



“LICENCE AND DE LICENCE POLICY OF CENTRAL GOVERNMENT RELATED TO ESTABLISHMENT OF COOPERATIVE SUGAR FACTORIES”

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ABSTRACT

The sugar co-operative have been considered as an important instrument of economic development. For the success of these co- operatives, an active public participation and government support are needed. Arthur Lewis says "the behavior of government plays an important role in stimulating or discouraging economic activity as does the behavior of entrepreneurs or parents or scientists or priests. While commenting on the role of state in making co-operation a success, D.R. Gadgil observed "in a society which is poor and in which economic units are overwhelmingly large in numbers, for co-operation to succeed, it is necessary that they would be initiated and nursed by the external efforts and that co-operative activity should be supported by appropriate government policy in relation to economic security and progress. The machinery of the state had to be actively associated with the co-operative movement.

KEY WORD: *sugar co-operative , active public participation , economic security and progress.*

INTRODUCTION

The state governments have partnership in the share capital of each sugar co-operative. The state governments exercise control over the co-operatives through the nominated members. The nominees of the State government shall have a right to appeal to the government against the decision of the Board, if it is likely to be prejudicial to the interest of the government the Industrial Finance Corporation of India the Life Insurance Corporation of India. In all such cases the decision so given by the Government shall be binding on the Board of Directors. In this way, the Government ensures the control over sugar co- operatives. This suggests that government participation be active and control must be an effective one. Moreover, the success of co-operative unit needs loyalty of its members and their active participation in the deliberations of all kinds of matters connected with the working of the sugar co-operatives.

GUIDELINES FOR LICENSING:

Upto 1950, the sugar industry was under the control of provincial governments. Later on an Ad-hoc Licensing Committee (1951) was appointed to deal with the norms and procedures of licensing the sugar co-operatives. The Committee made the following recommendations in 1954:



- i. Availability of cane and transportation of cane.
- ii. Possibilities of increasing the cane area;
- iii. Technical and economic viability of the project;
- iv. Leadership capabilities of the chief promoters to complete the project.

It was permitted to set up a sugar mill wherever the possibilities of cane cultivation were existed and an urge of the local leadership to install a sugar mill in the region was justified.

The Government of India have reviewed the guidelines for licensing of new and expansion of existing sugar factories in July 1990.

They were

1. The minimum economic capacity of the factory should be 2500 TCD and in agro-chemicals cane growing areas it was allowed to 1750 TCD under condition that such units would expand their capacity to 2500 TCD within a period of five years of going into production.
2. The distance between sugar factories should be 15 Km.
3. The availability of cane in the area and potential for further development of cane.
4. The cane price should be paid on the basis of sucrose contents of cane.
5. Preference will be given to the co-operative sector followed by the public and private sectors.
6. Applications are screened by the Screening Committee of the Central Ministry of Food.

In view of the economic liberalisation, and technological changes that have taken place, there is a need for revision of the existing guidelines. Consequently central government has formulated the new guidelines in November 1991. They were:

1. There will not be any maximum limit on 2,500 TCD but preference will be given for larger capacity, 2500 TCD and even more.
2. A revenue district will be taken as the unit for consideration of application.
3. Distance between the proposed new factory and existing factory should not be less than 15 Kilometers.
4. For new units cane availability and potentiality for cane development are the basic criteria.
5. Preference is given to the growers' sugar co-operatives, while issuing licence.
6. Applications for expansion of the existing factories will be cleared automatically.
7. Applications submitted to the Secretariat for Industrial Assistance (SIA) in the department of Industrial Policy and Promotion, Ministry of Industry, New Delhi in Form IL along with prescribed fees.

LETTERS OF INTENT:

1. For all industries retained under compulsory licensing, the applications filed for industrial license are considered in the Approval Committee concerned, and as per approval of the Government, letters of intent (LOI) are issued in the first instance. The LOI specifies the conditions which need to be fulfilled before the LOI is converted into an industrial licence. In terms of Press Note No. 15 of 1988 dated 10.6.88, the LOI is valid for three years. Extension of validity beyond three years needs to be considered in the Approval Committee concerned.
2. As per press note of January 1997, the initial validity period of the LOIs granted for setting up of new units of sugar should be reduced to one year and to prescribe some conditions, the fulfillment of which would be a precondition for further extension of the period of validity of LOI.

The following are considered as important conditions:

- a. Acquisition of land for location of sugar mill.
 - b. Commencement of civil works.
 - c. Placement of order for plant and machinery.
 - d. Filing of application for term loan (if required).
3. Requests for change of location, if any, would have to be filed within 3 months from the date of issue of the LOI.
 4. In terms of above Press Note, the LOIs already issued would be valid for a period of one year from the date of issue of Press Note, or the present date of validity of the LOI, whichever is earlier.
 5. The guidelines governing the extension in the validity period of Letters of Intent (LOI) granted for setting up of new units for manufacture of sugar were notified vide Press Note No.6 dated 28.5.1997. According to

the guidelines, the validity period of such LOIs was reduced to one year and certain conditions were prescribed to be fulfilled for further extension in the period of validity of LOI.

The organizational pattern of sugar factories is normally prescribed by the Government. However, it was stated in the Sixth Five Year Plan that, in case of inability of public or co-operative sector to install a sugar mill in a deserving locality, the private sector may be given a free hand to erect a sugar mill. This was in fact the beginning of liberalization policy. Now it has been fully delicensed.

Delicence Policy Of Central Government:

Central Government issued Press Note No. 12 on 31-08-98 regarding free licence for sugar industry.

1. Government has decided to delete sugar industry from the list of industries requiring compulsory licensing under the provisions of the Industries (Development and Regulation) Act, 1951.
2. The entrepreneurs who wish to avail themselves of the delicensing of sugar industry would be required to file an industrial entrepreneur Memoranda (IEM) with the Secretariat of Industrial Assistance in the Ministry of Industry.
3. Entrepreneurs who have been issued letter (s) of intent (LOI) for manufacture of sugar need not file an initial IEM. Now, to establish a new sugar mill is not a difficult task because of Central Government's De-licence policy.

The provisions of the government liberalized policy were:

1. According to free license sugar policy there is no need to take licence for the establishment of a new factory.
2. A new factory has to get registered at Companies Government office and it should be only 15 K.M. away from the old factory.
3. A new factory can be established at anytime, anywhere and with any type of crushing capacity.
4. There is no need of conditional share capital, raw material (i.e.sugarcane area) and any other conditions which were existed earlier.
5. A new factory is fully free to mould its own rules and regulations not being dictated by the Government.

Merits of De-licence Policy:

1. It helps to bring efficient management.
2. It leads to up gradation of technology.
3. It makes modernisation of plant and equipment.
4. It improves sugar recovery.
5. It improves efficiency of operations.
6. It leads to lower cost of production.
7. It helps to provide remunerative price to farmers.
8. According to demand and supply the rate of sugar can be fixed.
9. It helps to produce best quality of sugar.
10. The sugar industry will work independently without much dependence on government
11. There is no strict zonal control, so that cane growers can supply their cane to any factory.
12. Growers can collect share from any area and from any factory.
13. Cane rate can be fixed on the basis of quality of cane.
14. There will be improvement in the quality of research in sugarcane production.
15. Indian sugar industry becomes strong enough to withstand competition in the international markets.
16. The factories will be free to fix the cane rate.
17. The factories are also free to decide about the opening and closure of crushing period.
18. The sugar factories are free to sell sugar whenever there is price hike for sugar in the markets.

Demerits of Delicence Policy:

1. Sugar Co-operatives cannot compete with private factories because private factories are more modernized than the sugar co-operatives.
2. Sugar Co-operative are not able to collect more share capital.
3. The private factories provide high cane price in the beginning and later start exploiting the cane growers.
4. Highly modernized technology leads to unemployment problem.
5. The cane growers will not get better facilities from the private factories.
6. The private factories may not consider the rural development programme like construction of roads, school buildings, hospitals and lift irrigation schemes.
7. The cane growers may not get the remunerative price for their cane.
8. Private factories may not take care of the natural calamities like flood, drought etc.
9. Growers may not get any subsidies or easy loans for the cane cultivation programme.
10. Growers may loose confidence in the private factories which leads to instability of cane price.
11. The element of loyalty would vanish.

Effects of Delicensing:

Whenever the sugar factories faced problems in the respective State Governments took initiative to solve them immediately because of the domination of the co-operative leaders lobby in the government and the importance of their sugar factories as lead factories in the respective states. In the present context of liberalization it is difficult to expect protection from the Central as well as State Governments.

Since the enactment of the Sugar Industry (Protection) Act, 1932, the industry received greater encouragement and protection. Upto 1950, the private sector had taken the benefits from the policy decisions, related to sugar industry in Maharashtra. Since the installation of pravara Sugar Factory at Pravaranagar (Maharashtra) in 1949, the licensing policy was made patronaged to the co-operative Sector. The Gundurao Committee (1963) was the next effort made by the Government of India to rehabilitate and modernise the sugar industry. In 1964, S.R. Sen Committee was appointed to study the economics of sugar industry in India. Similarly Bhargav Committee, Sampat Committee, Ramkumar Committee and Mahajan Committee are some of the later additions. All these Committees helped the Government to make the perspective policy decisions for sugar industry.

Prior to delicensing policy, in the system of licensing, the chief promoter of the factory used to prepare a proposal for a sugar factory and forward the same to the state government including all details of the project. The concerned state government has to examine the technical and economic feasibilities of the project. The feasibility norms like availability of cane, irrigation, transport facility, economics of the proposed factory and direct implications if any on other existing sugar factories in the area were enquired. The state government if satisfied, then the same proposal was sent to the Ministry of Food and Agriculture, Government of India. The political and economic considerations were to determine the permission or withholding of licence. To examine the technical and economic feasibilities the Screening Committee was appointed by the concerned Ministry. The Screening Committee used to examine the area of operation, technical aspects and viability of the project. The Central Food and Agriculture Ministry after receiving the feasibility report from the Screening Committee, forward the proposal to the Ministry of Industry. The Ministry of Industry then accorded the letter of intent to the chief promoter. To complete all these procedures it normally required six months to five years. The licensing policy was wholly dominated by political considerations of leaders, apart from the basic considerations.

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