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"FINANCING CO-OPERATIVE SUGAR FACTORIES IN INDIA"

"COOPERATION" as a method of organisation in the achievement of our social objectives has been assigned a significant role in our Five-year Plans. The Industrial Policy Resolution 1956 clearly states that "the principle of Co-operation should be applied wherever possible and a steadily increasing portion of activities of the private sector developed along co-operative lines." The draft Fourth Five-Year Plan (1969-74) observes: "It will be a part of policy during the Fourth Plan to ensure that the opportunities before co-operatives are as much and varied as they can utilize them effectively. While it will be for the cooperatives themselves to make the efforts involved and reach those standards of efficiency which will enable them to compete with other forms of organisation serving similar purpose, Government for its part will endeavour to assist the cooperatives to equip themselves for the task in important topics such as finance, organisation, and trained personnel"[1]. The Cooperative organisation contemplates equality and social justice and is envisaged as a countervailing check on large business houses and commercial institutions.

In order to further the ends of the cooperative movement and also to ensure its branching out in industry, many agro-based enterprises in the fields of sugar, textile and oilseeds production have been organised along cooperative lines ever since the beginning of our planned development. Cooperative sugar factories are essentially processing societies of cane-growers. One of their main objectives is to provide maximum returns to the cane growing-members. To this end they provide various facilities to them. In the future growth of our economy these cooperative units may play a vital role and it is proposed in this article to assess the progress and problems of this sector of our cooperative endeavour.

CONTRIBUTION

The contribution of the cooperative sugar factories, in the current year, is likely to exceed 33% of the total sugar output in the country while their contribution in the beginning of the First Five-Year Plan was only 1.7%. The total licensed capacity of sugar industry is, as at present, 49.11 lakhs tonnes for 114 Cooperative sugar factories in the Co-operative sector and 149 mills in the private sector. The Co-operative sector accounts for 49% of the licensed capacity. In the field of export trade the Co-operative sector occupies a pivotal position and about 77% of its total raw sugar output is being diverted for export sales.

A very remarkable feature of the cooperative sugar sector has been the relatively higher levels of productivity measured in terms of average sugar recovery percentage. During the five-year period 1964-65 to 1968-69 the average sugar recovery for the entire sugar manufacturing sector ranged between 9.5 per cent to 9.95 per cent whereas the corresponding range for the cooperative sector was between 10.10 per cent to 10.89 per cent. There is no doubt that lower end of the ranges in both the cases related to a later year viz., 1968-69. The productivity of the cooperative sugar units has fallen to 9.98 per cent and happens to be the lowest so far, the highest mark having been achieved in 1963-64 at 10.93 per cent. The decline has been caused, among other things, by longer crushing period, supply of cane with larger percentage of trash, extraneous matters and big or immatured tops and higher fibre content in a vast majority of cases.

Table 1 shows the major developments in the cooperative sugar economy. It would be seen that the five-year period 1964-65 to 1968-69 covering the last two years of the Third Plan and the three Annual Plan years has been unique for sugar cooperative from several angles. The first thing to be noticed is the relatively slower growth in the number of factories but about a 60 per cent rise in cane crushed and a 50 per cent increase in the sugar output—the former rising from 70 lakh tonnes to 115 m. tonnes and the latter spurting from 8 lakh tonnes to 12 lakh tonnes. This reveals a larger utilisation of existing capacities. As already noted the average sugar recovery in the cooperative sector has consistently fared better than the all-India position.

TABLE 1

THE SUGAR COOPERATIVES—MAJOR CONTRIBUTIONS

	1964-65	1965-66	1966-67	1967-68	1968-69
No. of factories	50	52	55	57	63
Cane crushed (lakh tonnes)	70.28	90.94	61.51	62.42	115.49
Sugar produced (lakh tonnes)	8.06	9.29	6.42	6.80	11.65
Average sugar recovery (all India) %	9.66	9.73	9.95	9.65	9.50
Average sugar recovery (cooperatives) %	10.54	10.37	10.83	10.89	10.10
Exports by Coop. (lakh tonnes)	1.40	1.03	1.51	.70	.73
% of coop. sugar exports to total sugar exports	55	25	67	74	77

SOURCE: Commerce Annual No. 1968, NFCSF Ltd., Annual Reports.

TABLE 2

MEMBERSHIP OF SUGAR COOPERATIVES, 1966-69

	31-12-69	% to total	31-3-69	% to total	31-3-68	% to total	31-3-67	% to total	31-3-66	% to total
1. Cane-growers	3,87,140	92.3%	3,34,592	92.5	3,20,295	91.2	2,78,977	92.1	2,58,610	92.4
2. Cooperative Institutions	14,967	3.6	14,590	4.1	12,015	3.5	11,454	3.8	10,237	3.7
3. Non-growers	13,176	3.1	12,089	3.3	17,547	5.0	11,321	3.7	11,042	3.8
4. Others (including state)	4,384	1.0	637	.1	742	3.0	1,069	.4	363	.1
Total :	4,19,667	100.00	3,61,408	100.00	3,50,599	100.00	3,02,821	100.00	2,80,252	100.00

SOURCES : National Federation of Cooperative Sugar Factories. Annual Reports.

There have been declines in both in recent years largely due to poor cane quality. Exports of raw sugar from cooperatives have declined during 1967-68 and 1968-69 but their share in aggregate sugar exports improved materially to 77 per cent as compared with a low of 25 per cent during 1965-66. This only serves to highlight the declining trend of overall sugar exports but the improvement of the record of cooperatives over these years.

MEMBERSHIP

The membership of the sugar cooperatives is largely confined to cane-growers. Table 2 displays the membership position of the cooperative sugar factories till December, 1969:

The composition of membership shows a strong predominance of cane growers who continued to constitute the vast bulk of members throughout the period 1966-69 The proportion of grower-members to total members ranged around 91-92 per cent and showed little variations in between. The membership proportion of cooperative institutions and non-growers has tended to decline but membership interests of state Governments have increased sharply especially during the period April '69 to December '69. Till recently the cooperatives confined their membership largely to cane-growers and this deliberate policy has helped in the preservation of the status of these institutions as producers' cooperatives. This tendency has been at its climax in Tamil Nadu where almost the whole of the membership (around 99.9 per cent) is accounted for by the cane-growers. The all-India average membership of sugar-cooperatives stood at 4,561 in 1969, with Panipat Cooperative Factory (Haryana) taking the lead at 17,813 and the Kopargaon Factory (Maharashtra) positioned at the bottom with a low of 1,364

FINANCING PATTERN AND SOURCES OF FINANCE

A co-operative sugar factory with crushing capacity of 1250 tonnes per day requires an initial capital of Rs. 240-250 lakhs. Because of the meagre financial resources of the cane-grower, the cooperative factories in India have devised a unique financing pattern to cope with these requirements.

The set pattern envisages the initial contribution as below :

	Rs. in lakhs
(a) Share capital to be contributed by the members	45
(b) Capital contribution by State Govts.	45
(c) I.F.C. (including LIC)	140
(d) Cooperative Banks and others	10-20
Total	240-250

STATE GOVERNMENT CONTRIBUTION

The State Government's contribution is made on matching share basis. The financial participation of the Government under this arrangement is subject to certain conditions, which are: First, the concerned co-operative society is to raise an equivalent amount from its members other than the State Government. Secondly, of the equivalent amount raised, at least 75% contribution has to be from grower-members, and finally the share capital contribution by the State Government is to be retrieved in course of time. In the immediate run, however, the State Government is entitled to Central assistance with 100% loan from NCDC in lieu of its contribution to share capital of a cooperative society. The actual contribution of the State Government varies from society to society and even from state to state. It has varied around Rs. 6.75 lakhs to 39.65 lakhs per factory. The cumulative contribution for the last five years has been as follows :—

TABLE—3

FINANCIAL PARTICIPATION OF THE STATE GOVERNMENTS IN THE CANE GROWERS CO-OPERATIVE SOCIETIES.

upto	Rs. in crores
1965-66	9.36
1966-67	12.18
1967-68	13.92
1968-69	14.55
1969-70 (31-12-69)	14.70
1970-71	17.09

The aggregate outstanding capital contributions of the State Governments have been increasing progressively since 1965, but the pace of this increase slowed down, and remained almost stagnant over the three years of the "Annual Plan Period" viz. 1966-67 to 1968-69. The principal reason for this has been the long time lags in the receipt of these contributions from the Governments concerned in a majority of the new factories.[2] Two Sugar factories, namely Kopagoan and Pravaranagar had redeemed State Governments' contribution in their share capital.[3] However, the position seems to have improved during the year 1969-70 and thereafter.

GROWERS' CONTRIBUTION TO SHARE CAPITAL

The major part of the capital of cooperative sugar factories has been contributed by the producer-members themselves. Data relating to the individual grower-member's share holding is not available but it is significant to note that their collective contribution has been steadily increasing. The composition of the paid up capital of the cooperative sugar factories by the end of March, 1968 and December, 1969 is given below:[4]

TABLE 4

	31-12-69 (Rs. in lakhs)	%	31-3-68 (Rs. in lakhs)	%
(a) Producer members (92 factories)	2643	58.6	1892.37	53.5
(b) Non-producer members	400	5.3	39.65	1.1
(c) Co-operative Institutions			202.36	5.8
(d) State Governments	1470	36.1	1392.35	39.4
Total	4513	100	3535.49	100

The producer members along with cooperative institutions had contributed nearly 60% of the total paid-up capital of the sugar factories by the end of March, 1968. The present position indicates a considerable improvement and growers alone have contributed about 59% of the total paid up capital. This could be regarded as a significant achievement made by these cooperatives because even the savings of the small farmers have been channelised for productive purposes.

INTERNAL FINANCING—A NOVEL FEATURE

A very significant aspect of financial mechanism of a cooperative sugar factory is that the internally generated funds are made available the moment the factory goes into production. Cooperative factories, as a general rule, deduct a fixed amount as compulsory non-refundable deposits from cane price payable to the members. The basis of these compulsory deductions from the cane-growers money differs from factory to factory. In general it may range between Rs. 3.50 to Rs. 5.0 per tonne of cane supplied. But in some cases deduction is upto Rs. 7.0 per tonne. A cooperative unit with cane-crushing capacity of 1000 tonnes daily is able, on an average, to accumulate Rs. 3 to Rs. 5 lakhs annually.

The compulsory non-refundable deposit scheme is a unique feature of the financing pattern of the co-operative sugar factories. The sugar cooperative factories which seek financial assistance from IFC are under obligation to deduct a fixed amount from the amount payable to the cane-grower members on account of the cane supplied by them to the factories.

These non-refundable deposits are gradually converted into share capital of the respective members. Apart from being a regular source of inflow of funds, these deposits are specifically advantageous to the factories on three counts. First, as the deposits are converted into shares the equity base of the factory is strengthened, two, they are an important source of repayment of IFC loans; and finally they replace the Govt. contribution towards the equity capital when it is fully repatriated. The cane-growers are also benefited by this scheme. Thrift is developed among them and this ultimately leads to the accumulation of a large amount of funds to their accounts. The benefits of the non-refundable deposits have been largely at the cost of the current needs of the growers. The production cost of cane is increasing very rapidly in recent years because of a sharp rise in the cost of inputs. The grower has to borrow a large amount for obtaining fertilizers, seeds and agricultural implements and for making capital improvements in his fields. Thus the burden of the short-term cost of the production funds largely counter-balances the long-term gains to the growers.

The cumulative amount of such deposits at the end of each financial year during the period 1964-71 is given below:[5]

TABLE 5

Year	Rs. in crores
1964-65	8.62
1965-66	10.19
1966-67	11.38
1967-68	13.20
1968-69	15.68
1970-71	20.00 (approx.)

In addition to these deposits, a sizeable amount consisting of provisions for depreciation and other reserves has been created by the cooperative sugar factories. The depreciation provisions amounting to Rs. 33.42 crores and other reserves of Rs. 11.04 crores had been accumulated at the end of June, 1968. Thus, their internal resources amounted to Rs. 87.21 crores as against their block assets of Rs. 96.25 crores as on June 30, 1968. These accumulated reserves serve as a vital instrument for fostering the spirit of self-reliance among cooperative factories and are a sure indicator of the good financial health of these institutions.

INDUSTRIAL FINANCE CORPORATION

The block capital requirements of all industrial cooperatives at the initial stage have been provided by the IFC in the form of long-term loans. The sugar cooperatives have been a major beneficiary of financial assistance from the Corporation. The purposive bias in favour of cooperative sector is because of the non-existence of proper financial institutions including the industrial cooperative banks at the time these factories were largely pioneered.

BASIS OF ASSISTANCE

The main purpose of the Government in encouraging the cooperative sector is to reduce the inequalities of income and wealth by helping small entrepreneurs to grow. In pursuance of this policy the Central and State Governments give guarantee of all the loans sanctioned by the Corporation. The Corporation on its part also gives certain relaxations particularly in respect of margin by accepting 40% instead of 50% in the case of sugar cooperatives, which is not allowed to other industries. Liberal margins notwithstanding, the project appraisal in respect of cooperative sugar factories is strictly made in accordance with the accepted criteria. The loan to these cooperatives are comparatively more secure and safe than to other projects as they are fully guaranteed by the Government.

SUGAR COOPERATIVES VS. OTHER COOPERATIVES

The financial assistance to industrial cooperatives has steadily increased over the last twenty two-years. With a meagre assistance of Rs. 20 lakhs in 1949-50 the quantum of IFC assistance to industrial cooperatives has risen to Rs. 77.31 crores to 98 industrial cooperatives by the end of June, 1971. This cumulative assistance to the cooperatives comes to about one-fifth of the total assistance provided by the Corporation to all industries so far. The industry-wise distribution of the assistance provided by the Corporation to these industrial-cooperatives is given below:[6]

TABLE 6

ASSISTANCE TO ALL INDUSTRIAL COOPERATIVES

(Rs. in crores)

	End of June 1971			End of June 1968		
	No.	Amount	%	No.	Amount	%
(a) Sugar Cooperative factories (mainly Maharashtra, Mysore, Tamil Nadu and others)	74	65.87	85.2	62	52.66	92.8
(b) Cotton spinning (mainly Maharashtra, A.P., Gujarat, U.P. and Mysore)	22	10.43	13.5	7	3.96	7
(c) Vegetable Oil (Mysore)	1	.22	.3	1	.22	.2
(d) Jute (Assam)	1	.79	1.0	—	—	—
Total :	98	77.31	100	70	56.84	100

The monopoly of sugar cooperatives in the IFC financial assistance is apparent from Table 6. However, as the trend indicates the cotton textile cooperatives are coming up sharply and may overtake the sugar cooperatives if the present trend continues.

The special tender care with which the IFC has been fostering the sugar cooperatives becomes more apparent when we cast a look within the sugar industry as a whole. In recent years more than 87% of IFC loans have gone to sugar cooperatives. The respective figures for the three plans and the three Annual Plan years are as follows:—

TABLE 7

ASSISTANCE TO SUGAR INDUSTRY

	Sugar Coop. (Rs. in crores)	Sugar Industry (Rs. in crores)	2 as % of 3
Pre-Plan	0.20	0.20	100
I Plan	6.89	11.58	59.5
II Plan	23.19	30.27	76.6
III Plan	40.61	48.24	84.2
1966-67	41.77	49.61	84.2
1967-68	52.66	60.50	87.6
1968-69	57.73	62.57	92.2
1969-70	57.58	65.60	87.9
1970-71	65.87	72.69	90.6

SOURCE : IFC Annual Reports

It is evident from the information contained in Table 7 that the IFC assistance to sugar cooperatives has been a very significant proportion of its aggregate sugar finance. The whole of the assistance during the pre-plan period was rendered to these cooperatives. The proportion of total sugar finance provided by the IFC to the cooperative sector consistently improved over the first three plans from 59.5 per cent to 84.2 per cent and reached its peak at 92.2 per cent in 1968-69. A further proof of IFC's bias in favour of sugar cooperatives is provided by the following table:

TABLE 8

ASSISTANCE TO ALL INDUSTRIES

Assistance to "All Industries and Co-operatives"

Upto	All Industries Rs. in crores)	All Co-opts (Rs. in crores)	Sugar Co-opts. (Rs. in crores)	3 as % of 2	4 as % of 3
1	2	3	4	5	6
Pre-Plan	9.55	.20	.20	2.1	100
First Plan	43.20	6.89	6.89	16.0	100
Second Plan	105.82	23.69	23.19	21.9	97.9
Third Plan	292.75	42.90	40.61	14.7	94.6
1966-67	292.49	43.86	41.77	15.0	95.2
1967-68	305.05	56.84	52.66	18.6	92.6
1968-69	321.47	64.41	55.73	20.0	86.5
1969-70	337.08	68.20	57.58	20.2	84.2
1970-71	365.67	77.31	65.87	21.2	85.2

SOURCE : IFC Annual Reports

It would be seen from the foregoing data that the IFC finance to the cooperative sector as a whole largely comprised assistance to sugar cooperatives. Col. 6 of Table 8 depicts this fact. Upto the first plan the whole of the IFC accommodation to cooperatives went to sugar cooperatives. During the Second and the Third Plan periods it stood around 95 to 98 per cent. The high proportion was preserved till 1967-68, whereafter sugar cooperatives appeared to be yielding, though only marginally, to textile cooperatives which have, of late, been coming up to intercept the flow of IFC funds to sugar cooperatives almost on an exclusive basis. It may also be relevant to consider the position of all cooperatives (wherein the sugar cooperatives have been dominating till recently) vis-a-vis the entire industrial sector as far as IFC finance is concerned. The proportion of total cooperative finance to aggregate industrial finance provided by the IFC (shown by Col. 5 of Table 8) has also increased from about 2 per cent before economic planning began in this country to over one-fifth during 1970-71.

In fact, the role of the IFC in financing sugar cooperatives has been significant from angles more than one. It has provided about 32% of the total rupee loan assistance of Rs. 238.67 crores to sugar cooperatives upto end-June 1971. Further, the cooperatives have been greatly assisted in their resource mobilisation endeavours for purposes of undertaking various expansion and growth projects. Of the total resources of Rs. 161 crores mobilised by them upto 30th June, 1971, the Corporation's share has come up to about 48 per cent.[7]

LOAN DISBURSEMENT AND REPAYMENT

Out of Rs. 57.58 crores, a sum of Rs. 51.03 crores had been disbursed by the end of March, 1971 to the cooperative sugar factories. The outstanding amount to IFC by cooperative sugar factories stood at Rs. 29.93 crores by the end of March, 1970. The repayments by these cooperative units upto the aforesaid date were aggregating to Rs. 20.10 crores. Apart from these repayments, 6 cooperative sugar factories had fully liquidated IFC loans amounting to Rs. 2.58 crores much ahead of scheduled period of repayment by the end of March 1966. By end-March, 1970 eleven more cooperative factories had further fully repaid the IFC loans. Thus these 17 cooperative sugar factories have attained a unique distinction of effecting repayments aggregating Rs. 8.85 crores before the due dates. The full repayment of loans before the maturity date indicates the soundness of financial working of cooperative units and has also helped the IFC in revolving its funds, which factories, however, recently have not been able to fulfil their financial commitments to the Corporation. But the overall repayment performance of the cooperative sugar factories who secured the financial assistance from the Corporation has been very satisfactory.

The bulk of the assistance to sugar cooperatives has been provided by the IFC which has helped the enlargement of the cooperative sector in the country. However, it would have been more appropriate, if the instrumentality of cooperative banks had been used for financing the cooperatives but "in the absence of any experience in industrial finance by cooperative banks the IFC seems to be pragmatically a satisfactory choice."[8]

OTHER AGENCIES

Industrial cooperatives have also received considerable term loans, both medium and long, from the Life Insurance Corporation of India, the State Bank of India group and State Cooperative Banks. Such loans are supplemental to the IFC loans. By the end of 1969 the State Bank of India and its subsidiaries had granted limits aggregating to Rs. 52.10 crores to cooperatives for various purposes.

The various credit facilities available from State Bank of India to the sugar cooperatives are as follows:—

(i) Interim accommodation on the guarantee of state government pending disbursement of loan by IFC or any other financial institutions.

(ii) Advances against pledge of stocks, clean credit for working capital on state government guarantee.

(iii) Other forms such as letters of credit and deferred payment guarantee for import of capital goods.

The aggregate of limits sanctioned to cooperative sugar units was Rs. 15.30 crores with outstanding amounting to Rs. 10·40 crores by the end of 1969.[9] The Reserve Bank and the Industrial Development Bank of India provide indirect and refinance facilities to sugar cooperatives.

CAPITAL FORMATION AND INTERNAL RESOURCES

Cooperative sugar factories, in addition to the growers' capital contribution and non-refundable deposits, have built up a sizeable amount in the form of provision for depreciation and other reserves. These internal funds have not only strengthened the financial position of these cooperatives but have also largely contributed to the capital formation. By the end of June, 1965 and 1969, gross value of block assets of 50 and 62 sugar cooperative factories in production, were Rs. 66.58 crores and Rs. 107.80 crores respectively. As against this, the internal resources of these cooperatives were amounting to Rs. 47.96 crores and Rs. 88.86 crores as detailed below:

TABLE 9

Block Assets and Internal Resources

Year	No. of factories in operation	Paid-up capital other than the Government Rs. crores	Reserves Rs. crores	Non-refundable Compulsory deposits Rs. crores	Total Rs. crores	Gross value of Block Assets Rs. crores	Percentage of Internal Resources to Gross Value of Block Assets
1964-65	50	15.0	26.0	7.0	48.0	67.0	72
1965-66	52	15.0	33.0	10.0	58.0	76.0	76
1966-67	55	16.0	37.0	11.0	63.0	88.0	76
1967-68	57	19,0	44.0	13.0	76.0	96.0	78
1968-69	63	21.0	52.0	16.0	89.0	108.0	82
1970-71	N.A.	37.93*	N.A.	19.78	N.A.	N.A.	N.A.

*This includes Rs. 3.52 crores contributed by non-producer members, cooperative institutions and others (but not the Government).

SOURCE : (i) Computed from Annual Reports of NFCSF Ltd.
(ii) IFC Annual Report, 1971.

It would be seen from Table 9 that the Value of Gross Block of the cooperative sugar factories over the Five-year period 1964-69 has steadily increased from Rs. 67 crores to Rs. 108 crores, giving an annual average rise of more than 12 per cent. This compares favourably with the 8 per cent annual rate of gross fixed assets formation of 750 small companies studied by the Reserve Bank of India. The consistently expanding share of internal resources in the financing of aggregate gross block has also been a very important yardstick to measure the financial health and viability of sugar cooperatives in India. This share has risen from 72 per cent in 1964-65 to 82 per cent in 1968-69. During the year 1967-68 it stood at 78 per cent and the proportion of internal resources to total resources mobilised in the case of 750 small companies and 1501 medium and large companies for the corresponding period amounted to 56.4 per cent and 59.7 per cent respectively.[10] These comparisons undisputedly present an impressive financial performance of the cooperative sugar units in India.

of course, developed out of necessity. The successful working of the co-operative sugar factories has inspired the confidence of the masses in the co-operative sector and their development has created a new class of entrepreneurs in the rural area. The ownership of the cooperatives is not only diffused and dispersed but their gains have been distributed very widely.

The cooperatives have fully borne all the financial burdens connected with their establishment and operation on the same terms as other units in the industry. The performance of Sugar Cooperatives in terms of production and mobilization of savings has been quite encouraging so far. At present there are 70 cooperative factories which are in operation. Another five co-operatives are expected to go into production very soon and letters of intent/licences to establish 39 new cooperative sugar factories have also been issued by the Government. In addition to these, four cases are pending for the Government's final approval. So, within a period of four-five years 118 cooperative sugar factories would go into production. At present, the cooperative sector produces over 33% of the total production of sugar in the country. But when all these 118 factories start production it is expected that the cooperative sector contribution will rise to nearly 50% of the National production.[11]

A development that may impinge hard on sugar cooperatives in future has been the coming up of twenty cooperative cotton factories and also the fact that they might be doubled within a few years. More oil and jute co-operatives are also likely to be set up. In view of this mushroom growth of cooperative processing societies, underlining huge financial requirements, coupled with the pressing need of more finances by the under-developed regions and other priority sectors, the IFC may find it difficult to fulfil the financial needs of the expanding cooperative sector. Over and above this, the setting up of a cooperative sugar factory is not considered to be a profitable venture now-a-days. This is largely due to the unexpected rise in cost of setting up a factory. As already indicated, according to present estimates a unit with a crushing capacity of 1000 tonnes daily is required to have an initial capital of Rs. 240-250 lakhs. But by the completion time, the actual costs go upto Rs. 270 lakhs. If the present trends in rising prices continue, a unit would cost Rs. 300 lakhs within the span of 4-5 years. So an industrial cooperative is bound to face financial difficulties, if it is started with borrowed capital to the tune of 70-80% of the total capital.

To provide adequate finance for expansion and to overcome the existing financial difficulties, it is necessary to find out some other financial sources. The following suggestions may be helpful :

(1) Cooperative sugar factories with five years standing may be allowed to raise funds through the issue of debentures for

expansion programmes.

(2) The rate of compulsory non-refundable deposits may be increased where possible. This will not only strengthen the financial position but also improve the equity base of the unit.

(3) State Governments should provide some financial assistance to the financially sick units on some concessional basis.

(4) The Life Insurance Corporation should provide both medium and long-term loans to cooperative units on a liberal basis. Moreover, the joint financing scheme by IFC and LIC be abandoned and the LIC may consider financing cooperatives independently. This would avoid the plethora of formalities by IFC and their duplication by the LIC which ultimately results in delay in execution of the project by the cooperatives.

(5) The nationalised commercial banks and LIC may contribute to the equity capital of new cooperative factories.

(6) The cooperative banks should also participate in the initial block capital of these cooperatives in a big way.

(7) Ample refinancing facilities should be provided by IDBI to such financial institutions as render financial assistance to the cooperatives.

(8) IFC may impose a selective moratorium and reschedule the repayment of loans in deserving cases.[12] The Licences to those new units alone should be granted which ensure availability of raw material, interest of growers and technical and economic feasibility. The cane-grower members should also raise the quantum of their capital contributions.

(9) Workers may be allowed to participate in the equity capital of these industrial cooperatives. This will help in strengthening the capital base without creating any charge on revenues or assets of the societies. It ultimately helps in improving the labour-management relations and in creating congenial atmosphere within the factory which is the key-note of the successful functioning of an industrial unit.

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