferably with experience in banking and co-operation. In view of the bank's difficulty in deputing a large number of employees for training at a time due to limited staff strength, the problem should be tackled in consultation with the state co-operative union by arranging for short-term job-oriented training courses. The posts of clerks and supervisors should be made interchangeable so as to enable them to acquire proficiency in both the fields of work. This will give the management a wider field to choose suitable candidates for different jobs in the bank. (para 41)

138. For the post of Managing Director, the apex bank should recruit one with the requisite qualifications, experience and ability from the open market. Meanwhile, as a transitional arrangement, the bank may go in for the services of an experienced officer on deputation from the banking sector if it is felt that the recruitment on the lines suggested above will take considerable time. (para 42)

139. The work in the head office of the bank may be divided into broad functional Divisions such as Banking and Accounts, Development, Advances and Supervision. Being a relatively small apex bank it will be enough to have at present two major Divisions headed by senior level officers. The Development Cell can be kept directly under the Managing Director. The work in the divisions can be divided into sections headed by intermediate level officers in the supervisory cadre designated as accountants assisted by supporting staff. (para 43)

140. The Developmental Cell under the Managing Director besides attending to promotional and developmental matters and secretarial work of the Board and Committees should deal with training of staff. (para 44)

141. The branches as well as head office of the bank need a face lift to catch the public eye. The branch managers should

be given targets for deposit mobilization and their efforts periodically reviewed by the Executive Committee. The bank will also have to consider expansion of its branch network not only for deposit mobilization but also to serve its clientele of cultivator-members of affiliated societies. It should also explore possibilities for opening more branches in Srinagar city mainly in the residential and business areas with convenient working hours to tap additional deposits. (para 45)

142. The branch managers should be authorized to disburse loans to societies and to exercise control over supervisors in their area. The supervisors and inspectors should be posted to the respective branches to facilitate better control by branch managers over their work. (para 46)

143. As a separate central co-operative bank each for Srinagar and Ladakh districts is not considered necessary or feasible, the apex bank will have to actively involve itself in the development of its own loan business as a central financing agency. The apex bank should streamline its loan policy and procedures to ensure free flow of credit to fill in the credit gap in the two districts of Srinagar and Ladakh amounting to Rs 208.92 lakhs and Rs 37.37 lakhs respectively. The bank should also make efforts to increase its financing of fruit-growers societies which would provide a useful avenue for expansion of business. (paras 47 & 48)

144. As against the annual growth rate of at least 20 per cent expected in the case of central co-operative banks for meeting the credit requirements in their respective areas, the state co-operative bank has to aim at a higher annual growth rate. For this purpose, it should equip itself by having qualified staff at all levels and having effective control over the supervisory machinery. (para 49)

145. The bank should conduct survey to identify areas of potential development for scheme formulation and expansion of business. The Development Cell should be responsible for identifying areas of development and for formulating schemes and business plans to exploit the credit potential. (para 50)

146. The state co-operative bank should consider ways and means to help small artisans, entrepreneurs or self-employed persons who have not been able to obtain any assistance from the co-operative sector. (para 51)

147. The Jammu & Kashmir State Co-operative Bank has a dual responsibility as an apex bank and a central financing agency. It has to involve itself very closely in the reorganization of societies and in identifying areas of development and to meet the credit requirements adequately, not only for strengthening its own position but also to give a positive direction to the central co-operative banks and to the co-operative banking structure generally in the State. (para 52)

Chapter 7 — Problem of Overdues

148. The present level of overdues is the outcome of a combination of factors which indicate that defaults have arisen either owing to reasons beyond the borrower's control or by deliberate design. It is, therefore, necessary to segregate these two categories of defaulters. While defaulters who fall in the first category could be considered as non-wilful, those in the second category have to be treated as wilful. (para 6)

149. The objective of identifying non-wilful defaulters is to open a line of credit by providing them with fresh finance and allowing time to clear their overdue loans. The non-wilful defaulters identified should be required, as a precondition for relief, to pay the overdue interest less penal interest which is to be waived irrespective of the fact whether crops during the year 1978-9 are normal or not. It is likely that there may be some defaulters who could not be identified as non-wilful but are willing to clear their overdues provided an opportunity as well as relief is granted to them. To cover such category of defaulters, if they volunteer to clear fifty per cent of their overdue outstandings as on 30-6-1978 under all types of loans along with the overdue interest exclusive of penal interest, they may be deemed as non-wilful defaulters and given the facilities which are extended to other non-wilful defaulters. (paras 9 & 10)

150. The entire outstanding amount which is overdue under all types of loans i.e., short-term, medium-term and long-term (i.e., the one originally given as short-term loan for agricultural production purposes and later converted into long-term loan) may be consolidated and deemed as rehabilitation loan and allowed a period of 3 to 7 years for repayment assuming the repaying capacity at 60 per cent of the value of gross produce. A uniform rate of interest may be charged on this loan. In case the rehabilitation loan requires phasing beyond 7 years which is quite unlikely as the number of loans in default may not ordinarily exceed two loans, the write off of the excess amount is not desirable. In such exceptional cases i.e., where phasing is required to be made beyond 7 years it would be preferable to extend the period of such loans up to 10 years instead of writing off the excess amount. (para 12)

151. No separate financial assistance is necessary for converting the defaulted amounts into rehabilitation loans. However, as the institutions' funds of an equivalent amount are already locked up in such overdues, the banks' internal resources position would not show any immediate improvement. The banks will, therefore, continue to face difficulty in providing adequate non-overdue cover for their borrowings from the higher financing agency. It would, therefore, be necessary for the state government to take a liberal view of the share capital requirements of such banks so as to enable them to provide sizeable relief to non-wilful defaulters. Such contributions may be to the extent of 50 per cent of the loans converted. The period of repayment of the share capital loans would synchronize with the period of repayment allowed for the rehabilitation loans. (para 13)

152. The work relating to identification of non-wilful defaulters and deciding the period of rehabilitation loans may be entrusted to screening committees set up at block levels comprising the branch manager of the apex bank/central bank, the concerned inspector or supervisor of the apex/central bank in the block, the Assistant Registrar of Co-operative Societies of the block and a non-official connected with primary agricultural credit societies from the block. The work of these screening committees

should be supervised and their reports confirmed jointly by the Deputy Registrar of Co-operative Societies and the bank's officer in-charge of supervisors in the concerned district. These reports should be put up for final sanction to the board of the respective banks. The work of these committees should be completed within a period of 4 to 5 months so as to enable the identified non-wilful defaulters to borrow afresh for raising their next crops. (para 14)

153. The chronic overdues render the institutions unserviceable as channels for purveying credit flowing from the higher financing agencies. To avoid this situation, separate treatment is necessary for such chronic overdues keeping in view the difficulty in their realisability as also the assistance available under the Central Sector Plan Scheme for the rehabilitation of weak central banks for writing off a portion of bad and doubtful debts, accumulated losses and overdues over three years subject to certain conditions. Overdues over three years may be blocked in a separate collection account on the assets side and provision made for a corresponding fund by way of rehabilitation fund, etc., on the liabilities side. (para 15)

154. Overdues over three years i.e., chronic overdues may be segregated from the total overdues in respect of wilful defaulters and may be deemed as 'segregated overdues'. This segregation will have to be done at the level of central co-operative banks as well as primary agricultural credit societies. These segregated overdues will be of two types, viz., overdues which can be accounted for and can, therefore, be recovered over a period of time say three years and overdues which are not accounted for representing the cases of loans without documents, misappropriation of recovery, *benami* loans or loans otherwise irrecoverable, etc. For deciding upon the nature of realisability of these segregated overdues, it is necessary to have block level assessment committees. These assessment committees may be formed soon after the work of identification of non-wilful defaulters is completed and may be given a specific programme of six months to complete this work. These assessment committees should investigate, society-wise, every segregated overdue individual loan case to decide whether the defaulted amount can be accounted for

and recovered over a period of time or whether the default may have to be written off. The assessment committees should be given suitable guidelines for the purpose by the Registrar of Co-operative Societies. The proposals of these committees may be put up for approval to the Deputy Registrar of Co-operative Societies, District Manager/Manager of the bank and finally approved by the Board of the concerned bank. In the case of central banks while considering these reports a representative of the state co-operative bank may be associated with the work. (para 16)

155. Overdues which are considered irrecoverable after the above work of screening and assessment has been completed, may be written off by debit to the rehabilitation fund, which has been constituted under the Central Sector Plan Scheme for rehabilitation of weak central banks and the balance amount may be provided by the state government. The assistance provided under the above arrangements will be limited to write off only of the amounts due from small farmers. (para 17)

156. Thus, the overdue loans will get segregated into three types (1) loans in respect of non-wilful defaulters; (2) loans in respect of chronic defaulters and (3) other overdue loans. The entire action on the lines indicated by us above, should be completed in 1978-9 and the first two types of overdue loans may not be included in the demand for 1978-9. They may be included in the demand only from the following year i.e., 1979-80. In the case of loans from non-wilful defaulters, they will be included in the demand from the year 1979-80 according to the instalments fixed. As regards loans in respect of chronic defaulters, the demand may be spread over a three-year period i.e., 1979-80, 1980-81 and 1981-2 and one-third of the amount at the end of each co-operative year may be reckoned for purposes of demand. Defaults under this arrangement would figure as arrear demand and should be added to the subsequent year's demand. This arrangement may be accepted by the higher financing agencies for the purpose of deciding upon the eligibility of the banks for sanction of credit limits provided the Government of Jammu & Kashmir agree to make good the shortfall between the actual recoveries and the demand so reckoned, by way of sanction

of a term loan for an equivalent amount, if the balance available in the Rehabilitation Fund over and above the amount earmarked for write off is not adequate to cover the shortfall in recovery. Such a loan by the state government may be made repayable as and when corresponding recoveries are made. This loan, however, may carry a rate of interest of at least two per cent higher than the normal lending rate of the state co-operative bank to the central banks for short-term agricultural purposes. This higher rate is considered necessary so as to act as disincentive to central banks in obtaining costly funds and prevent complacency on their part in effecting recoveries. (para 18)

157. The central banks will have to gear up their recovery machinery and should require societies to initiate legal action against all defaulters who do not fall in the category of chronic defaulters. In respect of chronic defaulters, action should be initiated or pursued soon after the investigations of such chronic defaults by the assessment committees are over. In case it is observed that societies are not earnest and are delaying matters, the financing banks should step in and proceed against the ultimate borrowers directly as provided in Section 63A of the Jammu & Kashmir Co-operative Societies Act. The government on its part should expedite the disposal of arbitration cases. In the interest of speedy disposal of cases it would be desirable to post an additional officer with supporting staff to attend to award cases which are large in number. The inspector/senior supervisor of the Co-operation Department may be posted as Recovery Officer in each district with all the powers for execution of awards including the one relating to the proclamation of sale and fixing of the auction date. Another measure is to empower specified officials, preferably the supervisory officials, of financing banks to exercise the powers enjoyed by the departmental sale officers. (para 19)

158. In order to mitigate the problem of lack of resources experienced by banks, the state government may give liberal share capital contribution to the central banks by borrowing from the Reserve Bank's Long-term Operations Fund or keep term deposits with them. (para 21)

159. These recommendations are applicable to the state co-operative bank also as it is functioning as a central financing agency in two districts. Further, the apex bank may also be considered for financial assistance under the Central Sector Plan Scheme for rehabilitation of central banks in relation to its overdues in Srinagar and Ladakh districts. (para 22)

Chapter 8 — Integration of the Long-term and Short-term Credit Structure

160. In view of the continued weaknesses of the state land development bank, energetic steps have to be taken by the state government to implement their decision to bring about integration between the short-term and long-term co-operative credit structures. (para 11)

161. To begin with, existing viable primary credit societies may take up long-term business on an agency basis till the integration is brought about at all levels. However, it should be ensured that each such society has a full-time paid secretary. (para 12)

162. Advancing of both short-term and long-term loans will increase the business of the societies and quicken the process of attaining viability thereby enabling them to function more efficiently. It will be necessary to impart adequate training to the secretary of the society in order to enable the society to carry out the different functions expected of it under the scheme of integration. Such training could be arranged by the state government either as a part of the training that is being imparted to the cadre secretaries at present or by arranging special short-term courses for the purpose. (para 13)

163. The question of supervision over the use of credit by the financing institution is of great importance. As the existing supervisory machinery with the land development bank is inadequate, it should seek the assistance of the supervisory machinery of the short-term credit structure and pay them a suitable fee in relation to the loan amount. (para 14)

164. Pending integration at the intermediate and apex levels of the short-term and the long-term credit structure, the question that needs consideration is the agency which will make available financial assistance to societies for the purpose. The following arrangements are suggested in this context.

(i) The primary agricultural credit societies may forward the loan application, after preliminary scrutiny, to the nearest branch of the land development bank for further necessary action.

(ii) Loans when sanctioned may be disbursed through primary agricultural credit societies.

(iii) The societies may be provided funds by the land development bank for the purpose of long-term loans. The amount of loans sanctioned may be credited to the account of the societies with central co-operative banks to help them to have dealings only with one bank.

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

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

(vi) In the matter of supervision, the arrangements suggested in paragraph 14 of this chapter may be implemented to start with. (para 15)

165. In the matter of integration at the district level, the Committee on Integration of Co-operative Institutions (1976) had suggested registration of a new institution called the District Co-operative Development Bank in view of the basic organizational differences of the short-term and long-term credit structures and the need for keeping the integrated units clear of the deficiencies of the original units. The new Development Bank can be expected to become viable and strong and be in a position to absorb the existing staff, both technical and general, of the erstwhile units and rely less on the state government. (para 16)

166. Similar advantages are expected to accrue in regard to the integration at the state level. In this connexion, the Committee on Integration of Co-operative Institutions has observed that since the pattern of resource mobilization has changed considerably after the establishment of the Agricultural Refinance and Development Corporation, the system of obtaining mortgages and floating debentures is not considered essential and there will be no need to retain the central land development bank as a separate unit. (para 17)

Chapter 9 — Other Institutional Arrangements

167. The short-term agricultural credit requirements in Jammu & Kashmir state have been estimated at about Rs 17.08 crores which may have to be reviewed and raised to Rs 20 crores when schemes for horticulture, cattle and fodder developments are taken up under a scheme of assistance from the International Development Association of the World Bank. The co-operative banking sector could be expected to meet the credit requirements of about Rs 8.35 crores. Further, co-operative societies themselves could be expected to involve their own resources to the extent of Rs 2.00 crores thus leaving a gap of about Rs 6.73 crores forming 39 per cent of the total credit requirements. This indicates the need for other institutional agencies such as commercial banks, including Regional Rural Banks, to play a supplementary role. (para 1)

168. There are 17 commercial banks operating in Jammu & Kashmir including the State Bank of India which is functioning as the Lead Bank for all the districts. The average population served by a commercial bank office worked out to 16,000 for the state and compared favourably with the national average of 22,000. The total deposits mobilized by commercial banks in the state stood at Rs 154.55 crores as on 30 June 1977, while their total advances amounted to Rs 43.46 crores. As on 25 March 1977 advances to priority sectors at Rs 22.69 crores formed 60 per cent of the total advances. The share of agricultural advances was 11 per cent of the advances to priority sectors. (paras 3 & 4)

169. The scheme of financing agriculture by commercial banks through primary agricultural credit societies was introduced in the state in 6 selected districts in 1973. At the end of June 1977, 7 commercial banks had taken over 119 societies through their 12 branches in these districts. However, all the 119 societies taken over by the banks are not being financed by them. (paras 5 & 6)

170. During the last four years of operation since 1971 the scheme for financing by commercial banks through societies has not made much headway in achieving its objectives of meeting the production and investment credit requirements adequately and revitalization of societies. There have not been any concerted efforts made by the banks and societies for enlarging the membership. The recovery performance of the societies has also not been satisfactory. The reasons for the poor progress of the scheme are reported to be inadequate co-operation from the extension staff of the state government, absence of full-time paid secretaries in most of societies, indifferent attitude of the managements of many of the societies, lack of efforts on the part of the field staff of commercial banks to take effective follow-up action to recover the loans in time and to prevent accumulation of overdues and the policy of advancing direct loans to non-members by commercial banks in areas where societies are financed by them. (para 11)

171. In the state one regional rural bank, viz., Jammu Rural Bank sponsored by the Jammu & Kashmir Bank Ltd., with jurisdiction extending to the Jammu district has been established in March 1976. The bank's advances outstanding against small and marginal farmers amounted to Rs 21.49 lakhs or 74 per cent of total loans outstanding as on 31 December 1977. All of its advances have been made directly as no society has been affiliated to it. (Para 12)

172. It is estimated that commercial banks could allocate about Rs 31 crores for financing agriculture and allied activities by 1982-3 as against Rs 2.46 crores advanced by them in 1976-7. Of the amount of Rs 31 crores about Rs 7 crores may be for short-term

agricultural lendings by 1982-3 as against Rs 2.46 crores in 1976-7 assuming an annual growth rate of 20 per cent. (para 13)

173. The commercial banks may take up financing in blocks having wide credit gaps so as to ensure that while a branch of a commercial bank is given adequate business, the remaining area in the block offers sufficient potential for the central cooperative bank concerned to maintain and develop its existing branch in the block. (para 15)

174. Normally the commercial banks may enter in blocks with credit gaps exceeding Rs 40 lakhs so that branches of both a co-operative and a commercial bank would have adequate business to sustain themselves. It is observed that there may be about 10 blocks in the state with credit gaps exceeding Rs 40 lakhs and as such, commercial banks could finance in these blocks to the extent of Rs 2 crores at the rate of Rs 20 lakhs per branch. However, in order to achieve a total lending level of at least Rs 7 crores, which the commercial banks are expected to lend as short-term production credit as stated in paragraph 13 of this chapter, they will have to enter even in those blocks with credit gaps below Rs 40 lakhs. (para 17)

175. There are 12 blocks located in the state without any branch of a commercial or a co-operative bank. These blocks could be considered for allocation to commercial banks if a central co-operative bank operating in the area is not in a position to come forward and fill up the credit gap. This can be ensured by the state government as the branch expansion programmes of banks will be finalized by the Reserve Bank in consultation with the banks in the field as well as the state government as indicated in the Reserve Bank's circular dated 8 September 1978 issued to all the commercial banks. Thus the Government of Jammu & Kashmir should be in a position to ensure that branches are not opened by commercial banks in areas which are adequately served by co-operative banks. In this connexion the state government should consult co-operative banks in advance on branch expansion programmes and offer suitable suggestions to safeguard the interests of co-operative banks *vis-a-vis* the branch expansion programmes of commercial banks. (para 18)

176. In allocating areas and societies for financing to commercial banks, in Jammu district preference may be shown to the Jammu Rural Bank. Also, where commercial banks have already taken over societies for financing preference may be given to those banks in allocating areas in which the societies taken over by them are located. (para 19)

177. In areas which are not allocated to commercial banks, they should, as far as possible, avoid direct financing. But there may be sections who may not join co-operatives and may need finance direct. In such circumstances, commercial banks may issue direct finance on terms and conditions broadly similar to those followed by co-operatives. (para 20)

Chapter 10—Supervision over Societies

178. The responsibility for supervision over societies was vested in the Registrar of Co-operative Societies till the year 1970. Since then, the state government decided to transfer this responsibility to financing banks. However, this decision is limited to primary agricultural co-operative credit societies only and not all types of societies. It is reported that the Jammu Central Co-operative Bank is hesitant in accepting the responsibility of supervision over societies in the districts of Doda and Udhampur due to the fear that this will increase its establishment cost without any corresponding return from business in these areas. The bank should be entrusted with the work of financial supervision over societies in Udhampur and Doda districts. The bank should not hesitate to take over this responsibility. If the bank has its own staff to supervise societies, it can exercise better control over them and expand their business. Similarly the Jammu & Kashmir State Co-operative Bank and also the other two central banks at Anantnag and Baramulla should take up the work of supervision over societies in areas where this function is presently with the co-operation department. (paras 5 & 17)

179. As regards the position obtaining in the districts and the areas where financial supervision is still with the co-operation department, it is observed that the supervisory staff strength is the same in all the districts irrespective of the fact whether super-

vision is with the co-operation department or not. Normally, the staff from the co-operation department at the block consists of the Assistant Registrar of Co-operative Societies and two supervisors to assist him. Added to the normal work relating to the administration of the Co-operative Societies Act and Rules, the limited staff available in the co-operation department is not able to exercise effective supervision over societies. Moreover, some areas in the state have limited or no communication facilities and some times during winter months, some of these areas are completely isolated. (para 9)

180. Although the duties and responsibilities of supervisors have been indicated by the Registrar of Co-operative Societies, by and large, supervisors failed to perform their duties diligently resulting in the poor performance of societies and mounting overdues. The supervisory staff of the banks comprises deputationists from the co-operation department and direct recruits. A large number of supervisors, particularly those appointed by the banks, were neither qualified nor trained. The quality of supervision has been poor as the work in the field is neither planned properly nor supervised effectively. This weakness of the arrangements for supervision has been mainly responsible for large scale misappropriation and embezzlement of funds. (para 10)

181. Although financial supervision has been transferred to banks, the credit limit applications of societies are still being routed through departmental officers. This procedure is being justified on the plea that such a recommendation from the departmental officer or his association in this fashion ensures co-operation on the part of the co-operation department in the matter of recovery. This justification does not seem to be warranted as it is the responsibility of a financing institution to ensure proper application of its funds by its borrowers and the departmental officers come in the picture mainly when coercive measures for recovery are required. (para 11)

182. The supervisors of co-operative banks are not generally undertaking any inspections of societies on the plea that statutorily they are not authorized to carry out inspections. Such inspections can be carried out in terms of section 60(3) of the Jammu

& Kashmir Co-operative Societies Act, 1960 on authorization by the Registrar by an order in writing. In the absence of such an order, no inspections are being undertaken. It is recommended that the provisions of section 60(3) of the Jammu & Kashmir Co-operative Societies Act may be modified so as to provide specifically for empowering the financial institutions to undertake inspections of all types of societies which are financed by them. Financing institutions should also incorporate as one of the terms of sanction of credit limits, that they will have powers to inspect all books of account of societies and call for such returns as are considered necessary by them from time to time. (paras 12 & 16)

183. Financial supervision over societies should be the full responsibility of financing banks. Such supervision should be extended to all types of societies financed by the bank. The state government may, therefore, take steps to transfer the function of financial supervision over societies to the financing institutions. (para 15)

184. It is very necessary that the supervisory staff including field officers in-charge should be bank employees. The co-operative banks should immediately draw up a plan for replacing the deputationists in a phased manner. While recruiting the supervisory staff, the present staff on deputation should also be considered for direct employment in the bank's service if they are *prima facie* eligible. (para 18)

185. Since banks will have to diversify their lending activities and take up financing of industrial and other types of societies and also of some specialized type of activities of primary agricultural credit societies such as consumer business, fruit marketing etc., it is desirable that persons with knowledge of such business are considered for recruitment to the posts of supervisors in banks. The post of supervisors should be interchangeable with those of clerical staff in banks as this would give an opportunity to both of them to learn and understand banking as well as field work. (para 19)

186. Supervisors should be provided with suitable job-oriented training to enable them to discharge their duties efficiently. This

training course should be arranged by the State Co-operative Union with the help of the Reserve Bank's College of Agricultural Banking, Pune, and the National Council for Co-operative Training, New Delhi. The Reserve Bank may extend necessary assistance in organizing such courses by the College of Agricultural Banking. (para 20)

187. With a view to enabling banks to take-over the complete responsibility in respect of supervision, the state government may give managerial subsidy for a period of three years to the banks on a tapering basis to meet the additional costs of extra staff the banks would be required to have on their establishment. (para 21)

188. It is necessary to clearly demarcate the duties of inspectors and supervisors. The supervisors, besides helping societies in preparation of credit limit applications, maintenance of books of account etc., should also inspect the societies periodically and attend to recoveries. The inspector should be posted at the block level and he should supervise the work of supervisors in the block. The inspectors may also be required to inspect on a regular basis bigger and specialized types of societies. The branch manager may be authorized to exercise immediate control over supervisors and inspectors in his area and all the reports to the head office should be routed by supervisors/inspectors through branch managers. (para 22)

189. There should be a clear cut demarcation of responsibility for supervision over societies between the co-operation department and financing banks. Financial supervision i.e., broadly, supervision in regard to matters such as maintenance of books of account, loan transactions recovery, utilization of loans, etc., should be the responsibility of the financing banks. General supervision should be the responsibility of the co-operation department. (para 23)

190. The bank should have suitable trained technical staff to supervise specialized societies. The state government should subsidise the banks to bear the extra cost which they will have to incur when they assume responsibility of supervision over primary

agricultural credit societies in the areas which are presently with the co-operation department as well as over other types of societies in general. (para 24)

Chapter 11—Problem of Difficult Terrain

191. The Ladakh district has the most difficult terrain in the state. Two blocks of Baramulla district, viz., Gurez and Tangdar are geographically contiguous to Ladakh and could be classified as difficult terrain. However, as data are not available in respect of these two blocks, no reference has been made to them in the chapter. It is reported that there are no tribal areas in the state. Ladakh district, being hilly and climatic conditions reaching arctic cold, large tracts are devoid of any vegetation and means of communications are quite inadequate. Agricultural and horticultural activities have limited scope in this terrain. The main thrust of effort has necessarily to be on activities such as dairy farming, sheep breeding, goat-rearing etc. *Pashmina* and wool are the main items available for marketing. (paras 2 & 3)

192. Land being not suitable for cultivation, people depend on supplies from outside the district for their requirements of foodgrains and other consumer goods. The cost of consumer goods and foodgrains becomes prohibitive in view of the exorbitant freight and incidental charges. Since the district is snow-bound for almost six months in a year it becomes necessary to store the requirements for a period of six months when communications are open from July to November. (para 4)

193. It follows that any credit activity through co-operatives should take care of consumer business and help the members in marketing their produce mainly *pashmina* and wool. (para 5)

194. There are 130 co-operative societies of which 99 are primary agricultural credit societies. About 65 per cent of the families are covered by these societies which although known as agricultural credit societies, are mainly dealing with the supply of consumer goods. The societies are affiliated to the wholesale stores at Leh or Kargil. (para 6)

195. The Jammu and Kashmir Central Co-operative Land Development Bank opened its branch at Leh in the year 1973. The branch has not been able to expand its activities to any significant extent. (para 11)

196. The growth of co-operative institutions is hampered by poor means of communications, unavoidable but heavy freight charges and also non-availability of trained personnel to manage the societies. In the circumstances, the state government has to come forth with further financial assistance to accelerate the growth of co-operative institutions. Supply and sale societies will be useful in Ladakh district. While reorganizing societies, it may not be necessary to organize a new supply and sale society but the existing societies could be converted into supply and sale societies. (paras 12 & 13)

197. The state government will have to give financial assistance, particularly managerial subsidy, to enable the societies to have trained employees. The government may have to provide subsidy on articles made available in these areas through societies. The Ladakh district is covered by the Desert Development Programme and assistance available thereunder could be made use of for strengthening co-operative organizations in matters such as encouraging their members to take up subsidiary occupations, like animal husbandry, sheep-breeding etc., and for developing ancillary facilities including processing and marketing to ensure proper returns. (para 14)

198. The scope for marketing of members' produce is confined mainly to vegetables, fruits, wool and *pashmina*. While vegetables and fruits have a local market, arrangements could be made for collection of wool and *pashmina* at the societies. Selling of wool and *pashmina* as such would not fetch remunerative price. The industries department could help the local population in undertaking weaving of shawls and other articles of wool and *pashmina* and arrange for sale of finished products. The state co-operative bank can help the local people by granting loans for purchase of sheep as well as goats. The recovery of loans could be linked with the sale of wool and *pashmina*. It will be necessary for the co-operation department and other concerned departments

such as industries department, agriculture department, to co-ordinate their activities in this regard to avoid exploitation of the people by traders and middlemen. (para 15)

199. The banking structure has failed to provide adequate support to the various economic activities undertaken in Ladakh such as consumer articles, commercial activities like handicrafts, *pashmina*, wool, etc., and agriculture including growing of vegetables and horticulture. Although the supply and sale society will be undertaking the responsibility for catering to all these activities, it is considered necessary to pin point the responsibility of development on a higher financing agency for financing a particular type of activity in the district. From this view point the society could be allowed, if necessary, to be financed by more than one institutional agency. In order to evolve a suitable strategy for providing adequate credit support a detailed study of the problem of the difficult terrain is necessary. It is suggested that a study for the purpose may be taken up very early jointly by the Reserve Bank of India in the Agricultural Credit Department, the Agricultural Refinance and Development Corporation and the state government. (paras 16 & 17)

Chapter 12—Other Related Issues

200. Elections to the Board of Directors of the state co-operative bank have been delayed for six years and as yet no date has been fixed for such elections. The Co-operative Societies Act and Rules as well as the by-laws of the institutions are not sufficiently clear in respect of the procedure for conducting periodical elections to the Board. It is, therefore, suggested that such matters should not be left vague but should be incorporated in the Co-operative Societies Act/Rules/By-laws so that the Board of Directors is clearly required to arrange for a general body meeting before the expiry of its own term of office for the election of a new Board. The outgoing Board of Directors should be required to arrange for elections to the new Board at least three months before the expiry of its term and it should vacate office as soon as its term is over. The Registrar of Co-operative Societies should intervene if the Board fails to convene a general body meeting and hold elections before the expiry of its term of office. Under such circumstances,

the Registrar may supersede the Board. The Administrator appointed in its place should be bound to convene a general body meeting to elect a new Board within three months of such supersession. Suitable provision may be made to this effect in the Co-operative Societies Act/Rules and By-laws of co-operative banks. (para 2)

201. It is necessary to make legislative provision so as to clearly fix the maximum period upto which an institution can continuously be kept under the control and management of an administrator/authority. (para 3)

202. In terms of Rule 2(e) of the Jammu & Kashmir Co-operative Societies Rules 1968, a defaulter is defined as any co-operative society or any person against which/whom a decree has been obtained. In this context, it is of utmost importance to clearly define a defaulter as one who has failed to repay his dues on the due date and also to ensure that such defaulter *ipso facto* ceases to be a member of the governing body of any co-operative institution. (para 4)

203. As per existing provisions of the Co-operative Societies Act in the state, financing institutions require authorization from the Registrar to carry out inspection of the societies financed by them. Such an authorization is not considered necessary because it is normally the right of a financing institution to inspect institutions which are indebted. In this context, amendment to the section 60(3) of the Jammu & Kashmir Co-operative Societies Act is necessary to empower the financing institutions to carry out inspection of institutions financed by them on their own. (para 5)

204. The co-operation department has not yet been able to prepare and publish annual reports and relevant statistical statements after the year 1970-71 due to the absence of a well organized statistical cell at the head office. Absence of upto-date data handicaps the process of planning also. The staff of the co-operation department should be suitably strengthened by the state government to enable the Registrar to discharge his responsibilities. (para 8)

205. The audit staff of the co-operation department also needs to be suitably strengthened. If institutions are not audited for quite some time, misappropriation of funds is likely to go undetected. The system of concurrent audit should be introduced for all the apex, regional, and district level institutions as well as co-operative super bazars where the turnover of business is generally high. Further, the audit staff in areas of difficult terrain may not be separated from the staff administering the co-operative societies Act and Rules as otherwise it would result in high overheads *vis-a-vis* number of societies. It may also be inconvenient to post a large number of staff for different functions in areas of difficult terrain. (para 9)

206. As arbitration cases as well as the execution of decrees are in large arrears at the departmental level, the Registrar should introduce measures to speed up the disposal of arbitration and execution references. As an initial measure, the officers in co-operative banks who are on deputation from the co-operation department may be authorized to act as special sale officers. Financing banks may also be provided with the services of special recovery officers of the rank of Assistant Registrars to attend to matters relating to the execution of decrees. The State Co-operative Societies Act and Rules may be suitably amended for the purpose as has been done in states such as Maharashtra and Madhya Pradesh. (para 10)

207. In view of the pivotal role of the Registrar in directing the implementation of the recommendation made in this Report, continuity of planned and co-ordinated action on his part is essential. The incumbent to the post of the Registrar should hold office for a fairly long period say at least up to five years. If the incumbent to the post of the Registrar is due for promotion in a higher scale before his term of five years is over, the post of Registrar itself may be elevated temporarily to that scale to ensure his continuance in that post. (para 11)

208. There is need to ensure organized marketing of members' produce for which purpose there should be co-ordinated efforts on the part of the directorates of sheep and animal husbandry as well as credit institutions. (para 12)

209. Although subsidies are provided by the Small Farmers Development Agency for various purposes to identified small/marginal farmers, there are no planned efforts for identification of such farmers and for publicising the assistance available. The block development officers should be made fully familiar with the programmes of these agencies and the programmes may be suitably publicised through village level workers. The present practice of referring individual cases either to a co-operative or a commercial bank is far from satisfactory and has to be given up in favour of financing through societies situated in compact areas. Extension work by the Small Farmers Development Agency and block development officers need co-ordination. There is also need for giving due publicity to the facilities available and for identifying beneficiaries. (para 13)

210. The handling of fertilizers by the Jammu Marketing Federation and Kashmir Co-operative Peoples Service has resulted in considerable loss to them, as apart from inadequate percentage of commission and incidental charges available, provisions allowed for shortage in transit and in godowns are inadequate. This has resulted in considerable loss to the Federation. This aspect may be examined and suitable remedial measures taken by the state government to ensure that the Federation does not suffer loss in handling the fertilizer business. (para 14)

211. There has been no check by the Federation to ensure whether the sale proceeds of the fertilizers realized are remitted in its account immediately. Even where such remittances have been made the Federation has not been getting credit advices from the concerned central co-operative banks. There should be strict check and watch on sales effected by societies by the Federation and co-ordination between the apex and central co-operative banks on one hand and the Federation on the other to pass adjustment entries in respect of sale proceeds realized and remitted. In the case of unjustifiable delays in adjustment of sale proceeds, the concerned bank should be penalised by charging rate of interest at 2 per cent above its borrowing rate for the amount in default. (para 15)

212. Since the Federation is doing business on its own account and is responsible for repayment of its borrowings, it has to take adequate precautions to ensure that stocks are properly accounted for. For this purpose, the Federation should have staff of supervisors of its own who will conduct surprise visits and check the stock position and verify the manner in which the sale proceeds have been utilized by the societies. The estimate of fertilizer requirements should be based on the actual use of fertilizers by farmers in earlier years and a reasonable level of growth, say about 10 to 15 per cent, could also be added to the estimates. In this manner the Federation could save interest payment in respect of excess stocks held. The state government should, therefore, associate the authorities of the Marketing Federation in finalizing the arrangements for supply and distribution of fertilizers before the ensuing season. If the Federation is obliged to hold on to stocks beyond the estimated sales on the instructions of the government, the Federation should be compensated by the state government in regard to excess interest and storage charges paid by the Federation. (paras 16 & 17)

213. The state government is distributing *taccavi* loans in kind to cultivators, but the Federation has not been receiving the details in respect of these loans. The accounts relating to such loans have remained unreconciled for several years resulting in loss of interest to the Federation. The present arrangements in this regard need change. When *taccavi* loans are issued, copies of orders as well as details of fertilizers distributed should be supplied to the Federation by the state government. The Federation should tabulate the details and find out its actual involvement in respect of *taccavi* loans and bill the government accordingly. (para 18)

214. When the state government has required the Federation to undertake fertilizer business on a commercial basis, the best course in this regard is to allow the Federation to charge the price of fertilizers according to its estimate of expenditure required to be incurred on this business. However, if the state government wants the Federation not to charge a price for fertilizers beyond a particular limit, it should examine the overheads the Federation has to incur and fix the price after providing for a reasonable

profit. In the alternative, the Federation should be compensated for the loss sustained in selling stocks at rates fixed by the government. (para 19)

215. The Federation has not been able to attend to handling of agricultural implements in a business like manner mostly because of lack of expertise in this field. The Federation may have to hand over the business of supply of consumer goods to the Consumers' Federation which has since been organized in the state. (para 20)

216. The Federation and the Kashmir Peoples Co-operative Service which acts as a parallel agency in the Kashmir valley and attends to all functions as in the case of the Federation in Jammu division, have their key personnel on deputation from the state government which is not a desirable arrangement in the long run. The staff on deputation should be replaced in a phased manner by open recruitment. (para 22)

217. The Federation and the Kashmir Peoples Co-operative Service should help the reorganized primary agricultural credit societies in marketing their members' produce to ensure fair return on their produce and effect linking of credit with marketing. (para 23)

218. Most of the staff members of the apex and central co-operative banks are untrained and are not well equipped to attend to their jobs satisfactorily. At present there are two co-operative training centres in the state which are run by the Jammu and Kashmir State Co-operative Union. In view of the large number of candidates to be trained, the Jammu and Kashmir State Co-operative Union and the Registrar of Co-operative Societies may consider condensing the training period from six months to three or four months and for revision of the course contents at a very early date and also make arrangements with the assistance of the National Co-operative Union of India for training of candidates in the neighbouring states of Punjab and Haryana, if necessary. (paras 24, 25 & 27)

219. The training of staff of co-operative banks such as clerks, cashiers, etc., could be arranged in a condensed course of a short duration say 15 days for a smaller number of candidates at one time, as the banks will be able to depute only a few staff members in view of their limited staff strength. As for the training of the intermediate personnel and also senior officers, the bank should continue to depute the staff as at present but in much larger numbers for training in institutions run by the National Council for Co-operative Training. (para 28)

220. Although training is a very important aspect, it has not been receiving due attention from managements of co-operative banks and the co-operation department. The subject of training should be handled by the Development Cell of the Jammu and Kashmir State Co-operative Bank directly under the charge of the managing director. The Development Cell of the Jammu and Kashmir State Co-operative Bank should be responsible for formulating the programmes for training of not only the staff of the state co-operative bank but also of the central co-operative banks and other co-operatives in the state. (para 29)

221. The existing staff strength of the training centres should be strengthened suitably to help them shoulder the additional responsibility for arranging training of various categories of personnel. (para 30)

222. The member education programmes may be arranged in all the districts in a phased manner and the state government may come forward to provide funds for the purpose as is required under the scheme of the National Co-operative Union of India. Along with re-organization of societies, it is essential that the members of managing committees are suitably educated in regard to the working of societies. The Jammu & Kashmir State Co-operative Union may arrange special programmes for the benefit of members of societies in all the districts on a priority basis. (para 31)

223. The financial position of the State Co-operative Union is very weak. Since the training programme is of basic importance

for the management of institutions, contributions to the Union's fund should not be restricted to societies declaring dividend of 4 per cent and above but should be from all the societies working at profit. (para 32)

224. For ensuring implementation of the recommendations made in the Report, a state level committee may be set up by the Government of Jammu & Kashmir under the chairmanship of its Chief Secretary. The other members may be the Secretary, Agriculture Production Department, Registrar of Co-operative Societies, Director, Directorate of Horticulture (Planning and Marketing), Directors in-charge of Sheep and Animal Husbandry Directorates, a representative each of the Reserve Bank of India's Agricultural Credit Department and Department of Banking Operations & Development at Jammu and of the Agricultural Refinance and Development Corporation and a senior representative of the Jammu & Kashmir State Co-operative Bank. The Committee should meet periodically to review the progress of implementation of the various recommendations made in this Report and bring about co-ordination and assist in timely implementation. (para 36)

Chairman : K. Madhava Das

Members : M. Rahman

V. Sagar Ailawadi

J. M. Mir (for M. S. Andrabi)

R. Vijayaraghavan

Member Secretary : R. A. Sugavanam

Bombay

27 June 1979

ANNEXURE 1

District-wise Position of the Total Population and Classification of Working Population

District	Population (in lakhs)								
	Total	Rural	Urban	Of (2) Scheduled caste	% of Col. (3) to (2)	% of Col. (5) to (2)	Density population per sq. km.		
							Total	Rural	Urban
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Jammu Division									
1. Doda	3.42	3.23	0.19	0.30	94	9	20	28	557
2. Jammu	7.32	5.41	1.91	2.07	74	28	231	175	2240
3. Kathua	2.75	2.50	0.25	0.63	91	23	104	94	3155
4. Poonch	1.71	1.57	0.14	(204)	92	0.12	81	96	928
5. Rajouri	2.17	2.09	0.08	0.15	96	7	103	78	660
6. Uadhampur	3.39	3.11	0.28	0.66	92	20	74	68	2288
Sub-total	20.76	17.91	2.85	3.81					
Kashmir Division									
7. Anantnag	8.32	7.68	0.74	(117)	91	0.01	155	142	1312
8. Baramulla	7.76	7.10	0.66	(68)	92	0.01	104	96	1235
9. Srinagar	8.28	4.05	4.23	(96)	49	0.01	275	139	4098
Sub-total	24.36	18.73	5.63	(281)					
Ladakh Division									
10. Ladakh	1.05	0.97	0.08	(14)	92	0.01	N.A.	N.A.	N.A.
Total	46.17	37.61	8.56	3.81	82	8			

ANNEXURE 1 (Contd.)

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District	Classification of Working Population (in Lakhs)				
	Total	Cultivators	Agricultural labourers	Allied activities	others
(1)	(11)	(12)	(13)	(14)	(15)
Jammu Division					
1. Doda	1.091	0.93	0.016	0.142	0.003
2. Jammu	1.789	0.87	0.096	0.026	0.797
3. Kathua	0.734	0.47	0.038	0.022	0.204
4. Poonch	0.474	0.40	0.010	0.023	0.041
5. Rajouri	0.601	0.49	0.010	0.004	0.097
6. Udhampur	1.057	0.79	0.018	0.046	0.203
Sub-total	5.746	3.95	0.188	0.263	1.345
Kashmir Division					
7. Anantnag	2.589	1.87	0.082	0.058	0.580
8. Baramulla	2.409	1.76	0.083	0.059	0.507
9. Srinagar	2.390	0.96	0.062	0.104	1.264
Sub-total	7.388	4.59	0.227	0.221	2.351
Ladakh Division					
10. Ladakh	0.461	0.36	0.014	0.018	0.068
Total	13.595	8.90	0.429	0.502	3.764

ANNEXURE 2

District-wise and Holding-wise Total Landholding

	Land holdings in acres									
	Below 5/8		5/8 — 1¼		1¼ — 2		2 — 2½		2½ — 5	
	No. of holdings	Area	No. of holdings	Area	No. of holdings	Area	No. of holdings	Area	No. of holdings	Area
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Jammu Division										
1. Doda	22,464	7,297	13,023	12,069	10,364	10,560	5,512	12,270	13,590	47,119
2. Jammu	25,154 (8.3)	9,340	19,718	17,133	17,541	27,503	13,492	30,110	25,845	100,967
3. Kathua	11,813	3,694	8,698	7,984	7,373	11,874	4,616	10,289	12,112	43,028
4. Poonch	4,287	1,531	4,931	4,612	5,242	7,915	2,819	6,159	7,773	2,778
5. Rajouri	5,819	2,091	6,487	6,037	6,576	10,646	3,864	8,533	12,023	43,266
6. Udhampur	11,024	3,677	10,303	9,400	9,217	14,770	8,891	22,120	14,618	53,269
Sub-Total	80,561 (26.5)	27,636 (21.6)	63,160 (35.2)	57,235 (33.2)	56,313 (39.8)	89,268 (38.6)	40,194 (45.6)	89,481 (45.6)	85,961 (55.6)	290,427 (54.4)

ANNEXURE 2 (Contd.)

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	Land holdings in acres									
	Below 5/8		5/8 — 1¼		1¼ — 2		2 — 2½		2½ — 5	
	No. of holdings	Area	No. of holdings	Area	No. of holdings	Area	No. of holdings	Area	No. of holdings	Area
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Kashmir Division										
7. Anantnag	69,885	27,384	44,384	42,792	35,809	59,167	21,491	47,491	26,713	91,300
8. Baramulla	87,910	39,494	38,884	36,952	28,297	46,236	14,965	33,539	25,459	91,931
9. Srinagar	61,341	31,067	30,305	33,397	19,175	33,388	10,374	23,711	12,357	44,020
Sub-Total	219,136	97,945	114,136	113,141	83,371	138,791	46,830	104,741	64,529	227,251
	(72.1)	(76.8)	(63.6)	(65.7)	(59.0)	(10.1)	(53.2)	(53.3)	(41.8)	(42.7)
Ladakh Division										
10. Ladakh	4,032	2,092	2,199	1,935	1,778	2,881	968	2,131	4,006	41,732
	(1.4)	(1.6)	(1.2)	(1.1)	(11.2)	(1.3)	(1.2)	(1.1)	(2.6)	(2.9)
Total	303,729	127,673	179,311	172,311	141,462	230,940	87,982	198,353	154,496	532,410

ANNEXURE 2 (Contd.)

Land holdings in acres										
District	5—7½		7½—10		10—12½		12½—25		25 and above	
	No. of holdings	Area	No. of holdings	Area	No. of holdings	Area	No. of holdings	Area	No. of holdings	Area
(1)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)
JAMMU DIVISION										
1. Doda	5,807	34,255	2,485	21,419	1,250	13,627	909	14,354	58	1,239
2. Jammu	9,777	62,278	4,615	40,648	2,146	24,594	1,454	25,961	170	13,257
3. Kathua	5,710	34,474	3,187	29,025	1,913	21,105	2,034	41,829	240	8,720
4. Poonch	3,083	18,619	1,221	10,661	554	6,108	464	7,492	35	1,124
5. Rajouri	5,841	35,304	2,603	21,390	1,485	16,332	1,132	18,033	140	7,227
6. Udhampur	7,107	43,942	3,498	29,673	2,413	26,848	1,901	30,822	174	5,513
Sub-total	37,325	228,844	17,009	152,816	9,761	108,614	7,894	138,491	817	35,680
	(62.2)	(62.7)	(67.2)	(67.5)	(71.9)	(71.9)	(74.7)	(6.8)	(69.7)	(64.2)

ANNEXURE 2 (Contd.)

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Land holdings in acres										
District	5—7½		7½—10		10—12½		12½—25		25 and above	
	No. of holdings	Area	No. of holdings	Area						
(1)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)
KASHMIR DIVISION										
7. Anantnag	7,861	46,435	2,907	26,048	1,395	15,574	824	12,360	105	6,083
8. Baramulla	8,519	52,257	3,186	27,076	1,361	15,151	1,042	17,112	101	4,073
9. Srinagar	4,118	24,770	1,411	12,149	577	6,466	297	5,025	43	1,831
Sub-total	20,498	123,462	7,594	65,273	3,333	37,191	2,163	34,497	249	11,987
	(34.2)	(33.7)	(29.0)	(28.8)	(24.5)	(24.6)	(20.5)	(19.1)	(21.2)	(21.6)
LADAKH DIVISION										
10. Ladakh	2,154	13,613	991	8,422	489	5,345	507	7,870	107	7,906
	(3.6)	(3.3)	(3.8)	(3.7)	(3.6)	(3.5)	(4.8)	(4.1)	(9.1)	(14.2)
Total	59,977	365,819	26,194	226,511	13,584	151,150	10,564	180,858	1173	55,573

Note : (i) Data available in acres. Conversion thereof into hectares distorts the picture slightly hence not attempted.

(ii) Figures in brackets indicate percentages to the total.

ANNEXURE 3

Unirrigated Area and Source-wise Irrigated Area in the State (1970-71)

Area in Lakh Acres

District	Unirrigated Area	Source-wise irrigated area						Total area	% of Irrigated Area to Total Area
		Irrigated Area (Total)	Canals	Tanks	Wells	Tubewells	Others		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
JAMMU DIVISION									
1. Doda	1.65	0.15	0.15	—	—	—	—	1.80	8.3
2. Jammu	2.65	0.87	0.83	—	0.001	0.038	0.001	3.52	24.6
3. Kathua	1.78	0.34	0.33	—	0.001	—	0.003	2.12	16.0
4. Poonch	0.84	0.08	0.07	0.01	—	—	—	0.92	8.7
5. Rajouri	1.56	0.19	0.14	—	—	—	—	1.67	6.6
6. Udhampur	2.26	0.14	0.14	—	—	—	—	2.40	5.8
Sub-total	10.74	1.69	1.63	0.01	0.002	0.038	0.004	12.43	13.6

ANNEXURE 3

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Unirrigated Area and Source-wise Irrigated Area in the State (1970-71)

Area in Lakh Acres

District	Unirrigated Area	Source-wise irrigated area						Total area	% of Irrigated area to Total Area
		Irrigated Area (Total)	Canals	Tanks	Wells	Tubewells	Others		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
KASHMIR DIVISION									
7. Anantnag	1.78	1.98	1.95	—	0.001	—	—	3.75	52.3
8. Baramulla	2.07	1.57	1.52	0.013	0.009	—	0.022	3.64	43.1
9. Srinagar	1.00	1.16	1.09	0.008	0.009	0.006	0.044	2.16	53.7
Sub-total	4.85	4.70	4.56	0.021	0.028	0.006	0.066	9.55	49.2
LADAKH DIVISION									
10. Ladakh	0.28	0.39	0.39	—	—	—	—	0.67	58.2
Total	15.88	6.77	6.58	0.031	0.030	0.044	0.070	22.65	29.9

Note : Data are available in acres. Conversion into hectares has not been attempted as the acreage is very negligible under certain columns.

ANNEXURE 4

Production Credit i.e., Short-term Agricultural Credit Estimates

Bank/District	Scales of Finance Per Acre (average outlay on the basis of the major food crops)		Scales of Finance for Horticulture per acre	Gross Cropped area (in '000 hectares)		Area under Horticulture ('000 hectares)	Area ('000 hectares) under major Food Crops for arriving at total require- ments (5) + (6) — (7)	
	Irrigated Rs	Unirrigated Rs		Irrigated	Unirrigated		Irrigated	Unirrigated
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Jammu								
Doda	400 (960)	300 (720)		8.9	55.1	—	8.9	55.1
Jammu				65.1	106.7	—	65.1	106.7
Kathua				18.1	71.2	—	18.1	71.2
Poonch				4.1	24.8	—	4.1	24.8
Rajouri				5.7	58.3	—	5.7	58.3
Udhampur				6.1	78.4	—	6.1	78.4
Sub-total				108.0	394.5		108.0	394.5
Anantnag								
Anantnag	360 (864)	200 (480)	1500 (3600)	82.7	53.5	14.5	73.9 (8.8)	47.8 5.7

ANNEXURE 4 (Contd.)

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Bank/District	Scales of Finance Per Acre (average outlay on the basis of the major food- crops)		Scales of Finance for Norticulture per acre	Gross Cropped area (in '000 hectares)		Area under Horticulture ('000 hectares)	Area ('000 hectares) under major Food Crops for arriving at total require- ments ((5) + (6)—(7))	
	Irrigated Rs.	Unirrigated Rs.		Irrigated	Unirrigated		Irrigated	Unirrigated
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Baramulla								
Baramulla	360 (864)	200 (480)	2000 (4800)	63.7	67.5	21.9	53.1 (10.6)	56.2 (11.3)
Jammu & Kashmir State Co-operative Bank								
Srinagar	360 (864)	200 (480)	1500 (3600)	51.5	27.0	9.8	45.1 (6.4)	23.6 (3.4)
Ladakh				16.9	—	—	16.9	—
Total				328.8	542.6			

ANNEXURE 4 (Contd.)

Bank/District	Credit Requirements			Total	Credit Requirements expected to be met by Co-operative and Commercial institution (50% of col. 13)
	Horticulture	Food crops			
		Irrigated	Unirrigated		
(1)	(10)	(11)	(12)	(13)	(14)
Jammu					
Doda	—	85.44	396.72	482.16	241.08
Jammu	—	624.96	768.24	1393.20	696.60
Kathua	—	173.76	512.64	686.40	343.20
Poonch	—	39.36	178.56	217.92	108.96
Rajouri	—	54.72	419.76	474.48	237.74
Udhampur	—	58.56	564.48	623.04	311.52
Sub-total		1036.80	2840.40	3877.20	1938.60
Anantnag					
Anantnag	522.00	638.96	229.44	1390.40	695.20
Baramulla					
Baramulla	1051.20	458.78	269.76	1779.74	889.87

ANNEXURE 4 (Contd.)

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Bank/District	Credit Requirements			Total	Credit Requirements expected to be met by Co-operative and Commercial institution (50% of col. 13)
	Horticulture	Food crops			
		Irrigated	Unirrigated		
(1)	(10)	(11)	(12)	(13)	(14)
Jammu & Kashmir State Co-operative Bank					
Srinagar	355.00	389.66	113.28	857.94	428.97
Ladakh	—	146.02	—	146.02	73.01
Total	1928.20	2698.28	3451.44	8078.12	4025.65

Note : (i) Figures in brackets under col. 2, 3 and 4 indicate per hectare scales of finance.

(ii) Since there is sizeable acreage under horticulture, account thereof has been taken for estimating the credit requirements. Particulars about the division of areas under horticulture as irrigated and unirrigated are not available. In the circumstances, areas under horticulture as irrigated and unirrigated have been assumed in the same proportion to that of total irrigated and unirrigated areas in the respective districts and accordingly suitable adjustments have been made under cols. 8 and 9 and area under horticulture is shown within brackets.

ANNEXURE 5

Financial position of PACS as on 30 June 1976

Rs Thousands										
District	Societies		Membership			Paid-up capital		Reserves	Owned Funds	Deposits
	Total	Dormant	Total	In-debted	Defaulting	Total	From State Govt.			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Jammu Division										
1. Doda	116	8	18,334	12,590	10,170	724.30	101.50	6.46	730.76	27.38
2. Jammu	216	1	38,800	34,400	14,900	1502.50	466.40	436.60	1939.10	705.00
3. Kathua	122	8	17,702	12,830	9,769	701.46	105.38	122.74	824.20	523.36
4. Poonch	53	5	12,546	11,852	10,396	378.81	30.00	46.70	425.51	65.99
5. Rajouri	104	37	17,781	15,783	14,064	1079.12	80.38	179.21	1258.33	635.46
6. Udhampur	147	—	18,279	6,942	5,408	490.00	77.99	64.62	554.62	867.21
Sub-Total	758	59	121,422	94,397	64,707	4876.19	861.65	856.33	5832.52	2924.40

ANNEXURE 5 (Contd.)

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District	Rs Thousands									
	Societies		Membership			Paid-up capital		Reserves	Owned Funds	Deposits
	Total	Dormant	Total	In-debted	Defaulting	Total	From State Govt.			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Kashmir Division										
7. Anantnag	199	15	96,000	46,000	2,100	2334.00	766.00	1302.00	3636.00	140.00
8. Baramulla	183	12	94,000	39,900	5,400	1627.00	381.00	255.00	1882.00	239.00
9. Srinagar	155	8	58,000	29,800	6,200	1117.00	429.00	109.00	1226.00	69.00
Sub-total	537	35	248,000	115,700	13,700	5078.00	1576.00	1666.00	6744.00	448.00
Ladakh Division										
10. Ladakh State	84		7,000	—	—	300.00	205.00	4.00	304.00	—
	1379	94	376,422	210,097	78,407	10254.19	2642.65	2526.33	12880.52	3272.40

ANNEXURE 5 (Contd.)

Rs Thousands

District	Outstanding Borrowings		Working capital	Loans Outstanding		
	Total	C. F. A.*		Total	Short-term	Medium-term
(1)	(12)	(13)	(14)	(15)	(16)	(17)
Jammu Division						
1. Doda	3928.71		4686.85	2969.85	1608.76	1361.09
2. Jammu	12418.50	12147.30	14357.60	7377.60	6171.90	1205.70
3. Kathua	4347.59	136.54	1347.55	4495.54	3899.85	595.69
4. Poonch	3287.27	641.00	3778.78	2597.64	2061.99	535.65
5. Rajouri	4326.89	—	6220.68	3957.37	3072.88	884.49
6. Udhampur	14.49	10.31	4473.54	2.61578	2422.06	193.72
Sub-total	28323.45	12935.15	34865.00	24013.78	19237.44	4776.34

ANNEXURE 5 (Contd.)

360

Rs Thousands

District	Outstanding Borrowings		Working capital	Loans Outstanding		
	Total	C. F. A.*		Total	Short-term	Medium-term
(1)	(12)	(13)	(14)	(15)	(16)	(17)
Kashmir Division						
7. Anantnag	39638.00	39358.00	43416.00	18189.00	16090.00	2099.00
8. Baramulla	34593.00	5894.00	37871.00	7311.00	16262.00	1049.00
9. Srinagar	13375.00	2622.00	14814.00	8775.00	2887.00	5888.00
Sub-total	87806.00	47874.00	95901.00	34275.00	25239.00	9036.00
Ladakh Division						
10. Ladakh	—	—	1428.00	584.00	492.00	92.00
State	115929.45	60809.15	132194.00	58872.78	44968.44	13964.84

*Central Financing Agency

ANNEXURE 5 (Contd.)

Rs Thousands

District	Overdues			Loans issued		
	Total	Short-term	Medium-term	Total	Short-term	Medium-term
(1)	(18)	(19)	(20)	(21)	(22)	(23)
Jammu Division						
1. Doda	2315.85	1608.76	707.09	801.84	108.90 (Sao)	692.94
2. Jammu	4618.40	3931.80	686.60	5661.40	5475.20 (Sao)	176.20
3. Kathua	3746.97	3151.28	595.69	1693.31	1688.21 (Sao)	5.10
4. Poonch	2354.58	2021.06	333.52	190.39	190.39 (188.39)	---
5. Rajouri	2465.03	2055.02	410.01	372.88	285.54 (272.20)	87.34
6. Udhampur	297.37	297.37	—	1554.36	1554.36 (1196.30) (Sao)	—
Sub-total	16798.20	13065.29	2733.91	10264.18	9302.60 (8929.20)	961.58

ANNEXURE 5 (Contd.)

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Rs Thousands

District	Overdues			Loans issued		
	Total	Short-term	Medium-term	Total	Short-term	Medium-term
(1)	(18)	(19)	(20)	(21)	(22)	(23)
Kashmir Division						
7. Anantnag	2147.00	2147.00	—	7311.00	7311.00 (Sao)	—
8. Baramulla	2388.00	1708.00	680.00	1307.00	1281.00 (930.00)	26.0
9. Srinagar	882.00	151.00	731.00	431.00	431.00 (Sao)	—
Sub-total	5417.00	4006.00	1411.00	9049.00	9023.00 (8672.0)	26.00
10. Ladakh	155.00	—	—	322.00	—	—
State	21370.20	17071.29	4144.91	19645.18	17601.20	987.58

ANNEXURE 6

Analysis of Data of on-the-spot study reports of Primary Agricultural Credit Societies

(As on 30 June 1977)

District	No. of Societies visited	No. of Villages Served	Population of Villages Served	No. of cultivating Families Served	Members with holdings				Tenants and Agricultural Labourers	Total
					Below 3 acres	3 - 5 acres	5 - 10 acres	10 acres and above		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
A. Kashmir Division										
1. Anantnag	13	105	69,099	10,825	8,570	737	126	4	232	9,669
2. Baramulla	2	54	54,615	8,408	2,245	858	619	176	45	3,946
3. Srinagar	6	48	26,161	4,220	609	962	438	106	—	2,115
Sub-total	31	207	149,828	23,453	11,427	2,557	1,183	286	277	15,730
B. Jammu Division										
1. Doda	8	60	27,025	3,499	366	139	32	8	25	57
2. Jammu	10	31	25,292	3,604	373	403	296	21	37	1,133
3. Kathua	5	14	18,006	2,447	215	189	151	56	92	703
4. Poonch	2	8	6,124	1,513	—	—	—	—	—	—
5. Rajouri	2	13	5,555	1,266	311	10	5	1	—	327
6. Udhampur	7	37	18,363	3,264	115	339	73	32	5	564
Sub-total	34	163	100,365	15,593	1,383	1,080	557	118	159	3297
Total	65	370	250,193	39,046	12,810	3,637	1,740	404	436	19027

ANNEXURE 6 (Contd.)

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District	No. of societies having			No. of societies having Offices		
	A part-time secretary	Full-time Secretary	Hon. Secretary	Owned	Rented	No Office
	(12)	(13)	(14)	(15)	(16)	(17)
A. Kashmir Division						
1. Anantnag	—	—	—	4	8	1
2. Baramulla	2	8	1	2	9	1
3. Srinagar	1	2	1	2	3	—
Sub-total	3	10	2	8	20	2
B. Jammu Division						
4. Doda	1	2	2	—	—	5
5. Jammu	5	3	—	3	1	5
6. Kathua	2	2	—	1	—	4
7. Poonch	1	—	—	—	—	1
8. Rajouri	2	—	—	—	—	2
9. Udampur	3	—	4	2	1	—
Sub- total	14	7	6	6	2	17
Total	17	17	8	14	17	18

Rs Thousands

ANNEXURE 6 (Contd.)

Rs Thousands

District	Borrowing Membership (holding-wise)											
	Below 3 acres		3 - 5 acres		5 - 10 acres		10 acres and above		Tenants & Agricultural Labourers		Total	
	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.
(1)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)	(28)	(29)
A. Kashmir Division												
1. Anantnag	2219	329	218	61	26	16	—	—	—	—	2463	356
2. Baramulla	—	—	—	—	—	—	—	—	—	—	—	—
3. Srinagar	89	7	—	—	—	—	—	—	—	—	89	7
Sub-total	2308	336	218	61	26	16	—	—	—	—	2552	413
B. Jammu Division												
4. Doda	—	—	—	—	—	N. A.	—	—	—	—	—	—
5. Jammu	57	22	198	66	107	57	15	14	2	1	379	160
6. Kathua	39	7	33	9	33	9	23	9	—	—	128	34
7. Poonch	—	—	—	—	—	N. A.	—	—	—	—	—	—
8. Rajouri	—	—	—	—	—	N. A.	—	—	—	—	—	—
9. Udhampur	32	5	69	14	63	14	10	2	—	—	174	35
Sub-total	128	34	300	89	203	80	48	25	2	1	681	226
Total	2436	370	518	150	229	96	48	25	2	1	3233	642

ANNEXURE 6 (Contd.)

366

Rs Thousands

District	Indebted Members with Holdings											
	Below 3 acres		3-5 acres		5-10 acres		10 acres and above		Tenants and Agricultural Labourers		Total	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
(1)	(30)	(31)	(32)	(33)	(34)	(35)	(36)	(37)	(38)	(39)	(40)	(41)
A. Kashmir Division												
1. Anantnag	7029	2472	771	544	125	123	3	8	42	4	8370	3156
2. Baramulla	1,665	329	600	194	383	108	51	46	25	1	2724	678
3. Srinagar	532	131	789	265	382	157	95	203	—	—	1798	756
Sub-total	10126	2932	2,160	1003	890	393	149	257	67	5	13392	4590
B. Jammu Division												
4. Doda	152	47	58	55	13	8	4	2	—	—	227	112
5. Jammu	150	74	251	108	183	160	14	16	8	5	606	363
6. Kathua	119	48	126	63	85	52	34	27	22	9	386	199
7. Poonch	31	10	21	4	14	5	1	1	—	—	67	20
8. Rajouri	248	70	2	2	—	—	—	—	—	—	250	72
9. Udhampur	170	41	112	40	53	31	9	4	—	—	344	116
Sub-total	870	290	570	272	348	256	62	50	30	14	1880	882
Total	10,996	3222	2730	1275	1238	649	211	307	97	19	15272	5472

ANNEXURE 6 (Contd.)

Rs Thousands

District	Defaulter Members with holdings											
	Below 3 acres		3-5 acres		5-10 acres		10 acres and above		Tenants and Agricultural Labourers		Total	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
(1)	(42)	(43)	(44)	(45)	(46)	(47)	(48)	(49)	(50)	(51)	(52)	(53)
A. Kashmir Division												
1. Anantnag	5,608	1654	647	383	92	84	2	4	39	3	6388	2131
2. Baramulla	1,316	183	440	194	282	113	54	39	25	1	2117	530
3. Srinagar	297	93	433	158	215	100	72	195	—	—	1017	546
Sub-total	7,221	1930	1,520	738	589	297	128	238	64	4	9522	3207
B. Jammu Division												
4. Doda	122	47	53	25	13	8	4	2	—	—	192	82
5. Jammu	118	65	174	79	145	130	3	4	16	5	486	283
6. Kathua	106	43	114	59	77	50	26	26	20	7	343	185
7. Poonch	31	10	21	4	14	5	1	1	—	—	67	20
8. Rajouri	248	70	1	1	—	—	—	—	—	—	249	71
9. Udhampur	130	17	104	33	52	20	9	2	—	—	295	72
Sub-total	775	252	467	201	301	213	43	35	36	12	1602	701
Total	7976	2182	1987	939	890	510	171	273	100	16	11124	3920

ANNEXURE 6 (Contd.)

368

Rs Thousands

District	Loans issued during									
	1972—3					1973—4				
	Short-term agri-cultural	Medium term agri-cultural	Medium term Con-version	Others	Total	Short-term agri-cultural	Medium term agri-cultural	Medium term Con-version	Others	Total
(1)	(54)	(55)	(56)	(57)	(58)	(59)	(60)	(61)	(62)	(63)
A. Kashmir Division										
1. Anantnag	657	27	607	19	1310	781	1	88	47	917
2. Baramulla	215	2	—	59	276	146	11	—	44	201
3. Srinagar	327	6	—	—	326	177	—	—	—	177
Sub-total	1199	35	607	78	1912	1104	12	88	91	1295
B. Jammu Division										
4. Doda	215	—	6	22	243	155	—	—	15	170
5. Jammu	206	165	54	—	425	214	63	7	—	284
6. Kathua	106	36	5	10	157	89	22	—	—	111
7. Poonch	69	—	—	—	69	28	2	—	—	30
8. Rajouri	71	8	—	—	79	74	6	—	—	80
9. Udhampur	6	—	—	—	6	58	—	—	—	58
Sub-total	673	209	65	32	979	618	93	7	15	733
Total	1872	244	672	110	2891	1722	105	95	106	2028

ANNEXURE 6 (Contd.)

Rs Thousands

District	Loans issued during				
	1974—5				
	Short-term agricultural	Medium-term agricultural	Medium-term Conversion	Others	Total
(1)	(64)	(65)	(66)	(67)	(68)
A. Kashmir Division					
1. Anantnag	803	3	63	52	921
2. Baramulla	99	—	9	43	151
3. Srinagar	604	—	—	7	611
Sub-total	1506	3	72	102	1683
B. Jammu Division					
4. Doda	10	—	—	—	10
5. Jammu	142	—	1	—	143
6. Kathua	54	2	—	—	56
7. Poonch	20	1	—	—	21
8. Rajouri	87	—	—	—	87
9. Udhampur	52	—	—	—	52
Sub-total	365	3	1	—	369
Total	1871	6	73	102	2052

ANNEXURE 6 (Contd.)

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Rs Thousands											
Loans issued during											
District	1975—6					1976—7					
	Short-term agri-cultural	Medium term agri-cultural	Medium term con-version	Others	Total	Short-term agri-cultural	Medium term agri-cultural	Medium term con-version	Others	Total	
(1)	(69)	(70)	(71)	(72)	(73)	(74)	(75)	(76)	(77)	(78)	
A. Kashmir Division											
1. Anantnag	862	56	6	—	924	472	104	202	139	917	
2. Baramulla	148	—	—	35	183	141	—	—	—	141	
3. Srinagar	592	—	—	—	592	356	—	—	—	356	
Sub-total	1602	56	6	35	1699	969	104	202	139	1414	
B. Jammu Division											
4. Doda	—	—	18	—	18	—	—	—	—	—	
5. Jammu	145	7	5	—	157	238	—	4	—	242	
6. Kathua	44	—	—	—	44	51	—	—	2	53	
7. Poonch	—	—	—	—	—	—	—	—	—	—	
8. Rajouri	2	—	—	—	2	2	—	—	—	2	
9. Udhampur	60	—	—	—	60	50	46	—	—	96	
Sub-total	251	7	23	—	281	341	46	4	2	393	
Total		1853	63	29	35	1980	1310	150	206	141	1807

ANNEXURE 6 (Contd.)

Rs Thousands

District	Loans outstanding as on 30-6-77					
	Short-term	Medium-term (Normal)	Medium-term (Conversion)	Long-term	Others	Total
(1)	(79)	(80)	(81)	(82)	(83)	(84)
A. Kashmir Division						
1. Anantnag	1292	206	319	1500	17	3334
2. Baramulla	364	19	—	334	15	732
3. Srinagar	610	4	89	322	—	1025
Sub-total	2266	229	408	2156	32	5091
B. Jammu Division						
4. Doda	68	—	18	19	—	105
5. Jammu	297	111	—	118	18	544
6. Kathua	121	41	10	41	1	214
7. Poonch	45	3	—	—	—	48
8. Rajouri	147	8	—	—	—	155
9. Udhampur	62	—	—	2	—	64
Sub-total	740	163	28	180	19	1130
Total	3006	392	436	2336	51	6221

ANNEXURE 6 (Contd.)

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District	Rs Thousands											
	Loans Outstanding as on			Overdues as on						Profit (+) Loss (-)		
	30-6-75	30-6-76	30-6-77	30-6-75	30-6-76	30-6-77			1974-5	1975-6	1976-7	
	(85)	(86)	(87)	(88)	(89)	Total	Below 1 year	1-3 years	Above 3 years	(94)	(95)	(96)
A. Kashmir Division												
1. Anantnag	2989	3041	3334	690	766	1281	279	692	310	10	9	12
2. Baramulla	887	848	732	49	51	308	57	87	164	1	2	4
3. Srinagar	871	1067	1025	109	381	601	101	358	142	4	9	6
Sub-total	4745	4956	5091	848	1198	2190	437	1137	616	15	20	22
B. Jammu Division												
4. Doda	143	119	105	96	70	120	16	21	83	2	2	1
5. Jammu	560	524	544	135	123	244	73	99	72	8	2	6
6. Kathua	228	227	214	103	103	177	32	53	92	—	2	2
7. Poonch	80	70	48	57	70	51	—	32	19	—	4	2
8. Rajouri	195	171	155	122	163	150	—	98	52	1	3	2
9. Udhampur	64	83	64	14	11	67	40	25	2	—	—	—
Sub-total	1270	1194	1130	527	540	809	161	328	320	11	5	13
Total	6015	6150	6221	1375	1738	2999	598	1465	936	26	25	35

ANNEXURE 6 (Contd.)

Audit Classification No. of Societies

District	1974-5			1975-6			1976-7		
	A	B	C	A	B	C	A	B	C
(1)	(97)	(98)	(99)	(100)	(101)	(102)	(103)	(104)	(105)
A. Kashmir Division									
1. Anantnag	2	2	6	1	3	6	1	1	6
2. Baramulla	—	—	5	—	—	4	—	—	4
3. Srinagar	—	—	1	—	—	1	—	—	1
Sub-total	2	2	12	1	3	11	1	1	11
B. Jammu Division									
4. Doda	—	—	—	—	—	1	—	—	1
5. Jammu	—	1	4	—	—	2	—	—	2
6. Kathua	—	—	—	—	—	—	—	—	—
7. Poonch	—	—	1	—	—	—	—	—	—
8. Rajouri	—	—	—	—	—	—	—	—	—
9. Udhampur	—	—	1	—	—	1	—	—	1
Sub-total	—	1	6	—	—	4	—	—	4
Total	2	3	18	1	3	15	1	1	15

ANNEXURE 6 (Contd.)

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Non-credit Business

District	No. of societies			Value of Sales During						
	Carrying non-credit business			1974-5		1975-6		1976-7		
	1974-5	1975-6	1976-7	Fertilizers	Others	Fertilizers	Others	Fertilizers	Others	
(1)	(106)	(107)	(108)	(109)	(110)	(111)	(112)	(113)	(114)	
A. Kashmir Division										
1. Anantnag	12	12	12	1046	793	1296	904	973	1130	
2. Baramulla	12	12	12	420	230	558	258	607	202	
3. Srinagar	6	6	6	382	292	525	381	460	356	
Sub-total	30	30	30	1848	1315	2379	1543	2040	1688	
B. Jammu Division										
4. Doda	—	—	—	—	—	—	—	—	—	
5. Jammu	8	7	7	93	718	137	1072	134	664	
6. Kathua	3	5	5	43	663	—	—	—	—	
7. Poonch	—	—	—	—	—	—	—	—	—	
8. Rajouri	2	—	—	5	22	—	—	—	—	
9. Udhampur	4	4	4	31	23	24	19	30	26	
Sub-total	17	16	16	172	1426	161	1091	164	690	
Total	47	46	46	2020	2741	2540	2634	2204	2378	

ANNEXURE 6 (Contd.)

District	Rs Thousands					
	Net Profit/Loss(—) from Non-credit Business during			No. of Societies working in 1976-7 at		
	1974-5	1975-6	1976-7	Profit	Loss	Without profit or loss
(1)	(115)	(116)	(117)	(118)	(119)	(120)
A. Kashmir Division						
1. Anantnag	29	29	41	10	—	3
2. Baramulla	13	19	12	9	3	—
3. Srinagar	15	16	31	6	—	—
Sub-total	57	26	60	25	3	3
B. Jammu Division						
4. Doda	—	—	—	1	3	1
5. Jammu	4	4	4	8	1	1
6. Kathua	—	—	—	4	—	1
7. Poonch	—	—	—	2	—	—
8. Rajouri	1	1	—	2	1	—
9. Udhampur	1	1	1	4	—	1
Sub-total	6	6	5	21	5	4
Total	412	31	65	46	8	7

ANNEXURE 6 (Contd.)
Incidence of drought conditions (1976-7)

District	No. of Villages for which Annewari was declared as 6 annas or below	Rs Thousands					
		Amount due for Conversion		Medium-Term (conver- sion) Loans sanctioned by Central Bank		Conversion granted to Members	
		No.	Amount	No.	Amount	No.	Amount
(1)	(121)	(122)	(123)	(124)	(125)	(126)	(127)
A. Kashmir Division							
1. Anantnag	56	1603	341	1227	244	730	185
2. Baramulla	—	—	—	—	—	—	—
3. Srinagar	60	431	87	358	76	339	72
Sub-total	116	2034	428	1585	320	1069	257
B. Jammu Division							
4. Doda	17	15	2	—	—	—	—
5. Jammu	6	26	4	26	4	26	4
6. Kathua	12	2	2	2	2	2	2
7. Poonch	4	—	—	—	—	—	—
8. Rajouri	8	—	—	—	—	—	—
9. Udhampur	9	—	—	—	—	—	—
Sub-total	56	43	8	28	6	28	6
Total	172	2077	536	1613	326	1097	263

ANNEXURE 6 (Contd.)

District	Rs Thousands							
	Suit Cases pending as on 30-6-76		Cases Filed During 1976-7		Awards Obtained during 1976-7		Cases pending with the Department as on 30-6-77	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
(1)	(128)	(129)	(130)	(131)	(132)	(133)	(134)	(135)
A. Kashmir Division								
1. Anantnag	71	65	17	9	16	13	72	61
2. Baramulla	5	—	—	—	2	—	3	—
3. Srinagar	16	9	—	—	—	—	16	9
Sub-total	92	74	17	9	18	13	91	70
B. Jammu Division								
4. Doda	—	—	5	2	5	2	—	—
5. Jammu	32	40	14	80	8	22	22	35
6. Kathua	6	4	5	14	6	4	5	14
7. Poonch	—	—	1	12	1	12	—	—
8. Rajouri	12	9	10	4	6	2	16	11
9. Udhampur	10	25	5	2	—	—	10	25
Sub-total	60	78	40	114	26	42	53	84
Total	152	152	57	123	44	55	144	154

ANNEXURE 6 (Contd.)

378

Rs Thousands

District	Awards Pending Execution as on 1-7-76		Total Awards for Execution During 1976-7		Awards Executed During 1976-7		Awards Pending Execution as on 30-6-77		Of Pending awards stayed	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
(1)	(136)	(137)	(138)	(139)	(140)	(141)	(142)	(143)	(144)	(145)
A. Kashmir Division										
1. Anantnag	1	1	17	13	—	—	17	13	—	—
2. Baramulla	—	—	2	—	—	—	2	—	—	—
3. Srinagar	—	—	—	—	—	—	—	—	—	—
Sub-total	1	1	19	13	—	—	19	13	—	—
B. Jammu Division										
4. Doda	—	—	5	2	5	2	—	—	—	—
5. Jammu	16	2	24	60	4	2	20	58	31	21
6. Kathua	2	1	8	5	6	4	6	4	4	3
7. Poonch	—	—	1	12	—	—	1	12	—	—
8. Rajouri	12	9	18	11	6	2	12	9	—	—
9. Udhampur	—	—	—	—	—	—	—	—	—	—
Sub-total	30	12	56	90	21	10	39	83	35	24
Total	31	13	75	103	21	10	58	96	35	24

ANNEXURE 0 (Contd.)

Credit Potential and Credit Inadequacies

District	Cultivable land (acres)			Credit Potential	Credit Requirements
	Irrigated	Unirrigated	Total		
	(146)	(147)	(148)		
(1)	(146)	(147)	(148)	(149)	(150)
A. Kashmir Division					
1. Anantnag	21784	3788	25572	9924	3970
2. Baramulla	11231	13426	26525	14867	5559
3. Srinagar	10307	5895	16292	7292	2997
Sub-total	43412	23109	53389	32283	12526
B. Jammu Division					
4. Doda	918	4121	5239	755	299
5. Jammu	12658	6015	18673	8277	3301
6. Kathua	6816	5847	12663	4052	1622
7. Poonch	369	6783	7152	2178	870
8. Rajouri	153	1415	1568	581	272
9. Udhampur	693	10275	10965	3228	1291
Sub-total	21604	34456	56260	19071	7655
Total	65016	57565	114649	51254	20181

ANNEXURE 6 (Contd.)

380

District	Short-term agricultural loans maximum outstanding during 1976-7	Credit Inadequacies	No. of societies with credit Inadequacies (percentage)		
			Rs Thousands		
			Upto 50%	Between 50%—75%	Between 75%—100%
(1)	(151)	(152)	(153)	(154)	(155)
A. Kashmir Division					
1. Anantnag	1572	2435	5	7	1
2. Baramulla	649	984	2	1	6
3. Srinagar	729	2968	—	1	5
Sub-total	2950	6290	7	9	12
B. Jammu Division					
1. Doda	129	215	2	2	2
5. Jammu	267	2590	—	1	5
6. Kathua	96	1528	—	—	4
7. Poonch	45	1183	—	—	2
8. Rajouri	300	69	1	—	—
9. Udhampur	61	1229	1	—	3
Sub-total	898	6812	4	3	16
Total	3848	13202	11	12	28

ANNEXURE 7

Aims and objects of the Co-operative Supply and Sale Society

(i) The main object is to help farmers, particularly small and marginal farmers, rural artisans and agricultural labourers by providing them integrated credit and other services and facilities for increased employment, production and income and by organizing services for distribution of consumer goods.

(ii) In pursuance of the main objective, the society may undertake one or more of the following functions and shall co-ordinate its activities with those of other institutions in the area and, wherever necessary, act as their agents.

(a) To grant short-term and medium-term loans to members for approved purposes.

(b) To procure, purchase and supply agricultural inputs like fertilizers, seeds, manures, implements, cattle feed, pesticides etc., fishery requisites, raw material, machines appliances etc., for cottage and small-scale industrial activities undertaken by members and domestic requirements and other necessary supplies.

(c) To procure, purchase and sell agricultural produce, dairy, animal husbandry and fishery products etc., and cottage and small-scale industrial products of its members to their best advantage directly or through co-operative marketing societies or other agencies.

(d) To promote or own or hire processing units of agricultural produce, dairy and other animal husbandry products etc.

(e) To organize agricultural service activities by owning or hiring agricultural machinery like tractors, power tillers, bulldozers, sprayers, pumpsets etc., or arrange for custom service for agricultural operations for the benefit of the members.

(f) To render services for improving the breed of livestock of the members by owning or arranging for the provision of stud bulls, breeding rams, pedigrees, stock etc., and also to run or support a model dairy farm etc.,

(g) To own land, building, business premises, machinery fixture or other equipments or to take such things on lease or rent for the business of the society.

(h) To own or hire godowns to provide facilities to store the products of agricultural and agricultural-based industries for sale or to store the agricultural inputs meant for sale or for activities as are in the general interest of the community.

ANNEXURE 7 (Contd.)

(i) To undertake the construction of roads, sinking of wells, construction and repair of buildings, tanks, canals, irrigation works and other job works etc., by entering into contracts with the government, local bodies or individuals and execute the contracts through or with the help of members with a view to providing seasonal employment.

(j) To organize, execute, own and maintain lift irrigation schemes etc.

(k) To encourage generally thrift, self help and co-operation among the members.

(l) To arrange for the purchase and sale to its members and other consumers at reasonable rates, articles of consumption and other domestic requirements of life to ensure equitable distribution of consumer goods of good quality at fair prices to members and other consumers.

(m) To provide agricultural extension service for the benefit of members by employing necessary technical personnel and also by owning and running demonstration and model farms.

(n) To carry the business of the produce of the members like walnuts, fruits, vegetables etc.

(o) To act as an agent of the central co-operative bank or the marketing society or processing society which has jurisdiction over the area of operations of the society for the disbursement and recovery of loans or the supply of agricultural inputs or consumer goods or the sale of agricultural produce and dairy and poultry products like milk, as the case may be.

(p) Generally to undertake such other activities as may be conducive to the promotion of the economic interest of members, overall development of the area and the objects specified above as may be approved by the financing bank.

(q) To arrange, acquire or hire vehicles for commercial purpose.

ANNEXURE 8

Particulars of Co-operative Marketing Societies as on 30-6-1977

Rs Lakhs

Division/ District	No. of Societies	Of which Dormant	No. of Blocks served	No. of Primary Societies affiliated	Paid up Capital		Whether Undertaking Marketing Business	
					Total	Of which from Govern- ment	Yes	No
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Kashmir Division								
Baramulla	16	—	14**	588	4.97	3.36	16	—
Jammu Division								
Doda	8	—	15*	98	3.62	3.10	—	8
Jammu	2	—	4£	81	5.52	5.00	2	—
Kathua	4	—	4	93	1.07	0.87	3	1
Ladakh Division								
Ladakh	2	—	5@	45	0.07	—	2	—

ANNEXURE 8 (Contd.)

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(1)	Value of Sales as Owner Agent during 1976-7					Loan of Credit Societies recovered		No. of godowns with Capacity (Quintal)		No. of societies running at	
	Total	Agri-cultural Produce	Agri-cultural requisites	Con-sumer goods	Minor forest produce	No. of Primary Societies	Amount re-covered	Owned	Hired	Profit	Loss
	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)
Baramulla	140.02	—	28.26	111.76	—	—	—	—	—	15	—
Doda	38.55	—	3.58	34.97	—	—	—	8(500)	—	4	2
Jammu	123.52	36.85	12.72	73.95	—	—	—	10(85000)	—	2	—
Kathua	109.99	72.03	36.86	1.10	—	26	1.34	1(500)	1(5000)	3	—
Ladakh	6.48	1.16	5.32	—	—	33	3.53	—	1(500)	1	—

@ Leh society has 4 blocks

* Doda society has 8 blocks

£ Vijaypur society has 3 blocks

** Sogam, Pattan and Sopore blocks are served by two societies each. The Sumbal society serves two blocks

Note : Similar information in respect of societies in Anantnag and Srinagar from Kashmir Division and Poonch, Rajouri and Udhampur from Jammu Division is not available.

ANNEXURE 9

Extracts of by-laws (Aims and Objects) of Fruit-growers' Societies in Jammu & Kashmir State

The aims of the society will be as below :

- (i) To arrange for sale of the agricultural produce especially of fruits of members of the society, purchased by the members of the society and for this purpose;
 - (a) to collect the produce for selling in the markets, to grade it, to pack and crate it.
 - (b) to transport the produce of members from the homes, fields and godowns of members to the markets.
- (ii) To encourage members to produce developed and fine varieties.
- (iii) To accept deposits and to obtain loans from the central co-operative bank to which the society is affiliated.
- (iv) To give loans to members to increase production and for sale of fruits.
- (v) To hire or to take on ownership basis godowns for storage, preparation (packing) and sale of goods.
- (vi) To make goods purchased from members ready for sale and take necessary steps in this connexion.
- (vii) To procure fertilizers, bullocks, seeds agricultural implements and domestic requirements for members and to distribute these among them.
- (viii) To act as agent to government for collection and procurement of agricultural produce.
- (ix) To promote saving habit and co-operation among members.
- (x) To work in co-ordination with the central co-operative bank to which the society is affiliated and with the primary co-operative societies to which the society has affiliation, so that it may be possible to arrange for loans for the societies, to arrange for sale of the produce of the societies in the markets and to act as agent of the societies.
- (xi) To do all things which will promote the aims and objectives of the societies.

ANNEXURE 10

Fruit-growers Societies : Coverage

Sr. No.	Name of the Society	Date of Registration	Villages covered		No. of Primary agricultural Credit Societies in the area	Cultivating Families	Of col. 6	Orchardists
			Number	Distance between Society and Village			Number	Area (Acres)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Anantnag								
1.	Bavderpora	20-1-76	20	6 Kms	5	2282	1400 (61)	800
2.	Wonpooh	21-1-76	85	8 Kms	13	9304	2866 (31)	2080
	Sub-total		105		18	11586	4266 (37)	2880
Baramulla								
3.	Magam	13-2-75	22	2 Kms	3	1004	400 (40)	600
4.	National Senzipora	5-3-77	10	5 Kms	1	5000	3000 (60)	250
5.	Selloo	13-3-76	6	2 Kms	1	870	700 (80)	224
6.	Shah Kirman Langate		7	4 Kms	3	7000	5000 (72)	1000
7.	Uhoi Maigaon	29-1-73	23	9 Kms	6	5914	4130 (70)	3839

ANNEXURE 10 (Contd.)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
8. United Bandipora	24-5-76	20	10 Kms	6	4374	2254 (52)	1318
9. Wadvara	24-4-76	3	2 Kms	1	329	329 (100)	650
Sub-total		91		21	24491	15813 (65)	7881
Srinagar							
10. Batawona Ganderbal	17-1-76	7	8 Kms	7	N.A.	N.A.	1336
11. Bonin	22-7-75	10	3 Kms	3	1449	936 (65)	388
12. Charai Sharif	7-7-65	32	6 Kms	6	4576	2583 (56)	3399
13. Srinagar Ganderbal	11-11-71	46	16 Kms	11	3525	1235 (35)	2645
Sub-total		95		27	9550	4754 (50)	7768
Total		286		66	45627	24833 (54)	18529

ANNEXURE 10 (Contd.)

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	Membership and Area (in acres) under Orchards										Share Capital (Rs Thousands)	
	At the time of Registration		As on 30-6-74		As on 30-6-75		As on 30-6-76		As on 30-6-77		Total	Of which from Govt.
	Mem- bers	Area	Mem- bers	Area	Mem- bers	Area	Mem- bers	Area	Mem- bers	Area		
(1)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)
Anantnag												
1. Bavderpora	58	68	58	68	58	68	58	68	96	92	7.00	2.18
									(72)	(12)		
2. Wonpooh	29	30	29	30	N.A.	N.A.	70	56	97	72	2.78	2.41
									(3)	(3)		
Sub-total	87	98	87	98	N.A.	N.A.	128	124	193	164	9.78	4.59
									(5)	(6)		
Baramulla												
3. Magam	16	21	—	—	16	21	52	70	52	70	7.77	4.70
									(12)	(12)		
4. National Senzipora	46	53	—	—	—	—	—	—	53	58	14.00	—
									(2)	(23)		
5. Selloo	—	—	—	—	—	—	71	206	77	224	16.45	6.17
									(11)	(100)		
6. Shah Kirman Langate	19	—	—	—	—	—	—	—	24	100	—	—
									(5)	(10)		
7. Uhoi Maignon	282	180	300	210	301	220	301	220	306	224	53.74	20.60
									(1)	(6)		
8. United, Bandipora	87	41	—	—	—	—	87	41	94	89	8.51	2.50
									(4)	(6)		

ANNEXURE 10 (Contd.)

(1)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)
9. Wadvara	20	45	—	—	—	—	41	91	46	119	25.69	4.10
Sub-total	470	340	300	210	317	241	552	628	702	884	126.16	37.47
Srinagar												
10. Batawana W. Ganderbal	—	—	—	—	—	—	78	99	98	120	10.24	4.36
									(—)	(9)		
11. Bonin	—	—	—	—	—	—	79	60	99	89	6.49	0.70
									(1)	(23)		
12. Charai Sharif	—	—	228	240	238	260	238	260	306	360	35.93	N.A.
									(25)	(14)		
13. Srinagar Ganderbal	50	50	159	405	206	428	233	540	267	560	75.21	3.54
									(10)	(16)		
Sub-total	50	50	387	645	444	688	628	959	770	1129	127.97	8.60*
									(16)	(15)		
Total	607	488	687	855	761	929	1308	1711	1665	2197	263.85	50.66*
									(7)	(12)		

* Excluding one society

Figures in brackets indicate percentages in respect of Col. 7 to Col. 6; Col. 17 to Col. 7; Col. 18 to Col. 8.

ANNEXURE 11

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Fruit-growers Societies : Scale of Finance

Sr. No.	Name of the Society	Name of the Financing Bank	Total Scale of Finance (in Rupees)							
			Crop Loan			Marketing Loan				
			Total	Cash	Fertilizers	Pesticides	Total	Boxes	Packing Material	Transport
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
Anantnag										
1.	Bavderpora	State Bank	1500	900	300	300	2700	—1200—		1500
2.	Wonpooh	State Bank	1500	900	300	300	2700	—1200—		1500
Baramulla										
3.	Magam	Baramulla Central Co-operative Bank	2000	810	470	720	3000	1000	400	1600
4.	National Senzipora	State Bank								
5.	Selloo	State Bank	2000	810	470	720	6600	2000	800 + 600 (Watch & Ward)	3200
6.	Shah Kirman Langate									
7.	Uhoi Maigaon	Baramulla Central Co-operative Bank	2000	810	470	720	3800	1000	1200	1600

ANNEXURE 11 (Contd.)

Sr. No.	Name of the Society	Name of the Financing Bank	Total Scale of Finance (in Rupees)							
			Crop Loan				Marketing Loan			
			Total	Cash	Fertili- zers	Pesti- cides	Total	Boxes	Packing Material	Trans- port
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
8.	United Bandipora	Baramulla Central Co-operative Bank	2000	810	470	720	3200	1000	600	1600
9.	Wadvara	Punjab National Bank	2000	810	470	720	3800	1000	1200	1600
Srinagar										
10.	Batawena W. Ganderbal	State Bank	1500	900	300	300	2700	830	370	1500
11.	Bonin	Jammu & Kashmir State Co-operative Bank	2000	810	470	720	2800 + 400	1000	400 + 400 (Watch & Ward)	1400
12.	Charai Sharif	Jammu & Kashmir State Co-operative Bank	2000	810	470	720	2800 + 400	1000	400 + 400 (Watch & Ward)	1400
13.	Srinagar Ganderbal	State Bank	1500	900	300	300	2530	830	200	1500

ANNEXURE 12

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Fruit-growers Societies : Details of Credit Limits

Rs Thousands

Name of Society	1975-6									
	Production					Marketing including Transport				
	Credit Limit Sanctioned	Loans Advanced to Members	Out-standing Loans against Members	Over-dues from Members	Default to the Bank	Credit Limit Sanctioned	Loans Advanced to Members	Out-standing Loans against Members	Over-dues from Members	Default to the Bank
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Anantnag										
1. Bavderpora	—	—	—	—	—	—	—	—	—	—
2. Wonpooh	—	—	—	—	—	—	—	—	—	—
Sub-total	—	—	—	—	—	—	—	—	—	—
Baramulla										
3. Magam	37.00	132.00	73.00	4.99	73.00	72.00	—	—	—	—
4. National	—	—	—	—	—	—	—	—	—	—
5. Selloo	—	—	—	—	—	—	—	—	—	—
6. Shahkirman	—	—	—	—	—	—	—	—	—	—
7. Uhoi Maigaon	N.A.	135.11	326.87	191.75	369.44	N.A.	—	—	—	—

ANNEXURE 12 (Contd.)

Rs Thousands

Name of Society	1975-6									
	Production					Marketing including Transport				
	Credit Limit Sanc-tioned	Loans advan-ced to Mem-bers	Out-standing Loans against Mem-bers	Over-dues from Mem-bers	Default to the Bank	Credit Limit Sanc-tioned	Loans advan-ced to Mem-bers	Out-standing Loans against Mem-bers	Over-dues from Mem-bers	Default to the Bank
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
8. United Bandipora	—	—	—	—	—	—	—	—	—	—
9. Wadvara	—	—	—	—	—	—	—	—	—	—
Sub-total	37.00	267.11	399.87	196.74	442.44	72.00	—	—	—	—
Srinagar										
10. Batawena	—	63.59	63.59	—	—	—	—	—	—	—
11. Bonin	—	21.90	3.03	3.03	3.03	23.50	—	—	—	—
12. Charai Sharif	—	1474.17	893.61	580.56	893.61	1740.16	—	—	—	—
13. Srinagar Ganderbal	175.00	20.00	98.17	37.00	—	148.62	147.00	—	—	—
Sub-total	175.00	1579.66	1058.40	620.59	896.64	1912.28	147.00	—	—	—
Total	212.00	1846.77	1458.27	817.33	1338.08	1984.28	147.00	—	—	—

ANNEXURE 12 (Contd.)

Rs Thousands

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Name of Society	1976—7									
	Production					Marketing including Transport				
	Credit Limit Sanctioned	Loans advanced to Members	Out-standings against Members	Over-dues from Members	Default to the Bank	Credit Limit Sanctioned	Loans advanced to Members	Out-standings against Members	Overdues from Mem- bers	Default to the Bank
(1)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)
Anantnag										
1. Bavderpora	152.33	36.55	—	—	—	76.17	50.08	—	—	—
2. Wonpoo	64.90@	58.08@	—	—	—	—	—	—	—	—
Sub-total	217.23	94.63	—	—	—	76.17	50.08	—	—	—
Baramulla										
3. Magam	27.00	153.00@	69.08	69.08	1181.42	133.00	—	—	—	—
4. National	—	—	—	—	—	—	—	—	—	—
5. Selloo	12.30	260.33@	30.33	30.33	—	24.60	—	—	—	—
6. Shah Kirman	—	—	—	—	—	—	—	—	—	—
7. Uhoi Maigaon	N.A.	157.13@	217.27	60.14	253.77	N.A.	—	—	—	—
8. United Bandipora	—	—	—	—	—	30.00	46.74	—	—	—
9. Wadvara	460.50@	442.09@	115.80	115.80	115.80	—	—	—	—	—
Sub-total	499.80	11012.55	432.48	275.35	550.99	187.60	46.74	—	—	—

ANNEXURE 12 (Contd.)

Rs Thousands

Name of Society	1976—7									
	Production					Marketing including Transport				
	Credit Limit Sanctioned	Loans advanced to Members	Out-standings against Mem-bers	Over-dues from Mem-bers	Default to the Bank	Credit Limit Sanctioned	Loans advanced to Mem-bers	Out-standings against Mem-bers	Overdues from Mem-bers	Default to the Bank
(1)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)
Srinagar										
10. Batawena	72.7	278.06	113.85	0.93	—	—	—	—	—	—
11. Bonin	72.74	62.96	15.54	15.54	15.54	—	—	—	—	—
12. Charai Sharif	197.35	197.35	82.00	82.31	82.31	450.44	450.44	—	—	—
13. Srinagar Ganderbal	199.00	193.04	397.05	325.05	397.05	381.57	470.24	—	—	—
Sub-total	469.09	731.41	608.44	423.83	494.90	832.01	920.68	—	—	—
Total	1185.12	1838.59	1040.92	699.18	1044.89	1095.78	1017.50	—	—	—

ANNEXURE 12 (Contd.)

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Rs Thousands

	Borrowing Membership					No. of Members against whom Loans are outstanding					Defaulting Membership				
	1973-4	1974-5	1975-6	1976-7	1977-8	1973-4	1974-5	1975-6	1976-7	1977-8	1973-4	1974-5	1975-6	1976-7	1977-8
	(1)	(22)	(23)	(24)	(25)	(26)	(27)	(28)	(29)	(30)	(31)	(32)	(33)	(34)	(35)	(36)
Anantnag															
1. Bavderpora	—	—	—	40	50	—	—	—	—	N.A.	—	—	—	—	N.A.
2. Wopoooh	—	—	—	38	83	—	—	—	7	26	—	—	—	5	—
Sub-total	—	—	—	78	133	—	—	—	7	26	—	—	—	5	—
Baramulla															
3. Magam	—	—	16	52	N.A.	—	—	16	52	N.A.	—	—	16	52	N.A.
4. National	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
5. Selloo	—	—	—	3	N.A.	—	—	—	23	N.A.	—	—	—	—	N.A.
6. Shahkirman	—	—	—	—	20	—	—	—	—	—	—	—	—	—	—
7. Uhoi Maigaon	89	100	115	115	—	74	93	104	104	104	—	—	24	24	61
8. United Bandipora	—	—	—	21	N.A.	—	—	—	—	N.A.	—	—	—	—	N.A.
9. Wadvara	—	—	—	39	44	—	—	—	N.A.	N.A.	—	—	—	9	N.A.
Sub-total	89	100	131	230	64	74	93	120	179	104	—	—	40	85	61

ANNEXURE 12 (Contd.)

Rs Thousands

	Borrowing Membership					No. of Members against whom Loans are outstanding					Defaulting Membership					
	1973-4	1974-5	1975-6	1976-7	1977-8	1973-4	1974-5	1975-6	1976-7	1977-8	1973-4	1974-5	1975-6	1976-7	1977-8	
	(1)	(22)	(23)	(24)	(25)	(26)	(27)	(28)	(29)	(30)	(31)	(32)	(33)	(34)	(35)	(36)
Srinagar																
10. Batawena	—	—	54	73	95	—	—	54	48	95	—	—	—	9	9	
11. Bonin	—	—	10	55	—	—	—	6	28	—	—	—	6	28	—	
12. Charai Sharif	80	122	175	166	137	—	—	81	45	—	—	—	81	45	—	
13. Srinagar Ganderbal	80	90	115	160	—	20	35	45	140	—	10	25	30	130	—	
Sub-total	160	212	354	454	232	20	35	186	261	95	10	25	117	212	9	
Total	249	312	485	762	429	94	128	306	447	225	10	25	157	302	70	

Note : (i) Figures under Col. 3 are inclusive of those for marketing purposes except in the case of society at Sr. No. 13.

(ii) Figures under Col. 4, 5, 6, 14, 15 and 16 are inclusive of those for marketing purposes.

@ Includes those for marketing purposes

ANNEXURE 13

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Fruit-growers Societies : Details of Marketing of Produce

Rs Thousands

Name of the Society	No. of Members as on 30.6.77	Volume of Marketing Business								
		No. of Boxes Despatched				Value of Sale Proceeds				
		1973—4	1974—5	1975—6	1976—7	1973—4	1974—5	1975—6	1976—7	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
Anantnag										
1. Bavderpora	96	—	—	—	8635	—	—	—	216.22	
2. Wonpooch	97	—	—	—	6321	—	—	—	245.11	
Sub-total	193	—	—	—	14956	—	—	—	461.33	
Baramulla										
3. Magam	52	—	—	6500	8200	—	—	71.43	90.26	
4. National	53	—	—	—	1959	—	—	—	127.02	
5. Selloo	77	—	—	—	15759	—	—	—	299.06	
6. Shahkirman	24	—	—	—	8000	—	—	—	250.00	
7. Uhoi Maigaon	306	18402	10882	17046	10718	372.91	252.71	268.85	202.96	
8. United Bandipora	94	—	—	—	7499	—	—	—	247.67	
9. Wadvara	46	—	—	—	23670	—	—	—	N.A.	
Sub-total	702	18402	10882	23546	75805	372.91	252.71	340.26	1216.97	

ANNEXURE 13 (Contd.)

Rs Thousands

Name of Society	No. of Members as on 30-6-77	Volume of Marketing Business								
		No. of Boxes Despatched				Value of Sale Proceeds				
		1973—4	1974—5	1975—6	1976—7	1973—4	1974—5	1975—6	1976—7	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
Srinagar										
10. Batawena	98	—	—	459	12935	—	—	2.43	241.44	
11. Bonin	99	—	—	540	978	—	—	16.98	32.90	
12. Charai Sharif	267	35347	37985	56035	41353	1082.50	1530.40	921.82	686.75	
13. Srinagar Ganderbal	306	6945	5836	20268	25648	117.43	115.63	149.71	266.23	
Sub-total	770	42292	43821	76303	67001	1199.93	1646.03	1071.53	952.98	
Total	1665	60694	54703	99849	157762	1571.84	1898.74	1411.81	2631.28	

ANNEXURE 13 (Contd.)

Rs. Thousands

400

Name of Society	Volume of Marketing Business (Contd.)				Commission/Service charges earned by the Society			
	Unrealised Sale Proceeds at the end of the year				Commission per Box (in Rupees)			
	1973—4	1974—5	1975—6	1976—7	1973—4	1974—5	1975—6	1976—7
(1)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)
Anantnag								
1. Bavderpora	—	—	—	—	—	—	—	1.00
2. Wonpooh	—	—	—	173.46	—	—	—	1.00
								1.50
								(from non-members)
Sub-total	—	—	—	173.46	—	—	—	1.08
Baramulla								
3. Magam	—	—	—	13.00	—	—	1.50	1.00
4. National	—	—	—	N.A.	—	—	—	1.50
								2.00
5. Selloo	—	—	—	7.41	—	—	—	1.25
6. Shahkirman	—	—	—	31.25	—	—	—	1.50
7. Uhoi Maigaon	—	1.17	51.27	35.22	1.50	1.50	1.50	1.50

ANNEXURE 13 (Contd.)

Rs Thousands

Name of Society	Volume of Marketing Business (Contd.)				Commission/Service charges earned by the Society			
	Unrealised Sale Proceeds at the end of the year				Commission per Box (in Rupees)			
	1973—4	1974—5	1975—6	1976—7	1973—4	1974—5	1975—6	1976—7
	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)
8. United Bandipora	—	—	—	10.04	—	—	—	1.00 & 1.50 (from non-members)
9. Wadvava	—	—	—	—	—	—	—	1.35
Sub-total	—	1.17	51.27	96.92	1.50	1.50	1.50	1.50
Srinagar								
10. Batawona	—	—	—	13.64	—	—	—	—
11. Bonin	—	—	—	—	—	—	2.00	2.00
12. Charai Sharif	—	—	—	—	2.25	2.25	2.25	2.25
13. Srinagar Ganderbal	—	—	—	39.32	2.25	2.25	2.25	2.25
Sub-total	—	—	—	52.96	2.25	2.25	2.46	2.60
Total	—	1.17	51.27	323.34	2.02			

ANNEXURE 13 (Contd.)

402

Name of the Society	Rs Thousands						
	Commission/Service charges earned by the Society				Marketing of Non-members' Fruits		
	Total Commission Earned				No. of Non-members		
	1973—4	1974—5	1975—6	1976—7	1974—5	1975—6	1976—7
(1)	(19)	(20)	(21)	(22)	(23)	(24)	(25)
Anantnag							
1. Bavderpora	—	—	—	8.64	—	—	—
2. Wonpool	—	—	—	7.57	—	—	84
Sub-total	—	—	—	16.21	—	—	84
Baramulla							
3. Magam	—	—	10.32	10.33	—	22	—
4. National	—	—	—	6.74	—	—	—
5. Selloo	—	—	—	23.31	—	—	30
6. Shuhkirman	—	—	—	12.00	—	—	—
7. Uhoi Maigaon	27.60	16.33	25.57	16.08	—	—	—
8. United Bandipora	—	—	—	7.76	—	—	29
9. Wadvara	—	—	—	37.32	—	7	3
Sub-total	27.60	16.33	35.89	113.54	—	29	62

ANNEXURE 13 (Contd.)

							Rs Thousands
(1)	(19)	(20)	(21)	(22)	(23)	(24)	(25)
Srinagar							
10. Batawena	—	—	0.24	21.61	—	3	12
11. Bonin	—	—	1.65	2.16	—	—	—
12. Charai Sharif	79.53	86.47	140.09	93.04	—	—	—
13. Srinagar Ganderbal	15.63	13.03	45.60	57.71	5	8	10
Sub-total	95.16	98.50	187.58	174.52	5	11	22
Total	122.76	114.88	223.47	304.27	5	40	168

ANNEXURE 13 (Contd.)

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Rs. Thousands						
Name of Society	Marketing of Non-members' Fruits					
	No. of Boxes			Value of sale Proceeds		
	1974—5	1975—6	1976—7	1974—5	1975—6	1976—7
(1)	(26)	(27)	(28)	(29)	(30)	(31)
Anantnag						
1. Bavderpora	—	—	—	—	—	—
2. Wonpooh	—	—	2500	—	—	69.57
Sub-total	—	—	2500	—	—	69.57
Baramulla						
3. Magam	—	1400	—	—	7.60	—
4. National	—	—	—	—	—	—
5. Selloo	—	—	3000	—	—	70.00
6. Shahkirman	—	—	1000	—	—	11.00
7. Uhoi Maigaon	—	—	—	—	—	—
8. United Bandipora	—	—	1139	—	—	23.36
9. Wadvara	—	1291	595	—	19.38	3.66
Sub-total	—	2691	5734	—	26.98	108.02

ANNEXURE 13 (Contd.)

Rs Thousands

Name of the Society	Marketing of Non-members Fruits					
	No. of Boxes			Value of sale Proceeds		
	1974—5	1975—6	1976—7	1974—5	1975—6	1976—7
(1)	(26)	(27)	(28)	(29)	(30)	(31)
Srinagar						
10. Batawena	—	20	169	—	0.25	2.16
11. Bonin	—	—	—	—	—	—
12. Charai Sharif	—	—	—	—	—	—
13. Srinagar Ganderbal	480	755	941	4.85	8.32	7.53
Sub-total	480	7	1110	4.85	8.57	9.69
Total	480	3466	9344	4.85	35.55	187.28

ANNEXURE 14

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Comparative Financial Position of District Co-operative Banks in Jammu & Kashmir for the Years 1972—3 to 1976—7

Particulars	Rs Lakhs				
	1972—3	1973—4	1974—5	1975—6	1976—7
(1)	(2)	(3)	(4)	(5)	(6)
1. Number of Banks	3	3	3	3	3
2. Paid-up Share Capital					
(i) Total	66.65	76.79	84.42	85.89	99.44
(ii) of (i) above, from Government	32.00	36.00	40.00	40.00	51.00
3. Reserves	40.23	45.64	53.35	62.13	65.53
4. Owned Funds	106.88	122.43	137.77	148.02	164.97
5. Deposits					
(i) Total	267.81	284.78	307.69	315.82	426.11
(ii) of (i) above, from Co-operative Institutions	83.30	81.15	91.89	74.23	136.93
6. Outstanding Borrowings	555.89	543.09	328.83	392.08	364.52
7. Working Capital	1019.71	1039.92	911.00	1004.01	1023.28
8. Loans Issued					
(i) Total	956.23	874.45	491.42	474.55	1201.03
(ii) of (i) above, for Seasonal Agricultural Operations	249.36	211.42	169.89	138.35	193.56

ANNEXURE 14 (Contd.)

	(1)	(2)	(3)	(4)	(5)	(6)
9. Loans Outstanding						
(i) Total	600.35	790.84	610.27	703.82	771.09	
(ii) of (i) above for Seasonal Agricultural Operations	100.40	208.74	229.81	230.32	245.93	
(iii) of (i) above, Medium-term Agricultural	124.06	190.30	145.99	200.49	182.40	(MT)
10. Overdues						
(i) Total	139.82	156.77	244.91	265.67	260.15	
(ii) of (i) above, under Short-term Loans	123.45	120.75	102.48	186.18	107.07	
(iii) of (i) above, for Period over 3 Years	43.35	35.78	39.90	55.66	101.19	
11. Number of Banks with percentage of Overdues to Demand						
(i) 60 and above	—	—	—	1	—	
(ii) Between 40 and 60	3	2	3	2	3	
(iii) Between 20 and 40	—	—	—	—	—	
(iv) Below 20	—	—	—	—	—	
12. Number of Banks at Profit (Amount)	3(+3.31)	3(+1.45)	3(+2.27)	3(+2.79)	3(+1.43)	
13. Number of Banks Paying Dividend	1	1	—	—	—	
14. Number of Offices Including Head Office	31	32	32	37	38	

ANNEXURE 15

*Viability of Central Co-operative Banks—Assumed
Monthly and Annual Consolidated Salary for Various
Categories of Staff*

Category of Staff	Assumed Consolidated salary	
	Monthly Rs	Annual Rs
1. General Manager	1500	18000
2. Manager (who will also be the Chief Administrative Officer)	1250	15000
3. Chief Accountant	1000	12000
4. Chief Supervisor (i.e., the Chief Executive Officer)	1000	12000
5. Inspectors of Branches (for Internal Inspection and Audit)	1000	12000
6. Assistant Chief Supervisor/Loan Officer/Accountant/Establishment Officer Branch Agent	750	9000
7. Senior Supervisor Assistant Accountant	550	6600
8. Supervisor/Branch Cashier/Stenographer	450	5400
9. Clerk/Typist	350	4200
10. Driver /Watchman	250	3000
11. Peon	200	2400

ANNEXURE 16

Viability of Central Co-operative Banks—Annual Expenditure on Salaries of Staff Posted at Head Office

Sr. No.	Category of staff	Expenditure in Respect of Central Co-operative Bank with Branches around									
		Five		Ten		Fifteen		Twenty		Twenty-five	
		N	E	N	E	N	E	N	E	N	E
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
1.	General Manager	—	—	1	18000	1	18000	1	18000	1	18000
2.	Manager	1	15000	—	—	1	15000	1	15000	1	15000
3.	Chief Accountant	1	12000	1	12000	1	12000	1	12000	1	12000
4.	Chief Supervisor	1	12000	1	12000	1	12000	1	12000	1	12000
5.	Development Officer	—	—	1	12000	1	12000	1	12000	1	12000
6.	Assistant Chief Supervisor	—	—	—	—	1	9000	1	9000	2	18000
7.	Loan Officer	1	9000	1	9000	1	9000	1	9000	2	18000
8.	Establishment Officer	—	—	1	9000	1	9000	1	9000	1	9000
9.	Accountants	—	—	1	9000	1	9000	1	9000	1	9000
10.	Senior Supervisor	2	13200	4	26400	6	39600	8	52800	10	66000
11.	Assistant Accountants	1	6600	—	—	1	6600	1	6600	2	13200
12.	Stenographers	—	—	1	5400	1	5400	1	5400	1	5400
13.	Typists	2	8400	1	4200	2	8400	2	8400	3	12600
14.	Clerks	6	25200	9	37800	12	52400	12	52400	15	63000

ANNEXURE 16 (Contd.)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
15. Drivers	1	3000	1	3000	1	3000	1	3000	2	6000
16. Peons	4	9600	5	12000	6	14400	6	14400	8	19200
Total		20	114000	28	169800	38	234800	41	251000	52	308400

Note : N=Number of incumbents

E=Annual expenditure in Rupees

- Assumptions :**
- (i) Each central co-operative bank has three main divisions at its Head Office namely Administration, Loan and Supervision and Accounts. The strength of clerks may be 2, 3, 4 and 5 per division according to the size of the bank.
 - (ii) In respect of central co-operative banks with five branches, General Manager may be in the Grade of Manager. A development officer is also not necessary as the work can be handled by the General Manager himself. There is also no need for a separate establishment Officer. Similarly there is no need for the post of an Accountant as the Chief Accountant can be assisted by an Assistant Accountant.
 - (iii) The General Manager of a central bank with 10 branches can look after the work of the Chief Administrative Officer with the assistance of an Establishment Officer and as such no Manager is necessary. Similarly the Chief Accountant of such banks will be assisted by an Accountant and there is no need for a separate Assistant Accountant.
 - (iv) No Assistant Chief Supervisor is necessary for a central Co-operative bank with five or ten branches.
 - (v) One Senior Supervisor may control the work of 5 Supervisors. As 20 societies are expected to be attached to a branch serving a block, two Supervisors will be posted to each branch. The Senior Supervisor need not necessarily be posted at the Head Office.

ANNEXURE 17

*Viability of Central Co-operative Banks—Annual
Expenditure on Salaries of Staff Posted at a branch*

Category of Staff	Number of Incumbents	Annual Expenditure Rs
1. Branch Agent	1	9000
2. Cashier	1	5400
3. Supervisors	2	10800
4. Clerks or Clerk-cum-Typists	2	8400
5. Peons	2	4800
	Total	38400

Assumption : It is assumed that the jurisdiction of a branch will extend to a block having 20 primary agricultural credit societies and about 10 primary agricultural credit societies will be under the charge of a supervisor.

Note : Expenditure on rent for premises, stationery, postage, etc., in respect of a branch has been taken into account while calculating other establishment expenses in a subsequent Annexure.

ANNEXURE 18

*Viability of Central Co-operative Banks—Total Annual Expenditure on Establishment,
i.e., Excluding that in respect of Interest on Deposits, Borrowings, etc.*

Rs Lakhs

Sr. No.	Item of Expenditure	Expenditure in respect of Central Co-operative Bank with branches around				
		Five	Ten	Fifteen	Twenty	Twenty-five
(1)	(2)	(3)	(4)	(5)	(6)	(7)
(i)	Salaries of Staff at H. O.	1.14	1.70	2.35	2.51	3.08
(ii)	Salaries at Branches @Rs 38400 per branch	1.92	3.84	5.76	7.68	9.60
(iii)	Total Salaries of Staff (i) + (ii)	3.06	5.54	8.11	10.19	12.68
(iv)	T. A., D. A. of Staff and Central Bank's Contribution to Provident Fund (10% of item (iii) above)	0.31	0.55	0.81	1.02	1.27
(v)	Directors' Fees, Allowances and Board Meeting Expenses (1% of item (iii))	0.03	0.06	0.08	0.10	0.13
(vi)	Rent, Taxes, Insurance, Lighting, Depreciation, etc. 8% of item (iii)	0.25	0.44	0.65	0.81	1.02
(vii)	Postage, Telegrams, Telephone Charges (1½% of item) (iii)	0.05	0.08	0.12	0.15	0.19

ANNEXURE 18 (Contd.)

Rs Lakhs

Sr. No.	Item of Expenditure	Expenditure in respect of Central Co-operative Bank with branches around				
		Five	Ten	Fifteen	Twenty	Twenty-five
(1)	(2)	(3)	(4)	(5)	(6)	(7)
(viii)	Stationery, Printing etc., 5% of item (iii)	0.15	0.27	0.40	0.50	0.63
(ix)	Vehicle Expenses 2% of item (iii)	0.06	0.11	0.16	0.20	0.25
(x)	Audit Fees 2% of item (iii)	0.03	0.06	0.08	0.10	0.13
(xi)	Miscellaneous Expenses (General Meeting Expenses, Legal Charges etc.) 1/2% of item (iii)	0.05	0.08	0.12	0.15	0.19
	Total	3.99	7.19	10.53	13.22	16.49
	That is, say,	4.00	7.00	10.50	13.00	16.50

Note : The basis of calculation of expenditure at items (iv) to (xi) above has been fixed after review of annual accounts of a few central co-operative banks of different sizes.

ANNEXURE 19

Viability of Central Co-operative Banks—Margin Available For Meeting Establishment Expenditure on a Loan Business of Rs 100

Cost of Raising Resources			Return on Deployment of Resources		
Item	Amount raised in Rs	Cost per cent in Rs	Item	Amount deployed in Rs	Return per cent in Rs
Share capital	10	10	Cash Reserve i.e. Cash on Hand or in Current Account with Other Banks	4	—
Reserves	5	—	Investments in Shares of the Apex Bank	3	7
Deposits	67	6½	Investments for the purposes of Statutory Liquidity in		0.21
Borrowings From the Apex Bank for Agricultural Purposes	51	9	(i) Government and other Trustee Securities	9	5½
			(ii) Fixed Deposits with the Apex Bank	10	9
			Loans and Advances :		
			(i) Agricultural	75	10¾
			(ii) Non-agricultural	25	14
			Other Assets	7	—
Total	133	9.95		133	13.17

Margin available on loan business-- 13.17 less 9.95=3.22 or say, 3.20 per cent

ANNEXURE 19 (Contd.)

- Notes :** (i) The cost of raising share capital has been taken as 10 per cent which means the net profit has to be of the order of 10 per cent of the paid-up share capital. Fifty per cent of the net profit will be utilized for paying a dividend of 5 per cent on shares, 40 per cent will be utilized for appropriations to statutory reserve and stabilization fund and the balance of 10 per cent for other appropriations.
- (ii) The proportion between share capital and reserves has been taken as 2:1. Of the owned funds of Rs 15, Rs 5 have been invested in loan business, Rs 3 in the shares of the apex bank to provide a linking at 5 per cent for the borrowings from it and the balance of Rs 7 in other assets such as premises, dead stock, vehicles, stationery, etc.
- (iii) Thirty-five per cent of the deposits, i.e., Rs 23 are held in the form of cash reserve and investment in securities and fixed deposits with the apex bank to ensure maintenance of statutory liquidity standards.
- (iv) The entire borrowings of Rs 51 have been deemed to have been raised for advancing Rs 75 as agricultural loans.
- (v) The lending rates of central co-operative banks on agricultural and non-agricultural loans range from 9.75 per cent to 11.25 per cent and 11.50 per cent to 14 per cent respectively. On agricultural loans return has been put at 10.75 per cent as $\frac{1}{2}$ per cent of such loans outstanding against the societies will be the contribution of the central co-operative bank to the cadre fund created for maintaining a cadre of secretaries of primaries. The lending rate on non-agricultural loans has been assumed to be at 14 per cent.

For a loan business of Rs 100 the working capital required is Rs 133.

ANNEXURE 20

Viability and Potential Viability Norms

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Rs Lakhs

	Central Co-operative Bank Needing Branches around				
	Five	Ten	Fifteen	Twenty	Twenty-five
(i) Expected Annual Establishment Expenditure	4.00	7.00	10.50	13.00	16.50
(ii) Loan Business required to meet the expenditure at item (i) above to achieve viability	125.00	220.00	330.00	405.00	515.00
(iii) Potential Viability Norm (50% of (ii) above)	62.50	110.00	165.00	202.50	257.50

ANNEXURE 21

Method adopted to rate the Performance as on 30 June 1977 of Central Co-operative Banks in Jammu and Kashmir with reference to each of the fifteen Indicators mentioned in Paragraph 53 of Chapter 5

Sr. No.	Indicator	Rating
(1)	(2)	(3)
1. Size of Owned Funds		
	Proportion of actual level of owned funds as on 30 June 1977 to the expected level of owned funds (at 15 per cent of the short-term agricultural credit requirements in the area of the ceb) in percentage -	
	10 or below	5
	Above 10 and upto 25	13
	Above 25 and upto 50	18
	Above 50 and upto 60	25
	Above 60 and upto 75	30
	Above 75 and upto 100	38
	Above 100	50
2. Size of Deposits		
	Proportion of actual level of deposits as on 30 June 1977 to the expected level of deposits	
	10 or below	10
	Above 10 and upto 25	25
	Above 25 and upto 50	35
	Above 50 and upto 60	50
	Above 60 and upto 75	60
	Above 75 and upto 100	75
	Above 100	100
3. Extent of Reliance on External Borrowings		
	Percentage of total outstanding borrowings as on 30 June 1977 to total loans outstanding	
	Above 80	5
	Above 70 and upto 80	10
	Above 60 and upto 70	15
	Above 50 and upto 60	22
	Above 40 and upto 50	30
	Above 30 and upto 40	38
	30 or less	50

ANNEXURE 21 (Contd.)

(1)	(2)	(3)
4. Size of Working Capital		
	Percentage of actual working capital as on 30 June 1977 to the minimum expected level at 133 per cent of the norm of viability in terms of loan business	
	Less than 20	2
	Above 20 and upto 40	7
	Above 40 and upto 50	10
	Above 50 and upto 60	15
	Above 60 and upto 80	18
	Above 80 and upto 100	22
	Above 100	25
5. Size of Total Loans Outstanding		
	Percentage of loans outstanding as on 30 June 1977 to the level of loan business required to function as a viable unit	
	20 or less	10
	Above 20 and upto 40	30
	Above 40 and upto 50	40
	Above 50 and upto 60	60
	Above 60 and upto 80	75
	Above 80 and upto 100	90
	Above 100	100
6. Performance in meeting Demand for Short-term Agricultural Credit		
	Extent of credit gap in percentage	
	Above 90	10
	Above 80 and upto 90	25
	Above 70 and upto 80	35
	Above 60 and upto 70	50
	Above 50 and upto 60	60
	Above 40 and upto 50	75
	Above 25 and upto 40	90
	25 or less	100
7. Level of overdues		
	Percentage of Overdues to Demand for two out of three years (1974-5 to 1976-7)	
	Above 60	10
	Above 50 and upto 60	25
	Above 40 and upto 50	35
	Above 30 and upto 40	50
	Above 20 and upto 30	75
	20 or less	100

ANNEXURE 21 (Contd.)

(1)	(2)	(3)
8. Proportion of Chronic Defaults as on 30-6-77		
Percentage of overdue over 3 years to total overdue		
	Above 40	10
	Above 30 and upto 40	20
	Above 25 and upto 30	25
	Above 20 and upto 25	40
	Above 15 and upto 20	60
	Above 10 and upto 15	80
	10 or less	100
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9. Coercive Steps Taken for Recovery		
Proportion of the number of suit cases filed to the number of defaulters for periods over one year in percentage :		
	30 or less	10
	Above 30 and upto 50	25
	Above 50 and upto 60	40
	Above 60 and upto 75	50
	Above 75 and upto 90	75
	Above 90	100
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10. Defaults in Repayment to the Apex Bank		
Defaults at the end of the Co-operative year in the last 3 years 1974-5 to 1976-7		
	All the three years	Nil
	Two years	20
	One year	35
	None	50
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11. Defaults in Maintaining the Prescribed Percentage of Liquid Assets		
Number of days of default in the last two years 1975-6 and 1976-7		
	Above 100	Nil
	Above 75 and upto 100	10
	Above 50 and upto 75	20
	Above 25 and upto 50	30
	25 or less	40
	None	50
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ANNEXURE 21 (Contd.)

(1)	(2)	(3)
12. Rate of Dividend for 1975-8		
	Nil	10
	Upto one per cent	25
	Above 1 and upto 2 per cent	35
	Above 2 and upto 3 per cent	50
	Above 3 but less than 5 per cent	75
	Five per cent and above	100
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13. Coverage by Primary Agricultural Credit Societies as on 30-6-1976		
	20 or less	2
	Above 20 and upto 25	5
	Above 25 and upto 35	8
	Above 35 und upto 40	12
	Above 40 and upto 50	15
	Above 50 and upto 60	20
	Above 60	25
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14. Size of loan Business of Primary Agricultural Credit Societies as on 30-6-1976		
Proportion of the number of societies with loan business of		
Rs 75,000 or above each to the total number of pacs in percentage		
	Nil	Nil
	Upto 25	5
	Above 25 and upto 50	10
	Above 50 and upto 75	15
	Above 75 and upto 90	20
	Above 90	25
<hr/>		
15. Proportion of societies with Full-time Paid Managers as on 30-6-1976		
Proportion to the total number of societies in percentage—		
	Nil	Nil
	Upto 25	5
	Above 25 and upto 50	10
	Above 50 and upto 75	15
	Above 75 and upto 90	20
	Above 90	25
	Total Rating	1000

ANNEXURE 22

*Statement Showing Aggregate Ratings Received by Central Co-operative Banks in
Jammu and Kashmir*

Bank	Size of Owned Funds				Size of deposits			
	Expected level	Actual Level as on 30-6-77	% of col. 3 to col. 2	Rating out of 50 marks	Expected Level	Actual level as on 30-6-77	% of col. 7 to col. 6	Rating out of 100 marks
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1. Anantnag	56.57	37.79	68	30	188.60	39.87	21	25
2. Baramulla	36.35	23.30	64	30	175.00	38.89	22	25
3. Jammu	109.91	103.88	95	38	523.60	347.35	66	60

ANNEXURE 22 (Contd.)

422

Bank	Reliance on External Borrowings				Size of Working Capital			
	Total Loans Outstanding as on 30-6-77	Outstanding Borrowings as on 30-6-77	% of col. 11 to col. 10	Rating out of 50 marks	Expected Level Necessary to Function as Viable Unit	Actual Level as on 30-6-77	% of col. 15 to col. 14	Rating out of 25 marks
(1)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)
1. Anantnag	205.08	135.60	66	15	292.60	218.90	75	18
2. Baramulla	113.70	68.48	60	15	200.00	170.67	85	22
3. Jammu	452.31	100.44	0 35	38	684.75	633.75	95	22

ANNEXURE 22 (Contd.)

Bank	Total Loans Outstanding				Credit gap		Level of Overdues in	
	Expected Level Necessary to Function as Viable Unit	Actual Level as on 30-6-77	% of col. 19 to col. 18	Rating out of 100 Marks	In percent of Credit Requirements	Rating Out of 100 Marks	Two out of Three Years From 1974-5 to 1976-7	Rating out of 100 Marks
(1)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)
1. Anantnag	220	205.08	93	90	75	35	46.54.44	35
2. Baramulla	180@	113.70	63	75	92	10	46.48.52	35
3. Jammu	405	452.31	100	100	71	35	56.61.58	25

@ Norm of viability assumed at Rs 180 lakhs of loans outstanding

ANNEXURE 22 (Contd.)

424

Bank	Chronic Defaults				Coercive Steps taken for Recovery	Defaults in Repayments to the Apex Bank in the Last from 1974-5 to 1976-7	
	Total Over-dues as on 30-6-77	Overdues Over 3 years	% of col. 27 to col. 26	Rating out of 100 Marks	3 years	Rating out of 100 Marks	Number of Years of Default
(1)	(26)	(27)	(28)	(29)	(30)	(31)	(32)
1. Anantnag	63.28	22.89	36	20	10	3	—
2. Baramulla	62.32	21.69	35	20	10	3	—
3. Jammu	141.80	67.39	47	10	10	2	20

ANNEXURE 22 (Contd.)

Bank	Defaults in Maintaining the Prescribed Percentage of Liquid Assets in the Last Two Years		Rate of Dividend In per cent for 1975-6	Rating out of 25 Marks	Coverage by primary agricultural credit societies In per cent	Rating out of 25 Marks	Size of Loan Business of primary agricultural credit societies Rating out of 25 Marks	Proportion of Primary Agricultural Credit Societies with Full Time Paid Managers Rating out of 25 Marks	Aggregate Rating out of 1000 Marks
	Number of days of default	Rating out of 50 marks							
(1)	(33)	(34)	(35)	(36)	(37)	(38)	(39)	(40)	(41)
1. Anantnag	11	40	Not Declared	10	60	20	5	20	375
2. Baramulla	25	40	„	10	80	25	5	25	402
3. Jammu	26	30	„	10	41	15	5	20	438

ANNEXURE 23

*Economics of Sheep and Dairy Units***TENTATIVE FINANCIAL STRUCTURE OF THE SCHEME****1. Financial Requirements (Based on ten cross-bred sheep per beneficiary)**

Capital investment etc.	Rs
1. Renovation of Existing Sheds	450
2. Purchase of Equipment (Buckets etc.)	50
3. Cost for ten Cross Bred Ewes at Rs 300 per head	3000
4. Lump-sum Provision for Extra Maintenance of Sheep	1500
Total	5000

(Of this 25 per cent will be subsidised under S. F. D. A. and 33-1/3 percent under M. F. A. I.)

Subsidy 25% under Small Farmers' Development Programme

1250

Loan 75%

3750

Subsidy 33-1/3 under Marginal Farmers and Agricultural Labourers Programme

1667

Loan under such Category

3333

ANNEXURE 23 (Contd.)

TABLE SHOWING TENTATIVE LIVESTOCK STATEMENT

Year	Initial Balance	Births		Total			Grand Total	Internal Transfers		Disposal		Mortality			Closing Balance		
		M	F	E	ML	FL		M	F	M	F	E	ML	FL	E	ML	FL
1977— 8	10 Ewes	—	—	10	—	—	10	—	—	—	—	1	—	—	9	—	—
1978— 9	9 Ewes	3	4	9	3	4	16	—	—	2	—	—	1	—	9	—	4
1979—80	13 Ewes	4	5	13	4	5	22	—	4	3	—	1	1	1	12	—	4
1980—81	16 Ewes	5	6	16	5	6	27	—	4	4	—	2	1	1	14	—	5
1981— 2	19 Ewes	6	7	19	6	7	32	—	5	5	—	2	1	2	17	—	5

- Note :** 1. Lambing percentage has been calculated at 70.
 2. Mortality among adult sheep has been calculated at 10 percent.
 3. Mortality among young animals has been calculated at 20 percent.
 4. M—Male; F—Female; E—Ewes; ML—Lamb; FL—Female Lamb.

ANNEXURE 23 (Contd.)

Statement Indicating the Estimate of Returns From a Sheep Pen of Ten Crossbred Ewes

	Year 1	Year 2	Year 3	Year 4	Year 5
	Rs	Rs	Rs	Rs	Rs
1. Sale of Meat	—	300	450	600	750
2. Sale of Woollen Sweaters	900	1125	1425	1725	2025
3. Sale of Pelts	6	3	12	18	21
Total	906	1428	1887	2343	2796

At the end of five years the unit holder shall be left with 22 sheep tentatively

- Note :**
1. Disposal of weaners assumed at the rate of Rs 150 per sheep.
 2. Sale of sweaters (woollen) assumed at the rate of Rs 75 per sweater.
 3. Wool yield calculated at the rate of two kgs for adult sheep and one kg for young sheep.
 4. Pelts at the rate of Rs 6 per adult and Rs 3 per young sheep assumed
 5. Manure is expected to be utilised by the unit-holder for his cultivable land.

ANNEXURE 23 (Contd.)

Statement Indicating the Repayment of Loans under the Small Farmers, Marginal Farmers and Agricultural Labourers Agency Programmes at ten percent per annum

Repayment By Beneficiaries under Small Farmers Development Agency Programme

Year	Principal	Interest	Total	Repayable	Balance
	Rs	Rs	Rs	Rs	Rs
1.	3750	375.00	4125.00	500.00	3625
2.	3625	362.50	3262.50	800.50	2462
3.	2462	246.50	2708.50	1000.50	1708
4.	1708	170.80	1878.80	1000.80	878
5.	878	87.80	965.80	965.80	Nil

The above table indicates the position of repayment in respect of a small farmer.

Position of Repayment in respect of Beneficiaries Coming under the Marginal Farmers and Agricultural Labourers Programme

1.	3337.50	333.75	3671.25	400.25	3271
2.	3271.00	327.10	3598.10	598.10	3000
3.	3000.00	300.00	3300.00	900.00	2400
4.	2400.00	240.00	2640.00	1640.00	1000
5.	1000.00	100.00	1100.00	1100.00	Nil

The above table is provisional and subject to alterations by the financing agency. For raising the economic position of the weaker sections of the community, it is expected that the lending bank will fix suitable schedule for repayment

ANNEXURE 23 (Contd.)

UNIT OF ONE CROSS-BRED JERSEY COW

INVESTMENT DETAILS

A. Non-recurring Expenditure

	Rs
1. Cost of one cross-bred jersey cow in the first or second lactation yielding 8 to 10 litres of milk a day with a calf of 4-6 weeks of age at heel @Rs 3000	3,000.00
2. Cost of Construction of Shed 44 Sq. ft. to accommodate a cow and calf at heel @ Rs 17 per sq. ft.	748.00
3. Cost of Renovation of Shed	400.00
4. Cost of Dairy Equipment etc.	80.00
Total	3,480.00
	(excluding cost of construction of shed)
	OR
	3,828.00
	(excluding cost of renovation of shed)

B. Recurring Expenditure for 400 days of Calving Interval

1. Provision of 60 Qtls. of green fodder at the rate of 40 Kg a day for 150 days (out of 400 days) at the rate of Rs 20 per Qtls when green fodder is not available	1,200.00
2. Cost of 25 Qtls of dry maize fodder @10 Kg. per day @Rs 40 per Qtl. for the remaining period of 250 days (out of 400 days) when green fodder is not available	1,000.00
3. Cost of 4.5 Qtls of milk ration @ 3 Kg a day for 5 months of lactation when green fodder is available @Rs 120 per Qtl.	540.00
4. Cost of 6 Qtls. of milk ration for additional 5 months of lactation @ 4 Kgs a day when green fodder is not available @ Rs 120 per qtl.	720.00
5. Cost of 2.5 Qtls of additional ration for last 100 days of pregnancy @ 2.5 Kg per day @ Rs 120 per Qtl.	300.00
6. Cost of medicines and veterinary aid	50.00
7. Depreciation on the Shed	35.00
Total	3,845.00

ANNEXURE 23 (Contd.)

	Rs
INCOME	
1. Sale of 28 qtls. of milk @ Rs 225 or Rs 200 per qtl. based on average of 300 days lactation	5,600.00
2. Sale of Composite manure	100.00
3. Cost of one-year old calf	700.00
Total	6,400.00

PAYMENT OF LOAN

In monthly instalments immediately after the unit is established and milch animal purchased along with the interest within a period of 3 years or 27 instalments.

Calculation of Interest

1. On margin money of Rs 1148 (33% of Rs 3480) @ 3% simple interest for a period of 13 months	37.30
2. On the remaining amount of Rs 3480—1148)—2332.00 @ 11% annually for a period of 13 months	277.89
Total	315.19

REPAYMENT SCHEDULE DURING FIRST LACTATION

1. Income	6,400.00
2. Expenditure	3,845.00
3. Gross Profit	2,555.00
4. Interest Payment (37.30+277.89)	315.19
5. Payment of First Instalment	1,160.00
Net income	1,079.81

DURING SECOND LACTATION

1. Gross Income	2,555.00
2. Payment of Interest (37.30+139.66)	176.96
3. Payment of Loan of Second Instalment	1,160.00
Net Profit	1,218.01

ANNEXURE 23 (Contd.)

DURING THIRD LACTATION

1. Gross Income	2,555.00
2. Payment of Interest (37.30+ 1.43)	38.73
3. Payment of third Instalment of Loan	12.00
4. Payment of Margin Money of Rs 1148.00	1,148.00
Net Profit	1,356.27

NOTE :

1. It is estimated that the animals would conceive regularly and the sex ratio progeny would be 50:50 approximately. By the end of lactation it is assumed that 50 percent progeny shall mature. This aspect has not been included in the aforesaid scheme partly owing to the fact that 20 per cent of such stock could replace the female stock and the remaining 80 per cent could either be retained or sold. As these are variable these factors have not been taken into consideration while working out the economics of the scheme.

2. The cost of green fodder has been reckoned at the market value of green fodder available for the year 1975.

3. The scheme has been framed in accordance with the advice from the Government of India communicated to by the Joint Secretary to the Government of India, Ministry of Agriculture and Irrigation vide No. CRT-12013 4-76-Agri. Cr. dated 24-3-1976.

ANNEXURE 23 (Contd.)

TWO CROSS BRED JERSEY COWS**INVESTMENT DETAILS****A. Non-recurring Expenditure**

1. Cost of two milch cross-bred jersey cows in first or second lactation (with a 4-6 weeks calf at heel) yielding 8-10 litres of milk a day @ Rs 3000 per cow	6,000.00
2. Cost of Construction of Shed (8' X 11') to accommodate two cows and their progeny at heel @ Rs 17 per sq. ft.	1,496.00
3. Expenditure on Renovation of Old Shed as an alternative to item No. 2 above	800.00
4. Cost of Dairy Equipments etc.	150.00
Total	7,646.00
	(excluding item 3)
	OR
Total	6,950.00
	(excluding item 2)

B. Recurring Expenditure for 400 days of calving interval.

1. Provision of 120 quintals of green fodder at the rate of 40 Kg per day per animal for 150 days out of 400 days at the rate of Rs 20 per quintal when green fodder is not available	2,400.00
2. Cost of 50 quintals of dry fodder @ 10 Kg per day per animal @ Rs 40 when green fodder is not available	2,000.00
3. Cost of 9 quintals of milk ration @ 3 Kg per day per animal for 5 months of lactation when green fodder is available @ Rs 120 per quintal	1,080.00
4. Cost of 120 quintals of milk ration for additional 5 months of lactation @ 4 Kg per day per animal when green fodder is not available @ Rs 120 per quintal	1,440.00
5. Cost of additional ration for last 100 days of pregnancy @ 22 Kg per day per animal viz., 5 Qtls @ Rs 120 per Quintal	600.00
6. Cost of Medicines and Veterinary aid	100.00
7. Depreciation of Sheds @ 5%	72.00
Total	7,692.00

ANNEXURE 23 (Contd.)

INCOME

	Rs
1. Sale of 56 quintals of milk @ 200/- or Rs 225 per quintal based on average of 300 days lactation	11,200.00
2. Sale of Composite Manure	200.00
3. Cost of (one year old) 2 calves	1,400.00
Total	12,800.00

Repayment of loan

In the monthly instalments immediately after the unit is established and milch animal purchased along with the interest within 3 years' period or 27 instalments.

Calculation of Interest

1. On margin money of Rs 2523 (33% of Rs 7646) @ 3%	
2. simple interest for a period of 13 months	82.00
On the remaining sum of Rs 5123 @ 11% interest annually for a period of 13 months	610.49
Total	692.49

Calculation of Economics and repayment schedule during first Lactation

1. Income	12,800.00
2. Expenditure	7,692.00
3. Gross profit	5,108.00
4. Interest Payment (82 + 610.49)	692.49
5. Payment of first Instalment of Loan	2,549.00
	3,241.00
Net Profit (5108-3241.49)	1,866.51

DURING SECOND LACTATION

1. Gross Income	5,108.00
2. Payment of Interest (82 + 307.82)	389.82
3. Payment of second Instalment of Loan	2,549.00
Total	2,938.82
4. Net Profit (5108-2938.82)	2,169.18

ANNEXURE 23 (Contd.)

DURING THIRD LACTATION

1. Gross Income	3,108.00
2. Payment of Interest (82 + 2.98)	84.98
3. Payment of Last Instalment of loan	25.00
4. Payment of Margin Money	2,523.00
	net payable 2 + 3 + 4 2,632.98

Net Profit (5108-2632.98)

Notes :

1. It is to be anticipated that the animals would conceive regularly and the sex ratio progeny would be 50:50 approximately. By the end of the third lactation 50 per cent progeny would mature. This aspect has not been included in the aforesaid scheme partly owing to the fact that 20 per cent of such stock could replace the female stock and the remaining 80 per cent could either be retained or sold. As there are variable factors, they may be taken into consideration, while working out the economics of the scale.

2. The cost of green fodder has been reckoned at the market value of green fodder available for the year 1975.

3. The scheme has been framed in accordance with the recent directive from the Government of India communicated by the Joint Secretary to the Government of India, of Ministry of Agriculture and Irrigation vide No. CRT-12013/4/76 Agri. Cr. dated 24-3-1976

ANNEXURE 24

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*Block-wise List of Societies against which the Arbitration Proceedings have been filed
by the Jammu & Kashmir State Co-operative Bank 1-8-1977*

Sr. No.	Name of the society	Reference under which arbitration suit was filed	Amount of overdue
(1)	(2)	(3)	(4)
I. BEERWA BLOCK			
1.	The Beerwa Service Co-operative Society Ltd.	1 No. 7933-34 dt. 21-4-75	13,090.00
2.	The Gundipora ..	.. 7885-36 dt. 25-4-75	23,000.00
3.	The Narwara ..	.. 7887-88 dt. ..	14,130.99
4.	The Utligam ..	.. 7891-92 dt. ..	20,000.00
5.	The Ratson Multipurpose Co-operative Society	.. 298-99 dt. 9-7-75	13,000.00
6.	The Shanglipora ..	.. 471-72 dt. 16-7-75	19,452.89
7.	The sail ..	.. 7746-47 dt. 19-2-76	35,184.00
II. B. K. PORA BLOCK			
1.	The Makhama Multipurpose Co-operative Society	No. 7812-13 dt. 22-4-75	17,820.92
2.	The B. K. Pora ..	.. 7816-17 dt. ..	24,391.82
3.	The Lasjan ..	.. 5996-97 dt. 11-12-75	22,963.00
III. BALGAM BLOCK			
1.	The Arigam Multipurpose Co-operative Society	No. 7814-15 dt. 22-4-75	10,901.69
2.	The Driagam Service Co-operative Society	.. 473-74 dt. 16-7-75	26,828.21
3.	The Kjan Sahib Multipurpose Co-operative Society	.. 475-76 dt. ..	22,713.00
4.	The Falchal ..	.. 477-78 dt. ..	11,620.70
5.	The Bugroo Service Co-operative Society	.. 7080-81 dt. 28-1-76	20,000.00
6.	The Dabipora Multipurpose Co-operative Society	.. 636-38 dt. 21-7-76	5,157.00

ANNEXURE 24 (Contd.)

(1)	(2)	(3)	(4)
IV. NARBAL BLOCK			
1.	The Kanihama Nagam Milk Producers Co-operative Society	No. 7876-78 dt. 25-4-75	14,538.74
2.	Kausa Khalsa Service Co-operative Society	„ 7883-84 dt. „	5,232.57
2.	The Narbal Milk Society	„ 1006-66 dt. 6-5-76	24,304.00
V. KANGAN BLOCK			
1.	The Kangan Multipurpose Co-operative Society	No. 7889-90 dt. 25-4-75	8,434.99
VI. GANDERBAL BLOCK			
1.	The Badrikund Service Co-operative Society	No. 4184-82 dt. 7-7-75	8,848.92
2.	The Lar Multipurpose Co-operative Society	„ 183-84 dt. „	7,736.89
3.	The Wayil Service Co-operative Society	„ 185-87 dt. „	1,709.00
4.	The Shalabugh	„ 2437-39 dt. 28-9-76	2,225.00
VII. CHADOORA BLOCK			
1.	The Charisharief Multipurpose Co-operative Society	No. 1382-83 dt. 20-8-75	72,931.00
2.	The Hafroo Batapora „	„ 1382-83 dt. 20-8-75	23,189.34
3.	The Brenwar „	„ 10385-88 dt. 16-6-77	51,110.99
4.	The Charisharif Fruit Growers and Dealers Co-operative Credit Society	„ 145/792 dt. 1-8-77	5,02,978.22
VIII. SRINAGAR BLOCK			
1.	The Palapora Multipurpose Co-operative Society	No. 8081-82 dt. 2-3-76	8,000.00

ANNEXURE 25

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Areas Affected by Kharaba i.e. Natural Calamity

Sr. No.	Name of District	Total No. of Villages	1972—3			1973—4		
			Total Cropped Area Kharif and Rabi	Kharaba Area : All Crops	Percentage of Kharaba Area to	Total Cropped Area Kharif and Rabi	Kharaba Area : All Crops	Percentage of Kharaba area to
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1.	Srinagar	762	213684	57702	27	208838	27737	13
2.	Baramulla	1073	321329	73834	23	322840	37721	12
3.	Anantnag	1218	371322	5310	1	387940	7521	2
3.	Ladakh	239	44730	1397	3	46125	69	—
	Kashmir Province	3292	951065	138243	17	965743	73048	27
5.	Jammu	1267	390017	43679	11	418109	41335	10
6.	Kathua	588	226758	36991	16	236406	42313	2
7.	Doda	651	168118	55313	33	164058	46179	28
8.	Udhampur	629	228482	29960	13	230103	38648	17
9.	Rajouri	385	158809	16590	10	162793	25488	16
10.	Poonch	176	78186	6868	9	79312	7074	9
	Jammu Province	3696	1250370	189401	18	1290781	201037	15
	Jammu & Kashmir State	6988	2201435	347644	15	2256524	274085	12

ANNEXURE 25 (Contd.)

Sr. No.	Name of District	1974—5			1975—6		
		Total Cropped Area Kharif and Rabi	Kharaba Area : All Crops	Percentage of Kharaba Area to	Total Cropped Area Kharif and Rabi area to	Kharaba Area : All Crops	Percentage of Kharaba Area
(1)	(2)	(10)	(11)	(12)	(13)	(14)	(15)
1.	Srinagar	209300	42648	20	219406	43268	20
2.	Baramulla	323523	52351	16	336054	45962	14
3.	Anantnag	359502	38627	11	372457	37848	10
4.	Ladakh	46246	169	—	46250	46	—
	Kashmir Province	938571	133796	14	974167	127124	13
5.	Jammu	418353	63339	15	454597	28848	6
6.	Kathua	237463	12928	5	239249	29837	12
7.	Doda	145315	13178	9	155219	54426	35
8.	Udhampur	221119	9831	4	228023	35645	16
9.	Rajouri	178979	34237	19	154468	24063	16
10.	Poonch	81202	2478	3	75227	5460	7
	Jammu Province	1282431	135991	10	1306783	178279	14
	Jammu & Kashmir State	2221002	269786	12	1180850	305403	13

ANNEXURE 26

*Extract form Chapter 6 of the Committees
on Integration of Co-operative Credit Institutions 1976
(PB 80-84)*

PATTERN OF INTEGRATION

6.6 In view of the basic structural differences between the short and long-term wings, it would not be advisable to retain an institution in either wing and merge with it an institution in the other wing. We, therefore, suggest the establishment of new institutions at the district and state levels to undertake integrated credit functions.

Federal Structure

6.7. We suggest the following procedure for integrating the functions of the institutions at the primary, intermediate and apex levels, wherever the long-term wing has a federal structure.

(i) Primary Level

At the primary level, no new institution will be created unlike in the case of intermediate and apex levels, except under a reorganization or rehabilitation programme of the state governments to strengthen the PACS. At this level, there are two alternatives open to the PACS :

- (a) the PACS taking over only new business;
- (b) the PACS taking over the existing as well as the new business of the PLDB.

According to us, the second alternative has a definite advantage over the first. If the existing business is not taken over by the PACS, it has to be transferred to the integrated bank at the intermediate level. As already discussed in Chapter 5 (paragraph 5.37), wherever the PLDB have heavy overdues exceeding the levels prescribed by the RBI for unrestricted lending programme, the entire district/taluk might be deprived of full refinance facilities from the RBI or the ARDC for investment credit under programmes approved by them. On the other hand, if the existing loans are taken over by the PACS, the overdues will get distributed amongst various societies and only a few societies might be rendered in eligible for new business.

Taking into account the recommendation made above, the business of the two wings, viz., the existing CCB and the existing PLDB will get transferred in the manner detailed below.

ANNEXURE 26 (Contd.)

(ii) Primary and Intermediate Levels

(a) While the entire undertaking of the CCB, including staff, will be transferred to the new bank at the intermediate level, this will not be so in the case of the PLDB. The assets of the PLDB insofar as they relate to loans advances to individual members would be transferred to the PACS as indicated above. Proportionate sharecapital contributed by members and the individual membership would also be transferred to the PACS.

(b) Borrowings of the PLDB from the SLDB and all other residuary assets and liabilities including reserves and the entire staff of the PLDB would get transferred to the DCDB. The PACS would be deemed to have borrowed from the DCDB an amount equivalent to the difference between the loans outstanding and the share capital.

(c) The branches of the two integrating banks would be deemed to be the branches of the DCDB.

(d) No individual membership would be permitted in the DCDB.

A legal framework for effecting such transfer of business to the PACS and the new bank to be established is discussed in Chapter 8.

(iii) State Level

At the state level, there will be no difficulty in effecting integration of the two apex institutions as it will be merely a transfer of the entire undertakings of both the apex level bodies to the newly established SCDB.

Unitary Structure

6.8 In states where unitary structure prevails in the long-term wing, the procedure of effecting integration will be the same as indicated above with the following difference :

Each branch of the SLDB will have to be treated as a separate PLDB functioning in a particular district. At present, the branch of the SLDB has no separate legal entity and does not, therefore, have share capital of its own and no amount is treated as having been borrowed from the Head Office. Therefore, before effecting integration, a notional division of assets and liabilities of the SLDB as between its various branches will have to be done, transferring to the individual branch share capital and borrowings to the extent of loans advanced by it to individual members in the area of operation of that particular branch. Reserves created out of profits should also be transferred to each branch after it is divided between Head Office and branches in certain agreed proportions. At the apex level, the residuary assets and liabilities of the long-term wing, after division is effected, will be treated as the assets and liabilities of the SLDB and would be transferred to the new bank, as such.

ANNEXURE 26 (Contd.)

PHASING OF INTEGRATION

6.9 As stated in the beginning of the chapter, integration cannot be brought about at all levels simultaneously. The process has to begin first at the base, viz., at the primary level. Even at this level, it cannot be implemented in all the districts of a state or even in the same district in all talukas/tehsils simultaneously; a prerequisite for this is that the PACS should be reorganised on the lines indicated by the RBI, to have a minimum business of Rs 2 lakhs and a full-time secretary with proper basic training in the functions expected to be undertaken by him for handling long-term credit business. Integration should, therefore, normally be preceded by reorganization of the PACS and training of their secretaries. Progress in this regard would, therefore, depend upon the speed with which re-organisation of the PACS is effected. However, where the situation is favourable and ripe, integration should be encouraged along with the reorganization of the PACS.

6.10 From the viewpoint of administrative convenience and efficient arrangements for supervision and more so from that of the viability consideration of the PLDB, one cannot think in terms of making a beginning, society by society, within the area of a PLDB. If only a part of the PLDB's business is transferred to a few societies, the loss of business of the PLDB will affect adversely its income without any corresponding reduction in its expenditure. We feel, therefore, that the minimum unit for the purpose of integration should be the area served by a PLDB. The action to be initiated immediately by the state government would be to, first, identify the area of operation of a PLDB where reorganization of PACS as indicated above has been completed and, then, start the process of integration of assets and liabilities of the PLDB with those of the PACS and the CCB on the lines discussed elsewhere. In these areas, the PLDB would then cease to function, their place being taken by the PACS on the one hand and the DCDB on the other. The same procedure should be followed in respect of the rest of the area served by the remaining PLDB in a district till integration is completed in the whole district. We would not like to suggest any time-bound programme in this behalf. We, however, feel that a period of three years should prove more than adequate from the time a decision is taken to bring about integration.

6.11 In many states, the FSS/PACS are being financed by commercial banks. If the PLDB is integrated with the DCDB, the question of the loans advanced by the former in the areas of the FSS and PACS mentioned above will have to be solved. There are two solutions for this. One is to transfer the loans to the FSS/PACS concerned, in which case the commercial bank will pay off the amount involved to the DCDB. The alternative will be for the DCDB to allow the loans to remain in its own portfolio in which case individual members will have to be admitted to its membership by the DCDB. We would prefer the first alternative and hope that the commercial banks will not have any objection in accepting it because all the loans would be fully secured by first mortgage of land.

ANNEXURE 26 (Contd.)

6.12 The programme may be taken up in clusters of districts or even simultaneously in all the districts if specific areas covered by the PLDB could be identified for commencement of integration. In selecting the districts, preference may be given to those districts where command area projects or area development schemes approved by the ARDC are in operation.

6.13 The state governments should quickly initiate measures for proper training courses for the secretaries of the PACS and the staff of the proposed integrated banks at the intermediate level in handling all types of credit. Necessary financial support may be given by the state governments for this purpose. The banks should also strengthen the staff at various levels to undertake new responsibilities. A review of the steps taken and the progress made towards integrating credit institutions may be undertaken at frequent intervals. We suggest that the RBI may be associated with all such review so that their expertise is available for affecting improvements in phasing and methods of integration. The RBI may also set up a monitoring cell to assist and give guidance to the state governments in the process of integration.

6.14 As for state level institutions, suitable time schedules may be laid down by each state, there could be flexibility of approach in phasing. However, in respect of the states/union territories of Assam, Himachal Pradesh, Jammu & Kashmir, Pondicherry, Tripura and West Bengal, we fully endorse the recommendations of the Committee on Co-operative Land Development Banks suggesting integration of the two wings of the co-operative credit structure at all levels. For other states, the integration at the apex level could be effected after integration at the two lower levels below is completed in the state fully.

ANNEXURE 27
Block-wise Credit Gaps

Rs Lakhs

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District/Block	Gross Cropped Area (Hectares)			Scale of Finance	
	Irrigated	Unirrigated	Total	Irrigated Rs	Unirrigated Rs
(1)	(2)	(3)	(4)	(5)	(6)
Jammu Division					
Doda district					
1. Ramban	1571	10704	12275	250	100
2. Assar	513	4307	4820	250	100
3. Doda	2292	8888	11180	250	100
4. Bhandarwan	1669	6391	8060	250	100
5. Bhalassa	244	9710	9954	250	100
6. Kishatwar	1100	9987	11087	250	100
7. Pularwa	489	4210	4699	250	100
8. Paddar	1223	902	1925	250	100
	8901	55099	64000		
Kathua District					
1. Kathua	10089	17165	27254	300	125
2. Hirnagar	5195	23147	28342	300	125
3. Billawadi	865	11218	12083	300	125
4. Bas ali	1854	11428	13282	300	125
5. Bani	97	8240	8337	300	125
	18100	71198	89298		
Poonch District					
1. Poonch	1410	8778	10188	250	100
2. Mendher	2690	16021	18711	250	100
	4100	24799	28899		

ANNEXURE 27 (Contd.)

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Rajouri District						
1. Rajouri	4335	48768	53103	250	100	10.84
2. Budhal	1084	1219	2303	250	100	2.71
3. Nowshera	282	8414	8696	250	100	0.70
	5701	58401	59102			14.25
Udhampur District						
1. Udhampur	3476	7801		250	100	8.68
2. Chanani	555	3227		250	100	1.38
3. Ramnagar	1186	18925		250	100	2.97
4. Reasi	430	17426		250	100	1.08
5. Pohni	—	22871		250	100	—
6. Goot	354	3614		250	100	0.89
7. Majalta	100	4536				0.25
	6101	78400				15.25

ANNEXURE 27 (Contd.)

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Kashmir Division						
Anantnag District						
1. Shangus	5787	4458	10245	350	150	20.25
2. Kaller	10347	11532	24579	350	150	45.66
3. Qiamoh	8221	279	8500	350	150	28.77
4. Dochupara	6873	6343	12316	350	150	24.05
5. Noorabad	8823	8408	17231	350	150	30.88
6. Brong	1059	1451	2510	350	150	3.71
7. Pulwana	9504	6064	15568	350	150	33.26
8. Shahabad	6849	1410	8259	350	150	23.98
9. Ranipore	12	—	12	350	150	0.04
10. Khanupore	—	—	—	350	150	—
11. Shopian	9316	4054	13370	350	150	32.62
12. Qazigund	13208	9499	22707	350	150	46.23
	82299	53498	136197			289.45

ANNEXURE 27 (Contd.)

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Baramulla District						
1. Sapore	6632	8623	15255	350	150	23.21
2. Sogam	N.A.	N.A.	N.A.	350	150	N.A.
3. Baramulla	10300	22600	32900	350	150	36.05
4. Pattan	8697	4516	32591	350	150	30.44
5. Uri	14175	N.A.	N.A.	350	150	N.A.
6. Langati	1972	463	14638	350	150	49.61
7. Rajwari	N.A.	5665	18871	350	150	6.90
8. Bandipora	N.A.	N.A.	N.A.	350	150	N.A.
9. Rajiabad	N.A.	N.A.	N.A.	350	150	
10. Kralpora	N.A.	N.A.	N.A.	350	150	
11. Hain	N.A.	N.A.	N.A.	350	150	
12. Sumbal	6472	5555	12027	350	150	22.65
Srinagar District						
1. Srinagar	} Not available					
2. Gandurkab						
3. Kangon						
4. Baghali Kamipura						
5. Gnadoora						
6. Badgam						
7. Birwa						
8. Narhal						
Ladakh District	16900		16900			42.25

ANNEXURE 27 (Contd.)

District/Block	Credit Requirements			Credit Requirements met			Credit Gap
	Irrigate	Unirrigated	Total	Loans Overdues at Primary Level on 30-6-76	Loans issued by PACS during 1976-7	Total	
(1)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Jammu Division							
Doda District							
1. Ramban	3.93	10.70	14.63	2.06	—	2.06	12.57
2. Assar	1.28	4.31	5.59	0.81	—	0.81	4.78
3. Doda	5.73	8.89	14.62	1.50	—	1.50	13.12
4. Bhandarwan	4.17	6.39	10.56	1.12	—	1.12	9.44
5. Bhalassa	0.61	9.71	10.32	0.25	—	0.25	10.07
6. Kishatwar	2.75	9.99	12.74	1.79	—	1.79	10.95
7. Pularwa	1.22	4.21	5.43	0.16	—	0.16	5.27
8. Paddar	2.56	0.90	3.46	0.02	—	0.02	3.44
	22.25	55.10	77.35	7.71		7.71	69.64
Kathua District							
1. Kathua	30.27	21.46	51.73	} Not available			
2. Hirnaar	15.59	28.93	44.52				
3. Billawadi	2.60	14.02	16.62				
4. Bas ali	5.56	14.29	19.85				
5. Bani	0.28	10.30	10.58				
	54.30	89.00	143.30	24.18	9.70	33.88	109.42
Poonch District							
1. Poonch	3.52	8.78	12.30	7.64	0.63	8.27	4.03
2. Mendher	6.73	16.02	22.75	12.57	0.94	13.51	9.24
	10.25	24.80	35.05	20.21	1.57	21.78	13.27

ANNEXURE 27 (Contd.)

(1)	(8)	(9)	(10)	(11)	(12)	(13)
Rajouri District						
1. Rajouri	48.77	59.61	16.58	1.38	17.96	41.65
2. Budhal	1.22	3.93	9.23	0.07	9.30	—
3. Nowshera	8.41	9.11	3.54	2.35	5.89	3.22
	58.40	72.65	29.35	3.80	33.15	44.87
Uthampur District						
1. Udhampur	7.80	16.48	1.18	0.89	2.07	14.41
2. Chaneni	3.23	4.61	0.66	0.68	1.34	3.27
3. Ramnagar	18.93	21.90	1.11	0.72	1.83	20.07
4. Reasi	17.42	18.50	2.53	0.36	2.89	15.61
5. Pohni	22.87	22.87	3.25	0.44	3.69	19.18
6. Goot	3.61	4.50	2.01	0.78	2.79	1.71
7. Majalta	4.54	4.79	0.45	0.68	1.13	3.66
	78.40	93.65	11.19	4.55	15.74	77.91

ANNEXURE 27 (Contd.)

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(1)	(8)	(9)	(10)	(11)	(12)	(13)
Kashmir Division						
Anantnag District						
1. Shangus	6.69	26.94	2.80	2.36	5.16	21.78
2. Kaller	17.30	62.96	16.33	2.00	18.33	44.63
3. Qiamoh	0.42	29.19	5.03	7.94	12.97	16.22
4. Dochupara	9.50	33.55	1.82	10.05	11.87	21.68
5. Noorabad	12.61	43.49	12.28	5.28	17.56	25.93
6. Breng	2.18	5.89	4.00	1.07	5.07	0.82
7. Pulwama	9.10	42.36	N.A.	N.A.	N.A.	N.A.
8. Shahabad	2.12	26.10	2.30	4.03	6.33	19.77
9. Ranipore	—	0.04	—	0.01	0.01	0.03
10. Khanupore	—	—	—	—	—	—
11. Shopian	6.08	38.70	0.58	N.A.	N.A.	N.A.
12. Qazigund	14.25	60.48	2.71	4.27	6.98	53.50
	80.25	369.70				

ANNEXURE 27 (Contd.)

(1)	(8)	(9)	(10)	(11)	(12)	(13)
Baramulla District						
1. Sapore	12.93	36.14	3.52	0.10	3.62	32.52
2. Segam	N.A.	N.A.	1.40	N.A.	1.40	N.A.
3. Baramulla	33.90	99.95	5.25	—	5.25	94.70
4. Pattan	6.77	37.21	10.55	2.32	12.87	24.34
5. Uri	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
6. Languti	0.69	50.30	0.91	0.30	1.21	49.09
7. Rajwari	8.50	15.40	1.88	—	1.88	13.52
8. Bandipora	N.A.	N.A.	2.30	1.60	3.90	
9. Rajiabad						
10. Kralpora						
11. Hain						
12. Sumbal	8.33	30.98	4.00	—	4.00	26.98
Srinagar District						
1. Srinagar						
2. Gandurkab						
3. Kangon						
4. Baghali Kamipura						
5. Gnadoora						
6. Badgam						
7. Birwa						
8. Narhul						
Ladakh District	—	42.25	—	—	—	—

} Not available

} Not available