

Measures to Boost the Warehouse Receipt Finance by State Governments and Central Government

Dr. Arvind Kumar Yadav*

Assistant General Manager IDBI (Research Scholar, Vivekananda Global University)

Abstract – Central Warehousing Corporation was established during 1957 to provide logistics support to the agricultural sector. It is a public Warehouse operator offering logistics services to diverse group of clients. CWC operates 432 Warehouses across the country with a storage capacity of 9.96 million tonnes providing warehousing services. This service includes foodgrain warehouses, industrial warehousing, custom bonded warehouses, container freight stations, inland clearance depots and air cargo complexes.

Warehousing activities of CWC include food grain warehouses, industrial warehousing, custom bonded warehouses, container freight stations, inland clearance depots and air cargo complexes.

Apart from storage and handling, CWC also offers services in the area of clearing & forwarding, handling & transportation, procurement & distribution, dis-infestation services, fumigation services and other ancillary activities.

Keywords – Warehouse, Receipt, Finance, Government

-----X-----

INTRODUCTION

CENTRAL WAREHOUSING CORPORATIONS & STATE WAREHOUSING CORPORATIONS

A premier Warehousing Agency in India, established during 1957 providing logistics support to the agricultural sector, is one of the biggest public warehouse operators in the country offering logistics services to a diverse group of clients.

CWC is operating 421 Warehouses across the country with a storage capacity of 10.1 million tonnes providing warehousing services for a wide range of products ranging from agricultural produce to sophisticated industrial products.

CWC also offers consultancy services/ training for the construction of warehousing infrastructure to different agencies.

The Warehousing Corporation act, 1962: Subject to the provisions of this Act, the Central Warehousing Corporation may-

- Subscribe to the share capital of a State Warehousing Corporation;

- Act as agent of the Government for the purposes of the purchase, sale, storage and distribution of agricultural produce, seeds, manures, fertilizers, agricultural implements and notified commodities; and
- Carry out such other functions as may be prescribed.

The Warehousing Corporation (Amendment) Bill, 2011 has been proposed in the Lok Sabha by the Ministry of Consumer Affairs, Food and Public Distribution seeking to make Mini-Ratna company Central Warehousing Corporation (CWC) an independent body without government being a guarantor.

CWC operations include scientific storage and handling services for more than 400 commodities include Agricultural produce, Industrial raw-materials, finished goods and variety of hygroscopic and perishable items.

- Scientific Storage Facilities for commodities including hygroscopic and perishable items through network of 476 warehouses in India with its 5,658 trained personnel.

- Import and Export Warehousing facilities at its 36 Container Freight Stations in ports and inland stations.
- Bonded Warehousing facilities.
- Disinfestation services.
- Handling, Transportation & Storage of ISO Containers.

CWC enables the movement of imported and exportable goods to and from the port towns and has developed infrastructure of Container Freight Stations & Inland Clearance Depots throughout the country. It operates 36 CFSs/ ICDs where composite services for containerized movement of import/export cargo are provided. The Warehousing Corporation is empowered to acquire and build Warehouses for storage of Agricultural produce, seeds, fertilizers and other notified commodities and also to act as an agent of the Central Warehousing Corporation or of the Government, for the purpose of purchases, sales storage, distribution etc., of Agricultural Commodities in time of need. Though it has been criticized for lack of manpower and technologically equipped warehousing facility.

STATE WAREHOUSING CORPORATIONS

Haryana State Warehousing Corporation is operating 108 warehouses in the state with a total average capacity of 19 lakh metric tonnes with 105 per cent utilization and now it has been decided to construct 97,796 MT capacity new godowns at nine places in the state. While stating this here today, Minister of State for Food and Supplies Mr. Karan Dev Kamboj said that these godowns would be constructed under the Rural Infrastructure Development Fund (RIDF) scheme at Jullana, Hansi, Barwala, Cheeka, Rajaund, Gheer, Baroli, Israna and Gharaunda. The Minister said that State Government has approved the guarantee at the rate of 2 per cent for a loan of over Rs 30.61 crore availed by the Haryana State Warehousing Corporation from NABARD for the construction of these godowns. With the construction of these nine godowns, the number of godowns being operated by Haryana Warehouse Corporation would increase to 117 and the total average storage capacity would also be considerably increased.

FACILITIES PROVIDED BY CENTRAL WAREHOUSING CORPORATIONS & STATE WAREHOUSING CORPORATIONS

CWC is the office for storage and covering. CWC also offers services in the field of authorizing, and forwarding, handling and transportation, procurement and distribution, disinfestation services, fumigation services and other ancillary activities are:

1. **To establish warehouses:** The very first function of Central Warehousing Corporation is to acquire and build godowns and warehouses at such suitable and useful places in India as it deems it.
2. **Run warehouses:** After establishing warehouses at suitable places the next function is to run warehouses for the storage of agricultural produce, seeds, manures, fertilizers, agricultural implements and notified commodities offered by individuals, cooperative societies and other institutions.
3. **Provide assistance to agriculturists:** Central Warehousing Corporation also needs to arrange facilities for the transport of agriculture products, seeds, manures, fertilizers, agricultural implements and notified commodities to and from warehouses.
4. **Assisting state warehousing corporation:** Being a supreme government body in this field Central Warehousing Corporation is also supposed to assist and direct State Warehousing Corporations. It also has to subscribe to the share capital of State Warehousing Corporation.
5. **Act as an agent of government:** Sometimes central warehousing corporation has also to serve as an agent of the Government for the purpose of purchase, sale, storage and distribution of agricultural produce, seeds, manures, fertilizers agricultural implements and notified commodities.
6. **Disinfestations services:** The corporation may, at the request of parties concerned, undertake disinfestations service outside its warehouses in respect of agricultural produce or notified commodities.
7. **Act as an agent of its discretion:** CWC may, act at its directions, act as agent for the purpose of purchase, sale, storage and distribution of agricultural produce, seeds, manures, fertilizers, agricultural implements and notified commodities on behalf of the company as defined in the Companies Act, 1956, or a body corporate established by an Act of Parliament or a State Legislature or a co-operative society.
8. **Follow the instruction of the Government:** Being a government organization the corporation has to follow instructions from the central government. So, it also has to carry out such other

functions as may be prescribed by the Government from time to time.

STATISTICAL DATA OF STORAGE AVAILABLE WITH CENTRAL WAREHOUSING CORPORATIONS & STATE WAREHOUSING CORPORATIONS

CWC has been regularly augmenting its storage capacity by way of construction of godowns on its own land as well as through hiring suitable storage worthy capacity available in the vicinity. The storage capacity created by CWC during the last 5 years is as follows:

YEAR	STORAGE CAPACITY CREATED (IN LAKH MT)
2013-14	2.45
2014-15	2.65
2015-16	2.97
2016-17	3.06
2017-18	3.15

The overall capacity utilization was 85%. The average overall capacity utilization of CWC during the last 5 years are as follows:

YEAR	Capacity Utilization (in %)
2013-14	93.5
2014-15	93
2015-16	94
2016-17	95
2017-18	97

COMPARISON BETWEEN CENTRAL WAREHOUSING CORPORATIONS & STATE WAREHOUSING CORPORATIONS

With effect from such date as the Central Government may, by notification in the Official Gazette, specify in this behalf, the Central Government shall establish a Corporation by the name of the Central Warehousing Corporation which shall be a body corporate having perpetual succession and a common seal with power to acquire, hold and dispose of property and to contract, and may, by the said name, sue and be sued.

The State Government may, by notification in the Official Gazette and with the approval of the Central Warehousing Corporation, establish a Warehousing Corporation for the State under such name as may be specified in the notification.

A State Warehousing Corporation established under sub-section (1) shall be a body corporate by the name notified under that sub-section having perpetual succession and a common seal, with power to acquire, hold and dispose of property and to contract and may, by the said name, sue and be sued.

Notwithstanding anything contained in sub-section (1), (2) and (3), it shall not be necessary for the State Government to establish a Corporation under sub-section (1) where, under clause (g) of sub-section (2) of section 43, a Corporation is deemed to be established for that State under this Act.

The authorised capital of a State Warehousing Corporation shall be such sum not exceeding two crores of rupees as may be prescribed, divided into shares of the face value of one hundred rupees each, of which such number as may be determined by the Corporation in consultation with the State Government shall be issued in the first instance and the remaining shares may be issued, from time to time, as and when the Corporation may deem fit after consultation with the Central Warehousing Corporation and with the sanction of the State Government.

Of the share capital issued in the first instance and of any subsequent issue of such capital, the Central Warehousing Corporation shall, in any case where the State Government has subscribed for fifty per cent of such capital, subscribe for the remaining fifty per cent. of the capital.

The authorised share capital of the Central Warehousing Corporation shall be twenty crores of rupees divided into two hundred thousand shares of the face value of one thousand rupees each; any shares remaining to be issued may be issued, with the sanction of the Central Government from time to time, as and when the Central Warehousing Corporation may deem fit.

The Central Government shall subscribe for forty per cent. Of the share capital issued at any time and the remaining sixty per cent. of the share capital may be subscribed for, within such period and in such proportion as may be specified by the Central Government, by the following institutions, namely:-

- the State Bank;
- other scheduled banks;
- co-operative societies;
- insurance companies, investment trusts and other financial institutions;
- recognised associations and companies dealing in agricultural produce or any notified commodity.

If any portion of the sixty per cent. of the share capital referred to in sub-section (2) remains unallotted, it may be subscribed for by the Central Government and the State Bank in such proportion as may be agreed upon between them and in

default of such agreement, as may be determined by the Central Government.

The shares of the Central Warehousing Corporation shall not be transferable except to the Central Government, the State Bank, any scheduled bank, any insurance company, any investment trust or other financial institution or any co-operative society or any recognised association or company dealing in agricultural produce or any notified commodity, in accordance with the regulations made by the Central Warehousing Corporation under this Act.

NETWORKING OF CENTRAL WAREHOUSING CORPORATIONS & STATE WAREHOUSING CORPORATIONS

The shares of the Central Warehousing Corporation shall be guaranteed by the Central Government as to the repayment of the principal and the payment of the annual dividend at such minimum rate as may be fixed by the Central Government, by notification published in the Official Gazette, at the time of the issue of the shares.

Notwithstanding anything in the Acts mentioned in this sub-section, the shares of the Central Warehousing Corporation shall be deemed to be included among the securities enumerated in section 20 of the Indian Trusts Act, 1882 (2 of 1882), and also to be approved securities for the purpose of the Insurance Act, 1938(4 of 1938) and the Banking Companies Act, 1949(10 of 1949).

The general superintendence and management of the affairs and business of the Central Warehousing Corporation shall vest in a board of directors who, with the assistance of an Executive Committee and a managing director, may exercise all the powers and discharge all the functions which may be exercised or discharged by the Central Warehousing Corporation under this Act.

The board of directors shall act on business principles having regard to public interest and shall be guided by such instructions on questions of policy as may be given to them by the Central Government.

If any doubt arises as to whether a question is or is not a question of policy, the decision of the Central Government shall be final.

- (1) The annual general meeting of the Central Warehousing Corporation (hereinafter referred to as the annual general meeting) shall be held every year either as its head-office or at any other office of the Corporation within six months of the close of the financial year, and any other general meeting may be convened by the board of directors at any other time.

- (2) The shareholders present at the annual general meeting shall be entitled to discuss the annual accounts, the report of the board of directors on the working of the Corporation during the year under report, as well as the auditor's report on the annual balance sheet and accounts.
- (3) The board of directors of the Central Warehousing Corporation shall, on the requisition of one-third of the number of shareholders of the Corporation, call a special meeting of the Corporation
- (4) The requisition for a special meeting under sub-section (3) shall state the object of the meeting, and shall be signed by the requisitionists and deposited at the head-office of the Corporation, and may consist of several documents in like form each signed by one or more requisitionists.
- (5) If the board of directors of the Central Warehousing Corporation do not proceed within twenty-one days from the date of the requisition being so deposited to cause the special meeting to be called, the requisitionists, or a majority of them, may, themselves call the meeting, but in either case, the meeting so called shall be held within three months from the date of the deposit of the requisition.
- (6) The Central Warehousing Corporation shall observe such rules of procedure in regard to the transaction of business at its meetings (including the quorum at meetings) as may be provided by regulations made by the Central Warehousing Corporation under this Act.

Warehousing Fund

- (1) To the Warehousing Fund shall be credited-
 - (a) all moneys and other securities transferred to the Central Warehousing Corporation under clause (c) of sub-section (2) of section 43;
 - (b) such grants and loans as the Central Government may make for the purposes of the Warehousing Fund; and
 - (c) such sums of money as may, from time to time, be realised out of the loans made from the Warehousing Fund or from interest on loans or dividends on investments made from that fund.

- (2) The Warehousing Fund shall be applied-
- (a) for advancing loans to State Governments on such terms and conditions as the Central Warehousing Corporation may deem fit for the purpose of enabling them to subscribe to the share capital of State Warehousing Corporations;
- (b) for advancing loans and granting subsidies to State Warehousing Corporations or to State Governments on such terms and conditions as the Central Warehousing Corporation may deem fit for the purpose of promoting the warehousing and storage of agricultural produce and notified commodities, otherwise than through co-operative societies.

State Warehousing Corporation may-

- (a) acquire and build godowns and warehouses at such places within the State as it may, with the previous approval of the Central Warehousing Corporation, determine;
- (b) run warehouses in the State for the storage of agricultural produce, seeds, manures, fertilizers, agricultural implements and notified commodities;
- (c) arrange facilities for the transport of agricultural produce, seeds, manures, fertilizers, agricultural implements and notified commodities to and from warehouses;
- (d) act as an agent of the Central Warehousing Corporation or of the Government for the purposes of the purchase, sale, storage and distribution, of agricultural produce, seeds, manures, fertilizers, agricultural implements and notified commodities; and
- (e) carry out such other functions as may be prescribed.

Executive Committee

- (1) There shall be an Executive Committee of a State Warehousing Corporation which shall consist of-
 - (a) the Chairman of the board of directors;
 - (b) the managing director; and
 - (c) three other directors chosen in the prescribed manner, of whom one shall be a director referred to in clause (a) of sub-section (1) of section 20.

- (2) The Chairman of the board of directors shall be the Chairman of the Executive Committee.
- (3) Subject to any general or special directions as the board of directors may, from time to time, give, the Executive Committee shall be competent to deal with any matter within the competence of the State Warehousing Corporation.

MEASURES TO IMPROVE RELATIONSHIP BETWEEN CENTRAL WAREHOUSING CORPORATIONS & STATE WAREHOUSING CORPORATIONS

- (1) Every Warehousing Corporation shall maintain proper accounts and other relevant records and prepare an annual statement of accounts including the profit and loss account and the balance sheet in such form as may be prescribed: Prescribed that, in the case of the Central Warehousing Corporation, the accounts relating to the Warehousing Fund and the General Fund shall be maintained separately.
- (2) The accounts of a Warehousing Corporation shall be audited by an auditor duly qualified to act as an auditor of companies under section 226 of the Companies Act, 1956. (1 of 1956)
- (3) The said auditor shall be appointed by the appropriate Government on the advice of the Comptroller and Auditor-General of India.
- (4) The auditor shall be supplied with a copy of the annual balance sheet and the profit and loss account of the Warehousing Corporation and it shall be his duty to examine them together with the accounts and vouchers relating thereto, and he shall have a list delivered to him of all books kept by the Corporation and shall at all reasonable times have access to the books, accounts and other documents of the Corporation and may require from any officer of the Corporation such information and explanations as the auditor may think necessary for the performance of his duties as auditor.
- (5) The auditor shall make a report to the shareholders on the accounts examined by him and on the annual balance sheet and the profit and loss account and in every such report, he shall state whether in his opinion the accounts give a true and fair view-

- (a) In the case of the balance sheet, of the state of the Corporation's affairs at the end of its financial year, and
 - (b) in the case of the profit and loss account, of the profit or loss for its financial year, and in case he has called for any explanation or information from the officers, whether it has been given and whether it is satisfactory.
- (6) The appropriate Government may, after consultation with the Comptroller and Auditor-General of India at any time issue directions to the auditor requiring him to report to the appropriate Government upon the adequacy of measures taken by a Warehousing Corporation for the protection of its shareholders and creditors or upon the sufficiency of his procedure in auditing the accounts of the Corporation and may enlarge or extend the scope of the audit or direct that a different procedure in audit may be adopted or direct that any other examination may be made by the auditor if in the opinion of the appropriate Government public interest so requires.
- (7) A Warehousing Corporation shall send a copy of every report of the auditor to the Comptroller and Auditor – General of India and to the Central Government at least one month before it is placed before the shareholders.
- (8) Not with standing anything hereinbefore contained in this section, the Comptroller and Auditor-General of India may, either of his own motion or on a request received in this behalf from the appropriate Government, undertake in respect of a Warehousing Corporation such audit and at such time as he may consider necessary: Provided that where the Central Government is required to make any payment on account of the guarantee given by it under sub-section (1) of section 5, such audit shall be undertaken by the Comptroller and Auditor-General of India or any person authorised by him in this behalf.
- (9) The Comptroller and Auditor-General of India and any person authorised by him in connection with the audit of the accounts of a Warehousing Corporation shall have the same rights, privileges and authority in connection with such audit as the Comptroller and Auditor-General has in connection with the audit of Government accounts and in particular, shall have the right to demand the production of books, accounts, connected vouchers and other documents and papers and to inspect the office of the Corporation.
- (10) The annual accounts of a Warehousing Corporation together with the audit report thereon shall be placed before the annual general meeting of the Corporation within six months of the close of the financial year.
- (11) Every audit report under this section shall be forwarded to the appropriate Government within a month of its being placed before the annual general meeting and that Government shall as soon thereafter as may be cause the same to be laid before both Houses of Parliament or the Legislature of the State, as the case may be.

CWC

- (1) Every Warehousing Corporation shall maintain proper accounts and other relevant records and prepare an annual statement of accounts including the profit and loss account and the balance sheet in such form as may be prescribed: Prescribed that, in the case of the Central Warehousing Corporation, the accounts relating to the Warehousing Fund and the General Fund shall be maintained separately
- (2) The accounts of a Warehousing Corporation shall be audited by an auditor duly qualified to act as an auditor of companies under section 226 of the Companies Act, 1956. (1 of 1956)
- (3) The said auditor shall be appointed by the appropriate Government on the advice of the Comptroller and Auditor-General of India.
- (4) The auditor shall be supplied with a copy of the annual balance sheet and the profit and loss account of the Warehousing Corporation and it shall be his duty to examine them together with the accounts and vouchers relating thereto, and he shall have a list delivered to him of all books kept by the Corporation and shall at all reasonable times have access to the books, accounts and other documents of the Corporation and may require from any officer of the Corporation such information and explanations as the auditor may think necessary for the performance of his duties as auditor.
- (5) The auditor shall make a report to the shareholders on the accounts examined by him and on the annual balance sheet and the profit and loss account and in every such report, he shall state whether in his

opinion the accounts give a true and fair view-

- (a) In the case of the balance sheet, of the state of the Corporation's affairs at the end of its financial year, and
- (b) In the case of the profit and loss account, of the profit or loss for its financial year, and in case he has called for any explanation or information from the officers, whether it has been given and whether it is satisfactory.
- (6) The appropriate Government may, after consultation with the Comptroller and Auditor-General of India at any time issue directions to the auditor requiring him to report to the appropriate Government upon the adequacy of measures taken by a Warehousing Corporation for the protection of its shareholders and creditors or upon the sufficiency of his procedure in auditing the accounts of the Corporation and may enlarge or extend the scope of the audit or direct that a different procedure in audit may be adopted or direct that any other examination may be made by the auditor if in the opinion of the appropriate Government public interest so requires.
- (7) A Warehousing Corporation shall send a copy of every report of the auditor to the Comptroller and Auditor – General of India and to the Central Government at least one month before it is placed before the shareholders.
- (8) Notwithstanding anything hereinbefore contained in this section, the Comptroller and Auditor-General of India may, either of his own motion or on a request received in this behalf from the appropriate Government, undertake in respect of a Warehousing Corporation such audit and at such time as he may consider necessary: Provided that where the Central Government is required to make any payment on account of the guarantee given by it under sub-section (1) of section 5, such audit shall be undertaken by the Comptroller and Auditor-General of India or any person authorised by him in this behalf.
- (9) The Comptroller and Auditor-General of India and any person authorised by him in connection with the audit of the accounts of a Warehousing Corporation shall have the same rights, privileges and authority in connection with such audit as the Comptroller and Auditor-General has in connection with the audit of Government accounts and in particular, shall have the right to demand the production of books,

accounts, connected vouchers and other documents and papers and to inspect the office of the Corporation.

- (10) The annual accounts of a Warehousing Corporation together with the audit report thereon shall be placed before the annual general meeting of the Corporation within six months of the close of the financial year.
- (11) Every audit report under this section shall be forwarded to the appropriate Government within a month of its being placed before the annual general meeting and that Government shall as soon thereafter as may be cause the same to be laid before both Houses of Parliament or the Legislature of the State, as the case may be.

FUTURE SCOPE OF CENTRAL WAREHOUSING CORPORATIONS & STATE WAREHOUSING CORPORATIONS

For agricultural financing, the new product to be called 'Kisan Dhan' is likely to be rolled out in the market from April 1 this year, he said. "Providing warehousing receipt finance will be complementary to what we already do (warehousing management services)". Several high profile equity funds such as Nexus Venture Partners, Everstone Capital Venture, Mayfield Venture Partners and ICICI Bank's EIF Fund are currently invested in SLCM. Sabharwal said the Chennai-based subsidiary will look to build a book of Rs. 400 crore (for warehouse receipt financing and other agri-financing) during 2014-15.

REFERENCES

1. Rangaswami N. (2013), Performance of Agri - Warehousing in Maharashtra and Market Potential for Negotiable Warehouse Receipts Finance in India, INDIAN JOURNAL OF MARKETING VOLUME 43, December.
2. Mehanta Devajit (2012), Review of warehouse receipt as an instrument for financing in India, INTERNATIONAL JOURNAL OF SCIENTIFIC & TECHNOLOGY RESEARCH VOLUME 1, ISSUE 9, OCTOBER 2012 ISSN 2277-8616.
3. Ranade A. & Patil N.B. (2015). Transaction cost of lending in rural Finance, INSTITUTE OF FIANNICIAL MANAGEMENT AND RESEARCH, Working paper series August 2006
4. Ramchandran G., Coulter J. (2010), A strategy for the Development of warehouse receipts system for agriculture in India

Department of Consumer Affairs, Ministry of Consumer Affairs, Food and Public Distribution, GOI report, October.

5. Govt. of India (2011) Report of working group on warehousing development and regulation for the development the twelfth plan period (2012-17) (Planning commission), October
6. Rajesh Chadda et. al. (2012) Agriculture trade liberalization and Domestic market reforms in Indian Agriculture, International workshop, June 5
7. RBI Internal Working Group (2014) Priority Sector Lending, Rural Planning and Credit Department Central Office, RBI, Mumbai, September
8. Reserve Bank of India (2015) 'Report of the working group on warehouse receipts & commodity futures', Government of India, Mumbai.
9. Gol (Government of India) (2010-11) Economic Survey, 2010-11, Ministry of Finance, New Delhi.
10. Gol (Government of India) (2011) Agricultural Statistics at a Glance, Directorate of Agriculture and Cooperation, Ministry of Agriculture, New Delhi.
11. Kumar, A., Singh, D.K. and Kumar, P. (2014) Performance of rural credit and factors affecting the choice of credit sources, Indian Journal of Agricultural Economics, 62(3): pp. 297-313.
12. NABARD (National Bank for Agriculture and Rural Development) (2013) Doubling of Agriculture Credit Program: A Study Report, Department of Economic Analysis and Research, Mumbai, Maharashtra.
13. RBI (Reserve Bank of India) (various issues) Report on Trend and Progress of Banking in India, New Delhi.

Corresponding Author

Dr. Arvind Kumar Yadav*

Assistant General Manager IDBI (Research Scholar,
Vivekananda Global University)