CO-OPERATION IN INDIA AND ABROAD

BY

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FOREWORD BY

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PRINTED AT THE

BASEL MISSION PRESS MANGALORE

1931

Price: Rs. 3-8-0 or Sh. 6/-

PREFATORY NOTE

This book is mainly intended to be a guide to the students attending the Co-operative Schools and Classes that are being organised every year at various centres. These students are at present under the disadvantage of having to go through a number of books for their preparatory study and for obtaining an elementary knowledge of the different aspects of the co-operative movement in Europe and in India in order to be able to follow intelligently the lectures delivered in the classes. It is hoped that this book will supply this necessary background.

The book deals with co-operation in all its forms, and though each chapter deals with a separate aspect of the subject, the lessons are so arranged as to maintain a continuity of thought. A student wishing to study only a particular phase of the subject can get an insight into it by confining his attention to the specific section in which he is interested.

Besides the usual index given at the end of the book, a heading is given in the text to each paragraph, and these headings are brought together at the commencement of each chapter to facilitate reference.

Owing to the attempt made in the book to cover the various ramifications of the movement in the different provinces in this country and abroad, it is possible that some inaccuracies may have crept into it. Readers coming across any of them, are earnestly requested to bring them to the notice of the author, with a view to enabling him to set them right in the next edition.

FOREWORD

I feel flattered and ho[illegible]ing asked to write a Foreword to Rao Baha[illegible]ook "Co-operation in India and Abroad", a[illegible]ly an old, tried and veteran worker in the [illegible]operation in Bombay, but is a keen student of [illegible]gress of the movement in this and other countries. [illegible]a promoter of the Shamrao Vithal Urban Co-operative Bank, Ltd., Rao Bahadur Talmaki is one of the pioneers in the field of urban banking in India. While an officer of the Bombay High Court, he saw the difficulties of members of his community and other middle-class people about getting decent and suitable houses at a fair rental. He came in contact with Mr. Orr, the then Chairman of the Bombay Improvement Trust who was anxious to have the plots acquired and developed by the Trust built upon for residential purposes. In the book, the Rao Bahadur has been very modest about his share of the work in the field as a pioneer of the co-operative housing movement first in the city of Bombay and then in the Presidency. I do not think I am exaggerating when I say that had not a man of his capacity for work, persistence in the cause and optimism taken up this branch of the movement the housing movement would not have made the progress it has made in the city of Bombay and many middle-class people would not have got the relief and freedom from worries that they have obtained with the help of the movement. His interest in the co-operative movement was not confined to co-operative banking and housing only. It is very difficult to divide the credit for establishing the Provincial Co-operative Institute in Bombay between Ewbank, Talmaki and others. Rao Bahadur Talmaki's support of and work for the success of the Institute began at its birth and has continued unbroken till now, that is, for a period of thirteen years. He has been indefatigable in his work as Honorary Secretary of the Institute and has been a co-worker with Mr. G. K. Devadhar in more ducational activities of the Institute. The ate are individuals owth of the educational work of the Instit e or t due to Rao Bahadur Talmaki than to other aki for while other workers in the field excepting on wo joined the movement or left after some time, Talm s work has been continuous and has led to an all-round progress in the educational activities of the Institute.

As Honorary Secretary of the Institute for so many years, the author had ample opportunity of knowing at first hand the causes of the slow progress of all branches of the movement except the credit side and the weakness of even the credit side in certain areas. Almost in all chapters describing the present position of all branches of the movement, Rao Bahadur Talmaki does not mind repeating dozens of times that the illiteracy of the masses has been the greatest handicap to the healthy all-sided growth of the movement. Evidently, he feels so strongly on the subject that he cannot control himself and risks the criticism of casual readers that he harps too often on the need of literacy and on the failure of the State to educate the masses. Being an oldish gentleman who has passed his life in office work and quiet study and who has no experience of speaking from a public platform, his language is bound to be sober and thoughtful. The very mildness of his constant reference to the illiteracy of the masses who live in villages lends force to his accusation of Government for having failed to do its duty by those whose future was entrusted to its hands. A trustee who had similarly failed in bringing up the wards put under his care would in a Court of Law be found to be guilty of

gross negligence and of misfeasance in using the trust money for other unjustifiable purposes.

The book which will prove a *vade mecum* for all Co-operators in India and for all foreign students of Indian Co-operation gives information about the history and growth of the various sides of the movement both in India and in all foreign countries where the movement has taken root. It shows the deep and vast study of the subject by the author, who has not confined himself only to giving of the history of the inception and growth of the movement in various countries, but has made very valuable suggestions for its expansion in various directions in this country. As these suggestions are based not merely on study of books but on actual practical work in the field, they deserve the careful consideration of all those interested in making the movement successful in all its branches.

The book is divided into eight sections, three relating to the historical, economic and legal aspects, and the remaining five dealing with the main divisions of the movement, the federations of primary societies, finance, organization and general which includes education in co-operation and education for co-operators. Each section consists of two or more chapters. It is not to be supposed that these sections are like water-tight compartments, as one subject has very often to be examined from more than one standpoint. The main idea of this division seems to be to prevent as much everlapping as possible and that aim has constantly been kept in view. As each section contains one or more chapters on the theory and practice of the movement both in Europe and in America and in this country the book is bound to be encyclopædic in its method and size. If the author finds time later on to separate all the chapters relating to the movement in this country and publish a smaller book for the guidance of workers in the country, it is bound to be very popular and useful.

Before describing the "Stagnation of Villages," the author correctly analyses the causes of the same and in one paragraph under the heading "old order and new" gives these reasons as succinctly as possible. He is justified in giving at greater length the effects of the "introduction of a new system of law" which changed the entire aspect of lending and borrowing. A perusal of this part of the book is sufficient to disarm those outsiders who often criticise the slow growth of the movement, because they will then have a conception of the environments which impede its growth.

As a lawyer the author is naturally specially fitted to deal with the legal aspects of the movement and he has devoted three chapters to describe these aspects (1) in other countries (2) in India and (3) in the Bombay Presidency according to the Bombay Co-operative Societies' Act. This Presidency was the first to take advantage of the powers given to Local Governments under the Montagu-Chelmsford Reforms to have co-operative legislation to suit its own needs. Talmaki as Honorary Secretary of the Provincial Co-operative Institute was intimately connected with the moulding of the Act in its present shape and he has used this knowledge in giving detailed implications of the various sections of the Act. This chapter will prove very useful to students of co-operation in this Presidency.

While the credit side of this movement has made fairly good progress both in rural and urban areas, very little work has been done in other directions. The author while realizing the importance and the urgency of the agricultural credit side feels regret that the other sides have not proved sufficiently successful. He examines the position of the producers' and consumers' societies in foreign countries and the reasons why various branches of the money have proved successful in different countries. Comparing conditions prevailing in this country as regards these branches of the

movement, Rao Bahadur Talmaki comes to the conclusion that the chief difficulties in the way of industrial co-operation are "(I) insufficiency of working capital (II) unregulated trade both regarding the purchase of raw material and the sale of finished articles (III) want of expert guidance, both regarding the technique of the industry and that of its trade." There will be general agreement with his view that "It is impossible to expect the persons engaged in the industries to devise the means of overcoming the difficulties due to their illiteracy which again forms the fourth difficulty. Help must, therefore, come from outside, and the only agency which can give effective aid is the State." Academic co-operators often ridicule this suggestion of State aid; they will, however, have to modify their attitude when they see that this suggestion is based on the example of other countries where very good progress is made in this branch with the help of State aid, chapter and verse for which are quoted by the author. He notes with satisfaction the beginning made in this direction by the Government of the Punjab which has appointed a special staff to look after and help industrial societies.

His examination of the causes of the failure of several co-operative stores (consumers' societies) in various parts of the country as well of the success of a few of them, chiefly of the Triplicane Stores—the premier co-operative stores in the country—is very thorough and the conclusions that he arrives at are correct and must be carefully studied by all those who undertake the starting of co-operative stores. His reference to the important part played by women in the English co-operative movement and the necessity of enlisting the sympathy and assistance of women to make the movement a success, are borne out by the fact that a store started on a small scale by educated young Hindu women and run by them in the Servants of India Society's buildings is firmly established within one year and there are all possibilities of its increasing its sphere of influence. One other store run by rich young women in the Fort area though not registered under the Co-operative Societies Act has been rendering very useful service in promoting the Swadeshi movement in a very practical manner.

The author can be said to be father of the co-operative housing movement; as such he has continued to take a keen interest in its development and has for that purpose carefully studied the movement both in this country and outside. The chapters in which he describes this branch of co-operation are not only a mine of information, but contain the results of the personal experience of work in this direction. A man without his faith in the movement would have given up the first experiment when he met with a number of difficulties. His robust faith helped him in getting timely financial assistance from Sir Prabhashankar Pattani and made the experiment successful.

In describing the credit branch of the movement, the author rightly gives due importance to an important aspect of it—land mortgage banks and credit for land improvement. Unless an agriculturist is freed from the bondage of the village money-lender and unless he is granted financial facilities for improving his land and getting a larger outturn at reduced costs, the financial facilities which he gets at present from credit co-operative societies for agricultural operations and minor household expenses will not improve his economic condition which is and ought to be the sole aim of all those who are interested in the development of the co-operative movement. A separate chapter is devoted to the Landschaften of Germany, as that model is kept in view by promoters of similar banks in other European countries and in India with modifications to suit local conditions. A detailed description is given of the various land mortgage banks and land improvement

schemes in India and other countries and these chapters are as interesting as they are instructive.

After showing that while defaults in agricultural credit societies are largely due to paucity of rainfall or fall in prices, the main cause of defaults in urban banks is apathy and indifference on the part of the management or slackness in effecting prompt and regular recoveries, the author makes the following practical and useful suggestion, that it would be much better if urban co-operation falling under different heads were placed a Joint, Deputy or Assistant Registrar though he may be working under the same Registrar. Though it may not be necessary to adopt this suggestion in a Presidency like Bombay, where the working capital of the 580 urban banks is larger than the working capital of more than six times the number of rural credit societies, the appointment of a special officer in charge of the urban credit movement would help the growth of that branch in Provinces where the movement has not taken sufficient root to grow by itself.

If the agriculturist gets prompt and adequate finance for his agricultural operations and land improvement at a fair rate of interest, and is free from the worry of his money-lender on account of the liquidation of his existing debts, he will be able to improve the land, use better quality of seeds and also modern agricultural implements and as a result be able to get larger and better produce from his land. If the co-operative movement helps him to achieve this end, it has ample justification for taking credit to itself for having rendered useful service to agriculture. Co-operators do not want, however, to stop their activities at this stage. They feel that their work cannot be said to be complete till they enable the agriculturist to get a full price for his agricultural produce by eliminating unnecessary middlemen and by bringing him in touch with the central market through co-operative societies. The difficulties in the way of these societies are lucidly given by the author who makes useful suggestions for minimizing them and making the sale societies successful in every way. The necessity of Government, local bodies and railways coming to the assistance of these sale societies is thoroughly established on the strength of the example of similar assistance rendered in foreign countries.

On no factor is the success of the rural co-operative credit movement in India so dependent as on the improvement of agriculture in all its aspects. To this end, various attempts have been made in Bombay and other Presidencies to bring about a co-ordination between those two nation-building departments. Recognizing the importance of this subject, the author has devoted three chapters to the description of agricultural organization societies. The sub-division of holdings and the fragmentation of survey numbers have proved great handicaps to the introduction of modern agricultural machinery for the purpose of development of agriculture. While attempts have been made to tackle and solve this problem in some Provinces and Indian States, it is the Punjab only that has succeeded in bringing about consolidation and redistribution of holdings through co-operative agency, and the methods adopted for the purpose are fully described in one chapter.

Rao Bahadur Talmaki directs special attention to an examination of the constitution, working and importance of co-operative thrift societies and stresses the necessity of more work being done to develop that branch of the movement. There cannot be two opinions regarding the benefit likely to accrue by the systematic practice of thrift, in raising the economic condition of agriculturists and others. One is, however, surprised to see a cautious writer like Talmaki repeating the usual official set phrase that "There is money enough if we can only tap the sources". It is dangerous to generalize in this manner

from a few stray individual cases. All who have studied the economics of rural India know that the condition of a very large percentage of the rural population is really bad and may be said to be getting worse. In this book itself time and again reference is made to the wretched economic condition of the village population, and such being the condition of things, I wonder how Rao Bahadur Talmaki can yet argue that there is more than enough money in the country for the finance of agriculture.

Primary societies being distributed all over a province and working in small areas cannot be of much use and influence unless they are federated into some central institutions. Provincial banks and institutes (under different names) are the apex institutions for (1) finance and for (2) education, supervision and propaganda. Under them as branches or as independent bodies affiliated to the apex institutions are the district banks and divisional or district institutes. The constitution and the methods of work of the various types of these institutions are carefully examined and explained by the author in a section under the heading, "Federation or Combination of Societies". A separate chapter is naturally devoted to the Bombay Provincial Co-operative Institute in the establishcment of which the author has participated and with the working of which he has been intimately connected as its Honorary Secretary since its inception till now.

Rao Bahadur Talmaki's views on organization, administration and supervision will be particularly valuable to those interested in the further development of the movement. Different provinces have adopted different methods of conducting audit, supervision and inspection. At the last session of the All-India Co-operative Institutes' Conference it was found that there was almost unanimity regarding the work of inspection being conducted by the central financing institutions. It was felt by a large majority of members that the work of conducting the statutory audit might well be entrusted to the Provincial Co-operative Institutes or Federations or Unions, it being clearly understood that such audit should be conducted only through the agency of auditors who received certificates from the Registrar authorizing them to do this class of work. It was, however, felt that the Registrars were not, likely to be too willing to part with their present powers and patronage, though there is no statutory bar to the audit and supervision work being justly entrusted to the same non-official agency, who will then better be able to conduct both these functions through the District Unions than is done at present by two separate agencies. This is the only practicable way of de-officializing the movement.

The book will prove a very valuable addition to the already existing literature on the subject. The aim of the author may appear to be ambitious, but it is a pleasure to see that he has succeeded in bringing together a vast mass of interesting and valuable material in one volume. The special merit of Rao Bahadur Talmaki's work consists in his having so arranged his material that the Indian co-operative movement is seen in its proper perspective against the background of the larger and older developments of this great economic force elsewhere in the world.

Lalubhai Samaldas.

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The Old Order and the New:—Agricultural pursuits and domestic industries characterised the old order of things in all civilised countries for centuries past. The discovery of steam power and of the new devices in machinery in the 18th century, gave birth to factory industries, and centralised them in a few hands in some favourably situated towns, attracting increasing numbers of people from their agricultural pursuits. The sudden influx of people from the country to the town, enabled the employers to dictate their own terms to the employees, with the result that the rich became more and more rich, and the poor became more and more poor and were driven almost to desperation.

Diverse Theories of Social Reconstruction:—Many economists and statesmen of the time supported the principle of *Individualism*, upholding the rights of individuals to the full reward of their enterprise, which enabled them to build large fortunes and own vast property. They urged that the competition, the rivalry and the struggle for existence which the system engendered, made it possible for the fittest to survive. In other words, they thought that society could be built by supermen only. On the other hand, many rival

Theories were set up to uphold the cause of the poor. In the early years of the nineteenth century, there was a ferment of social philosophising in France, England and Germany. Some preached *Communism*, advocating common ownership of industries by the people through communes, each worker receiving his wages according to his needs. Others preached *Socialism*, pleading for a Governmental and Municipal control of the economic activities, so that the opportunities of life and the rewards of labour may be equitably apportioned. It was easier to preach theories like these than to bring them into practice. The more practical minded workmen set up the device of *Labour Unions* for joint action in the shape of strikes until their demands were granted. Ultimately, the last named method succeeded remarkably and enabled the labourers to obtain better wages and better conditions of work.

The two evils of Usury and Profiteering:—With all these theories, mostly unrealised, two evils calling for immediate relief were found to grind down the people, viz., usury and profiteering. They paid an exorbitant rate of interest on the money they borrowed and paid more than a reasonable price for the necessaries of life they purchased. Men with a practical turn of mind set about to find remedies for these evils. To fight usury they devised the system of joint borrowing of money for loaning it among themselves on advantageous terms. To prevent profiteering they adopted the method of joint purchases and retailing the articles among themselves. Out of such collective action the co-operative system has been evolved.

The birth of the Store Movement in England:—It was in England that the Co-operative Store movement for joint purchase of goods first took root. The labour unions made the working classes conscious of their power of combination, which they directed in a new channel for their economic improvement. Many experiments in Co-operative distribution were tried in the early decades of the nineteenth century. Robert Owen (1771-1859), who helped the working classes in trying various movements of self-help, is considered to be the father of Co-operation. Though the several stores which were started under his inspiration failed, the idea of joint action for common good survived. One of the reasons of these earlier failures is said to be that they sold their articles at cost price and not at the prevailing market rate. Fresh attempts were made, and the first attempt that succeeded was that of the 28 poor but enthusiastic weavers employed in a mill at Rochdale. They are therefore known as Rochdale Pioneers and the principles adopted by them as the Rochdale principles. The store started by them in 1844 became the beginning of a big movement, as we see it to-day, benefiting the people in various ways.

The Spirit of Association:—The spirit of association for mutual help was fostered among the working classes in England not only by Trade Unions but by a much earlier movement. In the last decades of the 18th century, associations known as Friendly Societies began to be formed, which collected small weekly subscriptions and gave help to the members on occasions of death, sickness, distress or unemployment and even during old age. Some of them provided in addition the advantages of a savings bank. The first Act of Parliament for regulating the affairs of these societies was passed in 1793.

The Friendly Societies:—The Friendly Societies do not carry on any business and cannot therefore be called co-operative societies. But they indirectly helped the co-operative movement by affording inspiration for combination. The earlier stores were registered under the Friendly Societies' Act till the first Act for regulating the stores was passed in 1852, known as the Industrial and Provident Societies' Act, and was amended by later Acts to suit the requirements arising from time to time.

The Building Societies:—Another important co-operative development set on foot in England from the beginning of the 19th century also owes its inspiration to Friendly Societies to no small extent. The working classes paid very exorbitant rents for their residential quarters due to the greed of their landlords. They started associations for collecting subscriptions for helping members to build cottages for their residence. These associations were known as Benefit Building Societies, and were also registered under the Friendly Societies' Act, till the first Act for regulating them was passed in 1836, and amended later from time to time.

The Three Acts of England:—Thus, there are in England three different Acts for regulating the three different kinds of societies. These Acts were amended or recast from time to time whenever found to be necessary. The Registrar of Friendly Societies is also the Registrar under the other two Acts, and is therefore the administrative head of all the three kinds of societies. The important fact to be noted is that these institutions began to be started long before the legislative enactments were passed for giving them protection.

Birth of Credit Movement in Germany:—Germany took the lead in combating usury by starting lending associations known as credit societies. The movement was pioneered by two workers, stirred by the sufferings of the poor at the hands of extortionate money-lenders. Herr Schulze, Mayor of Delitzsch (1808-1883), started his work in an urban area, and Herr Raiffeisen (1818-1888), burgomaster of Neuwied, broke the ground in a rural area. After a few experiments on a somewhat philanthropic line, Schulze-Delitzsch founded his first loan society in 1850. Raiffeisen who started his work independently about the same time, after making similar experiments from 1848 founded his first loan society on the lines of self-help in 1862 at Anhausen. The movement went on progressing in many other directions benefiting the agriculturists in various ways. The first co-operative law was passed in Prussia in 1867 which was converted into an Imperial Law in 1889.

Birth of Producers' Movement:—Co-operative Production in its full significance was initiated in France by industrial idealists like Fourier (1772-1837) and Buchez (1796-1865) and their followers, and a few years later by Owen and his friends in England. These activities which commenced about the year 1820 all ended in failure by 1847 after a brief spell of success. Some of them were in the form of colonies or communities and others of shops. Later experiments known as self-governing shops, tried in England under the guidance of a band of social workers, styling themselves as Christian Socialists, did not live long. Those Societies, however, that were started after the passing of the Industrial and Provident Societies' Act fared much better as they obtained legal protection from the Act, and also because the Co-operative Stores patronised them by making purchases from them, and later by subscribing to their share capital. The success of such societies in France is due to the protection afforded to them by the State and to the patronage given by it by advancing loans and making purchases for Civil and Army Stores and the Municipalities.

Consumers' Movement:—On the other hand, the Co-operative Stores on the Rochdale model went on multiplying, and when they assumed larger proportions they founded their own wholesale societies and added numerous departments for production, with the result that their activities have assumed the comprehensive name of Consumers' Co-operation, invading the sphere of factory industries on the one hand and the agricultural industry on the other, and commanding to some extent, even the means of transport.

Agricultural Co-operation:—In Germany, while the town banks went on making progress to the benefit of the artisans and small traders, co-operation in rural areas began to play a bigger role, covering almost all the economic activities of the agriculturists, be it in respect of the supply of the farmers' requisites or in the sale of their produce, and even in converting the produce for the market by means of various modern processes, whereby a better price is obtained for the producer and remunerative work outside the farm is brought within his reach. Rural co-operation in Germany is no longer a mere credit movement, but has assumed the comprehensive name of Agricultural Co-operation, spreading itself in almost all the Western countries of Europe.

Co-operative Animal Husbandry of Denmark:—Yet another form of agricultural co-operation was devised by Denmark by showing that even if the land be poor in fertility, the farmers can yet earn not mere competence, but even wealth by organising animal husbandry on co-operative lines. When the fertile corn-growing part of the country was taken away from Denmark by Germany as a result of a war, the Danish farmers turned their attention to co-operation, and with the help of the cow, the pig and the hen, set up numerous co-operative dairies, piggeries, and poultry farms throughout the country, and became thereby the most thriving peasantry in the whole of Europe. The co-operative lesson set by Denmark is being copied by many of her neighbouring countries to their great advantage.

Co-operative Farming and Labour Societies of Italy:—Italy, on the other hand, has made a great contribution to co-operation since the last eighties by showing how the farm labourers can continue to eliminate the middleman rent-farmers by organising co-operative farming societies, by themselves taking over the farm from the owner either on a long lease or by purchase, if possible, for cultivating it jointly or individually as may suit their inclination. Similarly, the town labourers, too, have combined to form labour societies to eliminate the middleman contractor by themselves taking up labour contracts as masons, bricklayers, dockers, carters, porters, and even for constructing railway lines.

Lessons for India:—Thus, Europe has shown that every branch of activity, wherein the middleman exploits the poor, can be taken over by the exploited people themselves by joining hands with their fellowmen to form co-operative societies. Cannot India imitate Europe in this respect? Surely, what is possible for men in one part of the world is equally possible for men in another part, provided they set about it in right earnest.

CHAPTER II

ORIGIN AND NATURE OF CO-OPERATION IN INDIA

The Old Order and the New—Stagnation of Villages—Failure of New Measures—Other measures of relief—Introduction of the Co-operative Societies Act—Predominance of Rural Credit Societies: and absence of Industrial Co-operation—Need of an all-sided Agricultural Co-operative Development—Need of Popular Workers.

The Old Order and the New:—In India the substitution of the old order by the new was far more sudden and gave rise to more far-reaching changes than in Europe. The cheap imported articles manufactured abroad displaced the indigenous rural industries without creating more wealth in the country nor giving work to those whom they drove out of occupation. Hence more people had to fall back upon agriculture than the land could economically maintain, only a small fraction being attracted to the towns. Secondly, increase in population and the law of inheritance of the country led to sub-division and fragmentation of holdings, making agriculture an economic venture. Thirdly, the new centralised method of administration and the new movements of trade and commerce attracted the adventurous, intelligent and higher classes from their village homes to the towns and cities, which held out more glittering prospects and diverted their savings also into the new channels of investment. Fourthly, while the opening of the European markets raised the prices of agricultural produce, the producers themselves got very small share of the rise, the major portion being absorbed by a number of intermediate agencies. On the other hand, the villagers paid a much higher price for the articles brought from outside for their use. Fifthly, the new system of land revenue, which substituted cash for the old method of payment in kind, made the peasantry resort to the money-lenders even for the payment of the revenue instalments either by borrowing at high rates of interest or by selling a part of the produce at a very low price. Sixthly, the introduction of a new system of law changed the entire aspect of lending and borrowing. Under the old system, a debt could only be extinguished by repayment, and the obligation remained good for three generations and virtually for ever. A son considered it his pious duty to pay his father's debt. If he did not take upon himself the liability, he believed that his father in his next birth would have to serve the creditor in some capacity or other. Under the new law of limitation, a debt remaining unpaid for three years became extinguished unless enforced through a Court of Law. The period of limitation, could, however, be extended if the debt be secured by a registered mortgage of land. The creditors, therefore, began to consider that a much safer course was the outright purchase of land on the tacit understanding that it would be leased out to the debtor-owner with the result that a large number of peasant proprietors were rapidly converted into mere tenants at will. Lastly, the very procedure of law has become costly and is being conducted far away from the seat of the transaction. Formerly, disputes, monetary or otherwise, were tried by

the village Panchayat, which placed a restraint on false on either side for fear of detection by their own comp hood But now, the distance of the seat of trial conducted by a judge who has no knowledge of the antecedents of the parties, affords a convenient screen to unscrupulousness. The creditor has to incur much cost on account of court fees and pleader's fees for obtaining a decree on his claim, no to speak of the cost of his travel to and from the Court an on other items. An appeal and a second appeal involv further cost. All these costs he cannot recover from th debtor, and he therefore takes precaution to swell his clair from the very commencement of the transaction in ways to well known. The debtor, on the other hand, when confronted in court with a claim far in excess of his real liability finds himself driven to the other extreme of denying th whole claim. Thus, dishonesty finds a premium in the village transactions.

Stagnation of Villages:—All these causes undermined and shattered the fabric of village economy. In a country, where three quarters of the population draw their sustenance from the soil, and where illiteracy is the rule and the practice of thrift is not common, the cumulative effect of these causes can easily be imagined. The indebtedness of the agriculturist with the accretion of usurious rates of interest has grown apace. His land in many cases has passed into the hands of the money-lender. He is made to pay exorbitant rent in addition to the high rate of interest on the debt. The situation became aggravated by frequent failures of monsoons and the resultant famines. It is not surprising if the people in such extremeties became fatalistic and their stark illiteracy led them to despondency. No incentive was left for organisation, no stimulus for business. The spirit of association to be met with among working classes in the cities, fostered by their having to live closer and work together, is absent among the agriculturists, who are living and working apart from each other. In other words, there 'as utter stagnation of social and economic life among the agers and the situation easily lent itself to despair.

Failure of New Measures:—Various measures were tried by Government for relieving the situation, such as restrictions on alienation of land, usury laws, and state loans. In the Bombay Presidency, the situation assumed a grave and ugly aspect in 1875, when large numbers of people in 45 villages of the Poona District and of 22 villages in the Ahmednagar District rose up against the money-lending classes, attacked them in large numbers and forced them to surrender the bonds and other securities and burnt these documents openly. The riots could only be quelled after the military aid was requisitioned.

Other measures of relief:—Government at once took the situation in hand. In 1879, the Deccan Agriculturists' Relief Act was passed (Act XVII of 1879) for restricting alienation of land and restraining usury. In 1882-83, the late Sir William Wedderburn and his friends, including the late Mr. M. G. Ranade, formulated a scheme of a State Bank for financing the agriculturists of the Poona District, which was, however, turned down by the Secretary of State. But meanwhile, Government passed the Land Improvement Loans Act (XIX of 1883) and the Agriculturists Loans Act (XII of 1884), the former to enable cultivators to obtain loans from Government at a low rate of interest for productive purposes such as purchase of machinery and improvement of land, and the latter for current agricultural purposes for areas affected by famines.

Introduction of the Co-operative Societies Act:—In 1892, the idea of forming Co-operative Societies for the benefit of the farmers was first conceived. The Government of Madras deputed Sir Frederick Nicholson, I. C. S., to Europe for the purpose of enquiring into the possibility of introducing in this country a system of agricultural and other land

banks. His report in two Vols. (1895-97) was received by the Madras Government in 1899, and came under the notice of the Government of India in 1900. About this time, a few scattered societies were started by Mr. Dupernex, I. C. S., in the United Provinces and by Mr. Maclagan, I.C.S., in the Punjab. In 1901, a Committee under the presidency of Sir Edward Law was appointed by Government of India to consider the question of introducing Co-operative Societies in India, which made its report recommending societies on the Raiffeisen lines as best suited to Indian conditions. The report of the Famine Committee of 1901 also recommended the formation of Mutual Credit Associations. As a result of these recommendations, a Bill was introduced in the Legislative Council by Sir Denzil Ibbetson and was subsequently passed as Act X of 1904, being the first Co-operative Societies' Act. Within two years of the passing of the Act, 800 societies had sprung into existence. The number steadily increased from year to year, and before long, the provisions of the law were found to be in some respects faulty, and in others inadequate. The distinction in treatment between rural and urban societies, for instance, was found in practice to be unnecessary. There was, moreover, no formal recognition of joint or central societies formed of other societies, nor did the Act cover any form of co-operation for purposes other than credit. To remedy these and other minor defects, a new Act was passed in 1912 (No. II of 1912), and it is by this Act that co-operation is regulated in this country, except in Bombay and Burma which have recently enacted their local Acts.

Predominance of Rural Credit Societies: and absence of Industrial Co-operation:—It will be seen from the above brief statement that the framers of these Acts had their eye fixed mainly on facilitating agricultural credit. The result was that though the later Act allowed other types of societies, the number of credit societies predominate over all other types. There are very few societies for meeting the needs of the artisans and small traders in towns and of the growing number of the industrial population. No doubt, Urban Societies are making some progress, but they are mostly started by the middle classes, and that too in two or three provinces only. On the other hand, no serious efforts are being made to stimulate co-operative production; and co-operative stores everywhere are receiving a setback for reasons which deserve a close investigation. It may, therefore, be said that Industrial Co-operation in India is still in its infancy.

Need of an All-sided Agricultural Co-operative Development:—Even in the sphere of the agricultural co-operation the movement has not made much progress in the development of other forms besides Credit. The mere substitution of the co-operative banks for the money-lender has in no country brought about the economic salvation of the peasantry. Animal husbandry on modern lines is almost unknown in India. Agricultural industries for converting the raw produce to a marketable condition are not yet introduced. Even agricultural trade is in the hands of the middleman who is very often the money-lender himself. So long as the sale and supply business of the farmer remains monopolised by the village money-lender without being co-operatively organised, there is little chance for him to get out of the latter's meshes. What the cultivator gains in his loan transactions made with his society, he more than loses in the business of supply and sale made with an outsider. Unless the whole agricultural industry is co-operatively organised, the improvement of the farmer's economic position would be well-nigh impossible.

Need of popular workers:—Above all, it must be borne in mind that Co-operation in Europe and elsewhere owes its success not to an official fiat, but to the exertions of selfless workers. The spirit of co-operation, thrift, self and mutual help was cultivated among the farmers and the poor artisans, not by an official agency, but by the zeal, energy, and patience of popular workers with marvellous results. If similar achievement is our goal, we must echo Sir Frederick Nicholson's famous dictum summed up in two words "Find Raiffeisen".

CHAPTER III

PRINCIPLES OF CO-OPERATION

Associated action for business—A Co-operative Concern distinguished from Joint-Stock Concern—Elimination of Individualism—Limitation on Shareholding—Not a Profit-Sharing System—Nor Trade Unionism—Nor Socialism—Nor Welfare Work—Nor a Friendly Society—Combination of Business and Charity—Nor a Friendly Society—Combination of Business and Charity—Co-operative Motto—Definition of Co-operation—Service—The Co-operative Motto—Definition of Co-operation—Accuracy of definition not possible—Theory and Practice—Plunkett's Three Maxims—Holyoake's Description of Co-operation.

Associated Action for Business:—Two or more persons acting conjointly for a common end would be said to co-operate. But the term co-operation is used here to indicate associated action for a business purpose by adopting certain business rules.

Distinguished from Joint-Stock Concern:—A Joint-Stock concern also does the same thing, but it differs from the method of work adopted by a co-operative concern, the main distinction being that the profits in the former are distributed in proportion to each member's capital holding, and in the latter to his output of work or of business, the dividend taking the shape of deferred payment of savings. The former is therefore a union of capital, and the latter that of persons. The latter, no doubt, uses capital, but it pays on it a fixed rate of interest; or to put it tersely, in the former system capital owns men, and in the latter men own capital. The former is therefore known as the capitalistic system, and the latter as the co-operative system. The government of the former is based on the extent of the holding of the share-capital, but in the latter it is equalised among all the members, each having only one vote irrespective of his capital holding, the members together electing the governing body on that basis.

Elimination of Individualism:—An important point of distinction between the two systems is that the success of a joint stock concern depends upon successful competition with other enterprises of a similar nature. This feature known as *individualism* is absent in a co-operative concern. Co-operative societies federate for common action and do not compete with each other, though the aim may not have been attained to perfection, or realized in its full significance.

Limitation of Shareholding:—Again in a joint-stock concern, as a member can hold any number of shares, the share list is closed when sufficient capital has been obtained, and the price of shares is thereafter raised, giving rise to unrestricted speculation, which makes the fortunes of the few and mars those of the many. In a co-operative society the share list is always open to new members, and the shares are never sold beyond their par value. The extent of a member's shareholding is limited to £200 by the English Act, and to Rs. 1,000 by the Indian Act, which is raised to Rs. 3,000 by the Bombay Act.

Not a profit-sharing system:—It must, however, be borne in mind that a joint-stock concern is not prevented from adopting co-operative methods. In Denmark, co-operative societies are registered under the Companies' Act, and yet they have never receded an inch from Co-operative principles. Of late, an attempt is made by many a joint-stock concern to pay a share of its profits as bonus to the workers employed by it. Such a system is known as profit-sharing. Some concerns go a little further by allowing the bonus to accumulate so as to enable the workers to become share-

holders. A still further step adopted by a few is to assign a seat or two on the Managing Board to the representatives of the workers. This system is called by some as Co-partneship, but the term in its full significance requires that such representatives must have equal voice with the rest, and the expression is now used with reference to producers' associations.

Nor Welfare Work:—Most of the joint-stock concerns have now recourse to welfare work and adopt measures to conciliate labour by such steps as the improvement of housing conditions, provision of means of recreation, and promotion of general well-being. Nevertheless, they are not co-operative.

Nor Trade Unionism:—This change in the attitude of the joint-stock concerns was the result of the fight put up by the Trade Unions. A Trade Union does not carry on any trade or business. It is a combination of workers employed in different trades and industries for coercing the employer to improve their conditions of work and to pay better wages. On refusal, the workers take recourse to strikes thereby paralysing the work of the concern. Thus in a Trade Union the workers coerce the employer to improve their condition, while in a co-operative society they co-operate among themselves for their improvement.

Nor Socialism of the Collectivists or of Communists:—Though the individualism of the capitalist is to be eliminated, co-operation is not socialism, which seeks to eliminate private ownership of property vesting it either in the State as the Collectivists would have it, or in the communities or syndicates as the Communists would have it. It stands for the freedom of the individual and encourages him to improve his economic status by self-help and mutual help.

Nor charity:—A co-operative society is formed by the poor to help themselves. The ancient method of alleviating the lot of the poor was by a system of doles. It is even now being adopted in some countries in connection with unemployment. But this kind of help from outside is only a temporary palliative and in no way prevents poverty. On the other hand, charity weakens self-respect and hinders thrift and self-reliance. It militates against the incentive to work. Co-operation does not rely on charity, but seeks to promote thrift and self-help.

Nor a Friendly Society:—A Friendly Society no doubt teaches thrift and foresight to the poor and makes provision for accident, sickness, death and old age. But it does not seek to help them in business as a co-operative society does for raising themselves from economic weakness.

Combination of Business and Service:—Co-operation is not merely business but a combination of business and a spirit of service, which evokes loyalty, fellowship and a corporate feeling. Co-operation, therefore, appeals to self interest as well as to social instinct. No co-operative society will be successful if any one of these two aspects only be developed to the exclusion of the other, and this twofold attitude is called forth not only from persons charged with the management of the society, but also from the general members composing it. It is because of the spirit of service in co-operation that it helps not merely the economic, but also the social well-being of the community that betakes to co-operation. Philanthropy is, no doubt, one of the noblest instincts of humanity, but philanthropy waits till suffering arises and then steps in to relieve it. But true benevolence arising from a sense of social service will avoid the evil day and use preventive measures, such measures being intended not merely to help, but to help people to help themselves.

The Co-operative Motto:—The chief claim of co-operation is the awakening of a new spirit of the transformation of the attitude of heart and mind on the part of those who

associate together for that purpose. This spirit is expressed in the motto adopted by the Co-operative Union of England to the effect, *"Each for all and all for each"*. In a co-operative association each member must have in view the welfare of the whole body of members forming the association as also of each of its constituents. This spirit is quite in contrast with that of the joint-stock concerns, which ostensibly work on the motto, *"Each for himself"*. Here is an attitude of selfishness and a spirit of competition, and therefore of conflict with others carrying on similar business. On the other hand, the Communists work on the principle of *"each for all and all for all"*. There is therefore no scope for individual freedom of action in that system, while such freedom forms the main characteristic of a co-operative association.

Definition of Co-operation:—Thus a Co-operative Society is an association of the weak who gather together for a common economic need, and try to lift themselves and others out of weakness into strength through business organisation conducted for the common benefit of all who join it. But this does not complete the definition. The association must be of honest men putting forth honest means, and their union must be voluntary and not brought about by compulsion. Moreover, the spirit of association connotes a willingness to sink individual opinions and interests for common good. Such a spirit only can engender that loyalty which can bring success to the enterprise. *Co-operation, therefore, is an organisation wherein persons voluntarily associate together on a basis of equality for the promotion of their economic interests by honest means.* The essence of co-operation is that *each shall work for all and all for each* in the attainment of their common good. In this sense, the movement has a greater moral element in it than the economic one. It must not however be conducted on a sentimental but on a business basis.

Accuracy of definition not possible:—Whatever may be the definition, it cannot hold good in all cases. Though co-operation was first introduced by the weak, the benefit of united action need not be confined to the poor. The first mortgage bank of Germany was started for the landed gentry. If the millenium dreamt of by the consumers' movement is ever to be realised by ultimate social reconstruction, it cannot be achieved by excluding the rich. All that is required is that the rich shall not have an upper hand in the organisation. On the other hand, the complaint of many co-operators is that the poorest people remain outside the pale of the movement.

Theory and Practice:—However accurately one may define co-operation, its merit will lie not so much in its theory but in its practice. Co-operation is not produced by the strict application of principle, but by a combination of principle and practice. The Co-operative method was first introduced in Europe, and European experience shows that the correct practice of co-operation will depend on three factors:—(1) effective elimination of waste and inculcation of the habit of thrift, (2) education in co-operation, and (3) general education of co-operators.

Plunkett's three Maxims:—Sir Horace Plunkett, the founder of Irish co-operation, sums up the theory and practice of co-operation in the three famous maxims: Better Farming (Practice), Better Business (Co-operation) and Better Living (Education).

Holyoake's Description of Co-operation:—George Jacob Holyoake, the famous historian of English Co-operation, describes co-operation both positively and negatively in the following terms:

"Co-operation touches no man's fortune; seeks no plunder; causes no disturbance in society; gives no trouble to statesmen; it enters into no secret associations; it needs no trade unions to protect its interests; it contemplates no violence; it subverts no order; it envies no dignity; it accepts no gift, nor asks any favour; it keeps no terms with the idle, and it will break no faith with the industrious.

"Capitalists hired labour, paid its market price, and took all the profits. Co-operative labour proposes to hire capital, pay it its market price and itself take all the profits. It is more reasonable and better for society and progress that men should own capital than that capital should own men.

"The leading aim of co-operation is not merely to increase present comfort (albeit not a disagreeable thing to do), it seeks also to ensure competence. Those who do not provide for the future of themselves and families—as far as they can or as far as they ought—are not merely dependent, they are mean, since they leave to chance, or the charity of others, to provide for them when the evil day comes.

"Co-operators have made money by their methods of business; they have won honours by being the first of the working class who cared for education as a higher form of property."

CHAPTER IV

RECONCILIATION OF CO-OPERATIVE THEORY AND PRACTICE

Consumers' and Producers' theories of Co-operation—Federationist and Individualistic Co-operation—The Stand-point of the Consumers—And that of the Producers—Objections to the twofold System—Fabian Socialism—Guild Socialism—Reconciliation by a Joint Board—The Problem of the Agricultural Labourer—Can a majority Coerce the minority—Other problems—The International Co-operative Alliance—The League of Nations.

Consumers' and Producers' theories of Co-operation:—The theory of co-operation in actual practice falls short of its ideals, and it is at times found difficult to reconcile conflicting views. In the Consumers' movement, the stores have now gone beyond the stage of the work of distribution and have entered the domain of production. Though this production is done by co-operative organisations, it is not co-operative production, not being controlled by producers. Inasmuch as these works of production are owned by the consumers, either by the stores or by federations, known as the Co-operative Wholesale Societies, the actual workers, though employed under ideal conditions, have neither vote nor voice in their administration. In the Scottish C. W. S. the workers in the productive works can hold shares and are entitled to direct representation at the business meeting of the Society. But the English C. W. S., which is a much bigger concern, has not yet seen its way to grant even this concession. The workers are, however, at liberty to become members of a store, but this course can at best give them an indirect and remote voice in the management, which does not satisfy their demand. In a Producers' Society the members collectively own the means of production and each of them has a vote in the appointment of the management. The profits derived from the sale of finished products, after paying a reasonable rate of interest on capital, are divided among the workers in proportion to each member's output. This difference in the two systems has been the cause of misunderstanding between their votaries, one being known as the Federationist System of Consumers and the other the Individualistic System of the Producers.

Federationist and Individualistic Co-operation:—The expression "individualistic" is used here only in contradistinction to "federationist", and is in no way connected with the aggressive individualism prevailing among joint-stock concerns. Agricultural Co-operation in this technical sense is said to be conducted on individualistic lines. Each individual farmer carries on his agricultural operations individually in his own field and takes resort to co-operation in obtaining credit or for collective supply or sale. Again, in the

collective agricultural productive works such as creameries, cheaseries, etc., the workers employed are in the same category as those in the productive works of the consumers. But with these questions the industrial producers in the towns have no concern and, therefore, in practice no conflict has yet arisen. And whatever be the ultimate relation between the two theories, it is urged by many writers that consumers' co-operation should not enter the domain of agriculture, as such a course might harm the initiative of the people engaged in that industry, and its control would be far more difficult than of a factory.

The stand-point of the Consumers:—Confining our attention to the two sides of industrial co-operation, namely, co-operative consumption and co-operative production, the former claims that by undertaking production it can produce for use and not for profit. Through their societies, the consumers know the demand and can eliminate waste to be found in the competitive methods of production, and therefore they can produce economically and can profitably use their accumulated capital in the works.

The stand-point of the Producers:—The Producers, on the other hand, demand that as wealth-producers they must have the full economic advantage of their work and a voice in its management, which will ultimately benefit the system. They, therefore, urge that consumers should co-operate merely for distribution and leave production to co-operatively organised producers.

Objections to the twofold system:—Against this twofold system advocated by the Producers, it is urged that the Wholesale Society representing the consumers will want to buy at the lowest price it can; the organised producers will want to sell at the highest price they can which they might obtain in the competitive market, and thus there will arise a conflict between the two systems.

Fabian Socialism:—Two different solutions of this conflict of interest are offered. The Fabian Socialists, led by Mr. and Mrs. Sidney Webb, urge that the consumers must have full industrial control. As regards large scale industries, and such undertakings like railways and shipping, which the consumers see no hope of organising co-operatively, they urge that they should be taken over by the State and worked on their behalf. In fact, the scheme is a combination of co-operation and State Socialism and is not therefore favourably received by all the supporters of the Federationists as involving a bureaucratic control and tending to extinguish freedom of the individual and his initiative which is the chief merit of the co-operative system.

Guild Socialism:—It is urged by the upholders of Guild Socialism as propounded by Mr. George Russell (A. E.) in his *"National Being"*, that the workers in every industry must organise themselves into a guild for the purpose of carrying on that industry without the present wage relationship of master and man. Questions, which concern the members of more than one guild, are to be dealt with by representative councils forming the National Guild. This theory seeks to make every man a producer, either as intellectual worker or manual labourer. It does not, however, work out a satisfactory system of distribution and cannot therefore be accepted as a satisfactory solution of the whole problem.

Reconciliation by a Joint Board:—This conflict of interest between the consumers and the producers, it is suggested by the British Co-operators, might be adjusted by a federal arrangement with a joint board to fix prices, and that the Co-operative Union of Great Britain should be able to bring about such an arrangement in harmony with co-operative theory. In Finland and Denmark, such an arrangement has for some time past been in operation. In England, the Co-operatively organised farmers have recently established, through their propagandist federation, an organisation

known as the Farmers' Central Trading Board, which aims at being an Agricultural Wholesale Society for the agricultural co-operative societies of England and Wales. In Ireland there is already the Irish Agricultural Wholesale Society. All the federated organisations in Great Britain and Ireland are members of the Co-operative Union, which, it is suggested, should bring about the formation of the Joint Board. Propagandist organisations which have for their object the development of the ideal of reconciliation like the co-operative Union of England, the Pellervo Society of Finland, the Irish, English and Scottish Agricultural Organisation societies, and the German General Unions can and ought to devote themselves to such problems, and as a matter of fact, some of them have already undertaken the task.

The problem of the Agricultural Labourer:—By adopting some similar method, the problem of the agricultural labourer can also be brought within the range of a solution. Up to the present, co-operation has done little or nothing for the poorest classes in any country. In the agricultural organisation of farmers, the Labourer has not a natural place, because he serves not a co-operative society but an individual. In Rumania and Italy, where co-operative farming is practised on a large scale, the labourers have formed co-operative societies for the purpose of cultivating land in common, and hiring out their surplus labour to the neighbouring farms. By this means, the labourers are brought into some relation with other co-operative organisations. But this is only possible where labourers in a district are numerous enough to form a Co-operative Society. In places where their number is not large enough, the problem presents difficulties.

Can Majority coerce the Minority:—Another point of interest arises in the organisations of collective works undertaken by agriculturists, such as societies for consolidation of holdings and other protective measures. The question is, how far the majority of owners of land wishing to form such a society would be justified in coercing the minority, who either through ignorance or truculence are unwilling to join the society, and without their joining, the formation of the society becomes impossible. Similarly, in the case of sale organisations of agricultural produce, the question often arises, how far the majority would be justified in coercing the minority, if not in forcing new members to join the society, at any rate in preventing the existing members from getting out of it once they have joined. Laws are framed in many countries enabling members owning the majority interests to coerce the minority on the maxim that what is good for the majority must be considered good for the whole community. But it violates the principle of individuality which gives freedom to individuals to join or not to join a society, a principle which forms the basis of one school of co-operation objecting to State or municipal socialism. These problems only go to show that any number of principles, however true in themselves, cannot always have a universal application.

Other Problems:—Thus, it has been found very difficult to reconcile completely the theory and practice of co-operation; and though it is possible to bring about some sort of compromise between the consumers and the producers through the agency of a Joint Board, there are other problems waiting for a solution. The policy in respect of capital, employment of surpluses, the rates of dividend, the distribution of profits, dealings with non-members, all these matters are not treated uniformly in all the co-operative concerns. The method of their treatment also differs in different countries.

The International Co-operative Alliance:—Perhaps the International Co-operative Alliance (1895), when the national co-operative organisations of all the countries are affiliated to it, should be able to become a world force so as to be in a position to bring about a better understanding between all

the conflicting interests and views. Several countries have already joined the Alliance and it has continued to keep in touch with the co-operative movement in almost all the countries. Plans have already been formed for establishing trade relations between various countries by organising an international wholesale society, and for developing banking relations by starting an international bank. What remains, and it is the greatest task, is the elimination of the wage system from the movement as urged by the Guild Socialists, and devise a policy which will find room for producers as well as consumers. Meanwhile, co-operators, whether consumers, farmers or industrial producers, must keep developing their economic organisations, eliminating friction as far as possible and making their respective organisation self-supporting, and realising the necessity of becoming a constituent part of the International Commonwealth through the Alliance.

The League of Nations:—In the achievement of this object, the State will have to link itself with the Co-operative Movement, though it is too early to foretell at this time the exact method of bringing about this co-ordination. The immediate action that is possible is for the League of Nations (1919), which is a political body formed by the Governments of different countries, to accord a place of honour in its Council to the International Co-operative Alliance, which is its younger sister in point of power, though by birth its senior. But this achievement must be left to intensive propaganda and education which, together form the corner-stone of all human endeavour.

CHAPTER V

PLACE OF THRIFT IN CO-OPERATION

Thrift defined—Foresight in Animals—Thrift is not miserliness—Waste a hindrance to thrift—So also buying on credit—As also a debt—But not productive Debts—Penny wise Pound Foolish—Public Aspect of thrift—Joint effort and organisation—Need of Propaganda—Co-operation and Thrift—Thrift the basis of Co-operation—Can the poor save—New method of promoting thrift—New methods of preventing waste.

Thrift defined:—Thrift is the habit of saving something out of our earnings so that we may be able to use it at some future time when it will be of greater benefit to us than it is at present. Thrift, therefore, presupposes discrimination and foresight. It does not call upon us to stint ourselves of necessaries, but it requires us to discriminate and avoid using things unnecessary. By curtailing our so-called wants and not spending on things that can be done without, we should all be able to effect a saving, even though we be poor.

Foresight in animals:—Foresight is seen even in the animal world. The ant and the bee store up food in the summer for use in the winter. Why should men belonging to a higher order of creation lack this care for the future? Sickness and old age require to be provided for; children and their education and marriage may make further calls on our purse; and if we care to be more self-reliant we may even aim to own a house.

Thrift is not miserliness:—Many people confound thrift with miserliness, though the two are poles apart. If a person stints himself or his children of the necessary food and clothing and proper shelter when he has the means of supplying them, he is really unthrifty, for he will have to pay much more in the shape of loss of health caused thereby.

Waste is a hindrance to thrift:—The greatest hindrance to thrift is waste. Extravagance as such may fall to the share of a few. But there are numerous abuses leading to waste which the generality of us do little or nothing to stop, either through ignorance or negligence. For instance, we spend more than we can afford on show and pomp during certain ceremonials such as marriage, etc. The agriculturists in the course of their occupation waste a large part of their manure and animal power in various ways. By stopping such waste in various directions the people concerned could be enabled to effect considerable savings.

So also buying on credit:—Buying on credit is another form of waste. As a rule, prices paid for purchases on credit are higher than for purchases for cash. The credit system brings about a habit of allowing our account to run much in advance of our income, and serves as an inducement to divert our cash in some avoidable channels of expenditure, or in purchasing things in excess of our requirements. As soon as our bills begin to fall into arrears, we lose all control over the shop-keeper, and short weights and adulterated articles fall to our lot.

As also a debt:—Debt also is another source of waste. When we borrow we have not only to pay the principal, but also the interest which may often be too high. Once we begin to borrow there is no knowing as to what length we would go. Borrowing also dulls the edge of husbandry and robs us of our freedom. So long as we abstain from borrowing we retain our independence, and once we are in debt we come into a state of dependence.

But not Productive Debts:—A loan for a productive purpose, like agriculture or industry, would be legitimate, for it increases our resources by the larger results obtained by its application, thereby enabling us to repay it without difficulty and yet leaving a margin behind for our use. On the other hand, a debt incurred for unproductive purposes becomes a dead weight. Expenditure on such purposes must be met from our savings and might always be kept in view, but should be deferred till we are in a position to meet it from our own resources.

Penny Wise Pound Foolish:—Many of us though parsimonius in our daily routine of life, lose all sense of control on occasions like a marriage and a ceremonial, and thus the care bestowed in saving the penny is lost in spending the pound. Some attribute this weakness to individual vanity, and some to the force of social convention, while others attribute it to both. Unfortunately, this weakness is to be met with not merely in individuals, but even in public bodies.

Public aspect of thrift:—The object of thrift in the case of an individual is not so much the accumulation of wealth, as its wise and provident use for himself, his family, and also the public. No individual in a modern civilised country can live for himself alone. In fact, thrift and civilisation came together. Without thrift no progress is possible, and no country can progress unless its people play their part as thrifty citizens. A good citizen is he who manages economically any concern given to his charge, be it a Municipality, a Department of Government or a Co-operative Society.

Joint effort and Organisation:—In India, we have left the practice of thrift entirely to individual inclination. But thrift cannot thrive in full vigour if left alone to individual effort, however essential such effort may be. To be effective and far-reaching, it requires to be supplemented by joint effort. The thrifty man of the past hid his savings underground, but the collective effort of the present age appears in the shape of thrift clubs, saving-banks, life insurance, and the like, enabling our savings to be invested in a remunerative way. Poor men, in spite of thrift, have often to pay a high price for necessary services such as residence, sale and purchase transactions, and borrowings, though for a productive

purpose. By combination and organisation they can help each other in cheapening the services, in making collective bargains on easy terms, and in providing against such unforeseen happenings as sickness, accident or death. Organisations formed for such purposes come under the heading of co-operation, and they serve the double purpose of helping the avoidance of waste, and affording facilities for investment, and also of increasing our earning capacity.

Need of Propaganda:—Mere devising of measures and methods is not enough for encouraging thrift to the full extent. They will at the most afford opportunities to those who are inclined towards thrift but wanted facilities for its practice. Aggressive propaganda is needed to bring into line those who are either wavering or have yet shown no inclination. Moreover, thrift, like any other virtue, must be taught from an early age. Thrift clubs in schools for encouraging children to put by their small savings, and school boys' stores for joint purchase of books and stationery, are very common in European Countries, especially in parishes. Instruction is also imparted through stories, illustrating how the thrifty become happy and how the unthrifty become miserable in life.

Co-operation and Thrift:—Co-operation is merely a combined effort to avoid all forms of waste in our affairs and to effect economy in the interest of the community and of its individual members. Thrift, therefore, is the basis of Co-operation. There can be no thrift without co-operation, and co-operation cannot exist without thrift. Thrift without co-operation becomes a halting measure. With co-operation it grows in full vigour. Thrift harnessed to co-operation can completely transform the economic status of a country. It is, therefore, most essential, that the young as well as the old, the rich as well as the poor, should practice thrift and co-operation and encourage them among their fellowmen.

Thrift the basis of Co-operation:—The law on Co-operation in India makes thrift a part and parcel of co-operation. The preamble to the Co-operative Societies' Act lays down, "Whereas it is expedient to facilitate the formation of Co-operative Societies for the promotion of thrift and self-help......". But in organising and conducting co-operative societies the idea of thrift, which is the basis of self-help, is often placed in the background and is soon lost sight of to the great detriment of the movement. A credit society begins, therefore, to be considered merely as an organisation for advancing cheap loans, and a co-operative store for selling articles cheap. That is why we find in many credit societies mere borrowing without thrift, and a store coming to grief when it is found selling articles not cheaper than was expected. Deposits may not come in easily with the mere idea of thrift. But if habits of waste are prevented among the members of a credit society, and if the members of a co-operative store sufficiently realise the nature of waste caused by the middleman shop-keeper both to themselves and to the public, the co-operative movement can then expect to march on to success with the standard of thrift borne high among its followers.

Can the poor save:—There is a common belief that thrift is possible only for the rich, and not for the poor. But the experience of social workers in many countries shows that the poor could be induced to be thrifty more easily than the rich. The very system of Savings Bank had its origin no amongst the rich folk, but amongst the poor in the out-of the-way parish known as Ruthwell in England. Rev. Dr Duncan, the parson of the parish, by working hard amongs the ill-paid tenants of most of the absentee landlords, wa able to collect in the bank started by him nearly a thousan pounds in the course of only 4 years.

The poor, however, do not save of their own accor Various methods suited to the different conditions of th life of the people require to be adopted to make them thrift

Numerous such methods are adopted in European Countries, but in India, we have only recently begun to adopt some of them. We have also to adopt new methods suited to the conditions of Indian life.

New methods of promoting thrift:—Thrift may take two forms; the positive, by helping people to earn more than they spend, and the negative, by inducing them to spend less than they earn. The ordinary co-operative societies are intended to encourage thrift by attracting deposits on the one hand, and on the other, by advancing loans for productive purposes. The Producers' Societies help to increase the earning capacity of their members, and the sale and supply societies and the stores seek to minimise the waste caused by the middleman. Experience, however, has shown that additional methods besides these are required for the promotion of thrift. People of fixed and limited income, such as the salary earners and wage earners living in urban areas, require to be schooled systematically in the art of thrift. The Postal Savings Banks do not afford sufficient facilities to the people for whom they are meant. Moreover, the system is not sufficiently popular for lack of adequate propaganda. In the Punjab, the Co-operative Thrift Societies encourage savings by paying a higher rate of interest than that obtainable in the Postal Savings Bank, and carry on a propaganda by inducing people to join them as members. In 1929 there were 962 thrift societies with 17,000 members, who together contributed Rs. 7.73 lakhs. Most of the members, are school masters, but others such as artisans, clerks, merchants, and even women are among the members. Some of these societies are formed exclusively of women, their number being 124, and the total amount contributed by their members amounted to one lakh. Thrift societies are being introduced in other Provinces also.

The practice of thrift among the agriculturists must take the form of collection in kind rather than in cash. In Bengal and Bihar, the Mushti System has been introduced for this purpose. Each householder takes a handful of rice before each meal is cooked, and puts the same into a special pot, the total quantity of rice collected in this way is sold at the end of each month and the sale proceeds are deposited in the name of the members. Some of the Central Banks in the Province are encouraging the societies affiliated to them to adopt that system. The societies affiliated to the Matlab Central Bank in Tippera are said to have made considerable savings by adopting the system. The members of another society in Rajshahi adopted a system by which each member deposited one-tenth of his agricultural produce in the society. They have raised a decent amount in this way and are now working independently of the Central Banks' assistance.

New methods of preventing waste:—New methods are also necessary for the prevention of waste, not only on the farm but also in the household. The Registrar of the United Provinces instances a case where a farmer was so overjoyed at getting a good crop by the adoption of the better farming methods that he gave a feast to 200 Brahmins on the occasion of a death ceremony, and thus wasted all the extra earnings gained by him. In the work of prevention of waste, the Better Living Societies of the Punjab have proved to be very effective in inducing the members to curtail the ruinous expenditure on occasions of birth, marriage, and death, or other domestic occurrence. In 1929, the number of such societies was 289 with 11,000 members. Such societies should be formed among the urban classes also. It is said that the members of such a society strive boldly not merely to curtail their own ceremonial expenditure but also to induce their neighbours to follow their own example by refusing to participate in the ceremonials performed by them, unless such neighbours consent to reduce the expenditure to the standard prescribed by the society. It would be possible to introduce similar methods elsewhere for encouraging

thrift. Every effort must be made to foster that virtue, which is of the greatest value to the individual and to the country alike.

CHAPTER VI

CLASSIFICATION OF CO-OPERATIVE SOCIETIES

Necessity of Classification—Variety of methods—Twofold Classification as Consumers' and Producers' Co-operation—And as Industrial and Agricultural Co-operation—And also as Urban and Rural or Agricultural and Non-Agricultural Co-operation—Classification of the International Institute—The French Classification—Classification in the Bombay Co-operative Act—Credit and Non-Credit Co-operation—Mr. Fay's Classification—Proposed New Classification—Classification of Federations—Classification of Government of India—Difficulty of Classification.

Necessity of classification:—Classification is necessary for the proper understanding of the subject and also to comprehend the scope, functions and limitations of the different kinds of societies, as these matters assume importance in the course of higher development of co-operation.

Variety of methods:—Various methods are adopted in classifying co-operative societies. The orthodox co-operators recognized only one class, that of store, and when it assumed larger proportions comprising even production in the interest of consumers, they declared Consumers' Co-operation as the only system which would comprise the whole field of co-operation. They asserted that every person is a consumer, such as of food, clothing and other things, and that all production is ultimately intended for consumption or use.

Twofold classification as Consumers' and Producers' Co-operation:—But producers, who co-operated merely in that capacity for preparing goods, not for their own consumption, but for sale in the open market for the best return, asserted that their organizations should have a distinct place in the movement. Hence, a twofold classification was recognized, namely, Consumers' Co-operation and Producers' Co-operation. The main conception of the former is that the Society is made to yield all the comforts to the individuals, while in the latter the individuals bend their energy for promoting the interests of the Society, whereby the individuals will ultimately be benefited.

And as Industrial and Agricultural Co-operation:—Later on, when co-operation for the benefit of agriculturists assumed a place for itself, another twofold classification came into vogue, viz., I. Industrial Co-operation, which comprised both Consumers' and Producers' Co-operation, and II. Agricultural Co-operation, which embraced all the activities pertaining to the farmers' profession. The building societies were classed under the former category, and credit was considered as ancillary to one or other of the main forms.

And also as Urban and Rural, or Agricultural and Non-Agricultural Co-operation:—It must, however, be remembered that in England both Consumers' and Producers' Co-operation being started by industrial workers, Industrial Co-operation has a definite meaning in that country. In India, however, co-operation among industrial workers has scarcely been developed. The co-operative movement in the urban areas owes its success mainly to the middle class people. Hence, the corresponding classification adopted in this country is Rural Co-operation and Urban Co-operation, or Agricultural and non-Agricultural Co-operation.

Classification of the International Institute:—The above classification was considered as unscientific, being based on the occupations of the people who resort to co-operation, and not on the functions the societies perform, or the purpose for which they are formed. There is nothing to prevent persons of any one occupation, or residing in any area,

from starting societies generally formed by persons of any other occupation or residing in any other area. Classification according to function or purpose would take the following main lines as adopted by the International Institute of Agriculture: 1. Credit; 2. Production; 3. Purchase; and 4. Sale. A Society may undertake two or more of the above functions, as for instance, Production and Sale, which, however, is made a fifth class by the above Institute. Insurance Societies may be considered as ancillary to one or the other of the above forms.

The French Classification:—The co-operators in France led by Prof. Nash adopted a threefold classification of societies. The first division is known as Resource, and comprises societies whose object is to procure for their members the resources necessary for the individual exercise of their trade or profession. The resource may be provided in cash as in the case of credit societies, or in kind as in the case of seed, manure, implement societies. Even Sale Societies would come under this class, for they provide members with resources in money in exchange for their produce. There may be industrial resource societies as well as agricultural resource societies. The main character of this class is that the individual rights of members are not affected by forming a society.

The second class is termed Production, in which members combine for collective production, not as individuals, but collectively as a whole. Though this class is generally applied to industrial production, it also includes collective farming societies to be met with in Italy, as well as labourers' societies formed for the collective disposal of labour like the Brachianti societies of Italy. The main characteristic of this class is that it aims to do away with private property and private ownership. The third division is the Consumers. All stores necessarily come under it. Housing societies would also come under this class. The object of the consumers' movement is the gradual collective appropriation of all means of exchange of goods as well as their production by all consumers in common and the substitution of a collective method for the existing competitive and the capitalistic system.

Classification in the Bombay Co-operative Act:—In the Bombay Co-operative Societies' Act of 1925, a fivefold classification, based on the analysis of Prof. Nash, is adopted which is as follows: (1) Resource Society (for obtaining goods or services, such as credit, seeds, manure, implements etc.), (2) Producers' Society (for producing goods and for their collective disposal, or for the collective disposal of labour like the Brachianti Societies of Italy), (3) Consumers' Society (for obtaining and distributing goods to or for performing services for its members, (4) Housing Society (for providing dwellings), (5) General Society (not falling under any of the above four classes). For detailed definitions of these Societies see Section 3 of the Act.*

* The following is the classification given in the Bombay Act.
(h) (1) a "Resource Society" means a society formed with the object of obtaining for its members the credit, goods or services required by them;
(2) a "Producers' Society" means a society formed with the object of producing and disposing of goods as the collective property of its members and includes a society formed with the object of the collective disposal of the labour of the members of such society;
(3) a "Consumers' Society" means a society formed with the object of obtaining and distributing goods to or of performing services for its members, as well as to other consumers and of dividing among its members and customers in a proportion prescribed by the rules or by the by-laws of such society the profits accruing from such supply and distribution;
(4) a "Housing Society" means a society formed with the object of providing its members with dwelling houses on conditions to be determined by its by-laws;
(5) a "General Society" means a society not falling under any of the four classes above-mentioned.
The Registrar shall classify all societies under one or other of the above heads and his decision shall be final.
A society formed with the object of facilitating the operations

Credit and Non-credit Co-operation:—Co-operation in India began with the formation of Credit Societies only, and when other forms were introduced later on, a distinction began to be made between Credit Co-operation and Non-credit Co-operation. But this distinction does not afford a good basis for classification.

Mr. Fay's Classification:—Mr. C. R. Fay in his *Co-operation at Home and Abroad* has adopted the following classification: I. Co-operative Banks, II. Co-operative Agricultural Societies, III. Co-operative Workers' Societies, IV. Co-operative Stores. Though this is an improvement on the older classification, it is not sufficiently comprehensive.

Proposed New Classification:—The twofold division of the English Co-operation is made a basis of classification by the authors of "Co-operation in Many Lands" by making function as the determining principle. The main division according to them would be, not Producers' Co-operation and Consumers' Co-operation, nor Productive Co-operation and Distributive Co-operation, as some say, but I. Co-operation for Production and II. Co-operation for Consumption. All other forms are brought by the authors under this twofold division as follows:—

I. CO-OPERATION FOR PRODUCTION

A. *For Production of Goods*:

1. Associations of Producers to produce co-operatively:
   (a) Raw Materials (This includes co-operative farming).
   (b) Finished Materials, e. g. self-governing workshops.
2. Association of Producers to sell co-operatively, the production being undertaken by individuals:—

of any one of the above classes of societies shall be classified as a society of that class.
A list of all such societies so classified shall be published annually in the Bombay Government Gazette.

(a) Raw Materials, e. g. grain, eggs, live stock, fruit, etc.

(b) Conversion of raw materials and sale of finished goods, e. g. creameries.

(c) Finished Materials, e. g. for co-operative sale of home industries.

3. Association of Consumers to own the means of producing raw material, e. g. the productive department of the stores and of their federations.

4. Associations of Consumers to own the means of producing raw material, as in the case of the two Wholesale Societies of Great Britain owning land for that purpose.

B. *For Production of Services, e. g. Co-operative Newspaper Printing Societies.*

II. CO-OPERATION FOR CONSUMPTION

A. *For Consumption of Goods*:

1. Domestic requirements (the stores proper).

2. Trade requirements:

(a) of producers of raw material (e. g. agriculturists).

(b) of producers of finished materials, e. g. leather by boot-makers.

(c) of services, e. g. co-operative purchase of cabs by cab-drivers.

B. *For Consumption of Services*:

1. Credit:

(a) Personal—Long-term and Short-term.

(b) Real or Mortgage, e. g. Landschaften.

(c) Building Societies (of English type which merely supply credit).

2. Insurance: (a) of crops, (b) of live stock, (c) of person and property.

3. Domestic Services:

(a) Housing (Tenant Co-partnership type).

(b) Electric Supply;

(c) Telephone;

(d) Laundries.

Classification of Federations:—Federations of Societies would fall under the above headings appropriate to them. A separate classification may, however, be adopted to indicate the stages of organization as follows:

I. *Primary Societies.*

II. *Federations*:

1. For Organization, Supervision and Propaganda, e. g. Unions, Institutes, etc.

2. For Credit (e. g. Banking Unions, Central Banks known in some parts of India as District Banks to distinguish them from Provincial Banks).

3. For Trade (e. g. Wholesale Society for supply or for sale).

4. For combining any two or more of the above functions.

A primary Society is made of individuals and a Federation of primaries only. But in practice individuals are also admitted as members of most Federations. The smaller or local Federations may in their turn join together to form higher stages, e. g. local Unions into District Federations, and the latter into Provincial Unions, these again into a National Union. The same can be the case with Wholesales for trade and with Banks. Of late International Organizations are also being formed.

Classification of Government of India:—The Government of India have prescribed the following classification for purposes of Annual Returns:

I. Central Banks.

II. Primary Societies.

III. Unions.

Difficulty of Classification:—From the above it will be seen that Co-operative Societies are classified from different ɔoints of view. A classification to be perfect should be ıccurate and not overlapping, and should clearly indicate he function and purpose of each class. Such a classifica-ion is rendered difficult by the fact that a Society which is ɔriginally intended to perform one function is sometimes nade to perform an additional function due to various cir-:umstances. In such cases, however, the Society may be :lassed under the main or primary function which it per-orms. Whatever may be the difficulties, a classification is lesirable in the interest of the movement itself. On the vhole, the classification given in the Bombay Act seems to ɔe simple and sufficiently elastic for all practical purposes.

CHAPTER VII

CO-OPERATIVE LAW: MAIN PRINCIPLES OF EUROPEAN AND INDIAN LAW

Friendly Societies' Acts—Industrial and Provident Societies' Acts—Building Societies' Acts—Co-operative Laws of other European countries—Indian Acts—Nicholson's Bill—Rights and Obligations of Registration—What Societies can be registered under the European and Indian Acts—Prevention of Capitalism—Relations between members and Society—Penalties—Privileges.

Friendly Societies' Acts:—Special laws are enacted in all the European Countries and America to safeguard popular thrift, providence and credit. The earliest act which helped to give some sort of legal status to associations formed by working classes in England is the Friendly Societies' Act of England. This was first passed in the year 1793 and after a series of subsequent enactments, it has taken its present shape after the latest Consolidating Act was enacted in 1896.

At first, only the Friendly Societies formed for thrift and

providence by the working classes for pooling their small collections for friendly relief on occasions of sickness, unemployment, death, etc., were registered under it. Societies formed for trading purposes, like stores or producers' societies, could not be registered under it. With the efforts of their legal friends, a clause was added to that Act in 1846 by enlarging its "frugal investment" clause to the effect, "for the frugal investment of the savings of the members for better enabling them to purchase food, etc." But Societies registered under it could only deal with members and could not sell to others, a formidable obstacle in the case of producers' societies.

Industrial and Provident Societies' Acts:—By the combined efforts of the co-operators and the Christian Socialists, the first Industrial and Provident Societies' Act was passed in 1852, authorising the formation of co-operative societies and giving all the advantages obtainable under the Friendly Societies' Act. The amending Act of 1855 enabled societies to hire or purchase land, and in 1862 it was completely recast and a new Act was passed. This Act allowed limited liability; and trade could be carried on, except mining and banking, the profits could be applied for any purpose permitted by law, a member could invest in a society up to £200, and for the first time, the certificate of registration constituted the society a corporate body, and shares of one registered society could be purchased by another registered society, but to the extent of £200 only. This last limitation was removed by the Act of 1867 which also brought the working of mines and quarries within the authorised purposes. Another amending Act of 1871 allowed societies to erect cottages and other buildings and to buy and sell them, and advance money on mortgage and other securities. By the Act of 1876, the societies were allowed to undertake Banking, in which case, however, the shares should not be withdrawable. The whole law on the subject was consolidated by the Industrial Provident Societies' Act of 1893, which now regulates all the Co-operative Societies.

Building Societies' Acts:—Though Building Societies have not been accorded a definite place in the co-operative movement of England, it may be mentioned that they are governed by a different set of Acts, the first being passed in 1836, before which the societies were being registered under the Friendly Societies' Act. The latest Act on the subject is that of 1874 as amended by the Act of 1894. Tenant Co-partnership societies are, however, being registered under the Industrial Provident Societies' Act.

Co-operative Laws of other European Countries:—The Co-operative Law of Germany dates from 1867 which prescribed unlimited liability, and the present law of 1889 allows limited liability, but restricts transactions with outsiders, with the result that even stores cannot sell to non-members. In Italy, co-operative societies are regulated by a special section of the Commercial Code, but makes regulations concerning them. In Denmark and France there is no special Co-operative Legislation, and Co-operative Societies fall under the provisions applying to ordinary business concerns. In Ireland, the Raiffeisen types of credit societies organised by I. A. O. S. are still registered under the Friendly Societies' Act of 1896, as the Industrial and Provident Societies' Acts do not allow unlimited liability, being devised mainly to meet the requirements of town people, and not of agricultural communities.

Indian Acts:—In India, the first enactment on the subject was Act X of 1904, based on the English Friendly Societies' Act of 1896, and provided for only credit societies being registered under it. Next came the Co-operative Societies' Act II of 1912, which allowed societies other than those for credit being registered, and one society to hold shares in another, thus allowing higher storeys of the co-operative structure to be built up.

Nicholson's Bill:—It may be noted that the draft bill prepared by Sir Frederick Nicholson was intended to be an amending part of the Indian Companies' Act with separate chapters as follows:—

Chapter I Definitions.
Chapter II Joint Stock Banks, providing safeguards on the then existing laws.
Chapter III Co-operative Societies.
Chapter IV Savings Banks.
Chapter V Agricultural Associations.
Chapter VI Land Improvement Banks.

He also made certain suggestions regarding the law relating to Bills of Sale, Usury law, Money-lenders' accounts, and privileges and exemptions favouring agriculturists.

Rights and Obligations of Registration:—The main value of registration is the acquisition of a legal personality with perpetual succession with certain attendant advantages—the right of representation by the societies' officials, the right to hold property and to enter into contracts, institute or defend suits (Sec. 18). The main obligation of registration is the keeping of proper books and the presentment annually of a correct balance sheet to the authority appointed under the Act who is known as the Registrar. The law, while it gives encouragement to every co-operative effort, discourages concerns of other nature from entering the field (Sec. 47).

What Societies can be registered under the European and Indian Acts:—Taking the European Law as a whole, a society registered under it must have a business purpose; thus a mutual aid society like the Friendly Society or a philanthropic society has no place under it. The Indian Law requires only the promotion of the economic interests of its members, and thus a mutual insurance society or a thrift society, and even a philanthropic society, if it is intended to promote economic interests, can be registered under it.

Prevention of Capitalism:—Various provisions are added to the Acts to prevent capitalist interests from prevailing. The English and the Italian Laws limit the share-holding of a member to £200, and Indian Act to Rs. 1,000 (Sec. 5 b). The Bombay Act has raised this limit to Rs. 3,000. The German Law, being framed with a view to encourage banking, lays no such limit on shareholding, though sums above a certain limit are generally held in deposit. In Germany, stress is laid on open membership and the conduct of the business of the members in common. In all countries, speculation is prevented by making the capital of the society variable so that members may add to it from time to time. The shares are not transferable to non-members, except in England, where the object is attained by open membership and by the power given to the Committee to issue shares at par when it so desires. All Co-operative Societies make the value of their shares as small as possible to bring them within the reach of the poor, though there is no express provision to that effect in any Act. On the other hand, members are free to withdraw at any time after giving notice, and to get back a refund of their shares. In France, the repayment is made by instalments to minimise the inconvenience to the society. In England, a member may withdraw all or any of his shares above the minimum required for membership.

Relations between members and Society:—The relations between the members and the Society are personal and not capitalistic. In every country, societies are free through their committees, to refuse admission to any individual they may deem proper to exclude without assigning reasons, and they in their rules lay down certain conditions which restrict the classes of persons who may join, or the place from which members may be drawn. The minimum number of members required to form a society in European countries is 7, and in India 10. One of the most effective weapons of co-operative

control on the continent of Europe is an obligation upon members, enforced by fine, to conduct all or a given percentage of their custom exclusively through the society for a given number of years. But it seems doubtful whether this would hold in English law; and at any rate it has been objected to on this score by the Registrar in the case of Irish dairies and supply societies. It is, however, certainly legal in England to insert a provision in the rules that any member not giving his trade to the society may be expelled and paid off. In the model rules of the British stores, there is a clause to the effect that any general meeting may fix an amount which every member shall be required to purchase from the society, and that if he fails to do so, he shall be paid off and cease to be a member.

Penalties:—The laws of all the countries provide penalties for disobedience or negligence of certain precautionary measures prescribed in the Acts. They are analogous to those provided in the Indian Companies' Act. They are absent in the Indian Co-operative Act of 1912, because it was felt that they are premature at this stage of the movement. Provision for penalties is, however, made in a modified form in the Bombay Act (VII of 1925).

Privileges:—Certain privileges are given to co-operative societies in all countries, and are also provided in the Indian Act including that of Bombay. These may be classified under fiscal, legal and executive, and may be summarised as follows:

(a) Societies are exempt from fees for their registration; (b) from stamp duties, which, however, are levied in some countries on a reduced scale; (c) from registration fees; (d) exemption of profits of the societies from income-tax; (e) members are given the power of nominating their heirs; (f) transmission of shares and deposits to the heirs of deceased members is free from duty and is allowed to be made by Committee of management without the intervention of the Courts; (g) priority of societies' claims; (h) settlement of disputes without the intervention of courts; (i) facilities regarding legal procedure so as to provide cheap and speedy methods; (j) exemption from the operation of certain Acts, such as those governing trading companies.

CHAPTER VIII

THE LAW OF LIABILITY

Liability of an Association, Company or Society—Beginnings of Limited Liability—Difficulties of earlier Societies—Limited and Unlimited Liability—Liability limited by shares or by guarantee—Proportionate Liability—Use of the word "Limited"—Unlimited Liability of Directors—Incidence of Unlimited Liability—Liability of past and deceased members—In other countries—Liability of Debtors to the Society—Joint and Several Liability.

Liability of an Association, Company or Society:—The principle of law for a long time had been that the members of an association or company formed for business were personally liable for its debts and obligations. The earliest companies in England which obtained for their members freedom from personal liability were the Chartered Companies formed by the Charter granted by the Crown, e. g., the East India Company (1600), the Bank of England (1674), etc.; the latest under this class being the P. & O. Steam Navigation Company (1840). Another class of joint-stock companies known as Public Companies are formed by a special Act of Parliament, for carrying on works of public utility, such as Railways, cannals, docks, tramways, etc. In India such companies are formed by special acts of legislature. They, too, enjoy freedom from personal liability for their members.

Beginnings of Limited Liability:—The principle of limited liability in the case of ordinary joint-stock companies was

first introduced in France. It was introduced in England for the first time by the Limited Liability Act of 1855, but it excluded Banking and Insurance Companies. It was copied in India by the first Companies' Act (XIX of 1857). Banking Companies in England were allowed limited liability in 1857, and in India in 1860, by the Joint-Stock Banks Act (VII of 1860). The Companies' Laws were for the first time consolidated in England in 1862 and in India in 1866.* Limited liability was allowed in the case of Co-operative Societies in England not by the first Act of 1852, but by the second Industrial and Provident Societies' Act of 1862. In Germany it was allowed by the Act of 1889.

Difficulties of earlier societies:—These dates are important in understanding the difficulties of the earlier Co-operative Stores of England which stood in need of limited liability, but could not obtain it under the law, and the reason why even the Urban Banks of Schulze Delitzsch were based on unlimited liability for a long time; and why they showed partiality for unlimited liability even after 1889 till the national convention of these societies in Germany in 1894 passed a resolution favouring limited liability. The Raiffeisen societies, however, still continue to be of unlimited liability, as they consider their strength to lie in that form of liability.

Limited and Unlimited Liability:—In most countries liability of members may be either limited or unlimited, according to the form adopted by the society. Under the English Acts, societies have *ipso facto* a limited liability, not only of stores and producers' societies registered under the Industrial and Provident Societies' Act, but also of Building Societies registered under the Building Societies' Act. The Friendly Societies, registered under the Friendly Societies' Act, are not restricted to any specific form of liabi-

* The latest Indian Companies' Act is VII of 1913, which repeals the previous Act VI of 1882, and is based on the latest English Act of 1908.

lity, but the main drawback of the Act is that it does not give corporate existence to the societies registered under it. Under the Indian Co-operative Societies' Act, agricultural Credit Societies should have an unlimited liability, and other societies may have limited or unlimited liability according to their choice, though limited liability is generally adopted by almost all.

Liability limited by Shares or by Guarantee:—Limited liability is of two kinds: (1) Liability limited by shares, and (2) liability limited by guarantee. In the former case the liability of each member is limited to the amount, if any, unpaid on the shares held by him. In the latter case, the liability of each member is limited to such amounts as he undertakes to contribute to the assets of the society in the event of its being wound up.

Proportionate Liability:—A Society may combine both kinds of liabilities by shares as well as by guarantee, in which case the guarantee is generally so many times the share value. This is known as proportionate or the Haas system of liability, as it was first introduced by Herr Haas of Germany in the case of societies started by him.

Liability of Indian Societies:—Though the co-operative societies' Act of India does not make any provision for liability limited by guarantee or proportionate liabilities, it is not expressly prohibited and can therefore be adopted by any society which is allowed to have a limited liability under the Act.

Use of the word "Limited":—In the case of all limited liability societies, the word Limited must be affixed at the end of the name, so that any person having dealings with it may understand his position. Where the word is not appended to the name, it is presumed that the liability is unlimited. Societies formed for the promotion of science, art, charity, and which do not distribute dividend, may be exempted from appending the word Ltd. to its name, (Sec. 26

of the Companies' Act of 1913). On this analogy a Co-operative Institute or Federation formed for education, etc., need not add the word Ltd. to its name.

Unlimited liability of Directors:—It may further be noted that under the Companies' Act, though the liability of a Company be limited, it may have directors with unlimited liability, (Sec. 70 and 71 of Indian Companies' Act VII of 1913). Similar provision may also be made in the case of any Co-operative Society registered in India, if it so desires.

Incidence of Unlimited Liability:—In the case of a society with unlimited liability, every member of it is personally liable to pay its debts to the full extent of his assets, and the liability extends not merely to the debts incurred after the entry of such member, but to those incurred previous to his entry. This liability is joint and several, i. e. any one or more of the members may be sued jointly or severally. Ordinarily, the debts of a society would be paid out of its assets. It is only when such assets are insufficient the question of personal liability comes in. But even then, the creditor cannot sue the individual members as such. When a society is unable to pay its debts, any one of the creditors has to apply to the Registrar to inquire into or inspect its affairs, and if that Officer is satisfied about its insolvent condition, he cancels the society and appoints a Receiver. The Receiver then registers all the claims of the creditors against the society, collects all its assets, and if they are found insufficient, he proceeds to collect further amounts from the members individually. It is at this stage that the question of personal liability comes in. Even then, the Receiver would not collect the required amount from any particular member or members, but would collect from all the members *pro-rata*, i. e., in equal proportion. If any of the members are unable to make the contribution, the Receiver would proceed to recover the balance from the remaining members, also *pro-rata*.

Liability of past and deceased members:—If any person has ceased to be a member of a society or has died, the liability of the former for the debts of the society, as they existed at the time when he ceased to be a member, continues for a period of two years from the date of his ceasing to be a member; and the estate of a deceased member is similarly liable for a period of one year from the date of his decease, (Secs. 23 and 24 of the Indian Co-op. Act, and Secs. 28 and 29 of the Bombay Act). The liability mentioned in these two sections, comes into operation only after the society is wound up and not before, though the point has not been expressly stated in the Sections.

In other Countries:—In Germany, there are two kinds of Unlimited Liabilities, one being of the kind described above. In the other form, the creditors, after endeavouring to satisfy their claims for its assets, can proceed against any of the members, leaving the latter to recover from the liquidating trustee. This form is a survival of the law of 1867, and is not very common now. In Italy, there is another form of unlimited liability in which each member may be liable to a proportion of the total liability, say, one-thirtieth of the Societies' debts, as may be provided in the rules of the society. In France, societies may be registered under the Civil Code or the Commercial Code. Under the former the societies must deal with members only, but if they deal with third parties, the liability becomes unlimited, unless at each transaction such parties are told that the societies' liability is limited. Under the Commercial Code, there are three classes of liability, one has unlimited liability, the second has unlimited liability for directors and limited for the members, and the third has limited liability.

Liability of Debtors to the Society:—We have so far dealt with the liability of a society, i. e. the liability of members for the debts due by the society, and the question of that liability comes in only after the society is cancelled and a

liquidator is appointed. In the case of a debt due *to* the society, the latter has the right to enforce its payment on its becoming due, and the limitations mentioned in the above sections (23 and 24 of India Act, or Secs. 28 and 29 of the Bombay Act) do not apply to the case. The liability in the case of past members or in the case of an estate of the deceased member is governed, just as in the case of continuing members, by the ordinary law of limitation, which is three years.

Joint and Several Liability:—In the case of a debt due by a member secured by sureties, the liability of that member and his sureties is joint and several, i. e. the society may enforce the payment of the debt against any one or more or all of them. Though the agreement may not have described the liability as joint and several, yet under Sec. 43 of the Indian Contract Act, even a joint liability can be treated as joint and several. Rule 6 of Order 1 of the Civil Procedure Code of 1908 also re-iterates this principle. Under the Common Law of England, a distinction is made between Joint Liability and the Liability which is Joint and Several, but no such distinction is made in the Indian Statute Law.

CHAPTER IX

THE INDIAN CO-OPERATIVE LAW

Effect of Companies' Acts—Prohibition of formation of Associations for Banking or Gain—Charitable Societies' Act—Effect of the Prohibition—Act X of 1904—Act II of 1912—Bombay Co-operative Societies' Act VII of 1925—Comparison of the English and other European Acts—Further distinction—MAIN FEATURES OF THE BOMBAY ACT—Classification of Societies—Limit of Shareholding raised—Statutory obligation to hold a general meeting—Change of name—Amalgamation or Transfer of Societies—Principle of one member one vote—Power of the Auditor to summon—First charge of a Society against a member's crops—Copies of entries in books of accounts as evidence—Transactions with Non-Members—Limitation on Dividend—Clear provision regarding the Reserve—Restriction on Distribution of Profits—Promotion of Provident Fund—Contribution to Charitable Purposes—Recognition of the Provincial Co-operative Institute—A better system of Liquidation Procedure—Power given to the Registrar to assess damages—Restriction on disposal of surplus assets—Power to attach before judgment—Procedure regarding arbitration—Power to enforce attendance—Recovery of dues through Revenue Courts—Offences under the Act—Appeals—Revisional Powers—Branches of a Society—Notice of a suit against a Society.

Effect of Companies' Acts:—The first question that may arise is, if co-operative societies in European Countries could be started before any Act of legislature was passed, why could not a similar course be adopted in this country? The answer is simple. In Europe, the societies that were started before the enactment of the Companies' Laws somehow pulled on, though in a precarious condition. But after the enactment of those laws, no society could be started without being registered under some Act, for otherwise its existence

would be illegal under the Companies' Laws. Similar legislation known as the Indian Companies' Act was first enacted in India in the year 1857, and underwent changes from time to time, the law now in force being Act VII of 1913, replacing Act VI of 1882. All these Acts, based on the English Companies' Acts lay down the same restrictions against an unregistered society.

Prohibition of formation of Associations for Banking or Gain:—Sec. 4 of the Indian Companies Act lays down that "no Company, Association or Partnership consisting of more than ten persons shall be formed for the purpose of carrying on the business of banking unless it is registered as a Company under this Act, and no Company, Association or Partnership consisting of more than twenty persons shall be formed for the purpose of carrying on any other business that has for its purpose the acquisition of gain unless it is registered under this Act or formed in pursuance of some other Act or of Letters Patent".

Charitable Societies' Act:—There is another Act in India, known as the Societies' Registration Act, No. XXI of 1860, generally known as Charitable Societies' Act, which allowed societies to be registered under it. But it contemplates only the registration of societies for educational, charitable or scientific purposes or those for the promotion of knowledge, fine arts, education and the like. Co-operative Societies, which have for their object the promotion of economic welfare of their members, cannot come under the Act.

Effect of the Prohibition:—In view of the above provision in the Act, no co-operative Societies, which have banking or other business for their object, could be started without registration, unless they are registered under the Companies' Act. An unregistered society would have no legal status and cannot enter into valid contracts. Moreover, the provisions of the Companies' Act consisting of 290 sections, are very elaborate and complicated, and cannot be understood by ordinary men without the assistance and advice of lawyers. The procedure under the Act is also very cumbrous and costly.

Act X of 1904:—It was with the object of overcoming these difficulties and of promoting and facilitating the formation of co-operative societies in this country, that the Co-operative Credit Societies Act (X of 1904) was passed.* It was a very simple piece of legislation consisting only of 29 sections. The main features of the Act are that it allowed only credit societies to be formed, divided into two classes known as rural and urban, the former to be of unlimited liability and the latter being free to accept limited or unlimited liability. Both kinds of societies were authorised to accept deposits and loans and could advance loans to members and, by permission of the Registrar, to other registered societies. Urban societies were permitted to pay dividend on shares after carrying 25 per cent. of the profits to the reserve, while all the profits of the rural societies were to be carried to the reserve, though after the reserve has accumulated to the proportion allowed by the by-laws, profits to the extent of three-fourths could be distributed to members as bonus with the special permission of Government. It authorised the local Government in each Province to appoint a Registrar to whom the Act assigned the work of registration of societies, their audit, inspection, cancellation and liquidation. Though a number of credit societies were registered under it, the Act was found to be too limited in its scope as it did not allow the formation of societies other than of credit, nor of the higher stages of co-operation.

Act II of 1912:—To remove these difficulties, Act II of

* See Statement of Objects and Reasons—Gazette of India, 1903, Pt. V, p. 520; Report of Select Committee, *ibid* of 1904, p. 65; and Proceedings in Council, *ibid* Pt. VI of 1903, pp. 170, 191, and of 1904, pp. 16, 22 and 251.

1912* was passed, comprising 50 sections, replacing the former Act. The new Act allowed the formation of Central Banks and Unions with primary societies as their members, and of societies for production, distribution, and for various other purposes besides credit. The old distinction between rural and urban societies was done away with, as being artificial and inconvenient, substituting therefor a distinction based on the character of a society's liability as limited and unlimited; the distribution of profits in unlimited liability societies was allowed with the general or special sanction of Local Government; authority was given to the Registrar to delegate some of his powers to others; and the use of the word "Co-operative" was restricted to societies registered under the Act; it also prohibited other concerns from adding that word to their name or title. Both the Acts exempted registered co-operative societies from the operation of the Companies' Act.

Bombay Co-operative Societies' Act VII of 1925:—When co-operation became a transferred subject, falling within the scope of provincial legislature, the Bombay Presidency passed a separate Act of its own, comprising 76 Sections, embodying the various suggestions made by the local Co-operative Conferences, the Co-operative Institute and others.† The main features of this Act will be noticed below. Burma also passed a separate Act of its own, being Act VI of 1927 comprising 52 Sections.

* See Statement of Objects and Reasons—Gazette of India, 1911, Pt. V, p. 95; Report of Select Committee, *ibid*, 1912 p. 7. Proceedings in Council, *ibid* of 1911, Pt. VI, pp. 186, 679, and of 1912, pp. 3. 31, and 256.

† See Statement of Objects and Reasons on Bill No. XIV of 1924 in Bombay Govt. Gazette of 1924, Pt. V, p. 32; Report of Select Committee, *ibid* pp. 108, 145, 149. Proceedings in Council—Consideration of the Bill, Legislative Council Debates, 1924, Vol. XII, pp. 344 to 387. Discussion on Select Committee's Report, *ibid* Vol. XIII, pp. 415-421; Discussion of the Second Report of Select Committee, *ibid* 1925, Vol. XV, pp. 322-381 and 424 to 508; and third reading, pp. 697-8 (29-7-1925).

Comparison of the English and other European Acts:—The Indian Acts are less rigid and more elastic than the corresponding English or other European Acts, due to the fact that there was no local experience of co-operation to guide the framers of the Acts, and the fact that the people for whose benefit they were enacted are mostly illiterate. They were made as simple as possible, allowing Local Governments to frame rules under them to supplement their provisions. Sec. 43 of the later India Act (see corresponding Sec. 71 of the Bombay Act) lays down the purposes for which such rules can be framed. These rules, when published in the local official Gazette, have the force of law. The Bombay Act requires such rules to be placed on the table of the Legislative Council one month previous to the Session. These rules are capable of being changed expeditiously from time to time, without the cumbrous procedure required to change any Sections of the Act. The main principles are embodied in the Act, the Rules being confined to details of procedure within the matters circumscribed by the Section authorising the framing of the rules. The Act together with the Rules made thereunder form the Co-operative Law in India.

Further distinction:—The Co-operative Acts in India are mainly based upon the Friendly Societies Act of England, but the former give to societies registered under them the status of a corporate body, while the latter does not. In this and in some other respects the Indian Acts follow the English Industrial and Provident Societies' Act. On the other hand, the Indian Acts allow both limited and unlimited liability, while the latter Act (I. & P. Societies Act) allows only limited liability. In both the English Acts, the societies have to approach the Court in certain matters, as in the case of the Companies' Acts, but under the Co-operative Acts of India, the Registrar is the adjudicating authority in almost all such matters, societies being thus kept out of the

jurisdiction of the Civil Courts. The accounts of every society are to be audited by the Registrar once at least every year, including the valuation of assets and liabilities. The Registrar is also given considerable discretionary powers regarding the registration of societies and their by-laws, their inspection, inquiry into their affairs, their cancellation and liquidation.

Important features of the Bombay Act:—The important features of the Bombay Act are, that it makes a scientific classification of societies, it has improved the procedure of liquidation, it makes provision for the execution of the orders of the liquidator and arbitrator through revenue officers, and penalises certain breaches of its provisions.

The following are the main features of the Bombay Act:—

Classification of Societies:—Sec. 3, cl. (h) lays down a distinct classification of the various societies whose objects, functions, needs, and methods are different.

Limit of Shareholding raised:—Sec. 6, cl. (b) raises the limit of shareholding by a member to Rs. 3,000, and in the case of a housing society to Rs. 10,000.

Statutory obligation to hold a General Meeting:—Sec. 12 makes it obligatory on every society to hold the Annual General Meeting within 3 months of the close of the annual accounts, and Sec. 13 to hold a Special General Meeting within one month of the date of requisition.

Change of name:—Sec. 14 allows a society to change its name without affecting its status, rights or liabilities.

Amalgamation or Transfer of Societies:—Sec. 15 lays down conditions under which two or more societies can be amalgamated, or any society may transfer its assets and liabilities to another society.

Principle of one member one vote:—Sec. 18 lays down that one member shall have only one vote irrespective of his interest in the society.

Power of the Auditor to summon:—Sec. 22, cl. (4) gives power to the Auditor to summon any officer or servant or member of a society to give information or to produce any book, document or cash of the society. Disobedience is made punishable with a fine of Rs. 50 under Sec. 60.

First charge of a Society against a member's crops:—Sec. 24 creates a first charge against the crops raised by a member with a loan taken from the society. Sec. 19 of Act of 1912 created only a prior claim in that respect.

Copies of entries in books of account as evidence:—Sec. 31 allows societies to produce copies of entries in their books in a Court without the originals being produced. This is a privilege enjoyed by joint-stock banks.

Transactions with Non-members:—Sec. 36 allows Consumers', Producers', and Housing Societies to have transactions with non-members to the extent permitted by their by-laws. Under Sec. 31 of Act II of 1912, such transactions could be restricted and controlled by Rules made under the Act.

Limitation on Dividend:—Sec. 38 limits the dividend payable to members in the case of all societies to 10 p. c. By Rule 20 made under the India Act, dividend was limited to $12\frac{1}{2}$ p. c. and further limited it to $9\frac{3}{8}$ p. c. until the reserve fund of a society exceeded one-quarter of its subscribed capital.

Clear Provision regarding the Reserve:—Sec. 39 requires every Resource and Producers' Society to carry each year to the reserve at least $\frac{1}{4}$th of the net profits, and in the case of other societies at least 1/10th of them. And it further allows the use of the reserve in the business of the society and with the sanction of Government the use of a part of it for some public purpose, to promote the objects of the Act or for some purposes of provincial or local interest.

Restriction on Distribution of Profits:—Sec. 40 prohibits the distribution of profits, except to the extent and under the conditions prescribed by the Rules or by the By-laws of a society, and prohibits any such distribution in the case of a Resource Society of unlimited liability without the order of Government, and for 10 years if such a society is formed on the basis of shares.

Promotion of a Provident Fund:—Sec. 41 enables a society to form a provident fund for its members and to contribute to it from its net profits, but no part of such fund is to be considered as an asset of the society. The provisions of Sec. 26 prohibiting attachment of a member's interest in a society are also made applicable to the provident fund created under this Section.

Contribution to Charitable purposes:—Sec. 42 enables a society to contribute up to 20 p. c. of its net profits to charitable, public or co-operative purposes with the approval of the Co-operative Institute. Sec. 34 of the India Act allows only 10 p. c. of the net profits to be so contributed.

Recognition of the Provincial Co-operative Institute:—Sec. 42 requires the approval of the Institute for making contributions to charitable purposes; Sec. 52 recognises the Institute as one of the objects for which the surplus assets of a liquidated society may be applied; and Sec. 52 requires one of the three persons authorised to administer the assets of a housing society, while being wound up, to be a nominee of the Institute.

A better system of Liquidation Procedure:—The liquidator appointed under Sec. 50 has larger powers than were given by Sec. 42 of the Act of 1912, such as to pay any class of creditors in full, to make a compromise, to get disputes referred to arbitration, to carry the business of the society for the benefit of winding up.

Power given to the Registrar to Assess Damages:—Sec. 50A gives power to the Registrar in the course of winding up of a society to assess damages against delinquent promoters. An appeal to Government against the Registrar's order is provided by Sec. 64.

Restriction on disposal of Surplus Assets:—Sec. 52 prohibits the distribution of surplus assets of a cancelled society among its members, and requires them to be devoted to an object described in the By-laws, and when no object is so described, to any object of public utility determined by the society's general meeting and approved by the Registrar as indicated in the Section. If the society wound up be a housing society, Sec. 53 requires the assets to be administered by a committee of three, one of whom shall be the nominee of the Registrar, one the nominee of the Co-operative Institute, and the third of the society concerned.

Power to attach before judgment:—Sec. 55 gives to the Arbitrator's Court power to attach property before judgment which was formerly exercised only by Civil Courts.

Procedure regarding Arbitration:—Sec. 54 gives the power of appointing an arbitrator, which under the Act of 1912 was given by a rule made under Sec. 43 (l). Only minor details are relegated to the Rules. Sec. 56 provides for appeals against the decision of an arbitrator, and Sec. 57 makes the appellate decision final. If the Registrar himself decides the case, an appeal will lie to Government under Sec. 64.

Power to enforce attendance:—Sec. 58 gives power to the Registrar, and the officers appointed under the Act, to summon and enforce the attendance of a party or witness, and to compel the production of a document. Disobedience of the order is made an offence under Sec. 60, cl. (d).

Recovery of dues through Revenue Courts:—Sec. 59 allows the orders and decrees of the arbitrator and the liquidator to be executed through revenue authorities, under the rules in force for the recovery of land revenue, on the certificate of the Registrar or the Assistant Registrars. They may also be enforced through any civil court if the Registrar so requires.

Offences under the Act:—Sec. 60 treats certain defaults

and negligence of the provisions of the Act as offences. Sec. 61 provides penalties for such offences, and Sec. 63, Cl. (1) gives power only to Magistrates of First Class or a Presidency Magistrate to take cognisance of the offences, Cl. (2) makes the offences non-cognisable, and Cl. (3) requires the previous sanction of the Registrar before lodging prosecution. The latter provisions are intended as safeguards against indiscriminate prosecutions. Similar offences are recognised under the English Acts.

Appeals:—Sec. 64 brings together under a single head, the provisions for appeals against the orders and decisions of the Registrar refusing registration of a society (Sec. 10), or the amendment of its by-laws (Sec. 16), or against orders made in the course of winding up of a Society (Sec. 47); such provisions for appeals were made in the India Act of 1912 by the Rules under it and by some of its sections. Sec. 64 also provides an appeal against the Registrar's order under Sec. 45 awarding the costs of an enquiry, or an order assessing damages under Sec. 50 A, or against the decision made by himself as an Arbitrator under Sec. 54, not being an appellate decision under Sec. 56.

Revisional Powers:—Sec. 64 A, gives power to the Government and the Registrar to call for and examine the records of any enquiry or proceedings, conducted by any officer subordinate to them, and to pass such order thereon as may be deemed fit.

Branches of a Society:—Sec. 69 enables a society to register its branches established outside the Presidency by filing a certified copy of its by-laws with the Registrar of the province concerned.

Notice of a suit against a society:—Sec. 70 requires that no suit shall be instituted against a society or any of its officers, unless two months' written notice thereof is given to the Registrar.

CHAPTER X

PRODUCERS' CO-OPERATION IN EUROPE

EARLY EFFORTS: Co-operative Communities—Union Shops—Labour Exchange—Workmen's Associations of France—Labour Redemption Societies of England—Self-Governing Shops of England—LATER EFFORTS: The Acts of 1852 and 1862—The Co-operative Productive Federation—Sharing of Profits—The Labour Co-partnership Association—Government support in France—Cab-drivers' Societies of France—Nature of other Societies—Reasons of success in France—Producers' Societies in other countries—Godin's Familistire of Labour Co-partnership—Leclaire's Mutual Aid Society—Advantages of the two systems—The main characteristics of Producers' Societies.

Early Efforts: Co-operative Communities:—Production is the beginning of things, though its end is distribution. Stray instances of co-operation for production are given by writers as having taken place about the end of the eighteenth century, but serious efforts date from the beginning of the nineteenth century. France is said to have taken a lead in this branch of co-operation. Fourier (1772-1837) and his disciples started the co-operative communities known as Phalanstere from about 1820, and the self-supporting colonies were started in England on Robert Owen's principles from about 1825, for the production of articles to supply each other's wants. The Orbiston Community near Glasgow, was started in 1825, the Ralahine Community in Ireland in 1831 and the Queenwood Community in Hampshire in 1840. These were all financed by some philanthropists, and came to an untimely end by 1845 in both countries.

Union Shops:—From 1834, other types of societies of producers were started in France by Buchez (1796-1865), and in England from 1827 under the inspiration of Owen, the most interesting of which are those known as the Union Shops. The members in these shops began by buying provisions wholesale, and retailing them to themselves at current prices; the difference became capital, and as soon as possible, one member was set to work to make boots, another clothes, and so forth, until ultimately the society should have capital enough to take land and form a community.

Labour Exchange:—To overcome the difficulty of finding a market for goods a new experiment known as Labour Exchange was tried in 1832 with branches at some places. It was of a different character from the modern Labour or Employment Exchanges. The Labour Exchange of Owen was for the direct exchange of the products of labour, according to the amount of labour expended in making them, without the intervention of money or the expenses of the ordinary machinery of distribution. But the Exchange itself became overstocked with unsaleable goods and was closed in 1834, and the shops and associations also came to an end in the same year.

Workmen's Associations of France:—A second stage in this line commenced when, after the Revolution of 1848, Louis Blanc and Buchez started the Associations Ovrierers or Workmen's Associations in France which promised a better chance of success. They were financed by the members' subscriptions.

Labour Redemption Societies of England:—In England, those known as Labour Redemption Societies were established at Bury, Norwich and at three other places about 1850. They were capitalised by subscriptions of members collected at the rate of one penny per week.

Self-Governing Shops of England:—The Workers' Associations inspired a band of Social Workers in England, known as Christian Socialists, to help the labour movement in various ways. They encouraged the starting of the Self-

Governing Shops, the members themselves providing the capital. The Christian Socialists helped them largely with their own money at cheap rates of interest. A Society for Promoting Working-men's Associations was also founded by them in 1849, and a number of associations of tailors, builders, boot-makers, printers, smiths, etc. were started. Unfortunately these associations did not meet with any lasting success. They, like their predecessors, suffered from the disadvantages of not being able to limit their liability, and from the disability, under the Friendly Societies' Act of 1846, of not being able to sell to non-members. The workers themselves were not yet ready for self-government in industry, and all of them talked too much of rights, and thought too little of duties.

Later Efforts: The Acts of 1852 and 1862:—The legal barrier to success was removed by the passing of the first Industrial and Provident Societies' Act in 1852, and the formation of such associations was stimulated by the second Act of 1862, which allowed one society to hold shares in another. A number of Producers' Associations were formed thereafter with varying degrees of success. Co-operative Stores became interested in their development and took shares in one or more of them, and provided an assured market for their goods.

The Co-operative Productive Federation:—A Federation under this name was formed in 1883 to bring the separate productive societies into closer connection with one another, to assist them in selling their goods, and to try to prevent any competition between them. It keeps the ideals of Christian Socialists before the federated societies, relating especially to the right of the worker employed in the Association to take up shares in it, if he wishes to do so, the right of all workers who thus become members to share in the management of the workshops, and the right in the distribution of profits.

Sharing of Profits:—The distribution of profits in a typical society takes the following course. After expenses are paid, including a settled rate of interest on capital, and provision is made for education and other agreed charities, one portion of the profits goes to the workers in proportion to the wages paid to each, one to the purchasing co-operative societies as dividend on purchases, and some portion is carried to the reserve.

The Labour Co-partnership Association:—In 1884, this Association was established to carry on propaganda for spreading knowledge of the principles of the productive associations. Such societies thereafter began to be called Co-partnership Societies, although the term "Producers' Associations" is still used to describe them.

Government support in France:—The Producers' Movement in France took a different direction. Since the Revolution of 1848, Government recognised the right of workmen to join together in order to secure the profits created by their labour. Though most of the societies were founded by the spontaneous action of the workmen in various crafts, they were helped by money grants, and articles prepared by them were bought by Government Stores. Most of the societies, however, failed on account of lack of discipline and want of prudence in management. Only 16 survived in 1863. In 1867, a new law was passed recognising co-operative societies as societies with variable capital. In 1884, there were about 60 societies in existence. In 1893, a Bank for financing Producers' Societies was founded, which gave fresh impetus to the movement. A federation of Producers' Societies has also been formed which gives advice on all matters which concern them. The number of societies was more than 496 in 1906, and 700 in 1919.

Cab-drivers' Societies of France:—The most interesting class of societies in France is that of Cab-drivers meant for common possession and use of machinery and materials of their trade. The largest of them, known as the Union D'Cochers, owns stables, horses, carriages and harnesses, and commands a large business.

Nature of other societies:—Other societies in France are of Bakers, Brewers, Printers, Producers of Chemicals, of Paper, of Shoe-makers, Textile Producers, Clothiers, Metal-workers, Locksmiths, Carpenters, Painters, Builders, Masons, Stone and Glass-workers, etc.

Reasons of success in France:—The reason why the movement is flourishing in France is threefold. First, they obtain cheap loans from the Co-operative Bank of French Societies of Workingmen Producers at 2 per cent. interest. The workers' societies are the members of the Bank, as in the case of English Productive Federation. The business of the Bank is: (a) to make definite advances for work done for private customers, but not yet paid for; (b) to discount trade bills of exchange; (c) to open current accounts; (d) to make long-term loans for the extension of business, provided, however, these loans do not exceed one-tenth of the capital and reserve; (e) to supply the caution moneys demanded for public contracts. It may be noted, some private well-wishers have made large donations in aid of such societies, placing them at the disposal of the Bank. Secondly, the State has made gifts to individual societies, especially those which are labouring under difficulties of recent formation or under special crises. Thirdly, they enjoy preferential treatment by the State in tendering for Government and municipal contracts.

Producers' Societies in other countries:—Societies in other countries have not shown any marked development except in Italy. In 1902, there were in that country 25 Co-operative bakeries, 153 Industrial Societies of Printers, Potters, etc., and as many as 454 Labour and Public Societies which form the peculiar feature of that country.

Godin's Familistire of Labour Co-partnership:—Another

type of co-operative production society is the Familistire founded in France by Godin (1817-1888) at Guise in 1879, on the principle of a partnership of capital, labour and ability. Godin did not hand over the ownership and management of the factory to the workmen, before they were well educated and grounded in the principles and methods laid down by him. The workers had to pass through four stages. In the first stage, they were merely employees with a right to a pension and insurance against illness and accidents. In the second stage, they became profit-sharers, the profit being calculated according to their services. In the third stage, they received 50 per cent. more profits. In the fourth stage, they became full members. The Committee of Management was composed of heads of chief departments, with 3 members elected by all members. Profits were not paid in cash, but in savings certificates, on which they could draw 5 p. c. interest in cash. On retirement of a member, he could receive the amount of his certificates. In the Familistire, Godin provided stores, schools, a theatre and study groups, and in fact, made it an ideal town. At the time of Godin's death (1888), the annual output of the works was 4 million francs, and in 1909 it was doubled, and the employees numbered over 2000.

Leclaire's Mutual Aid Society:—Another experiment made in France, on somewhat similar lines, was that of Leclaire, known as Mutual Aid Society started in 1838, which also carried out the reform in stages, so that the workers served an apprenticeship in their craft as well as in administration.

Advantages of the two systems:—The methods adopted by Godin and Leclaire offer a solution of the problem of giving the control of industrial concerns to workers who are not well educated either in a cultural sense or in business administration. The adoption of these methods in England would have averted the failure of many productive concerns.

They also show that philanthropic idealism can succeed, if conducted on prudent lines coupled with regular education of the workers.

The main characteristics of Producers' Societies:—The main characteristics of producers' co-operation in European countries are that it rises above the individualistic conception to be met with in resource societies, and the collectivistic ideals of the consumers' movement. Its ultimate aim is the expropriation of private ownership and private property. Nevertheless, it stimulates individual effort and enterprise, each member working for the good of all, with the prospect of receiving the reward of his efforts. The societies are, however, capable of full development only where the artisans as a class are educated as in France.

CHAPTER XI

PRODUCERS' CO-OPERATION IN INDIA

Its rudimentary form—Scope of the Subject—Cottage Industries—Secondary Occupations of the Agriculturists—Fisheries and Forest Industries—The main surviving cottage industries—People engaged in them—The system of Producers' Societies in Europe—Help to individual artisans in European Countries—Want of facilities in India—Weavers' Societies—Instances of Federations—Societies of other industries—Societies of Women—Threefold difficulties of the Industries—State Aid—Organisation of Trade—What Co-operation can do—Industrial Exhibitions—Industrial Bank—Obligation of the State—Importance of Cottage Industries to Agriculture.

Its rudimentary form:—Producers' Co-operation in India is yet in a rudimentary form. The main purpose of the Indian Co-operative Act was to help the agriculturists, and all efforts were, for a long time, and even now are, being to a large extent, concentrated on helping the agriculturists.

The fact that the plight of the artisan class was as bad as that of the agriculturists began to be realised in recent years, and some half-hearted efforts are being made to apply co-operative methods in their case. In order to understand the problem fully, it is necessary to describe the nature of the small industries, the co-operative method at present applied to them, and the kind of help required for their improvement.

Scope of the subject:—It is recognised that the large scale industries are beyond the scope of being organised co-operatively on behalf of the workers themselves. Hence our attention is to be confined only to the application of co-operation to small industries carried on by people in their homes.

Cottage Industries:—Cottage industries are those which produce articles of use on individual or family system of production with little or no division of work, in contrast with the system of factory production, where the division of labour is carried to a high state of perfection. Some cottage industries are carried on by people engaged in them as their primary occupation, while some are taken up by the agriculturists as their secondary occupations.

Secondary occupations of the agriculturists:—The secondary occupations that are fit to be taken up by the agriculturists, mostly relate to: (1) animal husbandry, such as dairying, poultry farming, bee-keeping, rearing of silk or eri worms, etc.; (ii) processes for converting the produce of the field into a better marketable product, like gool-making, paddy-husking, cotton-ginning, oil-pressing, and the like; (iii) some small industries, catering mostly for local wants, and not requiring much skill, and for the conduct of which raw material is locally available, such as spinning of cotton and wool, weaving of a simple kind, rope-making, basket-making, and so on. It may be noted that these, or at any rate those mentioned in (i) and (iii) are of the nature of cottage industries, though more useful to the agriculturists as secondary occupations.

Fisheries and Forest Industries:—Fishery cannot be classed under cottage industry, nor can it come under the category of agricultural industry. It has, therefore, an independent place between the two. All the same, it is an industry, capable of being organised co-operatively. Some processes such as manufacture of fish-oil, fish-manure, canned fish, etc., come under the category of cottage industries. There are also some forest industries, such as the production of lac, extraction of charcoal, wood-oils, etc., and though they may not be cottage industries, they are capable of being organised co-operatively.

The main surviving cottage industries:—India at one time was known as the cradle of cottage industries. But with the rapid march of factory industries, most of them have perished, and a few are in a decadent condition. The main cottage industries that have still survived may be classified under the following categories: (i) Textile industries, whether relating to cotton, silk, wool or fibre, among which hand-loom weaving takes the lead; the others being: calico printing, dyeing, etc.; (ii) Industries relating to ornamentation, of which embroidery is the most important; (iii) Industries relating to precious stones, precious metals, jewellery, etc.; (iv) Metal works, dealing with all but precious metals, such as those carried on by copper-smiths, brass-smiths, black-smiths, etc.; (v) Fine arts, such as carving in wood, ivory, stone, etc.; painting on different materials; (vi) Wood-work, including carpentry, furniture and cabinet making, etc.; (vii) Pottery and ceramic wares; (viii) Leather works; (ix) Building industries; (x) Other industries not included in the foregoing classes.

People engaged in them:—People engaged in these industries may be divided into three classes: (i) those working on their own account and selling their finished articles themselves; (ii) those working in their own homes on behalf of some merchant or dealer, receiving wages on the piece-work system for the work done by them. They generally receive the raw materials from the merchants who give them the work; (iii) those working in small *Karkhanas* or factories under an employer, generally known as the *Karkhandar*, and receiving wages on the time-scale, somewhat on the lines of the workers employed in large scale industries.

The men falling under the first category are gradually losing ground and are more or less drifting into the other two. The distinction between the men in the second and the third categories is that, in the case of the former, they work in their own homes and can get the services of their females and adult children, while if they fall under the third category, they have to work as labourers in the *karkhana* or work-shop under the eye of the employer.

It is only a few main industries that have reached the stage of *Karkhanas* or work-shops, and that too, in important centres of industries. A large number of artisans are still carrying on their trade on their own account. But they are wholly in the hands of the money-lenders, who charge exorbitant rates of interest. The latter also supply raw materials and purchase the finished articles at prices dictated by themselves. These transactions leave little margin to the worker, who having a running debt with the merchants is obliged to deal with them, without being able to take recourse to the competitive markets.

The system of Producers' Societies in Europe:—The Producers' societies started in Western countries are, no doubt, intended to help cottage industries, but their method is based on certain socialistic principles, doing away with the idea of private ownership and private property as far as the industry dealt with is concerned. The society owns the whole factory or shop collectively, and obtains capital partly by shares from members and partly by loans from outsiders or a bank. It purchases raw materials wholesale, and the members do not work on the individualistic, but on a collectivist system. Each member is paid a wage on a scale fixed by the Committee, and the profits remaining, after paying a fixed interest on borrowed capital, and the contribution to the reserve, are divided among the members in proportion to the wages received by them. No society of this type has been started in our country, and the few experiments tried in that direction have ultimately failed. Perhaps, the genius of our people is inclined more towards the individualistic system of economic organisation than towards the collectivist. It must, however, be noted that even in the case of producers' societies in Western Countries the problem of marketing has always been a stumbling block. The success of such societies in France and Italy is due to the fact that Government have come to their rescue by supplying liberal finance and by purchasing the articles produced by them for civil and military stores and also for Municipalities. In England, the producers' societies have been largely helped by the co-operative stores, both by supplying capital and by purchasing their articles.

Help to individual artisans in European Countries:—In European countries a large number of artisans, not displaced by factory industries, ply their trade on their own account, in their homes, and obtain financial help either from a joint-stock bank or a co-operative bank in the following manner:—

The artisan concerned draws a bill on his bank, maturing for payment generally after 3 months. The bank discounts the bill, and with the amount so drawn he purchases the raw material required for his industry, prepares the finished goods within that period and sells them to a merchant. The merchant in his turn draws a bill on the bank, maturing after 3 months, and payable to the artisan concerned. The latter discounts it, pays back his own bill and the balance,

being his profits, becomes available for his use. If more money is required for his trade, he goes on with the same process of drawing a bill. The merchant, on the other hand, sells his goods within the period of maturity of his bill and repays it to the bank. In Scotland, the cash credit system has had the marvellous effect in mobilising the skill and the credit of the artisan and the trader in that country.

Want of facilities in India:—In India, the European type of producers' societies are almost impossible by reason of lack of education among the artisans, and the absence of trade facilities, especially for the sale of finished goods. On the other hand, the absence of banking facilities has hampered individual enterprise, there being very few well established co-operative town banks, and the joint-stock banks in our country confine their operations to large cities and open branches only in big commercial centres. Even where co-operative town banks exist, the system of usance bills has not been developed, the banks merely doing the business of advancing loans.

Weavers' Societies:—The first attempt made to help the artisans on co-operative lines was by starting credit societies for them, as in the case of weavers, who were the first to arrest attention. The hand-loom industry has still a large hold on the country, lakhs of people being found eking out a precarious living out of it. About 50 to 100 credit societies were started in several Provinces, and in some even a bigger number. But they were unable to render the full measure of help, as the members were still under the thumb of the shop-keeper in regard to their trade. Later on, the system of wholesale purchase of yarn was introduced wherever possible, and in some cases the purchase of finished articles by the society. But societies were unable to do this kind of work successfully singlehanded. Attempts were next made to form Unions or Federations of societies for purposes of trade. But these too did not attain much success, as the work was conducted by persons who were not experts in the line. The Industrial Department in the various provinces renders help by introducing the flyshuttle loom among the weavers or giving some technical advice to the industry, but takes no part in organising their trade.

Instances of Federations:—The following are a few instances of federations of weavers' societies. PUNJAB: the Co-operative and Industrial Bank of Amritsar was started having societies only as share-holding members, the majority being the weavers' societies, the Bank paying no dividend. Its working capital in 1929 was over 5 lakhs. It does the wholesale trade of supplying yarn, and helping the sale of finished articles. It is being assisted by a whole-time Government staff. Though the enterprise has not achieved marked success, it deserves to be watched with interest. BIHAR and ORISSA: the Weavers' Co-operative Store of Bhagalpore, formed somewhat on similar lines, ran into a loss of Rs. 77,000. The three Home Industries' Associations for weavers in the same province also ran into a loss. CENTRAL PROVINCES and BERAR: the Weavers' and Industries' Association is still in the state of an experiment. BOMBAY: the two weavers' Unions, one at Hubli and the other at Sholapur are not very successful. The Maharashtra Industrial Co-operative Agency formed in 1930 is a novel experiment. Among its members are individuals engaged in industries, co-operative industrial societies, and also a few industrial joint-stock concerns registered under the Companies' Act. At present the concern helps its members with loans for their working capital with the help of a cash-credit loan obtained from the Poona Central Bank, and proposes to set up shops and sale agencies in the future. At present a shop is opened in Poona where articles of the embroidery society are sold. BENGAL: Co-operative Industrial Unions have been formed in the districts of Dacca, Bankura, Nadia, Chittagong, Naskhate and Rajshahi. The Bengal Provincial Co-operative Industrial Society recently formed has taken over the management of the Central Sale Depot at Calcutta. UNITED PROVINCES: the two industrial co-operative central societies are intended to supply raw material to societies. At present they supply yarn to weavers' societies; but they are not working satisfactorily. MYSORE: The formation of a Central Weavers' Emporium is under consideration.

Societies of other industries:—Efforts are also made to bring co-operation within the reach of a few other industries, but they chiefly consist in forming one or two societies of the trade concerned, such as of shoe-makers or leather workers, metal workers, carpenters, wood-carvers, printing presses, toy-makers, conch-shell workers (as in Bengal), coir-makers (as in Bombay, Madras, Cochin and Travancore), paper makers (in Hyderabad Dn.), sandle wood carvers' societies (in Mysore), fishermen societies (as in Bengal, Bihar and Orissa, Travancore, Cochin, Madras and Bombay).

All these are isolated societies without any kind of co-ordination. In Bengal, the Home Industries Association at Calcutta, and the Industrial Union at Dacca were started to render assistance to various kinds of industries; but they were not able to secure expert guidance for the conduct of their work.

The silk industry occupies an important place in Mysore, Kashmir, Bengal and Madras. But no sustained efforts are being made to bring it under co-operation. In Bengal, however, 65 cocoon weavers' societies are formed, and the silk union of Malda is trying to co-ordinate their efforts.

The Gold Thread Industry of Surat employs more than 10,000 men, and produces every year articles worth more than a crore of rupees, or more than 4 crores, if the price of cloth on which the gold thread is mounted be taken into account. Though the industry is confined within a compact area of the city precincts, it still remains untouched by co-operation. A society has, however, been started in Poona for the people engaged in the industry.

Societies of women:—In the Bombay City, there is a society formed by middle class women who prepare articles of needlework, embroidery and children's dress. The society supplies the materials and makes attempts to sell the articles. The sales are not very satisfactory. In Bengal, 5 women's societies are formed; they merely teach the members some trade, such as tailoring, needlework, etc., calculated to give them employment.

Threefold difficulties of the Industries:—The difficulties in the way of Indian industries are the following: (i) insufficiency of the working capital, (ii) unregulated trade, both regarding the purchase of the raw material and the sale of finished articles, (iii) want of expert guidance, both regarding the technique of the industry and that of its trade. Efforts to solve any one of these difficulties will be ineffectual unless all are tackled together. It is impossible to expect the persons engaged in the industries to devise the means of overcoming the difficulties due to their illiteracy, which again forms the fourth difficulty. Help must, therefore, come from outside, and the only agency which can give effective aid is the State.

State Aid:—The Indian Industrial Commission appointed by Government in 1916, in its report published in 1918 made the responsibility of the State in this matter quite clear. Government has, no doubt, established a Department of Industries in every province; but this department, being concerned with large-scale or factory industries as well as the cottage industries, and having an inadequate staff, is not in a position to pay sufficient attention to either.

The Governments of Madras, Bihar and Orissa and Mysore have passed the State-aid to Industries Acts. In the

Punjab the Industrial Loans Act has been passed. But we are not aware of any effort made for the encouragement of industrial societies as a result of these measures.

The Madras Government appointed in 1927 a special officer to make detailed survey of cottage industries in the presidency. The exhaustive report made by him was examined by a special committee appointed by the Madras Legislative Council. This Committee made valuable suggestions, the following being some of them: that an emporium be established in Madras as is done in other provinces like Bihar and Orissa, Assam, Punjab, Central Provinces, and Mysore; that it should be a museum, an information bureau, a sample depot, and a wholesale agency; that government be requested to obtain, as far as practicable, their requirements of cloth from cottage workers; and that a business organiser be appointed to study the market conditions in order to find a ready sale for hand-woven goods. It is not known how far government will accept these recommendations.

Organisation of Trade:—The most important aspect of the subject is the organisation of the trade, and even here the sale side is more important than the supply. This work cannot be satisfactorily done by haphazard methods. It requires the appointment of a market expert, as is suggested by the Madras Committee. A technical advisor will also be necessary, but the marketing expert must precede him, for the duty of the technical expert will be to improve the quality of production as well as the output of the articles by the introduction of labour saving appliances etc., and his efforts will only be appreciated if there is a good market for the articles produced.

What Co-operation can do:—Co-operation can help the industries by organising societies. Where town banks exist, an artisan can borrow from them. In the case of societies, they can borrow from Central Banks. But facilities for trade do not exist, especially in regard to sale of finished goods. It is worth considering whether this work could be pushed on for the present by entrusting it to the out-door staff of the financing Banks. In the United Provinces, the Inspectors of the Department secure orders and pass them on to Weavers' Societies. But measures like these can at best be considered as temporary, and would nevertheless be welcome till some permanent arrangement is made.

Industrial Exhibitions:—Some Co-operative Conferences hold an industrial exhibition as a side-activity. It would be much better if every conference were as a rule to hold such an exhibition, without confining it to co-operatively organised industries, but extending it to all small industries in the neighbourhood. This step will afford wide advertisement to the industries.

Industrial Bank:—Some propose that separate co-operative industrial banks should be started with the object of affording facilities of finance as well as of trade, both to the individual artisan and to industrial societies. Such a bank to ensure success will have to entertain not merely experts in banking, but also experts in trade and in the technique of the industry. Such triple responsibility might be found to be too heavy for a bank to shoulder. A bank may, no doubt, make advances against stock, and may even undertake purchase and sale on agency basis. But outright purchase of articles seems to be beyond its scope. If the bank undertakes to finance the starting of industrial concerns, it will require long-term capital to be raised by debentures, and its success will only be possible with Government help, as in the case of Mortgage Banks.

Obligation of the State:—The support from the co-operative movement cannot go a long way, though it might be able to achieve something where nothing is done at present. Substantial help can only come from the State, which by rendering it in the right way merely fulfils its obligation.

In the United Provinces, three Inspectors are appointed under the Registrar, one to look after the weavers, one for leather workers, the third to encourage agricultural subsidiary industries. In the Punjab, recently a staff is appointed under a Deputy Registrar consisting of one Assistant Registrar, 5 Inspectors, 20 Sub-Inspectors and 3 Supervisors to look after industrial societies. Their work will be watched with interest. But a larger trained staff is necessary in all provinces not merely to organise the various industries, but also their trade.

Importance of Cottage Industries to Agriculture:—Encouragement of cottage industries is required from another point of view. Many families who once were engaged in them, on finding their occupation gone as a result of the competition of factory industries, have fallen back on land for their subsistence, with the result that there are at present more men engaged in agriculture than it can support. Even as early as 1880, the Famine Commission of that year observed in its report that the number of people engaged in agriculture was far more in excess of the number than it could support. Every decennial census taken thereafter has been showing a further increase in that number. The problem will become more and more acute with the further increase of population. If the cottage industries can be made to attract a larger number of people than at present, they will be a great source of indirect help to agriculture, and both industry and agriculture will prosper better than at present.

CHAPTER XII

CONSUMERS' CO-OPERATION IN EUROPE

I. The Co-operative Store.

Elimination of middlemen—The Rochdale Pioneers—Failure of previous experiments—Rochdale Plan—The Beginning of work—The method adopted—The position of Women—The Principles of Rochdale System—Application of Profits—Dealings with Non-Members—A year's Progress—Personal Interest of Members—Beginning of Production—Spread of the Movement—Removal of legal difficulties—The Wholesale Societies—The Co-operative Union—Other activities of the societies—Penny Banks—Co-operative House Building—Advantages of the Store Movement—Progress in other countries—The Features of Continental Stores.

Elimination of middlemen:—The word "Consumer" is an economic name for humanity, for, there is not a single human being who does not consume some goods or other. The relations between the "Consumer" and the 'Producer" should therefore be most close and cordial, for one cannot exist without the other. Yet, in the modern conditions of the world, the two are often found assunder and are only linked together by a hierarchy of middlemen, who at each stage levy a toll on the consumer for the mere service of bringing the goods to his door. It is not in high price alone, but in short weights, adulteration of food, and inferior quality of goods, that the consumer is despoiled. Various plans were tried to eliminate the middlemen, but the one tried by the twenty-eight weavers of Rochdale was found to be the most successful.

The Rochdale Pioneers:—The Rochdalers were very poor, but were rich in the possession of four great virtues—courage, common-sense, patience and faith in effort. These are the qualities which ensure success in human endeavour.

It was in 1844 that the twenty-eight flannel weavers of Rochdale, including one woman, opened a small store of groceries, in an insignificant corner of that town known as Toadlane, with barely £28 as its working capital, but with a great fund of zeal. How by the exercise of patience, perseverance and economy this small grocery shop helped the development of the present Consumers' Movement is history of absorbing interest.

Failure of previous Experiments:—From the beginning of the 19th century, the high price of food turned the attention of working people in England to the economy of food supply. Previous to 1824, there were only stray experiments made here and there. But between 1824 and 1844, a series of them were tried under the inspiration of Robert Owen who "set men's minds upon the track of co-operation". Almost all these earlier experiments failed through financial difficulties, brought about by underestimating the cost of management, the accumulation of profits being regarded with a loathing, and by allowing purchases to be made on credit.

Rochdale Plan:—Howarth, one of the pioneers, conceived the plan of selling goods at current prices, and dividing the savings effected among the purchasers in proportion to the amount of their purchases, after deducting the cost of management, and allowing a small rate of interest on capital. No credit being allowed, the losses from unpaid debts were avoided.

The Beginning of work:—The Pioneers collected capital by subscribing a share of £1 each, paying it by instalments of 2 d. and 3 d. per week. They waited till the shares were fully paid, and then began operations with only five articles—butter, sugar, oatmeal, candles and flour.

The Method adopted:—They insisted upon the principle of cash payment, and gave full weight and measure and good quality. Additional money, when required, was borrowed only from members at a fixed rate of interest. Their constitution provided that the government of the society should be controlled by members through a committee elected by them, that each member should have only one vote at the general meetings of the society, and that the balance sheet should be presented at quarterly meetings to enable members to examine the financial position of the society at regular short intervals. The savings effected in trading were to be divided into three parts, one to be given to the members in proportion to their purchases, another to be set aside for the reserve fund, and the third to be allocated for educational purposes. Later on, however, $2\frac{1}{2}$ p. c. of the profits were carried for education. Members were encouraged to leave the dividend with the Society as deposit or share capital—a device which proved highly successful in automatically increasing, on the one hand, the capital of the society, and on the other, in accumulating the savings of the members, thus proving a source of imperceptible thrift. A member was at liberty to withdraw his shares at par, except one share to entitle him to membership.

The position of Women:—Women had equal rights in the Society's affairs—a contrast to the German system where women, until very recently, were not allowed to have a place on management, nor even a vote at the general meeting. In fact, the English Co-operative Movement owes much to the loyalty of its women. They were staunch and true to their own shop, and their children, too, were taught to be loyal to it. It is worthy of notice that about a generation before the Married Women's Property Act was enacted, Co-operators recognised the equality of the sexes in the matter of shareholding and investment, and gave women their legal rights.

The Principles of Rochdale System:—The principles of the Rochdale System may be summarised as follows: (1) It keeps the Store open to all; (2) places no limit on the number

of members nor on the extent of the share capital; (3) sells at the prevailing market price; (4) sells articles of genuine quality of full weight or measure; (5) requires cash payments and gives or asks for no credit; (6) gives dividend in proportion to purchases; (7) gives only interest on share money but no dividend; (8) requires every member to hold one or more shares, the share amount being payable by instalments; (9) gives each member only one vote irrespective of the number of shares held by him; (10) gives equal rights to women both in voting and in administration; (11) sets apart a portion of the profits for education.

Application of Profits:—According to the model rules published by the Co-operative Union, profits are allotted in the following order:—(1) Interest on loans and deposits; (2) reduction of fixed stock; (3) reduction of preliminary expenses (this should not last beyond a year or two); (4) interest on share capital; (5) reserve fund; (6) education fund; (7) subscription to the Co-operative Union; (8) Social and other purposes; (9) dividend on purchases and bonus to employees.

Dealings with Non-members:—Sales to non-members are not prohibited and the general practice is to give to such purchasers half the dividend given to members. They are encouraged in the hope that they will become members.

A Year's Progress:—The Rochdalers worked their Store in full faith and with stout hearts and by supplying goods of genuine quality and just weight at a fair price. New members were soon gained, and within a year the membership numbered 74 and the trade amounted to £710. The number of articles sold were increased and the trade grew steadily.

Personal Interest of Members:—The fact that the government of the society was controlled by the members, and that men and women who joined it had one vote, and one only, helped to increase the interest of members in the society and their feeling of personal responsibility for its success.

Beginning of Production:—Production was always kept in view by the Pioneers as soon as the necessary capital accumulated. Shoe-making and tailoring departments were added in 1852, and thus a beginning was made in the manufacture of some of the goods required by members.

Spread of the Movement:—The success of the Rochdale Store, notwithstanding many vicissitudes, led to the establishment of similar stores in other parts of the country, and in 1851, there were 130 stores in the north of England and the Midlands of Scotland.

Removal of legal difficulties:—One of the difficulties which the early co-operative societies, started either for production or distribution, had to contend against was the fact that the law gave no protection to them. With the help of a band of social workers, known as Christian Socialists, an Act was passed in 1852 known as the Industrial and Provident Societies' Act, whereby the Societies obtained the status of legal corporations. But the law did not allow limited liability, nor did it permit one society to hold shares in another. These drawbacks were removed by the Act of 1862.

The Wholesale Societies:—In order to overcome the difficulties arising out of the dealings with wholesale dealers, the retail Societies in England established the Co-operative Wholesale Society in 1863, and those in Scotland united to form the Scottish Wholesale Society in 1868.

The Co-operative Union:—All the Societies in England and Scotland have combined to establish the Co-operative Union (1869), for mutual support, propaganda and education.

Other activities of the Societies:—By the removal of the legal difficulties and the facilities offered by the Wholesale Society and the Co-operative Union, the number of societies

and the volume of their trade began steadily to increase. With the increase of trade, various other activities were taken in hand. The prosperous societies opened production departments of their own, especially bakery, flour-milling, boot and shoe-making, tailoring, millinery and the like. Some even have purchased estates to grow vegetables or to keep poultry and pigs. Most societies have established provident and convalescent funds, have made provision for sick-room appliances, and are giving facilities for health and life-insurance. Besides these advantages, which many societies provide for their members, the following require special mention.

Penny Banks:—A considerable number of societies have established Penny Banks which are usually worked as a department of the societies. Small deposits are received, and as a rule about 4½ p. c. interest is paid. These banks are specially popular with juvenile co-operators, for whom they are principally intended, but adults also are allowed to make use of this opportunity for saving small sums. In 1920, the deposits received by these Banks were calculated as totalling £4,363,480.

Co-operative House-building:—One of the most important activities of the societies is the provision of dwelling houses for the use of their members, which was made possible by the increase in the amount of capital. In 1920, the sum invested by societies in house property was estimated at £8,851,448. The plan adopted is either that of the Building Society or the Hire-purchase System.

Advantages of the Store Movement:—The stores have done much for the advancement of thrift and the promotion of social amelioration and material prosperity of the working classes and as schools for business management and self-government. A great number of people have not the strength of mind to put by petty savings out of small earnings. To them the store became a medium of saving without laying by anything and of accumulating money without paying anything out of their pockets. This is the moral and social discovery made by the Co-operative Store. Its educational value is equally great. A large number of men and women are being trained in habits of business, in the powers of united action and organisation, and in taking a better part in their responsibilities as citizens. Thus, by its manifold activities, the Consumers' Movement has established the superiority of co-operation over competition.

Progress in other countries:—The Store Movement has spread to other countries, notably Germany, Denmark, Italy, Hungary, Holland, Finland, Russia, America, and recently Ireland. In some countries, Co-operative Eating Houses are established as in Finland, Denmark and Holland. In Great Britain, some of the larger Stores open branches for this purpose. The popular pharmacies of Belgium afford an instance of specializing the store principle for a special kind of business. These Pharmacies are federations of small "mutualites" or friendly societies. They have done a great work for the Belgian working people. While reducing the prices of medicines by at least 50 p. c., they have been able to make 100 p. c. dividends. In some cases the Stores have their own pharmacies attached.

The Features of Continental Stores:—The features of the Stores in other countries are very nearly the same. They all deal with household necessities, and very few luxuries. In some European countries beer and wine are dealt with, but the stores in England and Scotland rarely touch this trade. One important feature of the Store movement in most countries is that it has a natural tendency to identify itself with the Labour movement. In Belgium, the Store movement is socialistic. In Denmark, it is rural rather than urban, and has advanced side by side with agricultural co-operation. In Finland, it has taken a rural turn. In all

countries the stores form their federations for wholesale supply. In most rural districts, the supply of domestic and agricultural requirements are combined in the same organization, and as they cannot work on cash business, the building up of the reserve fund by larger contributions becomes more important in their case.

CHAPTER XIII

CONSUMERS' CO-OPERATION IN EUROPE *(Contd.)*

II. Federations of Stores.

The Rochdalers' Ideals—Difficulties of societies in wholesale trade—Co-operative Wholesale Society—Work of the C. W. S.—Banking—Manufacture—Steamships—Purchase of Estates—Convalescent Homes—Insurance—Building Department—Audit Department and Stock-taking Department—Publication of Magazines—Work of the S. C. W. S.—Joint operations of the two Wholesales—Condition of Workers in the Factories of the two societies—Method of business—Administration of the two societies—The Irish Wholesale—The Co-operative Union—The Women's Co-operative Guild—National Men's Co-operative Guild.

The Rochdalers' Ideals:—To the pioneers the store was not an end in itself, but merely a means towards the realization of more important objects, namely, the improvement of the housing conditions of the members, reduction of the evils of unemployment and low wages, manufacture of articles required by the members, acquisition of estates for cultivation so as to provide employment to members, promotion of temperance, and finally, establishment of a self-supporting home colony of united interests. Many societies individually have been striving to attain these ideals. We will now see what efforts they made to attain them collectively.

Difficulties of Societies in wholesale trade:—When the Co-operative stores became more prosperous they had more ready money at their command and could buy in large quantities, and therefore more cheaply than they could at first. Private trades people became jealous of them and refused to deal with wholesalers who sold to the stores. Another difficulty was that when the buyers on behalf of the stores went into the wholesale markets, they competed against each other and thus raised prices. Besides this, the buyers of most stores were inexperienced men who did not understand the qualities of the various commodities, or where best to purchase them, and the intricate customs of the wholesale market. It was, therefore, felt that united action on behalf of the stores was needed, and accordingly, mainly with the help of the Christian Socialists and of Mr. Abraham Greenwood of Rochdale, a Wholesale Society was started known as the "North of England Co-operative Wholesale Society".

Co-operative Wholesale Society:—The Wholesale Society was subsequently registered as the Co-operative Wholesale Society in 1863, to which the retail societies of England are affiliated. In like manner, the Societies in Scotland established in 1868 the Scottish Co-operative Wholesale Society. The former is abbreviately known as C. W. S. and the latter as S. C. W. S. These two societies have been very successful. They have adopted the Rochdale plan as the main basis of their trading and for the general conduct of their work. Thus, from the humble beginnings of the Rochdalers, can be traced the foundations of the large Consumers' Movement of Great Britain.

Work of the C. W. S.:—The capital of the Wholesale is subscribed by the societies, each of them taking up shares in proportion to its membership. Only Societies are its

members. Goods are sold to the Societies at ordinary market prices, dividing the surplus among them in proportion to their purchases. Business was commenced in 1864 in a hired building, and after a time a plot of land was purchased at Balloon Street, where the Society built a Warehouse of its own in 1869. As trade continued to increase, the small premises were replaced by large blocks of buildings. Branches were opened at Newcastle-on-Tyne and London, and housed in the Society's own buildings. More branches were opened as trade increased. Purchasing agencies were established at important marketing places in England and Ireland and also in New York, Montreal, and later, at other places also.

Banking:—In 1871, a Banking Department was established to enable the societies to bank through the Wholesale. In 1920, the banking turnover of the Society reached the large sum of £645,772,632. The profits of the department are divided among those societies which do the banking business with the Wholesale Society. Individual members of retail societies also may open banking accounts with the Bank through their own local societies. Many Trade Unions also bank with the Wholesale Society.

Manufacture:—In 1873, the Society decided to manufacture in order to supply societies with goods, which they required. The biscuit and confectionery works at Crumpsall near Manchester were purchased; and later in the same year a boot factory was opened at Leicester. The productive activities of the Wholesale soon continued to increase. Two more boot factories were opened at other places; jam factories at three places; soap, candles and washing powder factories at two; while factories for the manufacture of flannel, hosiery and various other articles, such as bacon, and lard refinery, preserves, and pickles, tobacco, and also clothing, furniture, brushes etc., have been created in various parts of the country. Cornmills also have been either purchased or erected at various centres. Printing works were opened in 1895 at Manchester. The Wholesale also acquired the Keighley Iron Works, Dudley Bucket and Fender Society, and Bertley Tinplate Society. An oil mill was acquired in 1916 and a colliery in 1917. A colliery in Manchester was started in 1876 as a Co-operative Coal-mining Society; but after being worked at a loss, it was taken over by the C. W. S., but was sold in 1882 after incurring a loss of £20,000. In 1917, another colliery was acquired.

Steamships:—In 1876, the steamship Plover was built to carry the Society's own goods, and several other ships were purchased or built from time to time. These carried goods for the society from various places, but latterly, all but two of the ships have been sold.

Purchase of Estates:—Roden Estate was purchased for fruit-growing and farming, and other farms were acquired from time to time in England for farming and other agricultural purposes. In 1913, a farm of 10,240 acres was purchased in Canada. Land was also acquired in West Africa.

Convalescent Homes:—In 1901, a convalescent home was opened at Roden and subsequently such homes were set up at other places. These homes proved of great service to co-operators recovering from illness, and they possess advantages which are lacking in some of the ordinary convalescent homes.

Insurance:—In 1904, the C. W. S. instituted a system of Collective Life Insurance by means of which societies may insure all their members by a single policy. The work was done through a separate society, but in 1912, it was merged in the work of the Wholesale Society. The English and Scottish Wholesale Societies have now a Joint Insurance Department which undertakes Life, Fire, Fidelity, Accident and General Insurance.

Building Department:—The building department of the Society is intended to erect factories, shops and buildings of the wholesale as well as of the retail societies.

Audit Department and Stock-taking Department:—The Wholesale Society has an audit department and a stock-taking department, and societies can have accounts audited by a special staff of auditors, or their stock checked by expert stock-takers retained by the Wholesale for that purpose.

Publication of Magazines:—Monthly Magazines have been issued by the Society. One known as the *Wheatsheaf* started in 1896 publishes news concerning co-operative societies. On payment of a small charge, societies may have local matters specially printed for them and added to the general magazine, for issue to their own members. It also contains particulars regarding classes and other educational work of the movement. A young people's page is another feature of the magazine. The other magazine known as *The Producer* deals with business matters of interest to co-operative officials and committee-men. *The Scottish Co-operator* is published by the Scottish Wholesale Society.

Work of the S. C. W. S.:—The Scottish Societies having determined to have their own wholesale society, the English Society encouraged the idea, and the S. C. W. S. was established in 1868 in Glasgow. After its wholesale trade was well established, the Society began to manufacture goods. Besides the establishment of cornmills, and a tailoring factory, it has a chemical department, a tinware department, a cartwright's department, a carting department and a printing department; and also factories for producing mineral waters, mantles, waterproofs, drapery and furniture, and has purchased a jute mill at Dundee. It also owns creameries, a fish-curing station, and has commenced farming and cattle raising on its own estates and has opened milk centres. The Society has been making steady progress in other branches of work.

Joint operations of the two Wholesales:—The two societies have united for various purposes. They jointly own the cocoa works at Luton, tea estates in Ceylon and Southern India, and the large tea and coffee warehouse in London where various processes of tea and coffee give employment to a considerable number of men, women and girls.

Condition of workers in the factories of the two Societies:—The factories of both the Wholesale Societies are well lighted and clean; and well managed dining rooms are attached to the majority of them, thus enabling the employees to have their meals in wholesome surroundings at a cost which simply covers the expense of the food and service. There are also halls which can be used by the employees for recreation and reading, where newspapers, periodicals and other means of entertainment are provided. The working hours are usually shorter than those in other factories engaged in similar production, and each employee has an annual holiday of two weeks with pay. The wages are also somewhat higher. A provident fund has been started and all employees of six months' service are eligible for membership of this fund. In the S. W. C. S. employees can hold shares and are entitled to direct representation at the business meeting of the society. These form two important differences between the English and the Scottish Wholesale Societies.

Method of Business:—Articles are sold at current wholesale prices, the net profits being divided among the shareholding societies in proportion to the amount of purchases. Sales are made also to non-member societies, allowing full profits, the system of paying half the profits originally adopted being now discontinued.

Administration of the two Societies:—The membership

of the two Wholesale Societies consists of retail societies. The latter elect delegates to attend the meetings of the former. In the English Wholesale, the number of delegates allowed to each society is based upon the latter's membership, while in the Scottish Wholesale, the number of delegates depends on the value of purchases made by the society from the Wholesale during the preceding quarter. On account of the large number of representatives in the English Society, divisional meetings are held in several towns at the same time on one day. The same items of business are dealt with at each meeting, and when voting is necessary, the votes given at all meetings are added together, and the total number is regarded as deciding the point at issue. The final meeting is held a week after the divisional meetings and delegates who prefer to attend it are at liberty to do so. The Committees or the Boards of Directors of both the Wholesales are elected by their delegates. The managers of the different factories and of the departments of the Wholesales are appointed by the Boards. The Boards also form themselves into committees, each of which supervise a particular branch of work. Stocks are taken and accounts closed quarterly. Every department is charged with its own working expenses. The formation of a strong Reserve Fund has been constantly kept in view, while another reserve has been formed through the Society itself insuring a large portion of its fire, guarantee and marine risks. The report and balance sheet of the Board are discussed and auditors appointed by the meeting of the delegates which may make suggestions or lay down the line of policy. The members realise their responsibilities towards the Wholesale, and do their utmost to promote its interests and the ideals of the movement. Thus the history of the two Societies, in spite of some losses in the initial stages, has been one of steady growth and success. The English Wholesale celebrated its jubilee in 1913 and the Scottish

Society in 1919, though it completed fifty years of its working in the previous year.

The Irish Wholesale:—The Irish Agricultural Wholesale Society was established in 1897, but it is formed principally for agricultural purposes, doing the business of wholesale trading and selling. It supplies seeds, manures and implements to the societies and sells their agricultural produce. It also does considerable trade in groceries and other commodities.

The Co-operative Union:—As the Co-operative movement grew, it became necessary to establish closer union between societies for purposes other than trade. Lack of knowledge of organization or business methods, or the inefficiency of shopmen and buyers, and the ignorance of proper methods of accounting, were among the reasons which brought failure in the case of some societies. An organization was therefore started to give advice and guidance and impart instruction and education. It began its work as the Central Board from 1869, and was reorganized as the Co-operative Union in 1889. It is a federation of the English as well as Scottish Societies, formed for "protective, progressive and consolidating purposes". The Irish Societies have joined it for educational purposes. Its Managing Committee, known as the Central Board, is elected by the representatives of the societies, as in the case of the two Wholesales. Its annual meeting is known as the Co-operative Congress. The Central Board appoints an Educational Committee, another Committee for general work, and a special Committee for watching events in Parliament and advising societies concerning matters in which they are likely to be affected by proposed new laws, or by any orders issued by Government Departments. Latterly, a Labour Department has been added to deal with labour questions in relation to the Co-operative Movement, particularly in regard to wages, hours and any other matters of dispute between societies and their

employees. The details of the educational work of the Union will be dealt with fully in the Chapter on Co-operative Education.

The Women's Co-operative Guild:—The women in the co-operative movement formed in 1883 an association of their own, known as the Women's Co-operative Guild, for the spread of co-operative education among them and for befitting them to hold responsible positions in the movement and for conducting other social work. In 1921, Scotland formed its own Guild.

National Men's Co-operative Guild:—This was formed in 1911 for the development of the co-operative movement in a similar way. It must be borne in mind that these Guilds are not federations formed by the societies. They have, however, branches; and they work in co-operation with the Educational Committee of the Co-operative Union in formulating their plans of education.

CHAPTER XIV

CO-OPERATIVE STORE MOVEMENT IN INDIA

Its failure—Main causes of failure—Other causes—Disadvantages of Credit Sales—The Triplicane Store of Madras—Reasons for its success—Stores in Mysore—Why Bombay attempts failed—Where stores might succeed—Specialised Stores—Consumers' Societies for other kinds of services—School and College Stores—Conditions of success—FACTORS OF SUCCESS IN THE EUROPEAN STORES:—Food stuffs made dear by Industrial Revolution—Difference in the standard of life—Higher margin between wholesale and retail prices—Sale of prepared food—Higher scale of middleman's charges—A larger wage earning class—Uniform standard of life—Spirit of Association—Shopping by women—Early establishment of the movement—Help from the educated—Word of caution—Importance of the Store Movement.

Its failure:—The Co-operative Store Movement in India may generally be described as a failure. A few stores here and there are being run successfully, but the success is due either to peculiar local conditions, as for instance, the absence of competition among the local shop-keepers, or to special facilities obtained, as for instance, lower Railway freights and rent free quarters for the shops, as in the case of stores started by Railway employees, or the College stores. In India, the store movement reached its height after the War when the control of food grain was established, but after the removal of that control the number of stores began steadily to decline. In 1928, the number in different provinces stood as follows:—Madras 99, Mysore State 70, Bengal 58, Bombay 35, Punjab 21, Assam 19, United Provinces 13, Central Provinces and Berar 8, Burma 7.

Main causes of failure:—One of the main causes of the

failure seems to be the ignorance of the basic principle of the store movement. Stores are generally considered to be places where you can purchase articles cheaper than from a shopkeeper. The result of starting a store with such a notion is that the slightest set back damps the spirit of the members, and destroys the sense of their loyalty. If Rochdalers had started their store with such an object, they would never have succeeded. The object of the store movement is to do away with the middlemen and ultimately to control the supply market, as also the means of production on behalf, not merely of the few members of any particular store, but of the whole community of consumers. Realising this principle, the members of many stores in European countries readily pay even higher prices with the conviction that the temporary inconvenience will ultimately bring success to their cause.

Other causes:—Other causes of failure are the introduction of credit sales and the insistence on the part of members on door-to-door delivery by the store. It is the presence of these defects that account for the small number of co-operative stores in Japan. Though the number of other types of societies in that country is nearly 15,000, that of stores has not gone much above 150. Other causes which have brought about failure are the smaller margin of profit between wholesale and retail prices, and at the same time a high cost of upkeep. Dishonesty on the part of the manager is yet another factor; but this is found also in other branches of the movement, as in the case of credit. It must, however, be borne in mind that no man is by nature dishonest; it is the opportunity that makes him so. If the Managing Committee were to keep a watchful eye, there would be fewer occasions for dishonesty.

Disadvantages of Credit Sales:—The disadvantages of credit sales in the case of a Co-operative Store are well known, yet they deserve to be reiterated. By resorting to them no store would be able to distribute daily necessities at an advantage to its customers both as to price and quality. It is only by adopting the cash system it can eliminate waste, inefficiency and unnecessary expenses. Nor are credit purchases advantageous to customers. Purchases must be paid for sooner or later, even when bought on credit. On the contrary, credit purchases increase indebtedness. Since it is easy to buy on credit, some purchases would be made that cannot be justified from the point of view of the resources of the purchasers. When the daily necessities could be purchased on credit, the customer will be tempted to spend his money on other articles which could well have been avoided. Cash buying minimises thoughtless expenditure. Credit is expensive to the customer as well as to the store. It is costly even to those who make their purchases for cash. A store, selling on credit, cannot buy with cash from the wholesales. By credit purchases it loses cash discounts that the latter allow. Its funds being tied up in credit accounts to its customers, it has to raise capital through loans, on which it has to pay interest. Out of the credit sales to customers, some at least must result in bad debts. Losses like these have to be made good by somebody, and they are paid by all the customers in the form of higher prices. Credit accounts involve extra book-keeping and therefore further expenditure. Frequent pressure on creditors result in bad feelings. Discrimination exercised by the manager in favour of customers, in whom he can place confidence, causes misunderstanding among others, frequently resulting in their disloyalty. Thus, credit sales involve endless troubles to a store, and the Rochdale system has very wisely eschewed them.

The Triplicane store of Madras:—This is the only co-operative store which has attained success in India on a large scale. It was started in 1904 under the name "The Triplicane Urban Co-operative Society" by 14 members,

prominent among whom was Mr. T. K. Hanumant Rao. The number of members in 1929 was 5781, and the sales or turnover amounted to 11 lakhs. The store has gone on opening branches in different parts of the city, their present number being 25. Its paid-up share capital in the same year was over one lakh, and the deposits held by it amounted nearly to two lakhs. Out of the profits, after setting apart a portion for the reserve, at 25 per cent. in the earlier years, and at 10 per cent. from 1921, and after paying bonus on purchases, some amount is set apart towards the common good fund. In 1929, this fund stood at Rs. 36,000, and the reserve at Rs. 84,000. It has a loan department, the majority of the loans being of small amounts up to Rs. 50. The strength of the present staff is 140, and the annual charges on this account are Rs. 45,000. A Provident Fund is maintained for the employees. A Reading Room is attached to the Head and Branch offices of the store. The articles sold by the store consist of rice and three other grains, dry groceries, ghee, sweet-oils, jaggery, sugar, tea, coffee, soaps, and half a dozen common patent medicines. Attempts to open a cloth department and a laundry have not succeeded so far. The store does not make door-to-door deliveries, but the purchasing members either carry articles themselves or make their own arrangements for the carriage of goods. The store is managed and patronised mainly by the middle classes of the city. It celebrated its Silver Jubilee in 1929.

Reasons for its success:—The chief reasons for the success of the Triplicane Store are that Madras is a city of distances. No part is thickly populated, except the quarters where the labouring classes dwell. The shops in the middle class localities are few and far between. There being little competition between shopkeepers, the margin between the wholesale and retail prices is tolerably high. No shopkeeper makes door-to-door delivery. The standard of life of all the members so far as food is concerned, is very nearly uniform, and the articles used are of uniform quality. Only two qualities of grains are stocked one of them being a cheaper variety. Wages are very low in Madras compared to those prevailing in Bombay. The employees of the store in the beginning consisted of a manager and a salesman, and the monthly pay of both amounted to Rs. 16 only. No doubt, these places now carry a higher salary, but the scale is not very high.

Stores in Mysore:—In the State of Mysore, the co-operative stores have made good progress. The Bangalore City Store is reputed to be the best of them, though much smaller than the Triplicane Store. Most of the other stores in the State owe their success to the patronage given by Mills, Offices or the Railways, they being started for the benefit of their employees. Sales on credit are allowed by many societies in Mysore, and though they may not much affect the position of those conducted under the patronage of officers, they may ultimately prove harmful to others.

Why Bombay attempts failed:—Two or three attempts were made in the city of Bombay, to start a co-operative store, but all of them failed. The conditions in Bombay are quite the reverse of those in Madras. There are grain and grocery shops in every lane and bylane of Bombay at the rate of 6 to 8 shops within a distance of a furlong. The competition between them is so very keen, that the difference between the wholesale and the retail prices is very small. Door-to-door delivery is the rule. Every shopkeeper visits the customers' residence once every day, takes orders from the women of the household, and within a short time returns with the articles. He agrees to exchange rejected goods and is very accommodating. Indeed, he sticks to his customers like a barnacle. At the end of the month he comes with his account-book for the settlement of accounts. It is very difficult to compete with the "Danewalla" of Bombay as he is commonly called. The rent for a shop in the City

of Bombay is very high, and the wages also are very high. The "Danewalla" minimises these charges by using his shop also as his residence. He cuts out labour charges in connection with his business by doing it himself or getting it done by the members of his family. He also does the subsidiary business of money-lending on a small scale.

There are, however, some Buying Clubs in the City, making joint purchases of articles on indent. Though they do not make much profit, they get articles by proper weight and measure and of better quality. Public opinion is not yet sufficiently educated to rise in revolt against the mal-practices of adulteration and false measures and weights, and to appreciate the benefits of a co-operative store. A regular store in Bombay, however, may succeed if the purchases can be made at the seat of production, for the wholesalers themselves profiteer to no small extent. But this procedure will require an organisation on a large scale.

Where Stores might succeed:—Stores in the suburbs of Bombay and in the Districts may succeed. Stores among the labouring classes in Bombay itself have better chances of success, for these people, being always in debt to the shopkeeper, have been paying considerably high prices for their food stuffs than the middle classes do. The New Egerton Woollen Mills Co-operative Store in the Punjab is working successfully, and in 1929 sold goods worth 2 lakhs.

Specialised Stores:—Stores of one or two specific articles or for special purposes have succeeded in many cases. In Bombay, two stores have been started by ladies for the supply of clothing of women and children. They seem to be doing well. The Co-operative Hospital of Hubli, though not registered under the Co-operative Societies Act, is a novel experiment and has proved a success. The few co-operative hostels of Bombay and Madras are working successfully. A store for the supply of electric accessories and another for cycle accessories in one province are said to be successful.

Consumers' Societies for other kinds of services:—Two Co-operative Motor Service Societies are started in Gujerat by the passengers themselves, one by the Co-operative Housing Societies of Ahmedabad for carrying the residents backward and forward between their suburban residence and the city where the offices, places of business, schools, temples and the bazaar are situated. The other is started by the residents of Billimora for covering the distance of six miles between the town and the Railway station.

School and College Stores:—Stores are being started in most provinces by college students in the college premises for the purchase of books and stationery. They are generally found to be successful as they get rent-free room for the purpose and employ no outside clerical and manual labour, all the work being done by the students themselves. Such stores give some monetary help to poor students out of the net profit. The Sydenham College Store of Bombay and the Khalsa College Store of the Punjab are instances of successful college stores.

Stores are also being started by school students in many provinces. Being, however, unregistered as they are formed by schoolboys below the age of majority, they are not mentioned in the report of the Registrars, except those of three provinces. Bombay has 625 school stores, and the Punjab has 148. The 46 school and college stores of Madras are all registered. Membership is thrown open to students above 18 and to the staff, while students below 18 are admitted as associates on payment of an entrance fee. Though teachers can participate, the chief responsibility is entrusted to students.

Conditions of success:—The chances of success of a store must be judged from the following factors: there must be a good margin between the wholesale and retail prices. Until the turnover is sufficiently large the cost of the establishment and rent must be kept down to the minimum, even dispensing with them, if necessary. The turnover must be rapid. The members must appreciate the services rendered by the stores, the best indication of such appreciation being shown by the steady increase in their number. The members of the management must take a keen and personal interest in the affairs of the concern, by keeping a watchful eye over all its transactions relating to both purchase and sale. Above all, the Rochdale principles should be faithfully adhered to.

FACTORS OF SUCCESS IN THE EUROPEAN STORES

(1) *Food stuffs made dear by industrial revolution:*—In considering the possibilities of the store movement in our country, we must not be led away by its success in European countries. The movement in England had its inception after the industrial revolution had brought about a neglect of her agricultural industry, so that the country had largely to depend upon foreign countries for food-stuffs. Cities with sea ports became the emporiums of food stuffs from which the rest of the country had to draw the supply. The chain of middlemen between the producer and the consumer became ever increasing in length, and the elimination of even a single link therein became of vital importance to the consumer.

(2) *Difference in the standard of life:*—There is a vast difference in the standard of life of the people in Europe and of those in India. To the working classes, and even to a large number of the middle classes in the latter country, articles like biscuits, chocolates, jams and preserves, tinned and potted foods, are altogether unknown. Even boots and shoes, soaps and toilets are very rare, and the furniture and the wearing apparel are of the scantiest among them. Hence the household needs that can be provided by a store in their case are very limited.

(3) *Higher margin between the wholesale and retail prices:*—The co-operative stores in England earn gross profits to the extent of 15 to 25 per cent., and pay an average dividend of 2s. 6d. on a Pound or 12½ per cent. to the purchasers, whereas the gross earnings of the Triplicane Stores of Madras never exceeded 7 to 8 per cent., which is hardly sufficient to pay a dividend of 4 to 5 per cent. to purchasers.

(4) *Sale of prepared food:*—Food stuffs in European countries are being vended in higher stages of preparation than in India. There the people purchase bread, butter, vinegar, etc. from a shop, but here we purchase wheat, milk, tamarind, etc., from which we prepare those articles at home. On bread alone they have to pay the wages of the miller and the baker, in addition to the cost of wheat, and when all the agents profiteer, the burden of cost falls too heavily upon the consumer.

(5) *Higher scale of middleman's charges:*—The cost of living being higher in those countries, every middleman levys a higher scale of charges for the services rendered by him than in our country. Thus, the total cost becomes too heavy for the consumer to bear.

(6) *A larger wage earning class:*—The industrial revolution brought into existence a vast number of wage earners, and the system of payment of wages at short intervals of a week enables them to pay cash for their purchases from the store.

(7) *Uniform standard of life:*—The store movement was started by the labouring classes whose standard of life being uniform, their requirements were of a uniform type and quality.

(8) *Spirit of Associations:*—The spirit of association engendered among the working classes by common occupation and quickened by the trade unionism, made common action in the direction of the store movement a matter of easy accomplishment.

(9) *Shopping by women:*—The women, who are the real purchasers of household necessaries, do the shopping, and thus reduce the cost of distribution. They also take a keen interest and direct part in the movement.

(10) *Early establishment of the movement:*—The store movement was established long before the private shopkeeper perfected his system. Moreover, the successful establishment of the wholesale has made the position of the co-operative store still more secure. If the store movement were started to-day, its chance of success would have been very small in the face of the keen competition of the multi-shop-owners, and of the traders who have established close relations with producers, by combination among themselves. If, for instance, the co-operative wholesale had not existed when the producers like those of Denmark had themselves combined to sell their eggs, cheese, butter and bacon in bulk, the market from that country would have entirely fallen into the hands of the capitalists.

Help from the educated:—Besides the above factors, many educated men of light and lead, such as the Christian Socialists, took a keen and personal interest in the welfare of the working classes and guided the store movement to a stage of perfection.

Word of caution:—In the absence of most of these conditions in our country, we have to proceed very cautiously in starting stores in India. In our villages there is no room for a store, as the agriculturists are themselves the producers of the staple food they consume. All that is needed for them is to combine in the purchase of a few articles of daily consumption, such as salt, kerosine oil, and a few spices not produced locally. This supply work can easily form part of the operations of a credit society, or it can be annexed to a sale society where one is in existence. In the towns, there would be room for a store, provided there is locally a good margin between the wholesale and retail prices. Though in some large towns, the competition between the shopkeepers themselves might keep down prices, it will not prevent the reprehensible methods of adulteration and short weights and measures adopted by them. A co-operative store would not merely do away with the uneconomic method of distribution, relieving the surplus men engaged in the trade for the work of production, but it will give to the consumer his money's worth. But no store should be started unless the real principle underlying it is thoroughly understood and realised.

Importance of the Store Movement:—The need of a widespread store movement may not have been felt to-day in our country on account of the preponderance of men engaged in agriculture, but it is sure to be realised when either the number of town dwellers increases or agriculture becomes completely organised or rather industrialised. Unless the consumers combine betimes, agricultural trade, even when it is organised, will be captured by the middleman shopkeeper, as it is done by him to-day in its unorganised form. Exploitation of the consumer can be avoided only by establishing a proper adjustment of the relations between the organised consumers and the organised producers.

CHAPTER XV

CO-OPERATIVE HOUSING IN EUROPEAN COUNTRIES

Origin—The System of the Building Society—The method adopted—The Terminating Society—The Permanent Society—The Building Societies' Acts—Popularity of the Building Societies—Their progress in other countries—In Germany—Hire-Purchase System—Defects of Building Societies—Tenant Co-partnership System—The method adopted—Advantages of the System—Co-operative Housing by Employers of Labour—State and Municipal Aid to Housing Societies.

Origin:—Like the store movement, Co-operative Housing had its origin among the working classes of England. The housing movement may be said to be a lineal descendant of the Friendly Societies, which collected small amounts from their members every week or month for meeting their various domestic misfortunes. On the advent of the Industrial Revolution, the housing of the working classes, who flocked in large numbers to the industrial towns, became an acute problem. They were required to pay very high rents for most inadequate and unsatisfactory accommodation. The occupants of these buildings raised the question—can we not join hands in erecting our own buildings, each of us being helped by the rest in turn to erect a small cottage? They answered it in the affirmative.

The system of the building society:—Mention is made of building clubs as being in existence in England as early as 1795. Co-operative enterprise in the matter of housing took a definite shape as Building Societies from the early part of the 19th century. Their object was the raising, by subscriptions of the members, a fund for making advances to members on the security of mortgage, for the purpose of owning residential buildings. The societies were known as Mutual Benefit Building Societies, because they bestowed a benefit on the members by helping them to own a house.

The method adopted:—The method adopted was as follows:—A number of persons formed a society, and each undertook to pay by instalments a total amount equal to the advance that would be required to be made to a member to own a house. Suppose, this amount is Rs. 2,000, and the monthly instalment is fixed at Rs. 10, and the number of members who joined to form a society 25, then at the end of the first 8 months Rs. 2,000 would be collected. This amount would be lent to one member on his executing a mortgage. The borrower has to add a sum of his own, known as the margin of safety or guarantee capital, say Rs. 400. A house worth Rs. 2400, a little more or less, would be either purchased or constructed, and then mortgaged to the society for Rs. 2,000. He would be required to pay his instalments on his loan, say, Rs. 20 a month, in addition to Rs. 10, the instalment of his share. As soon as the second amount of Rs. 2,000 would be collected, it is advanced to a second member, and so on, until every member would obtain a loan. If the first Rs. 2,000 took 8 months to collect, the next would take less time, and, the third still less and so on, because every loan advanced brings in its instalments in addition to the instalments on shares. In addition to the instalments of his loan, each borrower has to pay interest at the rate fixed, which is between 5 to 6 per cent. The instalments of the loan were fixed on the basis of its period, which may be about 5 to 10 years, according to the repaying capacity of the borrower. In case there were more applicants than one, selection would be made either by agreement or by lot.

The Terminating Society:—Two kinds of societies were formed: one known as the Temporary or Terminating, and the other as the Permanent. In the former, after all the

members had obtained the loans, the society would continue merely for collecting their instalments, and when the loans were fully repaid or adjusted, final accounts would be made, the profits distributed, and the society dissolved. A new member would be admitted into such a society, if he paid the back-subscriptions of his share, calculated from the start. On the other hand, a member desiring to withdraw would be paid back his subscriptions without interest, as funds came in.

The Permanent Society:—Most of the earlier societies were of the terminating type. The later societies were mostly permanent. In this type which came into existence about the year 1846, the list of membership was always kept open, and a person was allowed to join it without being required to pay back-subscriptions. All loans may not be of the same magnitude. In the case of a house to be newly built, advances would be made from time to time up to the sanctioned amount on the production of certificates of progress. Persons who had no intention to own a house could also join it merely for the sake of investment. The society would also receive deposits from any person to increase its working capital, and would further take loans from banks on the re-mortgage of the property it held in mortgage from its members. Some bigger societies employ a staff of engineers, surveyors and architects, to give technical advice to members on payment of a fixed fee.

The Building Societies' Acts:—The earlier societies had great difficulties to face as the law gave them no protection. From 1834, they were allowed to be registered under the Friendly Societies' Act, but in 1836, the first Benefit Building Societies' Act was passed, conferring the advantages of the former Act. The second Building Societies' Act was passed in 1874, which allowed limited liability, and gave the Societies—old or new—the status of corporate body if registered under it. At the same time, it limited the borrowing power of a society, whether in the form of loans or deposits, to two-thirds of the amount for the time being secured to the society by mortgages from its members, or in a terminating society to one year's income from subscriptions. Even then, the Act gave rise to many defects, all of which were removed by the Amending Act of 1894, which required annual statements of all its transactions to be submitted to the Registrar. The Act also gave ample powers to the Registrar to deal with societies not complying with its requirements.

Popularity of the Building Societies:—The Building Societies had a great educative value in inculcating the principles of self-help, and in developing the habit of thrift and providence. Their shares were looked upon as profitable investments. They allowed a higher rate of interest than was obtainable in Savings Banks, and the security was considered as equally good. The society became a favourite means of investment by the working classes. It transformed the rent-paying tenant into an owner of a house, and in many cases into a rent-receiving landlord. The ownership of their homes by the working class proved to be the most effective means of social improvement and self-government. Thus, the Building Societies steadily grew both in importance and number, so that in 1870, their total assets were valued at 11 millions sterling. In 1869, an association was formed for the protection of their interest, which still carries on its work under the name of "Building Societies' Association". In 1908 there were over 2000 societies, counting a membership of over half a million, with assets over 72 millions, and an income over 38 millions. In 1924 the membership (including depositors) had risen to a million and a quarter, the assets to 100 millions, and annual advances to 25 millions, the annual income to 60 millions, and the reserve to 5½ millions. The number of persons living in co-operative houses in Great Britain is 9 million.

Their Progress in other countries:—The movement soon

spread in America, where the societies under the title of Building and Loan Associations or Co-operative Societies have been carrying on a vast and successful business. In 1905 there were over 5000 such associations, with a membership of over a million and a half, and assets over 130 millions sterling. In 1924 the number of associations had increased to 11,000, that of members to more than 7 millions, and the total assets to nearly 800 millions sterling. They provide libraries, music rooms, bus services etc. In Canada, the Building Societies made rapid progress, their assets in 1905 aggregated to over 25 millions. In Belgium and France a mixed official and philanthropic system prevails. In Germany and Italy, they are overshadowed by credit societies or co-operative banks, which make building advances to members for building purposes as for other objects. After the War, however, in consequence of the rise of prices of land, labour and materials, co-operative societies for housing were pushed on in many countries, with finance and other aid obtained from Government, municipalities, employers of labour, and even philanthropists.

Progress in Germany:—In Germany, besides these agencies, the large number of Mortgage Banks, which had so remarkably developed in that country more than in any other, have helped house building enterprise by advancing loans on second and subsequent mortgages. Two kinds of societies have been formed in that country, some building to let, and others to sell. The latter kind of societies require a larger supply of capital. They also have a rule for restraining profiteering by members to the effect, that in the event of sale, the societies retain the right of repurchase. This is known as the Ulmer System. Another measure for safeguarding the interest of societies is provided by law itself. Under the German law shareholders are required to give two years' notice for withdrawing their capital from the society. The Societies in Munich formed a House Building

Societies' Bank in 1918, and Government loans to the societies in that province are made through this Bank.

Hire-Purchase system:—The Building Societies are merely loan associations, making advances with the specific object of enabling their members to own houses. They undertake no building operations. The co-operative store societies, on the other hand, utilise their surplus funds for making advances to members on the lines of the Building Societies and also for erecting residential buildings for letting out to members. The latter method has developed into the hire-purchase system. Under this system, a resident member pays not merely the rent, but also the price by small instalments along with the rent, so that when the whole price is paid, the house is conveyed to the member making him its owner. This method is also adopted by the Friendly Societies as a safe outlet for their surplus funds. Many Joint-stock Companies are also formed for similar purposes. The system is possible only in the case of bodies which have surplus capital on hand.

Defects of Building Societies:—Though the Building Societies enabled their members to acquire houses, the system was not completely co-operative. The houses so acquired were scattered in different localities, and many of them passed into the hands of capitalistic investors. The owner was tied down to his property, which formed a great handicap to the working man when he wanted to shift in search of better employment. On the death of a member, before the loan was fully repaid, the heirs were obliged to sell the house for what it fetched to repay the loan. No doubt, the owner could insure his life for a sum equal to the loan, but it involved additional payment of premia on the life-policy, which was not within the reach of the generality of the working classes. And lastly, the system excluded from its operation a large class of people, who were not in a position to pay the full cost within the limited number of years it allowed.

Tenant Co-partnership system:—To overcome these difficulties, the system of Tenant Co-partnership was devised. Under this method, the houses are owned not individually by members, but collectively by all of them, i. e. by the society on their behalf. The society purchases a large plot of land, erects the buildings suited to the requirements of the members, and lets them to the members on rent. By this form of grouping of the houses, the society is in a position to keep up the character and good condition of the estate as a whole. The first society was started in England in 1881 as Tenant Co-operators, Limited, but it was not able to obtain a single estate. The houses being built on different estates, the society was not able to achieve the full ideal. The system found no imitator till the year 1901, when the Ealings Tenants, Limited was started in a suburb of London, and it built the houses in a single estate. The experiment became popular, and was soon followed by others in quick succession at Hampstead and other places. These societies are registered under the Industrial and Provident Societies' Act. In 1905, was formed a central organising body under the name of Co-partnership Housing Council, and in 1907, a Federation of all the societies was formed, known as the Co-partnership Tenants, Limited, for assisting in raising capital and in other matters as a Central Organisation. It has a trade department, an architects' department and an audit department.

The method adopted:—Each resident member has to hold a substantial part of the share capital, equal to about one-fifth to one-third the value of the house occupied by him, and equivalent to the margin of safety in the Building Society system. The amount may be paid in lump payment or by instalments. The rest of the required amount is raised by the Society by long-term loans through debentures, carrying interest at about 4 to 5 per cent., which are readily taken up by the public. The rent charged is calculated on the basis of the charges and taxes to be paid on account of the houses, including their up-keep and repairs, a sinking fund at about half per cent., and interest on capital which does not exceed 5 per cent. If any surplus is left at the end of a year, it is divided among the tenants in proportion to the amount of rent paid by them, and is credited to their account until the amount reaches the total cost of the house. The management of the society is in the hands of the tenants themselves. There is no chance of increasing the rent as in the case of private landlords. No tenant can be ejected except for a grave offence, or if he becomes a nuisance to his neighbours.

Advantages of the system:—The tenants in the system have the security of continued residence without enhancement of rent. They are, therefore, as good as owners. The society also provides pastimes, pleasures and all the amenities of a club and institute. In case any of the tenants has to leave the neighbourhood, he may sell his shares to another member. In the alternative, the society would let out his house, to one of the waiting members, and after recovering the amount from him, it would be paid to the outgoing member, who is also entitled to receive interest on his capital in the society from the date of his leaving till the date of payment of the capital. In the event of the death of a tenant, his heirs may elect to reside in the house, paying the fixed rent, but should they decide to leave the premises, the amount held by the deceased member would be paid to them, as is done in the case of the outgoing tenant.

Co-operative Housing by Employers of Labour:—Many employers of labour in European Countries have built decent houses for the labourers employed by them. Some have even encouraged co-operative housing for their benefit. The notable instances in this direction are the Portsunlight of the Lever Brothers of the Sun Light Soap fame, and Bournville of the Cadbury Brothers of the Chocolate fame. Both these enterprises consist of garden villages on the co-part-

nership system, the tenants themselves administering the estates, though the employers have contributed a part of the capital.

State and Municipal Aid to Housing Societies:—All European countries have recognised the value of the work done by co-operative housing societies, by providing sanitary dwellings to their members at reasonable cost or rent. Municipalities help them by giving cheap land and remitting the taxes for the first few years. The State provides them with cheap capital. In Belgium, the Government Savings Bank lends money to the housing societies at 3 per cent. In France, Government has authorised public bodies and benevolent institutions and trusts to lend them at rates varying from 2 to 3 per cent. In Germany, the Municipalities are authorised to support such societies by cheap land and capital, by constructing roads and sewers and by giving technical advice through the Municipal architects. In Italy and Holland, and in other countries, assistance is given to housing societies on similar lines. In Great Britain and Ireland, the Housing of the Working Classes Act of 1890 authorised the Treasury to advance loans to Housing Societies, and even to joint stock companies undertaking similar work, for a period of 40 years, not exceeding one moity of the value of the land and buildings, at 3⅛ per cent. (Secs. 67 and 83 of the Act). The new Act of 1909 gives further facilities, and the period of the loans is extended to 80 years, and the extent is raised to two-thirds the value of the property, (S.4). The Act also authorises local bodies to undertake housing schemes for working classes, to support such schemes prepared by Housing Societies, and even to suspend any local by-law, which might impede the work of the societies. The Act is also made applicable to rural areas. A propagandist association has been formed under the name of Rural Housing Association to encourage co-operative housing in rural areas. After the War, Government helped various societies by subsidies to meet the loss caused by the high cost of labour and materials. All these measures go to prove the anxiety shown by the State in improving the housing conditions of the people.

CHAPTER XVI

CO-OPERATIVE HOUSING IN INDIA

The beginning of the movement—The Bombay Co-operative Housing Association—The Saraswat Co-operative Housing Society—Capital of the Society—Working System—Sinking Fund and Repairs Fund—Government Loan to Housing Societies—Land acquisition power to Co-operative Societies—Progress of Housing Societies—Tenant Ownership System—Tenant's Society—Rural Reconstruction Societies—Rural Housing Societies—Absence of working class Housing Societies—Difficulties of Housing Societies—Housing Societies in other provinces—Lahore Model Town.

The beginning of the movement:—The only encouragement received by housing, at the earlier stages of the co-operative movement in India, consisted of casual loans advanced by credit societies for constructing dwellings, this being one of the various purposes for which advances were made. But no society was started for the distinct purpose of advancing loans for enabling members to own houses. After the enactment of the Second Co-operative Act of 1912 attention began to be directed to the possibilities of forming co-operative housing societies. The initiative in this direction was taken by the Bombay Presidency, where a non-official body known as the Bombay Co-operative Housing Association was formed in 1913, for carrying on propaganda in favour of the movement.

The Bombay Co-operative Housing Association:—A paper read by the present writer on "Co-operative Housing" at the Provincial Co-operative Conference held in 1913 led, on

the recommendation of the Conference, to the formation of the Co-operative Housing Association about the end of the same year. Mr. J. P. Orr, I. C. S., the then Chairman of the Bombay Improvement Trust, was appointed its Chairman, and the present writer, its Hon. Secretary. The Association carried on intensive propaganda by holding weekly meetings for discussion, by organising public lectures, and by publishing leaflets on the various aspects of the housing problem, and the possibilities of meeting it by recourse to co-operation. It also framed a set of model by-laws for forming co-operative housing societies. The Association next approached the authorities to extend to such societies the various kinds of facilities which are given to them in European Countries, but none were given except long-term loans.

The Saraswat Co-operative Housing Society:—The first society formed was the Saraswat Co-operative Housing Society of Bombay, which was based on the Co-partnership system, and registered as such in 1915. It erected three buildings by the end of that year, and two more in the following year, on a plot of ground taken from the Bombay Improvement Trust on a lease of 999 years. All the buildings contain three storeys—a ground floor and two upper floors. Each building in the first lot contains six tenements or flats, two on each floor, the three buildings together containing 18 flats. Each building in the second lot contains four flats on each floor, the two buildings together having 24 flats. Each flat is self-contained. The accommodation provided in each unit of the first lot of buildings, consists of two bed rooms, one living room, a kitchen, a verandah, a W. C. and a bath room; and that in each unit in the second lot is on the same lines, except that there is one bed room less. One of the flats in the first lot is occupied by the Shamrao Vithal Co-operative Bank belonging to the same community, and another has been structurally altered to form a meeting hall with a library and reading room, and is placed in charge of the Association of the Community. Both these institutions pay rent like other 40 tenants. All the buildings are fitted up with electric installation, and two outhouses are built for the accommodation of servants. The cost of the whole property amounted to a little over a lakh and a half of rupees.

Capital of the Society:—The capital is made up of shares of Rs. 20 each, and debenture bonds, also of the same value. One-third of the total capital was contributed by members, the tenants in the first lot contributing Rs. 1300 each, and in the second Rs. 1000 each. The total amount collected from them amounted to about Rs. 48,000, the rest of the capital being made up by loans and deposits. The maximum rate of dividend is fixed at 5 per cent., and the same rate is paid on loan bonds.

Working System:—Rents are fixed to cover all charges and expenses, which include the ground rent, taxes and rates, fire insurance, interest on capital including dividend, and annual contributions to two funds, one being the Sinking Fund and the other the Repairs Fund, and contingent charges including wages of servants for the up-keep of the garden and the buildings and the night-watchmen. The monthly rent of the four room flat including contingent charges varies from Rs. 32 to 40 per month according to the floor, and that for the three room flat from Rs. 23 to 30. The electric charges depend on consumption. The interest and dividend due to the tenants on the capital paid by them was being credited to their accounts, and a small additional monthly levy was made, till the capital holding of each tenant amounted to two-thirds the value of the flat occupied by him, so that the society may be independent of outside capital to that extent. This process was completed by the end of the 13th year of the society, and thereafter the Society has been paying interest and dividend in cash to the members. The scale of rent is about 30 to 40 per cent. lower than that prevailing in the locality, with the result that, there is a constant demand from new applicants to occupy a flat that may become vacant.

Sinking Fund and Repairs Fund:—The Sinking Fund is intended to replace the capital spent on the construction of the buildings, and may be utilised in re-erecting them at the end of their natural life, calculating this period at about 80 years at the lowest. About ½ per cent. of the capital expenditure carried to this fund every year, with the accumulated interest thereon, would be sufficient to answer the purpose. But the society carries nearly ¾ per cent. per annum, and adds to it the interest earned thereon. The accumulated amount of the sinking fund at the end of the 14th year aggregated to Rs. 18,400. At this rate, in about 30 years hence, it will equal the capital expenditure. To the Repairs Fund a slightly higher amount, equal to ¾ths the capital expenditure, is carried. All annual repairs as well as capital repairs are made from this fund, which has left a balance of Rs. 7,000 at the end of the same period. The total amount spent on all kinds of repairs in the past amounted to Rs. 17,000, including renewal of electric fittings.

Government Loan to Housing Societies:—The chief difficulties in the way of formation of housing societies are that they are unable to secure cheap capital on a long-term basis, and suitable plots of cheap land. The Saraswat Housing Society was able to get over them because the Shamrao Vithal Co-operative Bank helped it with loans at 5 per cent., and also enabled its members to borrow from it the amount to be invested by them in the society. After the society had obtained its land from the Improvement Trust, all the available land in the Gamdevi estate was taken up by private parties. Other societies that were being formed laboured under great difficulties, until Government came to their rescue by the offer of loans. The Bombay Co-operative Housing Association made representations to Government for the grant of cheap loans to housing societies, and also to induce and authorise Local authorities to acquire land, and place it at the disposal of such housing societies. The first representation, though supported by the Local Government, was turned down by the Government of India. The second, however, received favourable consideration. Under Government of India Resolution No. 14336 of 27th November 1917, the Local Government was authorised to advance loans to such societies at 6 per cent. interest. On further representation the rate was reduced to 5½ per cent. The amount of loan that may be advanced to a co-partnership society is three-fourths the paid-up capital for a period of 40 years, repayable half yearly by equated instalments. In the case of societies of individual ownership, the loans were authorised to be made to the extent of twice the capital invested by each member on land and buildings. The maximum period is 20 years, and the repayment is also provided by half-yearly equated instalments. The loan is to be paid to the society, which in its turn lends to members. The loan to either kind of society is secured by mortgage of the property, and is advanced by two instalments, on the production of certificates of the progress of building work, issued by the society's Engineer, and verified by the Government Engineer.

Land acquisition power to Co-operative Societies:—As regards the other facilities prayed for by the Housing Association, all that the Government did was to amend the Land Acquisition Act I of 1884, enabling all co-operative societies, including those for housing, to acquire land for purposes included in its business, (see Amending Act 17 of 1919). This concession was already enjoyed by joint-stock companies, and by the amending Act it has been extended to all societies registered under the Co-operative Societies Act, and also those formed under the Societies' Registration Act of 1860.

But the procedure of acquisition, though suited to companies, is slow and costly to co-operative societies. Recently, the High Court of Bombay has held that the benefit of the Land Acquisition Act cannot be extended to societies registered under the Bombay Co-operative Societies Act, unless the former Act is amended to that effect.

Progress of Housing Societies:—The success of the Saraswat Housing Society and the announcement of loan facilities by Government gave encouragement to others to form similar societies. Two societies were registered in 1916, five in 1918, six in 1919, and thereafter societies sprang up not only in the Bombay City and its suburbs, but also in the districts. Some of them did not start work. At the end of March, 1930, there were in all 67 societies with a membership of 5847, and a total working capital of over Rs. 93 lakhs, of which over 18 lakhs were formed of share capital, a lakh and a half of the reserve fund, and over 35.5 lakhs of the amount of loans advanced by Government, and the balance of nearly of Rs. 38 lakhs consisted of deposits. Of the 67 societies, 23 are in the City of Bombay and its suburbs, 19 in Ahmedabad, 9 in Karachi, and the rest in the other parts of the province. The societies of the Co-partnership System have not found favour in the districts, while in the City of Bombay, societies of this type as well as of individual ownership are popular.

Tenant Ownership System:—Even the societies of individual ownership type help their members to build houses in close proximity on the land acquired by the society. The houses are not scattered, but are located in a compact area, a piece of land being set apart for playground and a common hall. All the societies are formed on communal basis. It was, therefore, considered expedient that some restriction should be placed on the right of a member to alienate his property to any one he liked. For this purpose the Tenant Ownership system was devised. Under this scheme, the society at the time of handing over the plot of land to each member conveys it by a lease, stipulating that in case of his intention to alienate it after or before erecting a building, the society shall have the first choice to take it over by a right of preemption. The lease also prohibits profiteering by laying down certain stipulations, that in case a higher price be obtained from outsiders, the society shall be entitled to a share of the surplus. The by-laws published by the Bombay Registrar of co-operative societies in Leaflet "U" have so modified the original ones as to suit this type of society as also those suited for the co-partnership system; some societies have combined in them both the individual and joint ownership system. But a conflict often arises between the two interests to the disadvantage of the latter.

Tenants' Society:—A variation that is possible in the above system is that a number of tenants may join together to take one or more buildings on hire from a landlord for a long term of years, for letting out the tenements to themselves. Such a society, though it would be free from the worries of erecting buildings and of collecting the large amount, will have to get together some capital equal to at least six months' rent from each member for safeguarding its interest against defaults, and for making a deposit with the landlord amounting to at least two months' rent in advance. The efforts made to start such societies in Bombay have failed chiefly on account of the unwillingness of landlords to lease out property for a long term, thereby depriving themselves of the chance of increasing the rent.

Rural House Reconstruction Societies:—The disastrous floods of 1927 having swept away a number of villages in Gujerat and Sind, several housing societies under the name of Co-operative Reconstruction Societies were started in the villages of both the sub-provinces. The scheme is based on the Tenant Ownership System, but terminating after a period of 15 to 25 years. Government agreed to advance

loans to the extent of 80 per cent. of the society's capital, but actually the limit did not exceed 60 to 70 per cent. The rate of interest was fixed at 5 per cent., and the societies charged 6 per cent. to members, retaining one per cent. for working expenses. No dividend is allowed to be paid on share capital, all the profits being required to be carried to the reserve which, on the dissolution of the society, is to be used for the common good of the members. As the scheme was a temporary measure, devised for the relief of flooded areas, there is no chance of such societies being formed or helped similarly in future. There are 25 such societies in Gujerat and the same number in Sind. The model by-laws of such societies were published by the Registrar as Leaflet "U I". A few similar societies were also formed in Malabar in the Madras Presidency.

Rural Housing Societies:—Co-operative Housing Societies in villages, other than those for the work of reconstruction in devastated areas, have recently been formed in Dharwar in two places. The old village site having become overcrowded and insanitary, a new site is selected for shifting the village. In the case of the Dambal Housing Society, the new village site has been given by Government, and its lay-out is made on approved lines, and houses will be well-lighted and ventilated. Each house is estimated to cost about Rs. 500 to 800, and three-fourths of the cost will be borrowed from Government.

Absence of Working Class Housing Societies:—No co-operative housing societies are started among the working classes, either in Bombay or in other parts of the country. This is in striking contrast to the conditions prevailing in England, where the co-operative housing movement had its origin among its working classes, as in the case of the Co-operative Store Movement. The reason is not far to seek. Great efforts were and are still being made in England and other European Countries since the beginning of the

Industrial Revolution for a systematic development of thrift among the working classes. The Friendly Societies started for affording relief to workmen on death or during unemployment or sickness, and the co-operative store societies for doing away with the middle man shop-keeper, are all the results of those efforts. Unfortunately, no effort for the encouragement of thrift has received any thought in the working class movements started in our country. No benefit societies have yet been started in this country for the working classes, nor have the few store societies started for them have proved successful. The housing societies requiring a much larger investment of capital are, therefore, out of question for them. Those that have been started are so far confined to the middle classes, such as clerks, pleaders, traders and the like, and are all on a communal basis. We earnestly wish that the organisers of the labour movement in this country would study the various forms of thrift adopted among the working classes of Europe and America, and introduce similar measures among the working classes in this country, to enable them to undertake co-operative enterprise for the improvement of their housing as well as other conditions of life.

Difficulties of Housing Societies:—A housing society requires a far larger capital than any other type of society. During the period of construction it has to invest capital without earning income, and at the same time, incur liability to pay interest on borrowed capital. In addition to this, the societies in Bombay undertook the work of construction during the War time when the cost of labour and materials had gone up abnormally high, and a couple of years after its cessation, i. e. when the societies had completed their buildings, the cost again went down. On all these grounds Government was approached to give relief by further reducing the rate of interest on loans in the case of those who had so suffered, but all that Government did was to defer

the payment of interest accruing during the period of construction. Another difficulty is that, when agricultural land is converted into building land, Government, under Rule 56 of the Land Revenue Code of Bombay, raises the rate of assessment to a much higher figure, which is again subject to fresh periodical revision as in the case of other land revenue. The representations made to Government on these matters did not meet with a favourable response. On the other hand, the housing societies receive no favourable treatment from Municipalities, in spite of the fact that the societies spend large amounts on development of land by constructing roads, and reduce the work of collection by paying the rates and taxes in lump for all the buildings under their charge. Even in the case of societies which have made their own sanitary arrangements, and therefore receiving no service from the Municipality, the latter has refused to forego its pound of flesh in the shape of sanitary cess. All these hardships have considerably handicapped co-operative housing enterprise, which, with a more sympathetic treatment, would have shown far better results.

Housing Societies in other Provinces:—Housing societies began to be started in other provinces when Government began to advance loans to them as in Bombay. They are all of the type of lending societies for individual ownership. There are at present in the Madras Presidency about 130 societies with a share capital of 9 lakhs, and Government has lent to them about 20 lakhs at 6½ per cent. The loan to each member varies from Rs. 5,000 to 6,250, he being required to contribute one-fifth the borrowed capital as shares. In the rest of the provinces, the co-operative housing movement has just commenced to make its appearance, as will be seen from the small number of societies registered in them. Burma 1, Ajmere-Merwara 2, Bihar and Orissa 1, Central Provinces and Berar 2, United Provinces 6 (only 3 of which have started work). All these societies are for advancing long-term loans to members for house building purpose. Among the Indian States, Mysore alone has 18 "Housing Societies", but they, too, merely advance loans. Cochin has a College Co-operative Home to provide boarding and lodging to students.

Lahore Model Town:—The most interesting experiment requiring some notice as being a bold measure, is the Lahore Model Town Society of the Punjab. It has now 907 members; a working capital of 33 lakhs; 75 residential houses are finished or are under construction; 8 miles of metalled roads; a club house; a tube well; a regular motor service to and from Lahore; a school; and a dispensary; thus, it presents a remarkable achievement. With the help of a cash credit from the Lahore Central Bank, it has paid to Government all that was due from it on account of the purchase price of the land; and in a very few months it has reduced the debt to that bank to a comparatively very small sum.

CHAPTER XVII

CO-OPERATIVE MORTGAGE CREDIT IN GERMANY

Nature of Co-operative Mortgage Credit—Three types of Banks—Mutual Banks or Landschaften—The first Landschaft—Its system—The procedure of Loans—How money is raised—Valuation of Land — Administration — Privileges to the Landschaft — Central Landschaft—Joint-Stock Land Banks—State Mortgage Banks—Land Improvement Banks—Saving Banks—Insurance Companies—Prussian Provincial Aid Banks—Rent Charge Banks.

Nature of Co-operative Mortgage Credit:—Mortgage Credit must be understood to be that system of finance which is followed by special institutions, by particularly appropriate methods, and not the mere lending of money on mortgage, as is done, not merely by money-lenders, but also by joint-stock banks, and even by the ordinary co-operative

credit societies. In Germany, many credit societies, both of the Raiffeisen and Schulze-Delitzsch type, have been lending on mortgage, using only the good lying money for that purpose; but not for a long period. The Casse Rurales of France have also been doing this business. The Italian Peoples' Banks, however, do the business by issuing long-term bonds for that purpose. In India, several credit societies lend on mortgage. But all this business is not the mortgage credit dealt with here.

Three types of Banks:—Mortgage Credit Banks are of three kinds; (1) Mutual or Co-operative Banks, (2) Joint-stock Banks, and (3) State Banks. Other agencies granting long-term loans also exist.

Mutual Banks or Landschaften:—The mutual land banks are typified by the German Landschaften. They have neither share-capital nor dividends; they accept no deposits; the liability is unlimited in the earlier banks, but limited in the latter ones; capital is raised by debentures; the members themselves carry on the whole administration; the profits go to the borrowers by the reduction of the cost of the loans; all loans are for long periods and are repayable by half-yearly equated instalments, which include interest and a portion of the principal.

The First Landschaft:—The first land mortgage bank or Landschaft was started in Germany in Silesia by Frederick the Great in 1769 for the landholders of that province, without the aid of State money. Two other such banks started later were helped by State funds, but the Prussian constitution of 1850 debarred the State from endowing similar institutions or guaranteeing their bonds. The State, however, granted several privileges to such banks.

Its system:—In the Silesian Bank, every owner of land was compelled to join it, whether he required a loan or not, and thus became a party to the general liability. The liability was unlimited, for the principle of limited liability was introduced at a much later date, in 1889. The rule of every landowner joining the Bank was relaxed in the case of other banks, only those who borrow become members and liable. A special reserve fund is instituted as an additional security.

The procedure of Loan:—The whole procedure of the Landschaft has since been regularised. Any landowner of the class for which the society was created can claim a loan on the security of his land at any time. The Bank values the land through its own valuers, and the loan is issued to the extent of two-thirds the valuation, in bonds generally, or in some cases in cash, as the case may be, the loan running for a fixed number of years, with liberty to pay off the loan or part of it at the choice of the borrower within that period. He pays the sinking fund (about ½ per cent.), and interest at the same rate at which the bank pays it, varying from 3½ to 4½ per cent., plus a small amount for management expenses and the reserve fund, all together not exceeding half per cent. All the cost of valuation and the commission have also to be paid by him, the amounts being reduced to as small a figure as possible.

How money is raised:—To raise the money required, the Landschaft issues bonds. These bonds are redeemable by drawings, as the sinking fund money accumulates. The bonds are issued in distinct series, each series being dealt with as a distinct issue, having its own management fund, reserve fund, and sinking fund. The usual practice is to pay out the money to the borrower in bonds reckoning them at face-value. Except in two cases, the Landschaften in Germany have no share-capital.

Valuation of Land:—The most important work of the Bank is the valuation of the properties on which advances are to be made. Some of the Landschaften take the valuation made by Government for land tax, for which there is an elaborate system in Germany. But the others employ

their own valuers who have a direct interest in the result, and who will be held responsible for the conclusion at which they arrive. They are landowners themselves in the Landschaft, and such as can be trusted on the ground of their personal standing and character. They are elected for their competency. The consideration they receive is expenses and a small honorarium per day. The valuation includes all sources of income, such as standing timber, buildings, the latter being valued on the insurance basis. The valuations of land are very carefully carried out, and limited to the actual business value of each property, and not the possible sale price. Of the value thus ascertained, the bank advances one-half, with powers to extend the limit to two-thirds. The owner of the property is free after a time to apply, on the same valuation, for a return of what he has paid, less interest and expenses. Thus a loan may virtually be outstanding for any length of time. After the loan is granted, the Bank watches that the conditions are carried out and the property is kept up to its valuation point.

Administration:—The Landschaften of Germany are governed by a Central Board, which includes one salaried permanent official who has passed the State examination qualifying for the office of a Judge. This Board is subject to the control of a Committee or Council of Administration and of a general assembly, both being elective bodies. Directors are also elected for the chief divisions of the areas of the Bank, and a further decentralisation is secured by District Committees. All the officers render gratuitous service.

Privileges to the Landschaft:—The bonds issued by the bank have the privilege of ranking as trustee investments. The Landschaft enjoys fiscal exemptions and exemption from stamp duty. Its officers rank as Officers of the Crown. They are entitled to call upon the public authorities to furnish any official information relating to persons or property.

The documents of the Landschaft rank as public record. It may foreclose or appoint a receiver without the order of a Court. The result is, that the bonds issued by, the Landschaft find a ready market, even at a low rate of interest, varying from 4 to 4½ per cent. The sum invested in such securities amounts at present to about £100,000,000 to the great benefit of agriculture. Though the bonds carry no State security, they have ruled steadier than Government securities.

Central Landschaft:—There are now 23 Co-operative Landschaften in Germany, 8 of them had joined together to form the Central landschaft, to provide a better marketable security, and to support the weaker landschaften. It is managed by a Committee of the Presidents of the affiliated Banks. Of the Banks which had originally joined it, only 4 remain within the union, being closely grouped together.

Joint-stock Land Banks:—These banks need no description. They rely mainly on share capital and long-term deposits, and issue debentures if so authorised, for the German Law requires such an authority for their issue. They are associations of lenders, and not of borrowers, as in the case of Landschaften. They also require Government sanction to be established. The mortgage bonds are not secured upon specific property, but are secured by the total bulk of all the mortgages and other assets of the Bank. They deal in general with urban credit, such as houses, or large properties. There are now 37 banks of this kind in Germany, lending money on mortgage security.

State Mortgage Banks:—There are 16 State Mortgage Banks in Germany, some of which have been established for the whole of a State, and some for a province or an administrative district within a Province. The liabilities of such institutions are guaranteed by the public authority—the State, Provincial or District concerned. They make loans to individual land owners on mortgage security.

Land Improvement Banks:—There are also several land improvement banks in Germany started by Government. The most important improvements in connection with the agricultural land are concerned with drainage, irrigation, the construction and maintenance of dykes, and the protection of river banks. Credit for land improvement stands between personal and mortgage credit. The business is conducted as in a mortgage bank.

Savings Banks:—The Savings Banks are a class in themselves. Yet they play a very large part as mortgage banks in European countries. In England, France and India, the Savings Banks invest their deposits in the State Treasury. But in Germany, Austria, Italy and the United States of America, the Savings Banks have, within certain limits laid down by law, the free disposal of their funds, one of the permitted investments being first mortgages. These banks invest enormous amounts in mortgages, and thus act in a way as Mortgage Banks. As regards agricultural credit, especially mortgage credit, German Savings Banks are institutions of very great importance. Nearly three-fourths of the amount to the extent of £370,000,000 are invested in mortgage credit. There are no Post Office Savings Banks in Germany. The Savings Banks in that country are public institutions established, supervised or managed by Government units of a commune, town or district, as the case may be, with numerous branches.

Insurance Companies:—The Commercial Insurance Companies and also State Insurance Schemes similarly invest to the extent of three-fourths of their funds in first mortgages of land.

Both the Insurance Companies and the Savings Banks issue their loans in cash, as they have no power to issue bonds. The periods of loans are shorter than those granted by Mortgage Banks. One disadvantage is that the loans granted by these two concerns are subject to the condition of being recalled on six month's notice, though in actual practice, the condition is rarely enforced, as accommodation could be obtained from banks by transfer of mortgages. Loans by Insurance Companies are generally of large amounts on estates or buildings which can easily be valued, but Savings Banks grant even very small loans within the areas of their operation.

Prussian Provincial Aid Banks:—The main function of these banks is to supply credit to bodies of a public or semi-public character—to communes, commercial groups, school and church organisations, and co-operative societies, especially societies undertaking land improvement. These banks are conducted as branches of the provincial Government administration.

Rent Charge Banks:—The function of these banks are:—(1) to issue bonds on certain conditions to vendors upon the sale of their property for conversion into small holdings, and to be responsible for the annuities due in respect of the purchase of such holdings; (2) to grant loans for land settlement, either to pay off preliminary charges, etc., or for the erection of dwellings and farm buildings; and (3) to settle, by cash payments, with co-heirs to properties.

CHAPTER XVIII

CO-OPERATIVE MORTGAGE CREDIT IN OTHER EUROPEAN COUNTRIES

General features of the system in other countries—Features of the Land Bank of Holland—Features of the Mortgage Loans in Belgium—Credit Foncier of France—Federal Farm Loan System of America—Mortgage Banks in Japan—Peasant Land Bank of Russia—State Socialism of Ireland—Building Societies of England and America—Agricultural Bank of Egypt—Defects of the Egyptian Bank—Joint-stock Mortgage Banks of Egypt—General features of the European Mortgage Banks:—Objects of the loans—Funds—Credit to Small Holders—Educated peasantry.

Other Countries:—The Institution of Land Mortgage has radiated from Germany to other countries, such as Russia, Poland, Austria, Hungary, Denmark, Norway, Sweden, Belgium, Holland, Italy, and France. In some countries, the house property is not included in the security, as its value is not accurately ascertainable, and its life is not so permanent as that of land. In some countries, Government has given subventions, in some it has given a guarantee, in some both, and in others, Government itself has started a State Bank. The main features of some of the banks will be described below.

Features of the Land Bank of Holland:—One important feature of the land bank of Eindhoven in South Holland is that it affiliates primary credit societies, and lends only to the members of the societies so affiliated. Other persons in those localities who wish to borrow can join the society, if they are of good character. Where no society exists, the Bank will lend to any satisfactory applicant. The society is not liable for a loan made to one of its members if the amount is within fifty per cent. of the value of his property. A loan can be made in excess of this proportion up to a maximum of 66 per cent., if the borrower gives other security, or induces his local society to stand surety for the extra amount. The maximum term of the loan is 40 years, the borrowers receive their loans in cash, and the Bank itself places the bonds issued by it in the market. The managing committee and the supervising committee are elected in General Meeting by the shareholding societies. Inspection is carried on by the staff of the ordinary Central Bank which receives certain contribution from the mortgage bank.

Features of the Mortgage Loans in Belgium:—In Louvain, the ordinary Central Bank itself issues the mortgage loans. A member applying for such a loan must send in a statement of his position, his title to the property offered in mortgage, and the use to which he will apply the money. This statement is checked and signed by the members of the Supervising and Managing Committees of his society, and forwarded to the Central Bank with a valuation of the property. The society recommending the loan will be liable for that loan. The borrower must acknowledge the mortgagee's right of summary execution in case of default. The mortgagor's title must be attested by a lawyer after examining the Public Records. The term of the loan is 20 years, and funds for this purpose are raised by long-term deposits of about 10 years for which bonds are issued. Direct loans are made if there is no local society which an applicant can join, but a higher rate of interest of one-fourth per cent. would be charged over the usual 5½ per cent. charged to members of a society. The reason why the mortgage credit is based on the credit society in Holland and Belgium is that the Credit Societies were already widely spread over the country when the co-operative mortgage was first undertaken, whereas in Germany and Scandinavia, the credit

movement had not begun when the first mortgage institution was founded.

Credit Foncier of France:—The Credit Foncier of France is a combination of joint-stock and State Bank. Though of private foundation, it owes its origin to a special law, is specially privileged, and is quasi-public in its management; the Governor and some of the Directors are appointed by the State. The Bank has the privilege of "purge" against unknown claims. It has not touched the peasantry proper, as it deals with urban property and larger middle class estates. The Bank is also authorised to lend to municipalities, syndical associations for land development, hospitals, public establishments and on drainage projects, and to issue bonds also against these loans.

Federal Farm Loan system of America:—This system of land mortgage was introduced in the United States of America in 1916 after a careful study of all the systems operating in Europe. Though it secures close Government supervision, it is founded on a co-operative basis. It contemplates a gradual devolution of management and control from the Government to the representatives of the borrowers, as the stock capital provided by the Government is substituted by that subscribed by the borrowers themselves. Every farmer who borrows has to subscribe an amount equal to 5 per cent. of his loan to the stock of the local Farm Loan Association, which in its turn subscribes an equal amount of stock in the Land Bank. The Associations are allowed to issue bonds up to 20 times their capital and the reserve. The Bank is liable for the obligations of the Associations in proportion to the amount of its resources. Though persons other than borrowers can hold the stock of the Association, only borrowing stock-holders can vote in the meetings. The stock held by the Government is not entitled to dividend. The Bank supplies long-term credit facilities, the loan being made to individual farmers through the local Associations of the borrowers, which endorses the mortgage security. All the members contribute towards the expenses of the Association in proportion to their borrowings, the contributions amounting to about 1 per cent. of the loan. The Act provides that the rate of interest on loans cannot exceed the rate of interest on the bonds by more than 1 per cent., and in no event it should exceed 6 per cent. Loans are given for a period of 5 to 40 years, as the borrowers may choose. He has also the option to pay off his entire loan or part of it after the first 5 years. This secures him the advantage of paying off his mortgage and borrowing again, if the rate of interest has fallen in the meantime. The amortization instalments are based on schedules prepared for varying periods. The banks can give loans only on the first mortgage on land, and only to its owner or to one about to become an owner, and only if he is engaged in actual cultivation. No loans can be given to guardians, executors, administrators or trustees. The loans are given to provide for the purchase of land of agricultural value, for the purchase of equipment, fertilisers, and live-stock necessary for the farm, to erect buildings or for the general improvement of the farm lands, or to liquidate the old debts of the owner of the farm. But a farm, on the security of which a loan is given, must be sufficiently large to yield, at the hands of an average farmer using average methods, an income sufficient to support the family of the borrower, and to meet the interest and the amortization payment. Loans are given up to half the estimated value of the land mortgaged, plus 20 per cent. of the permanent insured improvements on the land. The value of the land for agricultural purposes alone is taken into consideration in making the loan. When the value is settled and the loan sanctioned, the applicant is required to furnish abstract of title which is examined by the legal department of the bank. For the expenses of valuation and examination of the title, the banks charge reasonable fees not exceeding

actual cost. Each bank is required by the Act to carry 25 per cent. of its net earnings to a reserve fund, and each Farm Loan Association 10 per cent., as an additional security against the bonds in circulation. The rest is distributed as dividend to the shareholders in proportion to their stock-holding, or in other words, in proportion to the amount of their borrowings.

Mortgage Banks in Japan:—In Japan, there is an efficient system of land credit. Long-term agricultural financing is entrusted to a special Bank, known as the Hypothec Bank of Japan (Nippon Kwangyo Ginko), which was founded in 1895 with an authorised capital of Yen 94,000,000, and it has a paid-up capital of Yen 69,876,000. It was modelled on the Credit Foncier of France, and its sole business is to make long-term loans redeemable during fifty years on security of immovable property. Without security it can lend to the co-operative societies and public authorities. It can raise additional capital by floating debentures. Both the President and the Vice-President are appointed by the Government from among the directors, and the Minister of Finance has a general control over the affairs of the Bank. He has the power to fix maximum rates of interest. Agricultural and industrial banks were established in each prefecture between the years 1897 to 1900. Part of the capital was subscribed by the shareholders, and the remainder was paid by the prefectural authorities. They were solely meant to act as the local advisers of the Hypothec Bank. Like it they float debentures, but they are essentially miniature banks drawing funds from the Hypothec Bank. In 1921, several of these were amalgamated and were treated as mere branches of the Hypothec Bank.

The Peasant Land Bank of Russia:—The Russian Peasants' Land Bank established by Government in 1883 is another instance of State Bank. It deals with the peasants through "Mirs or Communes". Its loans, as distinguished from those of the Credit Foncier of France, are small and do not exceed 125 roubles each. The Bank is, however, narrowing its operations owing to the growing inability of the peasantry to repay the loans.

State Socialism of Ireland:—In Ireland, the principle of State Socialism was used, instead of a mortgage bank, government itself buying over the property from large holders under the powers given by the Land Purchase Act, and parcelling it among the peasantry on condition of repaying the price with interest by instalments, the State becoming the sole mortgagee. About three-fourths of the property has thus been taken over by the State.

Building Societies of England and America:—The Building Societies of England and America are the real credit institutions of the urban poorer classes, enabling them to own houses. In America, such societies are called Co-operative Banks, as they make loans also for general purposes on mortgage security. The shares in both countries are subscribed only by members and by small monthly subscriptions. They have proved to be admirable instruments of thrift, since the rules of the society compel regular and habitual subscriptions of fixed amount, whereas in the Savings Bank the amount and period of payments are wholly optional.

Agricultural Bank of Egypt:—The Agricultural Bank of Egypt may also be noticed here, as it is frequently referred to in India in connection with the provision of agricultural credit of our peasantry. It is of the nature of a mortgage bank and was founded in 1902 by a joint-stock company with special concessions granted by Government. The shares were subscribed by the National Bank of Egypt and a few financiers. The concessions provided, that advances (known as A class Loans) up to £20 each for a period not exceeding 15 months should be made to small farmers without mortgage security; and advances (known as B class Loans) not exceeding £300 each for not more than 5½ years should be made to small farmers against a first mortgage to the extent of half the value of the property. This period was later raised to 20 years and the amount to £1,000. The rate of interest was 9 per cent. Recoveries were to be made by village officers of Government. Only principal and interest actually recovered was to be taken to credit in the Profit-and-Loss Account, unrecovered interest being ignored, and overdue principal being deducted as a temporary bad debt. The Egyptian Government undertook to advance to the Bank in any year such sum as might be necessary, after meeting all present claims and exhausting the Reserve Fund, to make up a profit of 3 per cent. on capital invested in loans, as a temporary loan without interest; the Government also guaranteed interest at 3½ per cent. on £4½ millions of Bonds issued by the Bank. The cultivators, however, in many cases misapplied the borrowed money to unproductive purposes, such as ceremonials, domestic joys, and litigation often arising from boundary disputes. Overdue arrears began to rise from year to year. Foreclosures and sales on a large scale followed with the help of local Magistrates. In addition to land sold through the Courts, the Bank itself has been accumulating thousands of acres of unsold land on its hand. The Bank later on curtailed its loans to cultivators, except to large holders, but advanced loans to co-operative societies, to unregistered groups of cultivators, and to the joint-stock mortgage companies of Egypt. The Bank pays dividend at 11 to 13 per cent. on its ordinary shares, and 20 to 40 per cent. on deferred shares, which are, however, small in number. The Bank has six branches.

Defects of the Egyptian Bank:—The Bank is composed of the lenders and not of the borrowers, and is not co-operative as is the case with the Landschaften of Germany. There are no limitations on dividend. The reserves of the Bank which amount to £2,000,000 will go to the benefit of the shareholders, and not of the borrowers. Moreover, there is no supervision on the application of the borrowed amount; such supervision, however, can only be successfully exercised if it is taken up by the representatives of the borrowers themselves as in Germany. The period of the loan was too short, but later it was raised to 20 years. In Germany, the period is very long, and so long the borrower goes on paying his annual dues, the loan will not be recalled. Though a large number of peasants in Egypt redeemed their old debts by borrowing from the Bank at a lower rate of interest, the effect was transient, because they did not exert themselves to live within their income thereafter. The illiteracy of the peasantry was a contributory cause to the failure of the well intentioned efforts of the bank and of its sponsors.

Joint-stock Mortgage Banks of Egypt:—There are also commercial mortgage banks in Egypt, the chief of them being the Credit Foncier Egyptien, the Land Bank of Egypt, and the Mortgage Company of Egypt. They are all joint-stock banks managed by skilful administrators. They, therefore, do not require to be further considered.

GENERAL FEATURES OF THE EUROPEAN MORTGAGE BANKS

Objects of the Loans:—The Co-operative Mortgage Bank, on the one hand, offers security and solvency to the investing public, and on the other, gives ultimate benefit to the borrowing member. To achieve these purposes, the object for which money is lent to the borrower must be: (a) the development and improvement of his land and other property; (b) the ordinary working capital of his agricultural business requiring large amounts; (c) the repayment of old debts. If the loan be used for extravagant and unproductive use, as in the case of many borrowers of the Egyptian Bank, the very object will be frustrated.

Funds:—The funds of the Bank are drawn in varying proportion from: (a) shares or contributions to a common foundation fund; these may be provided by either Government or the borrowers; (b) debentures or mortgage bonds taken up by the public, payable to bearer; (c) deposits of long-term of ten or more years; these may also be covered by non-transferable bonds; (d) loans from other banks for accommodation; (e) accumulated reserves. The material security for the advances given by the Bank is the land of the borrowers taken in mortgage.

Credit to Small Holders:—The mortgage bank is open to the objection that its operations are confined to large landowners, leaving the peasantry holding small lots unprovided for. The expenses of valuation and other formalities would be too big an amount for the small amounts required by them. No doubt, the small holder is really more important to the State than the big one. His requirements can, however, be met from the ordinary credit society. The German Land Banks originally served only the big landholders. But the later banks devoted attention to small proprietors. Government also insisted, while registering new banks, that a certain portion of the funds should be lent to small holders and peasants.

Educated Peasantry:—One important feature, which needs emphasis, as it is often ignored by those who imitate European co-operative systems, whether relating to land mortgage or others, is the spread of general education among the people in towns or villages. This factor alone, more than any other, has brought success to European Co-operation.

CHAPTER XIX

CO-OPERATIVE MORTGAGE CREDIT IN INDIA

Earlier Projects—Later developments in the three Provinces—Work in Burma—Work in Assam and Ajmer-Merwara—MORTGAGE BANKS IN THE PUNJAB:—System of work—Work up to 1929—Position of Credit Societies—MORTGAGE BANKS IN MADRAS:—System of work—Position of the Rural Credit Society—The Central Mortgage Bank of Madras—MORTGAGE BANKS IN BOMBAY:—The Three Banks—System of Loans—Central Apex Bank in view—Constitution and work of the Local Mortgage Bank—Position of the Local Credit Society—Purposes of the Loans—MORTGAGE BANKS IN THE MYSORE STATE:—The Central Bank—Its membership and Capital—Long and Short-Term Loans—Government concessions.

Earlier Projects:—The idea of forming land mortgage banks in India is even anterior to the introduction of the ordinary co-operative credit movement. In 1883 Sir William Wedderburn, in collaboration with Mr. M. G. Ranade, had formulated a scheme of a State Bank for the District of Poona in the Bombay Presidency for redeeming the mortgage debts of the agriculturists; but it was turned down by the Secretary of State. In 1894 the Government of Madras had deputed Sir Frederick Nicholson to Europe to study the possibilities of introducing Agricultural Land Banks in that Presidency. His two reports contain a survey of all forms of co-operation in European countries with special reference to land banks. His suggestions did not materialise, except that they led indirectly to the introduction of the Co-operative Societies' Act of 1904. Later projects of mortgage credit made in Madras in 1905 and in the Punjab in 1907 fell through as premature in view of the then recent introduction of the co-operative societies' Act.

Later Developments in the three Provinces:—The need was again felt by co-operators themselves for the treatment of the problem of long credit on a co-operative basis. The scheme of co-operative mortgage credit was taken up in the Punjab, and the first mortgage bank was organised in 1924, and 11 more by 1929. Madras followed suit in 1925, and a number of mortgage banks were started, and even a Central Mortgage Bank has been organised in 1929. Bombay came on the field in 1929 with three mortgage banks. The details of the work in these three provinces will be described later on.

Work in Burma:—In Burma too, the proposal was taken up in 1905, but it took some shape in 1922, when two societies of unlimited liability on a land mortgage basis were formed for small areas. They collected about half a lakh of capital and began advancing loans to members. In 1927, a Bill was drafted known as "Burma National Mortgage Bill" for providing the grant of financial and other facilities to the Banks. The Bill, however, was dropped, and the project made no further progress. The two societies are no longer in a position to develop their work. There is, however, a joint-stock bank in the Province known as Dawson's Bank, Ltd. which, besides its own ordinary banking work, has been doing considerable land mortgage business in Lower Burma.

Work in Assam and Ajmer-Merwara:—Assam began land mortgage work since 1926, when it established two mortgage banks, and a third has been started in 1929. Of these, the older bank at Kamrup has collected share-capital of Rs. 40,000, deposits from members and non-members of Rs. 23,000 and 26,000 respectively, and has received a Government loan of Rs. 30,000. The other bank at Sylhet has made a good start by collecting paid up capital of Rs. 12,000, deposits aggregating Rs. 3[illegible],000, and expects to receive a Government loan.

In Ajmer-Merwara the mortgage banking work is being done on cautious lines on a small scale. The first bank was registered in 1925 and 12 more by 1929. The total working capital of all these is however Rs. 57,000 only, of which Rs. 51,000 were borrowed from the Central Banks.

Other provinces are watching these experiments with keen interest to shape their own projects. No Mortgage Banks have yet been started in the Indian States except in Mysore, where work on a large scale is contemplated, and will be described in some detail later on.

THE MORTGAGE BANKS IN THE PUNJAB

System of Work:—In the Punjab, the Jhang Co-operative Bank, unlimited, was registered in 1924, being the first institution of its type in India. Other banks have since been formed, and by the end of 1929 there were 12 banks working in the province. The Jhang Bank was formed for the whole district, and was based on unlimited liability. Later banks operate in a single taluka or tahshil, and are of limited liability, the liability in most cases being limited to twice the value of the shares held. Any agriculturist of good character owning land within the area of its operation may become a member, taking one share of Rs. 10/- per every Rs. 500/- which he wishes to borrow, that is in the proportion of 1 to 50. No dividend is paid on shares. Loans are granted for not more than 10 years, though a maximum period of 20 years is allowable. Longer periods in the case of illiterate cultivators are not considered to be safe. The rate of interest is 9 per cent. per annum. The amount of loan may not exceed 15 times the estimated net profits of the mortgaged property, but now it is limited to 30 times the land revenue, or 7 to 8 times the net income. The borrower has to give in mortgage the whole of his land, or such an area as will produce three times the largest instalment of principal and interest that he may have to pay, whichever

is less. He has also to produce two sureties, who are sometimes required to mortgage their land to the bank as additional security. Loans are made for a stated purpose, the bank reserving the right to recall the full amount if the money is misapplied. In case of default, the bank has the power to take possession of the mortgaged property for a period of 20 years, and can also proceed against the sureties. Debentures are not issued by the banks, as they derive capital from Government and Co-operative Institutions. The business of each bank is managed by an elected committee with one official member nominated by Government.

Work up to 1929:—The 12 banks of the Punjab had in 1929 a working capital of Rs. 22·86 lakhs, of which 14·42 lakhs were advanced by Government, mainly through the Provincial Bank out of the sanctioned debenture loans of 20 lakhs, 1·65 lakhs by the Punjab Co-operative Union, representing the reserve funds of liquidated societies, the remainder was made up of shares, reserve funds and profits, the last mentioned being not distributed as dividend. Government charged $5\frac{1}{2}$, and the Provincial Bank $6\frac{1}{2}$ per cent. interest. The Government rate has now been raised to 6 per cent. There were 5648 members, including 196 village credit societies. 375 loans were issued in 1929, totalling about Rs. 6·66 lakhs; of these 218 were for payment of old debts, 143 for redemption of land, 16 for land improvement. Purchase of land is now entirely excluded. The amount of each loan ranged from Rs. 595 to 3218. Though Rs. 10,000 was at one time the maximum allowed, it is now brought down to Rs. 5,000, so that small holders may not be excluded. Some banks also fix a minimum, so that, if a borrower wants a loan below that amount, he must go to a credit society. No Mortgage Bank has defaulted in repaying its instalments to its financial institution. But out of 1402 borrowers, 395 or 28 per cent. defaulted last year, mainly due to failure of crops. The defaults are somewhat higher than in the previous year. In view of these defaults, loans to directors are proposed to be advanced with many safeguards.

Position of Credit Societies:—In the Punjab, when advancing loans to a member of a rural credit society, the latter was not merely consulted, but was required to undertake a portion of the liability of the mortgage debt, and to become a member of the mortgage bank by taking one or more shares. In view of the distinct scope of the two banking societies, the question of the rural society undertaking such liability was considered in a conference of the Mortgage Banks, and the practice has now been abandoned. But the society will be informed if a loan be issued to one of its members by the mortgage bank, and the member will be required to file a copy of his three years' ledger account with the society. In the case of some mortgage banks, the borrower is required to sell his produce through the co-operative commission shop, if one exists in the area.

MORTGAGE BANKS IN THE MADRAS PRESIDENCY

System of Work:—The Mortgage Banks in the Madras Presidency are of limited liability, and the first bank was registered in 1925. Out of the 21 banks registered up to 1929, only 8 are working, the rest could not commence work being unable to float the debenture capital. The debentures issued are of different denominations, from Rs. 50 to Rs. 1,000, and have a floating charge on the mortgages. Each Bank is empowered to float its own debentures, Government undertaking to purchase them to the extent taken by the public, subject to a maximum of Rs. 50,000 for each bank, and Rs. 2½ lakhs for the whole presidency. Interest at the rate of 6½ per cent. is payable on the debentures purchased by Government, and 7 per cent. on those purchased by the public. Each bank operates within the area of a Taluka. Its shares are of the value of Rs. 10 each. Mortgage loans are issued to individual borrowers up to a period of 20 years

to the extent of half the value of the property or three-quarters of its net income for the period of the mortgage, whichever is less; further security may be demanded at the discretion of a bank. Each borrower has to hold the shares of the bank in proportion of one to twenty; the share amount is generally deducted from the loan. The amount of the loan to each member is limited to Rs. 3,000 and can be raised to Rs. 5,000 with the Registrar's approval. The rate of interest is 8 per cent. per annum, and it is proposed to raise it to 9 per cent. Shares are allowed to be held by the borrowing as well as by the non-borrowing members. The maximum dividend payable is limited to 8 per cent. The Registrar being the Trustee of all the banks, all repayments are to be credited to his account. For purposes of valuation of lands, and in the investigation of titles, Government has recently appointed 8 Sub-Deputy Registrars in charge of the banks, and two Deputy-Registrars to supervise and organise their work. From the Registrar's latest report, it appears that the number of members of the mortgage banks was 1,674 with a paid-up share capital of Rs. 1,11,185, and their working capital amounted to Rs. 8,66,663. Debentures of the value of Rs. 6,31,950 were issued, of which those worth Rs. 4,16,850 were taken by the public, and those worth Rs. 2,15,100 by Government. The Banks earned a net profit of Rs. 10,970.

Position of the Rural Credit Society:—The Village Credit Society is not consulted before a loan is advanced by the mortgage bank to a member of the society. But he is expected to seek the help of that society, if he stands in need of credit for current agricultural purposes, and moreover, when he is not in a position to repay the instalment of the mortgage loan on account of failure of crops, etc., he is also expected to make it good by borrowing from the society. It would be interesting to note what recourse is taken on such emergencies by persons who are not members of any credit society, but who obtain loans from the mortgage bank.

The Central Mortgage Bank of Madras:—A Central Mortgage Bank has recently been established, and was registered in December 1929, with a share capital of Rs. ten lakhs. The primary mortgage banks will cease to issue debentures and the Central Bank will alone issue them to the extent of 25 times its paid-up share capital and the reserve fund. Government has guaranteed the payment of interest on them for the full period of their term of 25 years on the total value of debentures issued within the first five years, up to an aggregate value of 50 lakhs. Government, however, has declined to purchase any debentures issued by the Central Bank. The debenture holders will have a floating charge on the mortgages of all the Primary Banks. The Central Bank will advance loans to primary banks at 7 per cent. per annum, and the latter will lend to individuals at 9 per cent. The shares of the Central Bank are of the value of Rs. 100 each, and can be held by the primary banks as also by individuals. No limit is laid on the shareholding of the former, while in the case of individuals, it is fixed at Rs. 10,000, with the restriction that they will not be eligible to borrow from the bank. The limit of the individual shareholding appears to be high, in view of the fact that each shareholder is entitled to one vote for every share. It is proposed to limit the power of voting by amending the present rule. Meanwhile the bank does not allot more than 5 to 10 shares to a member. Dividend on share capital is limited to 7 per cent., but deferred payment is allowed. A Primary Bank is entitled to borrow from the Central Bank in the proportion of 25 times its shareholding in the Central.

MORTGAGE BANKS IN THE BOMBAY PRESIDENCY

The Three Banks:—In the Bombay Presidency, Land Mortgage Banks were introduced in the year 1929. Three banks

mited liability are registered, one each for the districts Dharwar and Broach, and the third for the Pachora aluka in East-Khandesh. All the three areas are co-peratively well developed in the credit line. The capital the three banks is provided by the Provincial Co-operative Bank out of its debenture capital; Government have purchased for that purpose its 4 per cent. debentures of 41 years' term at 88 per cent. to the extent of two lakhs; the rate of interest payable to Government works out at a little over $4\frac{1}{2}$ per cent. Government also appointed, for a period of one year only, which has since expired, three landvaluers, placing them at the disposal of the three Banks, and undertook to bear their travelling allowance. The title to the land is examined and certified by a local pleader, appointed in different Talukas, receiving a fixed fee of Rs. 5 for each case to be paid by the borrower. Government have also promised to purchase further debentures worth three lakhs.

System of Loans:—On receipt of the application for a loan, the Secretary of the mortgage bank enquires regarding the solvency of the borrower, the details of his debts, his income and expenditure. The value of the property is ascertained by the Landvaluing Officer, and the title to the land by a local pleader. The valuation is made on the basis of the previous sales effected in the locality, on the Government assessment and on the income per acre. Loan applications when sanctioned by the banks are forwarded to the Provincial Bank for final approval. Borrowers have to purchase shares of the bank in proportion of 1 to 20 of the amount of loan required; the maximum is fixed at Rs. 10,000, and advances are made to the extent of a maximum of half the value of the land. No minimum limit is laid on loans, but small amounts under Rs. 750 are advanced only under special circumstances. The rate of interest is fixed at 7 per cent. per annum, and the period of repayment is from 10 to 20 years, and in special cases, it may be raised to 30 years, which