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Co-operation in the Madras Presidency.

BY PROF. A. J. SAUNDERS, M.A., PH. D.,

The recently published Report of the Committee on Co-operation in Madras, 1927-28, affords one the opportunity of reviewing the progress of the movement of Co-operation in Southern India.

I

In order to get the proper perspective, it is necessary to recall some of the history of the movement before the principle began to be applied to conditions in South India. It is not true that the evil which men do lives after them, the good is buried with them. Robert Owen of England during the first and second decades of the Nineteenth Century was at work expressing an idea and trying to make it current in public opinion; that idea has lived and has clothed itself in a movement which has become world-wide. "Realizing the evils of organizing industry upon a system of unrestricted competition, Owen urged the establishment of a new system based upon the idea of unrestricted co-operation for the common good. Under such a system, all would co-operate to produce the necessaries of life, and all would benefit by the results of such production. Instead of each striving to obtain the utmost for himself, each would work for the good of all, and all combine to secure the good of each. Thus, by his work and teaching, Robert Owen 'set men's minds upon the track of co-operation,' and helped to lay the foundations of the Co-operative Movement, and so earned the title 'The Father of Co-operation'."*

* Madams' 'The Story Retold,' p. 55,

In 1884, some fourteen years before his death, Owen rejoiced to see the first fruits of this new idea in the founding of the Rochdale Society of Equitable Pioneers, the real starting point of the English Co-operative movement. About four years after the starting of the Rochdale Society, there was begun in London a new experiment in co-operation by a group of university men who called themselves "The Christian Socialists." F. D. Maurice and Charles Kingsley are the best known men of that group. They were Church of England clergymen, but with them were associated in active propaganda work three lawyers, Hughes, Neale, and Ludlow. The Christian Socialists introduced the idea gained from France, of a "Self-Governing Workshop." It was a form of co-operation, as Dr. John Matthai explains,* which was undertaken neither on behalf of the workers as such nor on behalf of the consumers as such, but rather consisted in an endeavour to make the workmen their own capitalists. "They were to own the capital, to control the business and to share the profit. It was a combination of workers controlling the means and results of production. In other words, it was an association of producers as the co-operative store was an association of consumers." That is the distinguishing characteristic of the English system as compared with the European and Indian development as we shall see later. English Co-operation was begun to benefit the consumer; it was co-operative buying and selling—as seen in the co-operative store. Later, industrial co-operation came in to enable the workers to become their own capitalists, to own and control the business and to share in the profits. It is along those lines that co-operation has developed in England; when one remembers that England is a highly industrialist country, and that this principle of co-operation began to be applied in the midst of the tremendous industrial expansion of the early part of last century, it is not to be wondered at, in fact it was the most natural thing, that English co-operation should follow along industrial lines.

When we consider the movement in Europe, we see a very different situation. The pioneers of co-operation in Europe were Germans—Herr Schulze, Mayor of Delitzsch, and Herr F. W. Raiffeisen, Burgomaster of a group of villages with their centre at Neuwied. Both men were independent workers and followed new trails, although Schulze of Delitzsch had been influenced by the gospel of thrift which had been preached in the English Friendly Societies, and Raiffeisen was attracted by the public savings banks. Both were impressed with the fact that to help the small agriculturist cheap credit must be made available, and further that this credit could only be provided, if the small farmers by mutual help organized themselves to

*Matthai's Agricultural Co-operation in India, p. xviii.

secure the necessary capital. In 1850 Schulze organized his first Loan Society at Delitzsch. Two years later he opened his second one in the neighbouring village of Eilenburg, and also made the first Society a self-supporting institution with share capital. In 1845 Raiffeisen founded a loan society for the support of poor farmers. In 1862 he organized another loan society at Anhausen, in which the borrowing farmers were themselves the members. Neither Schulze-Delitzch nor Raiffeisen had Government sanction to establish credit banks, but they each saw that this form of making available cheaper credit was the best way to help the poor agriculturists of their section of the country. Their problem was rural; they sought to relieve the indebtedness of the agriculturists, and accordingly they organized agricultural co-operative societies for the purpose of supplying cheaper credit to members.

In 1856 Schulze-Delitzch published a book explaining the scope and object of his work. It was in 1859 that he organized the first congress of banks which resulted in the establishment of the General Union of German Industrial Co-operative Societies; Schulze-Delitzsch was the director of this organisation upto the time of his death in 1883. In 1867 he obtained from Prussia the first co-operative law which was made an Imperial Law in 1889, when limited liability was permitted to all forms of co-operative activity. Raiffeisen took some time to work out his plan of rural credits. He contemplated at first a kind of dual system, as explained in the first edition of his Loan Societies, published in 1866, in which he used his Anhausen experiment as the model. Subsequently, he enlarged and improved this model and it became known as the "Raiffeisen Bank." In 1877 a general union was established which finally took the name of The General Union of Rural Co-operative Societies, and which spread its operations to all parts of Germany.*

It will thus be seen that the English system followed the lines of industrial co-operation, while that mostly followed in Europe was organizing of credit societies for the benefit of agricultural communities. We shall now see how these two systems have contributed to and helped in the application of the principle of co-operation to Indian conditions.

II

At least 70 per cent. of India's vast population are attached directly or indirectly to the land, so that the ever present economic problems of the country are rural and have to do with rural indebtedness, the place and power of the sowcar or money-lender, and the need for credit. The Famine Commission of 1880 referring to these chronic

*Bhatnagar's Co-operative Organisation in British India. pp. 25, 26.

conditions said: "We learn from evidence collected from all parts of India that about one-third of the landowning class are deeply and inextricably in debt, and that about an equal portion are in debt, though not beyond the power of recovering themselves." Things were even worse as reported by the Famine Commission in 1901: "In this evidence before us the Chief Secretary of the Bombay Government said that 28 per cent. of the land in Broach had passed into the possession of the money-lending classes, and from a report of the Collector of Ahmedabad, it appears that in his district, expropriation of the land-owners has also made considerable way. Taking all these statements into account and comparing them with the evidence we have received, we think it probable that at least one-fourth of the cultivators in the Bombay Presidency have lost possession of their lands, that less than one-fifth are free from debt and the remainder are in debt to a greater or less extent."

These reports showed conditions to be so bad that something had to be attempted to relieve the ryots. Sir William Wedderburn's scheme for providing capital to agricultural classes on reasonable terms having fallen through, the Madras Government took up the matter, and began to explore the possibility of the co-operative movement to meet the needs of the Indian situation. Accordingly in 1892, Sir Frederick Nicholson (then Mr. Nicholson) was placed on special duty to study the theory and practice of agricultural banks in Europe, and to suggest ways and means whereby a similar movement might be introduced in India. Mr. Nicholson issued a valuable and exhaustive report on the systems which he found prevalent in Europe; the action taken on that report by the Government of Madras marks the beginning of the co-operative movement in South India. Nicholson said: "Find Raiffeisen and the problem of Co-operation is solved." Nicholson saw that what South India needed was an adaptation of the German system of agricultural societies to make possible cheaper credit, and so it is along those lines that the co-operative movement has developed in the Madras Presidency. In 1904 there was passed into law the Co-operative Credit Societies' Act, and immediately the movement began to bear fruit, as the following table will reveal:

Year.	No. of Societies.	No. of Members.	Working Capital. Rs.
1906-7	843	90,844	23,71,683
1907-8	1,357	1,49,160	44,14,086
1908-9	1,963	1,80,388	82,32,225
1909-10	3,428	2,24,397	1,24,68,312
1910-11	5,321	3,05,058	2,03,05,500
1911-12	8,177	4,03,318	2,35,74,162

After the revision of the Act in 1912, there was another period of rapid growth, for in 1914 the number of societies had increased to 14,881, the number of members to 6,95,998, and the working capital to Rs. 7,45,31,725. By this time Government considered that the system should be thoroughly reviewed; accordingly, the Maclagan Committee was constituted in October, 1914, with terms of reference as follows:

> "The primary duty of the Committee will be to examine whether the movement, especially in its higher stages and in its financial aspect, is progressing on sound lines and to suggest any measures of improvement which seem to be required. For this purpose the enquiry will be direct primarily to an examination of such matters as the constitution and working of Central and Provincial Banks, the financial connection between the various parts of the co-operative organisation, the audit, inspection and management of all classes of societies, the utilization of the reserve and the manner in which the reserve funds should be exhibited in the annual accounts. At the same time the Government of India do not desire rigidly to limit the scope of the enquiry, and the Committee may, at its discretion, consider and make recommendations regarding any important aspect of the co-operative movement."

The Committee published their report in 1915; the activity of the co-operative movement in India at the present time may be said to rest upon the Act of 1912, as interpreted by the Maclagan Committee.* In spite of the period of the war and the reconstruction after the war, the co-operative movement has made steady progress, as will be seen in the following table:

Year	No. of Societies.	No. of Members	Central Banks.	Working Capital. in Lakhs Rs.
1913-14	1,333	100,537	8	123'21
1918-19	3,676	244,297	26	305'21
1923-24	9,785	616,628	33	839'27
1925-26	11,973	748,783	32	1,132'80
1926-27	13,357	830,522	32	1,334'34

Of the 13,357 registered societies on June 30th, 1927, no less than 11,000 with 583,315 members were agricultural credit societies. The remaining societies consisted of non-credit agricultural societies, such as for purchase and sale, for leasing lands, for irrigation, for land reclamation, and for cattle insurance; and non-agricultural societies, as for example, credit societies for house-building, for purchase and sale, and for labour contracts. From the nature of these societies will

* Bhatnagar's Co-operative Organisation in British India pp. 37-8.

be readily seen the lines on which the co-operative movement has developed in India, and the following are the objects which have been held before the people:

(1) to borrow funds from members or others to be utilized for loans to members for useful purposes:

(2) to act as the agent for the joint purchase of the agricultural, domestic, and other requirements of its members, and for the joint sale of their produce;

(3) to purchase and own implements, machinery or animals for hire to its members;

(4) to disseminate a knowledge of the latest improvements in agriculture, handicrafts, and weaving, and encourage its members to adopt them; and

(5) generally to encourage thrift, self-help, and co-operation among the members *

During the past dozen years, the Madras Presidency has been applying the principle of co-operation in a number of interesting ways, some of which have been highly successful. There came into existence in 1912 a new kind of central bank, known as the "banking union." The first one to be established was the Madura-Ramnad Central Bank, and it admitted both individuals and societies as shareholders. It had as its function not only the finance, but also the supervision and control of all its affiliated societies. The question of supervision and proper control of societies forced itself into prominent notice in 1910, when the number of societies became so large that the Registrar of Co-operative Societies and his staff could not adequately supervise them. The first non-credit society organised in the Presidency was the now famous Madras Triplicane Co-operative Stores, registered in 1905. It has had a wonderful success, and its success has been repeated in other places as well. Other applications of co-operation are to be found in the societies for the depressed, backward, and similar classes; Madras fishermen societies, the reclamation of the kallars (criminal tribes) in Madura and Tanjore; labour societies; building societies; irrigation and land reclamation societies; weavers' societies; agricultural demonstration and supply societies; and land mortgage banks and supervising unions. Thus it will be seen that the ramifications of co-operation are extensive in the Madras Presidency, and a tremendous amount of really valuable work is being done. Great progress has been made since 1914, when the last Committee of Enquiry did their work; it was now thought to be time for another review of the movement, and accordingly

*Report of the Committee on Co-operation in Madras, 1927-28, pp. 8,9.

on September 1st, 1927, the Government of Madras announced their decision to appoint a committee to enquire into the present state of the co-operative movement in the Presidency; their report has recently been published, and it is a carefully prepared document.

III

The Committee consisted of a carefully selected number of men, Indian and European, official and non-official, who were in close touch with the activities of co-operation in the South under the Presidentship of C. A. H. Townsend Esq., C.I.E., I.C.S., The following were their terms of reference:—

1. to examine the progress made in the co-operative movement in this Presidency since the Maclagan Committee's report;
2. to enquire into the present position and lines of development of the movement and to make recommendations;
3. to examine the practice and organisation of the financial system and to make recommendations;
4. to make recommendations in regard to propaganda, supervision and control of societies and finance; and
5. to examine the position in regard to co-operative distribution, production and sale, and to make recommendations.

The Committee have this day to say as their general finding on the state of the co-operative enterprise:

> "We consider that the co-operative movement in the Presidency has done good, especially in the general reduction in the rate of interest charged by ordinary money-lenders on their loans to cultivators. But much remains to be done; the movement has not yet touched, even nominally, the lives of more than ten per cent of the people; in many respects it requires correction, in some a change of system, and in some additional attention."*

The most important part of the Report is that which deals with Problems and Proposals, which I shall refer to briefly. The failure to make a division between agricultural loans into long and short-term loans is in the opinion of the Committee the most unsatisfactory feature of the co-operative movement at the present time. This fault brings in its train the large amount of overdues, which is a very serious defect in the present organisation. Accordingly, the Committee have put forward a proposal to divide agricultural loans into long-term and short-term loans, and they consider this the most important of all their proposals. "We have found during our tours that the localities in

*Report of the Committee on Co-operation in Madras, 1927—28. p. 37.

which co-operation is healthiest are those which have laid greatest stress on short-term business. On the other hand, in certain districts where long-term businees preponderates, some of the evidence was to the effect that the ryots were deeper in debt than formerly".

As all workers in this field know the crux of the matter is in frequent inspection and adequate supervision of the individual societies. The Committee say we lay the responsibility for inspection of primary societies on central banks, and for supervision on unions and federations; if this work is carried out well and faithfully, it will go a long way towards making for success in the practice of co-operation. It should be remembered that the movement owes its origin to poverty, and to the need felt to afford some relief to poor and helpless people. Co-operation aims at getting people to believe in themselves, and to believe that they can help themselves. In other words, as emphasised by the Rochdale Pioneers: "Co-operation is a faith as well as a practice." In this connection good work has been done in organising societies for the depressed, backward, and similar classes. These people are extremely poor; they have no property which they can pledge. Their only asset is their labour and character, and these form the only basis for their credit. Co-operation in their cases must be employed to stimulate thrift, to increase their earning capacity, and to secure for them a larger margin of income by better marketing. The special problems which they offer centre round organisation, Supervision, and finance. Accordingly, the Committee recommended that the Kallar Criminal Tribe societies should continue under and other similar ones should be transferred to the Government Labour Department. On the same principle, they consider that the Fisheries Department should be responsible for all fishermen's societies. Depressed class societies should be affiliated, wherever possible, to existing unions of caste societies, as is the rule at present. All such societies should look to the Christian Central Co-operative Bank for supervision and help, for it is practically the Central Bank for depressed class and labour societies throughout the Presidency.

As agriculture is by far the most important industry in the Presidency, there is great need to organise agricultural demonstration and supply societies. Some work has been done, and the results are encouraging as far as they go, but the Committee consider that very much more remains to be done in starting societies for better farming; for the co-operative purchase of manures, ploughs; for the co-operative sale of crops; for the provision of finance to enable the cultivator to withhold his crops from the market at harvest time, so as to secure the advantage of better prices later on, all these and other suggestions

offer means of increasing the cultivator's income. The Committee strongly urge the formation of loan and sale societies for the purpose of increasing the wealth of ryots, by enabling them to withhold selling their crops till they can command better prices. Every assistance should be given to this form of co-operation.

Next to farming, weaving is the most important industry in the Presidency, but the weavers as a class are woefully ignorant and are sunken in poverty. Here is a wide-open opportunity for the co-operative movement, and yet very little successful work is being done to help this class of people. Their problem is largely one of marketing; at present the supply is in excess of the demand in their particular locality, owing to the introduction of the fly shuttle. Co-operative selling and the opening up of new markets is the way in which their salvation lies. In some centres like Madura, building societies are popular, and are being successfully managed; this form of co-operation affords considerable help to the steady income-earner, and enables him to acquire a house for himself. In the matter of co-operative stores, some are working well, but the condition of many is unsatisfactory. For the village population a joint system of purchase is recommended as having a much greater chance of success. The Committee endorsed heartily the new movement for "rural reconstruction," and think that whereas the co-operative movement in India has done good work along the lines of credit societies, the time has come for a more forward movement along non-credit lines. They also see great need for co-ordinating the various departments in their work for the good of the country. They say:

> "We desire to emphasise an opinion, which is based on the evidence of many witnesses, that not enough is now being done to co-ordinate the work of the "nation-building" departments, which do not, we consider, at present realise sufficiently what a powerful instrument for the furtherance of their work is available to them in the co-operative movement. We therefore suggest that Government consider the advisability of directing district officers of the Co-operative, Agricultural, Veterinary, and Industries Departments to have periodical conferences to co-ordinate the activities of their departments, and to submit reports to Government of the progress made therein. The presidents of central banks and federations should be invited, whenever possible, to attend these conferences."*

Fundamental to the success of this movement for self-help in India is confidence in one another which must be built up on education

* Report of the Committee on Co-operation in Madras. p. 59,

and training. "Hence the first condition obviously is that every member should have a knowledge of the principles of co-operation, if this co-operation is to be real and not a sham." [1] On this point the committee say: "We have been very much impressed by the lack of knowledge of even the commonplaces of co-operation shown, not only by the members of primary societies, but also by office-bearers, and even by the staff employed by the various non-official agencies. We believe that many of the unsatisfactory features in the present condition of the movement are directly attributable to this ignorance. Even the official staff is, we consider, in many respects insufficiently trained for the proper discharge of its duties. Too much importance cannot be attached to the necessity for adequate education in co-operative principles of all concerned in the movement." [2]

One matter of more than ordinary interest is the question of land mortgage banks, both primary and central; the Committee see in this practice a means of real help to the agriculturists. They say: "We are of the opinion that every effort should be made to form primary mortgage banks, wherever possible, to provide long-term credit for the ryot.[3] "We are of the opinion (and the experience gained so far supports it, that very slow progress will be made unless a central land mortgage bank is formed in Madras to float debentures on mortgages transferred to it by primary land mortgage banks, and to finance the latter out of the proceeds of such debentures."[4] "If our proposals are adopted, we feel sure that large funds of Indian insurance companies will be invested in the debentures of the central land mortgage bank. We understand that these companies suffer from a lack of suitable mortgage investments, which form a large portion of the investments of insurance companies in England. We consider that Government should take all possible steps to assist in this direction."[5]

A good deal of attention was paid to the question of reserve funds and fluid resources. The Co-operative Societies Act makes no reference to the maintenance of fluid resources, that is, to the necessity of societies holding a certain proportion of their assets in a liquid form to meet the claims made from time to time by depositors. The conclusion at which the Committee arrived by a majority, but not unanimously on this matter "is that the existing arrangements with regard to fluid resources are sound, that a change in them is not called for. We

1 Calvert's Law and Principles of Co-operation in India. p. 11.
2 Report of the Committee on Co-operation in Madras. p. 94.
3 " " p. 66.
4 " " p. 65.
5 " p. 68.

however recommend that, in order to make the existing arrangements absolutely safe, steps be taken to ensure that the continuance of these facilities is made obligatory on the Imperial Bank by some statutory provision, contractual guarantee, or other suitable method."* "We feel very strongly that the holding of appreciable tangible liquid assets by the central banks is very necessary as a protection to the agriculturist."

What is needed in the Madras Presidency is an education campaign putting forth the claims and advertising the advantages of co-operation. In this connection the Committee have made a novel and valuable suggestion, which ought to be tried: "We suggest that if funds permit, a small fleet of demonstration motor vans should be organised, which should tour the Presidency in charge of an officer with special propagandist abilities, and give ocular demonstration to the ryots of the practical value of co-operation. In certain other provinces a demonstration train is being used for the purpose. But we consider motor vans would be more useful in this Presidency. We understand that the Agricultural Department has a similar project under consideration, and we recommend collaboration with that department in the matter."†

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* Report of the Committee on Co-operation in Madras. p. 89.

† Report of the Madras Committee on Co-operation, p. 95.

Agricultural Finance—by Cheques.

By Rao Bahadur A. Vedachala Aiyar.

The article of the Hon'ble Mr. V. Ramadas in the February issue of the Madras Journal of Co-operation relates to a new method of financing agricultural industry by the issue of one rupee cheques by rural primaries on the District Central Bank with a deposit held by the latter in the current account of a lump amount, being the proceeds of short term loans sanctioned to the primaries under the forecast system at the beginning of each year. The suggestion involves the working efficiently and promptly of the forecast system of loans under which each primary society should, at the beginning of each year, for its own annual requirements of short term loans, get each loan recommended by the local union, supported by the Assistant Registsar where necessary, and sanctioned by the District Bank. This system can be expected to work successfully only when the efficient working of the primaries is made known to the central bank by a thorough overhauling report being made available at the beginning of each year either by the departmental agency or by the non-official agencies for supervision. Hence it must be laid down both by the Department and by the District Federation that such an overhauling report on the financial position of each primary society should be made available to the local union and the District Bank by the 30th June of each year. This need not represent the operations for the entire co-operative year.

2. Another point for consideration in connection with the scheme is the desirability or otherwise of crediting in the current account the proceeds of short term loans sanctioned to the primaries by the central bank. If the credit to current account is made in advance and as soon as each loan is sanctioned, the primary society will get only $2\frac{1}{2}$ or 3 per cent interest on the undrawn amount in such current account while $7\frac{1}{2}$ per cent will be charged on the entire loan amount credited in the current account. The practice at present is, for the primaries, to draw the loan amounts in small driblets, as and when the primaries want them, by debiting the same in the loan ledger. This practice may have to be followed to avoid wastage in the shape of interest. The primary societies will draw the amount covered by the issue of cheques in each month by debit of the specified amount in the loan account and by credit of the same in the current account in each month in the Central Bank. An intimation from the primaries of such issue of cheques every

month will be availed of to work such entries automatically in the accounts of the Central bank.

3. The third point for consideration is whether cheques issued by primaries on the central bank which practically gives an assurance of encashing them when presented can be efficiently and speedily popularised with small retail dealers with whom alone the rural co-operators deal. If this can be secured, the system might fairly work leaving out of consideration the inherent difficulties attendant on cheques being issued by a number of societies with different officebearers whose signatures will have to be tested and accepted.

4. I may however propose for the consideration of the co-operators a modified scheme which might secure speedy popularisation of the use of cheques in place of gold or silver with less chances of fraud inherent in a wide circulation of cheques in the rural areas among a mass of illiterates and among retail dealers in rural parts.

5. The Imperial Bank of India (Madras Branch) has given about 50 lakhs of overdraft accommodation to central banks and the Provincial Bank. Let us consider how such an overdraft can be used for the benefit of rural co-operation for use as short term loans. Let us for a moment assume that the entire overdraft will be concentrated in the Provincial Bank to be operated in places wherever there are branches of the Imperial Bank. The Provincial Bank will issue cheques on the Imperial Bank to the extent required by each central bank as short term credit and each central bank issues the cheques to the primaries for the amount sanctioned as short term loan or for such amount as the societies wish to draw from time to time. These cheques on the Imperial Bank issued by the Provincial Bank will readily be accepted by all traders, retail and wholesale, and by money-lenders and by Government. This system will ensure the introduction of paper currency for the benefit of the rural population. The benefit denied by the circulation of these cheques will get centred in the Provincial bank which can allow rebates to central banks.

Even if the overdraft with the Imperial bank is not concentrated in the Provincial Bank, each central bank can issue one rupee cheques on the Imperial Bank towards its overdraft accommodation and make them available to primaries in such volume as the sanctioned short term loans warrant. The resultant effect of the circulation of these cheques in the shape of saving interest from the date of issue up to its encashment in the Imperial Bank when alone it will bear interest will be a source of profit to the central bank and will become available to the co-operative movement in each District. The overdraft with the Imperial Bank will then be utilised for short term loans and all receipts in the shape of deposits, fixed and current etc., in the central bank will be credited in the overdraft account of the Imperial Bank.

Similarly crop loans given by primaries to members on the security of produce in the custody of the societies can be endorsed by primaries in favour of the central bank which can raise loans from the Imperial Bank on the security of such bills, if not on a flat rate of interest, at any rate at the prevailing bank rate negotiated with the Imperial Bank by the central bank.

6. Thus it will be seen that all finance required for the productive portion of the agricultural industry and for movement of produce by agriculturists can be met by such an arrangement and by issue of cheques on the Imperial Bank whose circulation is already assured with merchants, money lenders and Government. Crop loans obtained from the Imperial bank by central bank can be put into the overdraft account and drawn when required as aforesaid.

7. Agricultural industry finance, for long term loans, not repayable in full soon after harvest and *not* for *debt redemption* but repayable in a series of years 6 to 10 with reference to the repaying power of the borrower and from out of annual surplus or savings is a different matter. It is also a very valuable and indispensable arrangement to carry on the agricultural industry profitably. It will have to be dealt with separately and it can also be brought under the scheme of issuing cheques. The breakdown in the past of the financing arrangement in central banks in regard to such "mid short term loans" was due to the improper use of such loans for debt redemption without clear scrutiny of the repaying power and owing to the ignorance or want of clear knowledge on the part of the Panchayets in the principles involved in the issue of such loans and to their apathy in enforcing the disciplinary action involved in every business concern. Though the subject is adverted to in Mr. Ramadas' article, it must be dealt with separately.

WINGS OF LOVE.

I would that I bore two wings
  As pure as the snowy dove,
I would soar thro' the glaring Heavens,
  I would fly to thee, My Love!

I would that my words bore wings
  That were sweetly pure and whole,
They would fly from my joyous lips
  To rest in thy quiet soul!

LELAND J. BERRY.

A Novel Experiment in Co-operative Finance.

II

AN EXAMINATION OF MR. A. VEDACHALA AIYER'S ALTERNATIVE SCHEME.

BY THE HON'BLE MR. V. RAMADAS PANTULU.

In concluding my first article,* I promised to deal with certain possible objections to the scheme and to explain its financial implications in fuller detail in a later contribution. I am afraid I have to defer it to a more distant date, contenting myself, in the meantime, with analysing some points raised in relation to the scheme and examining the alternative scheme proposed by Rao Bahadur A. Vedachala Aiyer, in his contribution in the preceding pages of this issue. In doing so, I shall not be merely answering Mr. A. Vedachala Iyer, but also further elucidating the Salem scheme incidentally.

Mr. Aiyer raises three points and makes a further suggestion about the Salem scheme as outlined by me and then proceeds to put forward an alternative scheme as being a better one. I shall first deal with his points and suggestion. His first point is that special reports should be called on the efficient working of the societies financed on the cheque system. I presume that short term loans on forecast system are allowed only to good societies. If so, I am unable to see why a special report on their working becomes necessary in their case simply because a part of the forecasted and sanctioned loan, or even the whole of it, is issued in cheques instead of cash. If the concerned central bank however thinks fit to do so, I see no reason to object to it. His second point that only the portion of the loan actually disbursed in cheques to the societies should be debited to the loan account and credited to the current account and that such adjustments should be made monthly is again a matter which does not touch the essentials of the scheme but one for the consideration of the central bank and the society engaged in the transaction. When I stated that the amount in deposit in the current account to the credit of the borrowing society should in no case and at no time be less than the amount of the loan covered by the issue of the cheques, I was dealing more with the legal than the banking aspect of the question. I was concerned with pointing out that a failure to observe the rule about the equation of the sum in deposit and the loan in cheques would constitute a breach of the statutory provision embodied in section 26 of the

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Indian Paper Currency Act and the mode of disposal of the balance of the sanctioned loan, not issued on the cheque system, was totally irrelevant to my theme. I therefore express no opinion on Mr. Aiyer's second point, for it relates more to the normal credit business than to the essentials of the new experiment. But I may say this. If the method of monthly adjustments does ensure that the outstanding loans in cheques are backed by a deposit in the current account of a sum not less than the value of the outstanding cheques on *every day* of the currency of the transactions, it need not be ruled out, but may only be agreed to if it is otherwise acceptable to the central bank. His third point about the effort to popularise the circulation of the cheques so as to make them readily change hands and inspire confidence in local people and small dealers will hardly be disputed by any one. Indeed I stated that that was the crux of the scheme. The scheme stands or falls with the popularity or otherwise of these papers.

Mr. Aiyer's suggestion about the possibility of extending the experiment of the cheque system to intermediate and long term loans is however one which I prefer not to discuss at this stage on a theoretical basis. Mr. Aiyer may perhaps be right and there may be no objection to such extension on apriori grounds, there being *prima facie* no logical connection between the length of the loan and the currency medium through which it is issued. But from the viewpoint of prudence, care and caution, which are imperatively called for in a matter like this, I urge that we should feel our way in the first stages of our march before we make a dash towards hitherto untrodden paths of co-operative finance. In any case, I can certainly not agree to Mr. Aiyer's statement that 6 to 10 years loans "can also be brought under the scheme of issuing cheques", for the simple reason that I do not want central banks and primaries to have anything to do with such long term loans. If they ought not to dispense such loans in cash, the question of substituting cheques for cash does not arise. Mr. Hood put the case against that variety of long term finance in an uncompromising and unequivocal manner in his recent Pudukotta speech. The Madras Central Urban Bank is struggling to work up to that ideal against odds. I am firmly convinced that any attempt to deflect central banks from that policy will spell the ruin of credit co-operation in this province. The demands for real long term accommodation of over 5 years' duration by rural co-operators should be satisfied through the medium of new organisations like co-operative and commercial land mortgage banks, the Bengal type of 'Loan offices' or other similar associations and the existing credit institutions should not be misused for the purpose as neither their constitution nor their resources permit such use. The development of nerve and not nerves by those who are responsible for the elimination of unsound business and bad banking from co-operative credit will alone save the situation.

We now come to Mr. Aiyar's alternative scheme of operating on Imperial Bank's overdraft account by putting in circulation cheques issued by the Provincial co-operative bank or a central bank as the case may be. The substitution of cheques on the Imperial Bank for those on a co-operative central bank undoubtedly offers a better solution of our difficulties, if ensuring freer circulation of cheques and elimination of chances of fraud and counterfeiting were the only difficulties we have to contend with. Unfortunately we have to overcome many other obstacles which cannot be removed by the use of the Imperial Bank overdraft for the purposes of our experiment. In the first place I wish to make it clear that the Imperial Bank overdraft is too frail a reed to hang any of our financial schemes on. Those who have been watching the trend of recent events and read the dissenting minute of the three European members of the Townsend Committee on the use of the Imperial Bank overdraft for fluid resources of co-operative banks will not have failed to realise the risks involved in building on that foundation. The significance of the fact that one of those three was a chosen representative of the Imperial Bank and the other two of the Government should not be lost sight of. It is true that their objection was to the use of overdraft for fluid resource and not for short term finance. But most central banks are not now in a position to use the overdraft for only one purpose and not the other. Even for short term finance the concession of the overdraft and its terms have not been put on any obligatory basis and may be terminated at the pleasure of the Imperial Bank or the Registrar. Indeed within the last few months more than one central bank and the provincial bank were threatened with such termination as a penalty for their political conduct. If Salem bank wishes some assured life for its experiment and is not content to carry it on merely during its good behaviour of which the Imperial Bank and the Registrar are sole judges, then the Imperial Bank's overdraft cannot be a suitable foundation for any scheme.

Assuming that the Imperial Bank's overdraft is a stable factor to rest Mr. Aiyar's scheme on, what is the price which the Provincial bank has to pay for the accommodation, what the central bank and what the rural society? If we adopt the flat rate interest of $6\frac{1}{2}$ per cent as basis, it being the lowest flat rate allowed by the Imperial Bank, short term loans to central banks to work the scheme cannot carry any rate less than $6\frac{1}{2}$ per cent, let alone margin for the Provincial bank. The provincial bank today lends at 6 per cent both for short term and intermediate term to central banks. Are loans under the experiment which is intended partly to encourage short term business to carry a higher rate? Again many central banks in their turn have reduced their lending rates to 7 per cent and some banks have gone down to 6½ per cent thanks to the new orientation of *cheap credit* rural co-operation with which some leaders of co-operative thought in this province seem to be in inextricable love irrespective of consequences. If these banks credit the loan amounts covered by cheques to current accounts of the borrowing societies and earn a net interest of 3 or 4½ per cent on sums borrowed at 6½ per cent from the Imperial Bank, how can these make both ends meet?

The answer evidently is that, in view of the profit which is likely to accrue by way of interest-saving in the interval between the issue of the cheques and their encashment in the Imperial Bank and on account of the facilities which the provincial or a central bank may have to reduce from day to day the volume of the drawn portion of the overdraft by crediting to that account the incomings in shape of deposits, fixed, current and other varieties, there will be no harm in operating on the overdraft which carries 6½ per cent and that in the long run the profit from the sources mentioned will at least balance even if it does not out-balance the loss if any. This is a banking problem with which only experts can deal and not a layman like me. Many complicated calculations are involved in it. But even experts have no data to work upon, for it is a new experiment. The results of the application of the theory of probabilities to banking ventures even in known fields of finance are at best doubtful guides. Who, I wonder, can say how long these new cheques will remain in circulation and whether the incoming deposits and investments of the provincial or a central bank in any particular season will leave a surplus to reduce the overdraft, after meeting the loan commitments of those banks. Within the last two months, the provincial bank, to my knowledge, for some days found itself faced with commitments to lend 14 lakhs to central banks at 6 per cent with two kinds of resources at its command, operating on either of which entailed loss. It had either to overdraw from the Imperial Bank at the bank rate which stood at 8 per cent—the flat rate alternative having been disallowed some time ago—or to sell some of its gilt-edged securities at appreciable capital loss, owing to depreciated market for every form of issues held by it. How the crisis was tided over and how the Central Banks were eventually accommodated does not concern us here. The position thus illustrated ought to put us on our guard against over-optimistic calculation of our possible resources. Half the number of central banks in the province supplement their locally derived resources by loans for the Provincial bank to meet the needs of their constituent societies and all the Banks in the Province depend upon the overdraft in the Imperial Bank for the maintenance of the obligatory fluid resources. If they earmark the overdraft for the purposes of Mr. Aiyar's scheme, I fear many of them will find themselves in very tight corners at least occasionally.

The Salem scheme was therefore made to rest not on any such hazardous basis but on the more solid foundation of the federated co-operative banking system of the province, which has assured to central banks not only deposits at rates ranging between 4 and 5½ per cent but also immunity from paying to any creditor more than 6 per cent as price for his money, for it can be had from the Provincial bank at that rate. How on these financial hypotheses the Salem experiment can be successfully carried out, other conditions being favourable, has yet to be told. But owing to the length this article has already run to, that tale must stand over to another occasion.

There are it is true many things in our economy which we can more successfully accomplish if we had the prestige of the Government or the State Bank behind us. Official diplomas have more value than those of co-operative institutes. Imperial Bank cheques have more currency than those of co-operative banks. Departmental inspectors have more prestige than those of the union or the federation. Registrar's circulars have more compelling force than those of our own apex bank. But if we have to build up a co-operative democracy in this land and to the extent that State aid is not forthcoming to further that endeavour, we can only succeed if we create respect and prestige for our own standards, for our own papers, our own officers and our own self-determined rules. So long as we preach that the co-operative paper is inferior to the Imperial Bank paper as a medium of currency, we do a disservice. After all how many people can the Imperial Bank reach? As against its 200 branches all over British India and Indian States, co-operators had 88 thousand rural peoples' banks and 568 central banks in 1926-27. Let us aim at stable and self-reliant enterprises which will reach the masses. The Salem experiment whether it succeeds or not is conceived in this spirit.

Co-operative Movement in Pudukottah.

By Mr. G. Sundaresa Iyer, B.A., L.T.,
(*President, Co-operative Central Bank, Pudukottah*).

Act X of 1904 was introduced in the State by Regulation III of 1908. The same concessions that were granted to Co-operative Societies in the British Provinces were also granted here. The Dewan Peishkar of the State corresponds to the District Collector and he is practically the Head of the Revenue Department. He was made an ex-officio Registrar of Co-operative Societies—a function which was added to his enormous other duties. A clerk of that office was deputed to attend to the Co-operative work. Nobody had any clear ideas of co-operation. The difference between limited and unlimited liability, the area of operations of a society, the principles upon which a soeiety ought to work—all these things were unknown to any one who had anything to do with the movement. A society for a whole firka comprising several villages was started at Karambakudy. A store was started in the Town. There was no audit, no checking of accounts and nothing was done to enlist the support of any person in the State.

It was at this time that a gentleman, at Tanjore,—a Vakil—who had ample leisure was appointed here as Sub-Magistrate. He had studied the working of some Co-operative Banks in Tanjore District as well as the working of the Tanjore Permanent Fund. He had an innate good nature, an inquiring mind, a passion for details and a desire to do good to his fellowmen. He took great trouble to establish a society in the Town. He was a Sub-Magistrate at Alangudy and he started a society there,—Alangudy Paraspara Sahaya Sabha Ltd.,—a rural society on a *limited* liability basis. He was transferred to the Town and he made it a point to force interest upon some gentlemen, who, but for his dogged perseverence and indomitable energy, would not have taken kindly to the movement. With his usual good nature, Mr. A. Mahalinga Iyer, the Chairman of the Reception Committee, helped him in his endeavours. In spite of his persuasions and his attendance at their houses at midday during the holidays, some gentlemen cleverly managed to escape from his clutches and remain to the last without taking any interest in co-operation.

It was mainly through his efforts that the Town Bank was started. Nearly 2 decades have passed away and at this distance of time it is rather difficult to imagine the laborious spade work that was done by this gentleman to have the Town Bank registered.

The Town Bank Ltd., No. 5, is the best and practically the only big Urban Bank now working in the State with an accumulated Reserve Fund of about Rs. 50,000, with a building of its own worth Rs. 12,000. To the building of this co-operative edifice, Mr. C. V. Venkatavaraha Dikshidar, B.A., B.L.,—for he is the gentlemen above referred to—is not to a little degree responsible. The Town Bank had on its management busy lawyers to whom for some time a then schoolmaster Secretary appeared to be a nuisance; and gradually as the Bank developed, greater and greater interest was being evinced. The Town Bank pressed for annual audit and its secretary was deputed to study the working of the Co-operative Societies elsewhere and to attend the provincial Co-operative Conference at Madras. In fasli 1319 (1909-10), there were only 5 societies working in the State—No. 2 co-operative stores having been wound up. There was no unlimited liability society in the State.

In fasli 1320, the Government remarked about Thiruvappur Society—Sri Venugopala Sowrashtra Weavers' Co-operative Society—that it was not a success, as the members of the society failed completely to realise their responsibilities. In fasli 1321, the Government remarked:—" Karambakudy was more or less moribund. The Durbar regret to find that the attitude of the general public towards the movement is still apathetic." Little did the Government remember that they did not train anybody for the work, create any separate department nor did they appoint any officer for the department. So practically in fuslis 1320, 21 and 22 there were only 5 societies and even the statutory duties which had to be done were not done. Except the audit of the Town Bank for which the vociferous Secretary clamoured, the Government did not remember that annual audit was a thing which had to be done. It will be surprising to find that the stores was started, was wound up—the Registrar keeping himself aloof and practically knowing nothing.

It was in fasli 1323 that Mr. (Now Rao Bahadur) M. K. Venkatachariar, B.A., was appointed as the Dewan Peishkar of the State—a gentleman who had studied the working of the Co-operative movement in Chingleput District, who had unbound enthusiasm, a passion for work, and who knew whom to please and whom to persuade. He used his official position as much as possible to the best advantage of the ryot and he took very great interest in the Co-operative movement. It was during this period that the Co-operative movement took firm root in Pudukottah. Whenever he went on his tours, he selected one or two prominent people and dinned the ideas of co-operation into their minds. He converted the two limited liability societies into unlimited societies, restricting the area of operations. He had an auditor appointed for the purpose of auditing societies and for organising societies—an officer who refused to be convinced of the benefit of co-operation. He was soon transferred and a special assistant was appointed. The first unlimited liability society was started at Kiranoor on 14-1-14. 6 new societies were started and the State granted State loans at reasonable rates of interest. Whenever village officers came to his house as officers of society he used to receive them at once; so much so, that village officials took interest in co-operation for two reasons, for the purpose of getting interviews easily and for the purpose of pleasing him whom they called a co-operative Dewan Peishkar. He was the Dewan Peishkar of the State from 1-7-13 to the middle of May 1916 and during his regime about 21 Societies were started. He got a British Inspector to audit the accounts of the Town Bank, arranged for the annual inspection of the Societies by the British Registrar, forced the attention of the Government to the necessity of paying greater attention to co-operation and did all in his power to further the progress of Co-operation in the State. A co-operative conference presided over by Mr. T. Adinarayana Chettiar, M.L.C., Bar-at-Law Salam, was held where where useful co-operators as Rao Saheb A. Sethuramier, C. Aruliah Naidu and others took a leading part and addressed the public on the benefits of Co-operation. He selected several gentleman and made them attend the Co-operative Conference in Madras State Cost. He arranged for the inspection of select societies by the British Registrar once a year when the State was under the control of the Madras Government Act II of 1912 was introduced in the state by Regulation VI of 1915. Full timed Co-operative Inspectors were appointed. Soon after his reversion, Mr. L. D. Swamikkannu Pillai visited the state societies in fasli 1325 and at once drafted him in his department. The following is an extract from his report:—"May general impression of the state of co-operative work in this state is very favourable. I found everywhere considerable eagerness to learn co-operative principles, a high degree of punctuality in repayment and a perception of the aims and the ideals of the movement. . . . . Since the condition of the societies leaves little to be desired I think that inspection by the Madras Ragistrar once in two years will be quite enough in future. This will also make it possible for the Registrar to carryout such visits in person instead of delegating them to an Asst. Registrar."

During this period at the helm of affairs was Mr. J. T. Gwinn, an Irishman, who took considerable interest in co-operation.

It was in fasli 1327 that the Government remarked "The Durbar are glad to recognise the earnest efforts of many gentlemen, officials and non-officials, who have devoted much time and labour to the promotion of the movement."

In fasli 1328, Mr. Hemingway, the Registrar of Co-operative Societies, visited the societies and presided over a Co-operative Conference held ot Keeranoor. His broad sympathy, his free conversation with all and his Tamil address as President are still fresh in our minps.

In fasli 1329, there were 35 societies. The Department under the control of the Dewan Peishkar was transferred on 7—10—19 to the District Registrar.

In fasli 1330, the government remarked "The Registrar hopes that the progress, though slow, may be steady. The Durbar wish that *it should be accelerated.*" Rules for the execution of awards in the Revenue department were framed.

The Town Bank was financing both societies and individuals and it was at Keeranur Conference that the idea of starting a Central Bank was resolved upon. I did not take the initiative for two reasons in that the Town Bank had enough funds to lend to societies and secondly the starting of a Central Bank, in my opinion, would decrease the importance of the Town Bank. I acted according to the motto "Let sleeping dogs lie." When Mr. A. Radha Krishna Iyer, the present Dewan Peishkar, who has an abiding faith in the movement, was the District Registrar, he succeeded in wearing away my opposition—for I could not resist the idea being a good one—and enlisted the sympathy of others also. The Central Bank was registered on 1—9—20 and it has been financing the societies ever since. It has on its rolls 23 individual members and 130 society members. It has advanced Rs. 4,11,794 as loans all these years and has a paid up capital of Rs, 55,029. Fortunately there is no clash between societies and individuals and a Prasanna Venkatesa Rao's memorandum or a Srinivasa Iyer's memorandum is a thing of no necessity here. The hint thrown in fasli 1330 that the Durbar wish it should be accelerated was noted by the Department so much so that in fasli 1332 societies rose to 61 and "the Durbar note with satisfaction the progress made this year and take this opportunity to thank all the non-official workers who have disinterestedly worked to advance the movement."

In Poovarasagudy, a society was working and the teacher who worked as the Secretary had great interest in Co-operative work. He started a Union—the first Union in the State. The Union was registered in 1923. Though he has not been trained in any school, he knows the principles and practical working of societies and it is no exaggeration to say that that union is the best union in the State.

In fasli 1333, two Inspectors were trained. In September 1924, the Superintendent of schools was made the Registrar of Co-operative Societies, It was from January 1926 that a Development Department was created and the present officer was appointed as Registrar. This officer who knows his limitations, who understands his work, who has abundant tact, a persuasive tongue and a real to do some good in spite of depressing circumstances, commands the esteem and regard of several persons in the state and is doing his work admirably well. I know he will excuse me if I state that when he was drafted to this Department—a department where good alone can be done—he had misgivings, but when he is in, he is doing his work as best as he can.

On 30-6-28 there were 146 Societies in the State, a Central Bank, a Co-operative Institute, 117 agricultural and 26 non-agricultural. The total membership was 14,644. The working of all societies was about 16 lakhs. The paid up share capital was about 1,60,000. The Deposits exceeded 9 lakhs. The Reserve fund was about Rs. 97,000. Loans outstanding were about 6¼ lakhs. Among the non-agricultural societies' 4 Store societies, 4 Weavers societies two of which have almost cassed to work—, a labour union in the town which has also ceased to work and a new Labour Union for stone masons in a village nearby are worthy of mention.

As societies increased, the idea of starting more Unions was thought of. Madras had its Provincial Co-operative Union, Travancore had started one, Cochin had started a Propagandist Institute and prominent co-operators thought it advisable to start a central organisation in the Town for doing propaganda work. The State Co-operative Institute Limited, Pudukotah was registered as a Co-operative Society in 1925. Its main functions are as follows:—(1) to propagate the principles of co-operation though paid and honorary workers by publishing magazines and issuing leaflets on co-operative topics and arranging magic lantern lectures, (2) to consolidate the work of local unions, to start unions, and to organise special types of societies (3) to arrange for conferences for business and propagandist purposes; (4) to organise framing classes for supervisors, the office bearers of co-operative societies and honorary workers; (5) to maintain an efficient library of co-operative and allied literature; and (6) to undertake such other work as will promote the cause of co-operation in the State.

Though the Institute was registered in January 1925, it began work in January 1926. It employed the services of a supervisor and sent him up for training in the Advanced Co-operative Traning class organised by the Madras Provincial Co-operative Union in 1926. During the first year it confined itself to a spasmodic inspection of the affiliated societies and helped peaple who courted its help. As more

societies joined the Institute, another supervisor was appointed from October 1926. Almost all the societies in the State were inspected by these two supervisors. Informal meetings were convened in villages where the benefits of Co-operation were pointed out. The Institute arranged for a Co-operative Conference in 1926 under the Presidentship of that veteran Co-operator, Rao Bahadur A. Vedachala Iyer Avergal. 7 pamphlets on co-operation were pubished and distributed to all the societies in the State.

As the number of affiliated societies rose to nearly 70 and as many societies were yet to be affiliated and as the area comprised was wide, the formation of local unions was contemplated to carry on more effective supervision. In June 1927 unions at the two Taluk centres, Kolatur and Tirumayam, were started and another at Alangudy was registered in November 1927.

The Institute arranged for a training class during the Dassarah of 1927 and lectures on Co-operative subjects were delivered by prominent persons. The lectures were well attended. Under request from the Government to arrange for conducting economic enquiries to study the condition of villages, the Institute prepared a questionnaire in the Vernacular (Tamil) and has also taken up the enquiry in one or two villages. Several public spirited gentlemen have also been approached with a request to take up the enquiry in the villages in which they reside.

The Institute has been publishing from January 1928 a Tamil co-operative bi-monthly magazine "ஐக்கிய போதினி" and the same has been converted into a "monthly" from January 1929.

The Institute maintains a decent library of co-operative and allied literature containing about 150 books. Co-operative Journals such as the Bombay Co-operative Quarterly and the Madras Journal of Co-operation, are also sent for.

The State has been giving a handsome subsidy of Rs. 500 to the Institute during the last 2 years and the thanks of the Institute are due for the help. It is hoped that this patronage will be continued for years to come.

So much work only has been done and the managing committee are keenly alive to the necessity of greater and more efficient work. Intensive propaganda is the sole aim of the Institute. The unfortunate continuous adverse seasons for the last five years and more almost throughout the State has affected the agricultural population to a degree which can better be imagined than described. In several villages in the State, drinking water has become a luxury. The ryot is practically undergoing very great hardship. Hence the Institute is unable to push on with as much vigour as possible.

The starting of small training classes in different centres to train Panchayatdars of societies, starting of special types of societies, such as grain societies, establishment of a Wholesale Co-operative Store in the Town, formation of a building Co-operative Society, starting of a Co-operative Press, arranging for Magic Lantern shows and Co-operative dramas in different places, popularisation of the note issue, such as the notes issued by the Salem Urban Bank, making the magazine illustrated, preparation of Co-operative readers to be used in elementary schools—these and other things are engaging the attention of the Institute.

The thanks of the Co-operators are due to the Government for the generous manner in which they have been helping the cause of co-operation. Except in two instances, I have not met with disappointment anywhere from officers high or low when I approached them for help for the co-operative cause. It will be invidious to name all the gentlemen who have contributed to the success of the movement, but it will be dereliction of duty if I do not recall to my mind the work of the departed—the late Mr. G. Sundaresa Sastrigal, Principal Radhakrishna Iyer, Swaminatha Sarma and S. Subramania Iyer, who contributed their time and energy to the movement.

The co-operative movement is a movement requiring the active co-operation of educated gentlemen. It has been recognised all over the world that if co-operation is properly worked, India's future will be glorious. Among the several activities that engage the attention of the youth—political demonstrations apart—there is no field where a young man can be more useful to his fellowmen than to do humble work in the co-operative field. Even amidst various disappointments in life, I have derived the greatest pleasure in devoting my time and energy to co-operative work all these 19 years. The path of duty is thorny and I have known persons who abused me for the Bank rejecting a loan and for my giving a plain uncompromising answer to plain questions. But these gentlemen, in calmer moments, have also expressed appreciation. The more we think of co-operation, more and more ideas rush to our mind. The one and only satisfaction that I now have, at this distance of time, is that I have already enlisted the sympathy of young, honest and enthusiastic men in the co-operative field. It is not money that is wanting but active interest. The individual subscription for the Institute is only Rs. 2 per annum. Knowing so well, as I do, Pudukottah and its people, I believe the blame rests more upon the management of the Institute than upon these gentlemen for more members not joining the Institute and not contributing to the magazine. May I, as a friend and fellow-worker, appeal to you all to extend your hand of sympathy to the Institute and make it a model one? Is it too much to expect you to spare a few hours a week to the study of co-operation and to request you to take an abiding interest in the movement? I hope not.

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Co-operation in Bengal.

By Mr. K. L. Narasimha Rao, B.A., B.L.,
(Convener, Non-Credit Committee, P. C. U.)

During the Christmas holidays, I was at Calcutta to study the Co-operative Movement there. The Registrar of Co-operative Societies, Mr. J. M. Mitra, had kindly drawn up a programme for me and deputed Mr. B. K. Bose to take me round Calcutta to show the several types of co-operative institutions. The Registrar of Dutch East Indies and Sir Daniel Hamilton were also in Calcutta at that time and I had the pleasure of their company and benefit of their views in studying the working of the Movement.

Before giving a detailed description of the various societies I visited, I wish to record a few general impressions about the men and the movement there. On a first glimpse and superficial outlook, one will think that Co-operative Movement in Bengal is official ridden, though not to the extent of the Punjab. But on closer acquaintance and deeper study, one comes to the conclusion that the former view is not quite correct or accurate, if not actually erroneous; for the work and guidance of the Co-operative Movement is as much in the hands of non-officials as in official hands. There are two significant facts which, if stated, will explain the whole position in this matter. The first is there are no tall poppies among non-official co-operators in Bengal as in Madras Presidency. The political and social leaders of Bengal take little or no interest in the Co-operative Movement. Here in Madras, political leaders like Messrs. Ramadas, Ramalingam Chettiar and Ranganatha Mudaliar (though the three persons belong to three different opposite parties, like the Congress party, the Justice party and the Liberal party respectively) take a good deal of interest in the Movement and co-operate with each other in working it. The second significant fact is the work and attitude of the present Registrar of Co-operative Societies, Mr. J. M. Mitra. I had the privilege of meeting and discussing with him on various matters several times during my stay in Calcutta and without being guilty of flattering him, I can say this much. Bengal is fortunate in having such a man as Mr. Mitra as the Registrar of Co-operative Societies. By virtue of his great character and good talents, he is ably fulfilling the dual functions, as the official head of the Department and as the non-official leader of the Movement. And hence the lack of a non-official leader is not much felt. Mr. S. K.

Lahiri is the Honorary Secretary of the Bengal Co-operative Organisation Society which corresponds to the Madras Provincial Co-operative Union here. Among the non-official workers, his name may be easily mentioned as the first. Having no other avocation or hobby except Co-operation, Mr. Lahiri is devoting all his time, energy and talent with a missionary zeal to this great Movement, in the success of which, he truly believes, lies the hope of Rural India.

About the Movement Generally.

In Bengal the rate of interest at which money is given to the ultimate borrower is still high. It was given to the individual borrower at 18 per cent interest at one time and it has been slowly reduced to the present rate of 12 per cent. In Madras the ultimate borrower gets generally at 9 3/8 per cent interest except in Madura-Ramnad area where he gets at over 10 per cent. A second feature about the credit movement in Bengal is, central banks are allowed to develop in every taluka area with the result that there were 103 central banks during the year 1928. Hence, the financial strength and resources of a central bank in Bengal are far less when compared with those of a central bank in Madras Presidency. In the course of my conversation, I asked the Registrar whether there are not competition and conflict between the various central banks in offering higher rates of interest to attract deposits and special concessions to attract business and he assured me that up till now no such conflict has arisen there. Bengal is now paying much attention to non-credit work. There are the Bengal Wholesale Co-operative Society for the sale of jute, there is the Wholesale Society for the sale of paddy and there is the Central Industrial Depot for the sale of finished products like clothes etc. These are apex organisations doing business on a huge scale. A study of these institutions will convince anybody that the days of doing small business in a distant and moffussil centre are gone. Now are the times when men ought to think of wholesale business, in lakhs and crores of rupees, organising not a few taluks or districts but the whole of the province and if necessary all the provinces in India. In these days of international competition and international combines, no one country, much less any one province or region, can afford to stand aloof and still try to compete with international cartels and trusts. If in co-operation there is business, it can no longer ignore the present methods of capturing trade and commerce in the international trade world. The Registrar of Bengal asked me whether it will be possible to organise the import of Bengal paddy on a co-operative basis (every year, paddy is imported into our Province by private merchants) in the province of Madras. I could not give him then a reply. But after

coming here, I had an opportunity of meeting and talking with our Registrar of Co-operative Societies who thinks there is little of Co-operation here in these enterprises. I will for the present leave out the controversy. The next thing of interest are the Anti-Malarial Societies in Bengal. They are doing a good deal of useful work in Bengal villages in reducing the number of deaths from the curse of Malaria and Kalaazar which take a heavy toll of lives every year. In every large city in India, the supply of pure and unadulterated milk is a problem and this is being successfully tackled by the Co-operative Milk Supply Union at Calcutta, though slowly but surely. Thus Bengal is forging ahead in Non-credit Co-operative work.

(To be continued).

LOVES APPEAL.

Last night
My soul,
Wild with its pain,
Fled to you
For sympathy,
Didst feel it beating
On your lips......
Your heart?
When my soul returned
Sleep came
With folded wings
And holy eyes,
And at her breast
I learned the answer
To my prayers and cries!

LELAND J. BERRY.

A Stray Thought on Labour problems in Co-operative Institutions.

BY MR. P. SRINIVASACHARI, B. A., B. L., VELLORE.

Plain speaking, whether informed or put in writing perfectly or imperfectly, will not fail to provoke a good deal of controversy which may be resented by the less ambitious who often think it unwise to give audience to real points of issue involved in the representation. But that is the only clear way definite and helpful to arrive at a satisfactory working agreement between the co-operative movement and its organised employees within a measurable distance of our view. To day matters stand on labour problems in which co-operative employees feel and act that the object of life is not to amass wealth but that it is the recognition of a right for living to work at the least burden to their fellowmen claiming for a reclamation for the benefit of the communities as a whole, of the power and tribute now vested in the hands of a few wealthy, influential and powerful individuals. Whatever may be the cause which operates for a desire to this claim for a privilege, it cannot be left unsaid that the committee men chosen by votes will not and may not either represent the best views of the employees or allay discontent so well and ably as they themselves will do it for them if they are elected to a seat on the board of an office. The present situation indicating a defect in the policy of the movement is a disgrace attached to paid employees which leaves unsatisfied the very many practical needs to have work in which they can express their own personality and even individually control their own institution by participating in the management of the enterprise in which they spend their lives pruely on service motives as joint owners in the structure of co-operative commonwealth. The society constituted as it is by the union of individual shareholders and society members has yet another side. It has in the course of its huge business created a constitution of employees nearly all of whom are co-operators by virtue of their membership in a staff society affiliated to its concern. And their interest as employees in whole time service for salaries amounts to self-employment by self-determination and is therefore also identical with the status of office-bearers who are elected to the Committee and Board. This naturally leads to an issue of great importance which must be pertinently solved. This is the point which is habitually ignored and even slurred over by officials, employers, and the amorphous public. The question now comes to :

1. Who is to give orders and to whom ?
2. Who is to obey ?
3. What is the sort of Government binding the members constituting the society ?
4. Is salary a munificent gift made by the office-bearer or committee men ? Or is it the *price* for living acquired by the members themselves ?
5. Who can disturb this ownership legally ?

A casual thought at these inequalities in these days of boasted civilization and co-operative activity frightens one of out of his wits and turns him into a hopeless and sterile co-operative desert to find out his own way to the gates of paradise. Yet this is the position which exists to-day, and it is no use mincing words in matters like this. If employees desire to live protected by legislative means, they must present an independent and powerful front to get out of this depressed environment. Indeed we are the sorriest of the degraded depressed classes in this respect! This we have to do not by a compaign of strikes but honest, peaceful and characterful kind and organised persuasion to a feeling of natural justice. A prospect of stable equilibrium is sure to ensue if only we carry on our representation with courage in a calm atmosphere by an interlock of voluntary and obligatory issues and with a fund of private and public morality aiding us all the way, no matter how discouraging the attempt may at first appear. In these circumstances, it is proposed to constitute a Labour Department opening up a works committee and a staff committee to deal with all questions affecting the economic status of employees in co-operative societies in general and in co-operative banks in particular.

THRALDOM.

I have listened to the thrush at dawn,
  Listened to the Lark,
And heard the rapturous Nightingale
  Singing after dark.
But never did I hear a song
  That clung so to my choice,
Like that to which my whole life turned
  When first, I heard your voice !
I have watched the glimmering stars at eve,
  Watched the sun awake,
I have seen the moon-kissed ripples on
  A deep and silent lake,
But never have I seen a light
  In God's own glorious skies,
Like that which held my soul in thrall
  When firrst I saw your eyes !

LELAND J. BERRY.

Recent Utterances.

AN ADDRESS DELIVERED IN THE HOOD CO-OPERATIVE INSTITUTE, TANJORE.

BY J. GRAY ESQ., O. B. E., I. C. S.
(Dt. Collector, Tanjore).

I am very grateful to the President of the Institute and to the other members of the Education Committee for the honour they have done me in asking me to preside over this function and to distribute the diplomas to the candidates who have succeeded in the examinations held at the close of each of the first three courses of co-operative training conducted by the Institute. As one who had the privilege of serving as Registrar of Co-operative Societies at the time when the Institute was opened by His Excellency the Governor in July 1926, and as Collector of Tanjore District during the latter part of the first course of training and throughout the periods when the second and third courses were being conducted, I have watched the educational work of the Institute with the greatest possible interest and a keen desire to render any little assistance in my power to further the great objects which the promoters of the Institute had in view, namely, the provision of facilities for a sound training in co-operative theory and practice. It is therefore a very special pleasure to me to be present on this occasion and to take part in this the first function of its kind in connection with the Hood Co-operative Institute.

As has been emphasized by the Townsend Committee which reported last year on Co-operation in this Presidency, " Too much importance cannot be attached to the necessity for adequate education in co-operative principles of all concerned in the movement." It had already long been recognised by those who had the good of that movement at heart, that many of its most important defects were due not to the lack of willing and energetic workers in the co-operative field but to the lack of knowledge on the part of many of those workers of the true principles of co-operation (that is, co-operation in the technical sense) and of the correct methods of applying these principles in everyday practice in the organisation and working of societies. But difficulties of various kinds stood in the way of giving practical effect to a satisfactory and comprehensive scheme of training and of devising ways and means of carrying on the courses of instruction, although the urgent necessity for such training was meeting with increasing recognition in co-operative circles in this Province. The district of Tanjore has good reason to be proud of the fact that it was one of the first centres outside the Presidency Town to tackle these difficulties successfully and to initiate a system of training classes with a comprehensive syllabus for theoretical and practical instruction of the kind so urgently needed. I have

heard it said that those who drew up the syllabus were perhaps too ambitious, but I am glad to find that criticism of that kind has not deterred or discouraged those responsible for the conduct of the classes in this Institute from setting before themselves a very high standard, and that they have succeeded in making steady and satisfactory progress towards the attainment of that standard. On an occasion such as this, it is fitting that all co-operative workers here, actual or potential, should remember with gratitude the generous benefactor whose liberality made it possible to give practical effect to the scheme of training which has now, I hope, become a permanent part of the co-operative activities of this area. His modesty precludes the publication of his name as he still insists on remaining anonymous but I deem it my duty to mention his public-spirited action in the hope that others may be influenced thereby to emulate such a worthy example. A tribute of praise is also due to those who have given so willingly of their time and energies to the conduct of the affairs of the Institute and to the arduous task of furthering the co-operative movement by organising the scheme of co-operative training and education on a sound basis. They and the instructors in the Institute have good cause to be satisfied with the result of their labours as tested by the recent examinations held by the Registrar of Co-operative Societies for the students at this and other similar training centres and by the relatively high percentage of passes which have been secured as compared with those other centres.

On behalf of the Directors of the Institute as well as on my own behalf, I congratulate all those who have been awarded diplomas to-day. Co-operation is not, as is sometimes erroneously supposed, a subject which can be mastered quickly and without much effort by any one of average education and intelligence. On the contrary, it is a highly technical and difficult subject and requires very considerable application and wide reading. The young men who have gained their diplomas here have been given a sound elementary training in the subject, but if they wish to render the best service to the movement they must not rest content with the knowledge they have already acquired but must continually strive to add to that knowledge. If I may venture to give a word of advice to you, young men, it is that you should read every book, periodical and article on co-operation to which you can possibly obtain access. You will find that such literature varies widely in regard to its practical usefulness but the grounding in Co-operation which you have received here and the experience which you will gain during the course of your work in the Co-operative field will, I hope, enable you to discriminate between what is sound and what is not.

Some of you who have been awarded diplomas to-day are already, while others hope soon to become, Government servants in the Co-operative department. But the majority, I believe, will serve the movement as employees of co-operative organisations or as honorary workers. To all of you, in whatever capacity you serve, I wish success and a long career of usefulness in the Co-operative field. If, in addition to the sound training in the elementary principles of co-operation which you have recently received, you are fortunate enough to possess the proper co-operative temperament and the spirit of service, not only your success but also your happiness are assured. As the Registrar of Co-operative Societies, Ceylon, recently observed in a very interesting report, " For a man who really wants to do something for his fellow countrymen without regard to publicity or self-glorification, there is no finer field in the world than that which Co-operation affords."

PRESIDENTIAL ADDRESS

at the Pudukkottah Co-operative Conference, on 22-2-1929,

By H. M. Hood Esq., I. C. S.

(Registrar of Co-operative Societies, Madras)

Gentlemen!

First of all I wish to express my appreciation of the compliment you have paid me in inviting me to preside over this conference of the co-operators of Pudukottah State and to say that it gives me great pleasure to come here and join in your discussions.

It is not my intention to take up your valuable time by delivering a long sermon to you, and I shall confine myself to a few brief generalities.

The co-operative movement here, as in the rest of India, started from the top in that the initiative originated with the Government. The agricultural population took it up gladly and it is now an established force in the land. The co-operative society was something offered to the ryot and it is not to be wondered at if in many cases he took to it not fully realising all the responsibilities or liabilities or even all the real advantages that would surely come in time and preferred the immediate relief to the ultimate benefit. It is only to be expected that he would be more keen on getting a loan than on repaying it. It is not surprising that he demanded long term loans to pay off a pressing creditor in preference to a short term loan to be repaid at harvest, a loan which he could get readily in his village without being pressed to repay. It does not follow that he should be given everything that he demands.

It is not from such societies that a demand for supervision arises. That demand comes from the same source as the original organisation and it is the organising authority and the bank with its responsibility to the depositor, that insist on control. Supervision there must be, for few societies have reached the stage of realising that only prompt repayment and the judicious use of money will ensure a steady never-failing supply. Supervision there must be, but not the supervision that goes to sleep as soon as the account books have been properly written up—Supervision only starts there. The Townsend Report catalogues the duties of auditors; it distinguishes inspection for the information of the banks from supervision to induce societies to conduct their affairs properly, but it does not explain what is meant by supervision, for it is impossible to say that this or that is the sole duty of the father and the mother of village societies. We have had long dissertations on the claims of Banks or unions to supervise. We have heard much of official interference. These arguments may be of academic interest. They are not much more. If there is any virtue in the co-operative ideal of self-help, village societies should combine as far as possible to see that their own affairs are

properly managed. But the present stage of rural education, the petty jealousies and ambitions, the prejudices and greed that still have so much influence, make it imperative for a stronger authority to interfere. The financial issue is so important, the banking interests at stake so large, that Banks must have a word in the utilisation of the funds they collect. Even a paid staff must be directed and though in co-operative societies it is the function of the honorary workers to do the direction and for the paid staff to do the lion's share of the methodical work, the direction of a bank calls for more technical skill than most village societies can supply. Financial soundness is not the only criterion of the success of co-operative societies, but in a credit movement it is an important part—the very foundation, in fact, on which co-operative success must be built. Self-help and philanthropic spirit must be there, the desire for improvement must come from within, but without a cash supply, credit is useless and without business methods, philanthropy must starve. The co-operative movement is gathering strength in South India and it is beginning to be realised even in the village societies that there are responsibilities as well as loans. The banks have awakened to the salient hard facts that short-term deposits will not finance long-term loans and that overdues will not repay depositors. But not until the village societies realise that a bank must look to its own safety first, that loans must depend on what Banks can supply and not on what ryots clamour for, will it be possible to go ahead rapidly with an easy mind. At present few village societies that I know realise the whole position.

Many have found it a cause for reproof and lamentation that hitherto there has been little development of co-operation in South India of the beaten track of credit. I am not prepared to accept the reproof or join with the weepers.

Co-operation must develop on its own lines according to the needs and genius of the people. It has done so in every country, but in India, it is to be remembered, co-operative societies have depended more on inspiration from without than on a definite impetus from within and the demonstration of what can be done by co-operation must necessarily be first in its simplest form giving the most obvious advantage. Co-operative credit societies meet an urgent need or at least go some distance towards meeting it. They are about the simplest form of co-operative activity. Naturally they have greatly developed. Other forms of co-operative societies are more complicated, more difficult to run, give a less obvious advantage—naturally they are less developed and there is no cause for lamentation.

The whole movement has had the fostering care of the various Governments in India to help the villager, but those directly concerned cannot imagine that co-operative credit is more than one item—an important one in a programme which must include many others if the most is to be made of agricultural and village life rendered so much more attractive as to check the steady flow of migration to the towns.

Education, more education and better education are needed; communications are capable of improvement. Sanitation, drainage and water-supply require attention. Housing is not always what it might be. These are matters to which various departments are giving their attention; the Government are giving grants from the limited public revenue and the villagers are being encouraged to do what they can for themselves.

The sum-total of such activities is to make villages more attractive places to live in. These all require expenditure, but it is not expenditure which yields a direct return. Such activities cannot be financed through loans. They cannot be undertaken by village credit societies. If at all these aspects of rural reconstruction are to be touched by co-operation, it must be by societies organised on a non-credit basis for the purpose.

But apart from this side of the matter, it is necessary, with a constantly rising standard of living, to ensure that life in villages is more profitable. Agricultural experts assure us that with improved methods, better seed, manure and implements, the land can be persuaded to yield a more profitable crop. They are attending to that matter and are using the co-operative organisations to an increasing extent to disseminate their recommendations. Co-operative credit societies can finance agriculture on more favourable terms than ryots have obtained in the past and this to my mind is the first duty of agricultural credit societies. It is short-term business which co-operative banks are eminently suited to undertake. There is then a further need, and that is to aid the ryot to sell his crop advantageously. By granting loans on produce to meet the urgent harvest time needs, and by organising sale societies, a co-operative organisation can save ryots from parting with their produce at ruinously low prices on the threshing floor and bring them into contact with the bigger merchants cutting out intermediaries who are no longer necessary to bring the consumer into contact with the producer.

I have referred so far only to agriculture, but other rural industries appear generally to be in a worse state than agriculture. Can they be organised on a co-operative basis to obtain their raw material and sell their produce on better terms so that communities of such artizans can improve their lot? I am confident that they can if the impetus comes from the artizans themselves, but if it is to be done for them the cost of business management will swallow any profits and unless the members are anxious to improve and will stick loyally to their society, benevolent people will struggle in vain to help them. One may advise and guide, but the real success of rural co-operation can come only from the impetus it gets from the villagers who desire to improve their own lot.

19

Correspondence.

CONJEEVARAM,
11th February 1929.

To

THE EDITOR,

Sir,

I have read with care the correspondence between the Hon'ble Mr. V. Ramadas Pantulu and Mr. Henry W. Wolff published in your Journal for January 1929 and feel it my duty to point out that "the evil of lending for a long term although the purpose was a short one", which Mr. Pantulu says has assumed vast proportions in this province, does not really exist to a noteworthy degree in my district of Chingleput. One important point, among others, to which the Executive Committee of our Central Bank directs its special attention in dealing with applications from societies for loans is the purpose of the loan, though in theory, this being a matter of internal administration of primaries, a financing bank may not pry into too deeply. This purpose is often of the nature of one or other of the following :—

(1) Repayment of old debts, the redemption of which is a necessary preliminary to help the member for crop and other short term loans;

(2) purchase or reclamation of land necessary to make the holding economically more useful;

(3) purchase of bulls for baling water, etc., for which even Government Agricultural loans allow a ten years' period and so forth.

These purposes obviously are not such as can be met by short term loans. A large majority of the loan applications are for purposes of the above nature. Applications for loans for short term purposes such as seasonal agricultural operations, payment of kists, etc., are yet comparatively few in this District. There is no question that these are far more advantageous and profitable to a ryot than the long term loans, but various reasons stand in the way of a rapid development of such loans here. So the problem which really calls for solution in this District is not one of reducing the period of repayment hitherto allowed to societies, which was by no means excessive having regard to the purpose of the loan, but one of finding the long term money which is clearly necessary to help the society members with, taking steps, however, to improve the conditions which are essential for a healthy development of the short term loans, thanks to the recent reduction by the M. C. U. B., in the rate of interest on borrowings, which has given an impetus to such development. Our past experience of an unduly hasty development in some parts of the District in this respect has given us the warning that we should be cautious. Local rural co-operators have to be exhorted and encouraged to go in for such loans more freely and it would be extremely unwise to force it on them. The new policy, which the M. C. U. B. has recently adopted, of completely stopping any loans for longer terms than five or six years and practically forcing the banks to take a bulk of them for one year, is, in my humble view, a very dangerous step, which, as rightly feared by the Townsend Committee, is sure to create a dislocation in the movement, and I feel fairly certain that Mr. Wolff would not approve of this act. His exposition of the Raiffeisen principle in para 2 of his reply to Mr. Pantulu, is a sufficient indication of his disapproval. In taking the abrupt step of discontinuing the grant of twelve year loans, the M. C. U. B., evidently intended that loans for long term purposes should be refused. If, as admitted by the Townsend Committee of which Mr. Pantulu was a member, "the ten year loans have become such an integral part of the Co-operative finance" in this province, it is a point for serious consideration whether the M.C.U.B., of which Mr. Pantulu is the President, is justified in stopping such loans suddenly. The movement would feel gratified to Mr. Pantulu if he would kindly refer this point to Mr. Wolff for his opinion.

Yours faithfully,
A. RAJABADAR.

REPLY OF THE SECRETARY OF THE MADRAS CENTRAL URBAN BANK.*

To

THE EDITOR,

SIR,

I thank you for giving me an opportunity of reading Mr. Rajabadar Mudaliar's letter sent for publication in the Journal and I cannot resist the temptation of saying a few words about what I feel on the question raised in it.

I shall confine myself to the financial aspects of the questions raised in the letter; and it ought not thereby to be presumed that I subscribe to the other propositions contained in that letter. I recognise that ryots do require long term loans, though I cannot subscribe to the suggestion that every ryot wants every loan granted to him to be a long term one; but it must be remembered that, as Mr. Hood, the Registrar, very pithily points out in his presidential address at the Pudukotah Co-operative Conference

*In the absence of the President of the Madras Central Urban Bank, we requested the Secretary of the Bank to let us have his views, as the letter of Mr. Mudaliar raises some questions of financial policy.

Editor, M. J. C.

just held,† "loans must depend on what Banks can supply and not on what ryots clamour for." I dare say Mr. Rajabadar Mudaliar knows that the bulk of the deposits held by the Co-operative Banks—Provincial and Central—are for 2 years and less. With funds of such a short duration, it would be unwise and improper, to lend for periods longer than 5 years at the most. It must be recognised that there must be some reasonable relation between the periods for which deposits are obtained and the term of the loans.

As Mr. Mudaliar points out, the problem is one of finding the long term money which is necessary; but the present rates of interest allowed by Banks on deposits would not bring into the Co-operative Movement funds for a period exceeding 2 years. We cannot have both cheap rates of interest and long term loans. The term of our loans can depend only on the nature of the funds available and we ought to finance only such persons as will be able to repay within the term allowed.

Mr. Mudaliar considers the reduction in the period of loans issued by the M.C.U.B. to be a very dangerous step and refers to Raiffeisen principles. I doubt very much whether Raiffeisen's societies lent money for periods of 10 or 12 years.

Mr. Mudaliar refers to Mr. Wolff's exposition of Raiffeisen principles. I should draw his particular attention to that portion of Mr. Wolff's exposition wherein he lays particular stress on the importance of the punctual repayment of loans. How far Chingleput Co-operators have observed these principles is a matter which I do not wish to refer to in this correspondence.

One is glad to hear that the evil of lending for long term, although the purpose was a short one, does not exist in the Chingleput District, though it is somewhat difficult to accept such a general statement without a closer examination of a number of cases.

Yours faithfully,
V. C. RANGASWAMY.

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†See pages 586-588 of this journal.

Reviews.

I

THE PEOPLE'S YEAR BOOK—AN ANNUAL OF THE ENGLISH AND SCOTTISH CO-OPERATIVE WHOLESALE SOCIETIES—1929. The Peoples' Year Book for 1929 is as usual full of useful information on Co-operation. As the publishers say in their preface, special care has been taken to show how the British Commonwealth and the Dominions can be of service to the Consumers' Movement at home. There are special articles on Canada, Australia, New Zealand and South Africa. We are surprised that India is left out of account altogether. As our politicians put it, we are perhaps the helots of the Empire and are destined to be mere hewers of wood and drawers of water and therefore do not count. Otherwise we cannot understand the omission of India from this study of Co-operators from the Imperial point of view. The usual articles on the previous year's progress in art, science and literature and statistics with regard to many interesting lines of Co-operative development are given. The book is well illustrated and considering the quantity and the quality of matter supplied, the price charged 3sh. is a marvel of cheapness. We hope this book will find a welcome in the library of every co-operator.

II

THE CO-OPERATIVE MOVEMENT IN INDIA—A COMPARATIVE STUDY—BY MR. J. L. RAINA, B.A., M.R.A.S. (Lond). PUBLISHER: D. B. TARAPOREVALA SONS & CO., "KITAB MAHAL," HORNBY ROAD, BOMBAY. PRICE RS. 2. We welcome this attempt on the part of an Indian student of Co-operation to contribute to the literature on the subject. The introductory chapter dealing with the general description of the subject is well written, so also the section dealing with Co-operative Credit. The second part of the book deals with the movement as it is in different parts of the country i.e., in Bombay, Madras, Bengal and the United Provinces. So far as the portion dealing with Madras is concerned, we see the account is reliable and accurate. The author has some good words to say about the Provincial Co-operative Union and our own Journal. We hope the following remarks of the author about the obstacles that stand in the way of the natural development of the Movement would be rendered out of date. "Differences of opinion" says the author "between the officials and the non-officials has accentuated the controversy which hinders the movement in the direction of further and speedier development". We do not know on what authority the author states that the premier store of our Province, the T. U. C. S., "intends opening shops in different villages to supply necessaries to the villagers and undertake the purchase of commodities required and transfer them for sale there." There is no such proposal at all. It is true that the

T. U. C. S. has now started a policy of expansion and is carrying on the benefit of the store movement to the very door of the consumer in the various parts of the city. But the idea of starting branches in villages has, to the best of our knowledge, not been thought of seriously. The writer draws our pointed attention to the fact that there are no housing societies that work on a Co-partnership tenancy basis as in Bombay but that most of our building societies are working on the individual ownership system. On the whole the book is a welcome addition to the scanty literature available on the important subject of Co-operative Movement in India.

III

SIXTY-THREE YEARS OF THE C. W. S.—PUBLISHED BY THE CO-OPERATIVE PRESS AGENCY, LONGSIGHT AND REDDISH, MANCHESTER—1928. We have received a small pamphlet which is called "Sixty-Three Years of the C. W. S." The C. W. S., as we all know, is "the largest co-operative concern on the globe" and "by reason of the range, diversity and combination of its economic activities can challenge comparison with any private undertaking on the terrestrial sphere." The little pamphlet gives a brief account of the origin of this gigantic organisation. A bird's eye view is given of the progress as disclosed by the statistics of membership, shares, production, sale etc., of the various steps it took towards expanding to be what it is now, such as, opening of sales depots, establishing purchase depots, starting of manufactures, developing of banking and insurance and of printing, publishing and book-selling. The spirit of service permeates its activities from beginning to end. It has now become an international organisation, and has assisted with funds the co-operative movements in Belgium, Bohemia, Serbia, Roumania, Poland, Russia and Armenia. It manufactures all sorts of articles from boot polishing to flannels, jams and leather bags, motors and pickles, soap and tobacco etc. *The pamphlet is profusely illustrated.* It deserves a place in the book-shelf of every lover of co-operation. The Co-operative Press Agency, responsible for its publication, deserves to be congratulated on this handy publication.

S. K. Y.

IV

SOIL SURVEY OF MALABAR DISTRICT, PUBLISHED BY THE AGRICULTURAL DEPARTMENT, MADRAS. We are glad that the Agricultural Department has undertaken to conduct a soil survey of the different districts of the Presidency. Reports of Soil Survey of the districts of Tanjore, Guntur, Kistna and Godavari and the Periyar tract have already been issued. We have just received bulletin No. 91 dealing with the soil survey of the Malabar District. The report gives, in a general manner, the relative manurial requirements of the District and enables the reader to know generally what essential elements of plant food are deficient in the soils of the different parts of the District.

The main conclusions are:—(1) That the soils of Malabar generally contain adequate supply of nitrogen and do not require application of nitrogenous manures; (2) that lime and magnesia are deficient in soils and application of manure containing these elements would improve the soil and increase production; (3) that though the total quantity of phosphoric acid existing in the soil is not relatively low, the available portion of it is generally insufficient; (4) that the supply of total potash, however, is relatively low, but the quantity existing in the soil is generally in the form available for plant food; and (5) that the existing practice of applying green leaf and cattle manure for soil requires to be supplemented with other concentrated manures, such as bonemeal, and care should be taken to see that sufficient quantity of lime is added to the soil in suitable form.

We need hardly say that publications of this nature are very useful to the public and those who are inclined to do intensive cultivation can exercise economy in the purchase of manure by selecting suitable classes of manure for the soils they cultivate.

V. K. M.

Registrar's Proceedings.

XII.

READ :—Reference No. 1482/28 dated the 26th January 1929 from the Superintendent, Co-operative Training Classes, Coimbatore. (Proceedings dated 21-2-1929).

In the results of the final examinations in the co-operative training classes held in December 1928, G. Srinivasan, No. 219 in the list, is shown as 'having failed.' He was permitted to absent himself from the examinations in Banking, Book-keeping and General Audit for the reason that he holds a Government certificate in these subjects. In the other three subjects (viz.), Co-operation Historical and General, Law and Principles and Co-operative Audit, he has obtained more than 45 per cent in each of them and in all 57 per cent. He is therefore now declared to have passed on the whole.

XIII.

SUBJECT :—The Madras Journal of Co-operation—Contributions by Departmental Officers—(D. Dis. B. 5272-28 dated 6th Feb 1929).

In communicating herewith an extract of a letter dated 11-10-'28 from the Editor of the Madras Journal of Co-operation, all officers of the department are informed that the Registrar has no objection to their contributing articles to the Journal but all such contributions should be sent through the Registrar.

(By Order)
T. R. RANGANATHAM,
Ag. Manager.

ENCLOSURE.

Extract of letter dated 11-10-'28 from the Editor of the Madras Journal of Co-operation.

* * *

During my sojourn in Northern India in connection with the Simla Conference, I had the opportunity of meeting a number of prominent Co-operators, official and non-official, from other parts of India and the one impression I had was that these two important wings of the movement move more closely and harmoniously together than they seem to do in our Province.

* * *

I now request you, Sir, that not only would you be pleased to contribute articles to the Journal but induce as many members of your department as possible to do the same. The Journal is as much theirs as it is the non-officials'.

In this connection, it may not be out of place if I quote an extract from a speech of the Bengal Registrar :—

"I greatly regret that there is a tendency in certain quarters to make a distinction between official and non-official co-operators. Considerations which play a very important part in other spheres of life have little or no value in this movement. Here we recognise no differences of religion, race, creed, colour or politics. In the Co-operative movement, all shades of politicians are welcome, no matter whether one is a no-changer, extremist, liberal, independent, Congressman or Swarajist. 'Do you wish to improve your economic condition by working in combination with your neighbours or to help people who are anxious so to improve their economic position?' This is what you should ask anyone who wishes to join the movement or to work for the movement."

It is in this spirit I ask for the co-operation of your Department.

GOVERNMENT ORDER.

Grant of State loans to Co-operative Building Societies. Order—No. 72, Development, dated 10th January 1929.

SUBJECT:

The Government agree with the Registrar of Co-operative Societies and direct that rule 8 of the rules for the grant of State loans to co-operative building societies be amended as shown below :—

"8. A society which has taken a loan from Government shall repay the amount together with the interest due thereon *either* by equated annual instalments *or* at its option in annual instalments together with interest due on the amount outstanding from time to time. After exercising its option, a society shall not ordinarily be allowed to change its method of repayment. Nothing shall prevent or debar a society from repaying at any time a larger sum than the annual instalment or from discharging the whole loan in a single payment.

Whichever method of repayment is adopted, repayments other than the payment made on the due date of the prescribed annual instalment may be classed as follows :—

(i) *Payment on the due date of a sum in excess of the amount due.*—Such excess payment should at once be credited in reduction of principal, the amount of each future instalment being correspondingly reduced, but no postponement of such instalments will be allowed nor the number of subsequent instalments reduced.

(ii) *Payment before the due date.*—Any sum paid before the due date shall first be credited towards the interest which has accrued up to the date of payment and the balance, if any, shall be credited towards principal, the society being required to pay on the due date the balance of interest due for the year and also the balance of principal, if any, due for the year. If the amount paid before the due date is in excess of the annual payment, the amount of each future instalment should be correspondingly reduced thereafter but no postponement of such instalment will be allowed nor the number of subsequent instalments reduced.

When a society is in default either in respect of an instalment of principal or in respect of interest, any sum paid shall be appropriated in the following order :—

(1) Penalty levied under Rule 4 of the rules.
(2) Interest.
(3) Principal."

(By order of the Government, Ministry of Development)
A. McG. C. TAMPOE,
Secretary to Government.

SINGING WOMAN.

O! Beloved,
Scatter thy beautiful voice
To Love's own wide immensity......
Let it break
In music and in song
Upon the proud bright golden shores
Of Dawn;
It shall ring
And sweetly echo in the purple shade
Where Star-flowers nod and dream;
So that Pan
In waking...will hear your music afar
And marvel that there should be sounds
Far sweeter than his lute......
Sing! Beloved,
And in the faint still depths of dawn
My soul shall hear and wing its flight
To you!

LELAND J. BERRY.

District News.

ALAMURU: SOCIETY SECRETARIES' THIRD CENTRAL CLASS.—The Third Central Class of Society Secretaries in the Alamuru Union area was held on 26-1-'29 at Alamuru under the presidentship of M. R. Ry. Bhamidipati Satyanarayana Garu, formerly the Secretary of Andhra Sahakara Sammelanam.

Mr. N. Satyanarayana made an introductory speech emphasising the necessity and benefits of these classes. The president then spoke about the varied activities of the Co-operative Movement in reconstructing Rural India. The ideals of the Movement were social service, selfless work, self-help, the elimination of competition and control over the distribution and consumption of wealth. Starting with poor workers, it had come to embrace bankers and Zamindars, one and all. It was the only field where social, religious and political animosities were brushed aside for the nonce and universal brotherhood of man was held up as the only ideal. The duties and responsibilities of panchayatdars were treated in detail in the 9th pamphlet published by the East Godavari Federation. The president suggested in addition—

(1) A strict maintenance of accounts and a regular scrutiny of societies' affairs,

(2) A thorough elimination of the profiteering money-lender,

(3) A keen interest of the panchayatdars in all the activities of village life,

(4) The rotation of the posts of president and secretary among the wise and literate members of the societies, and

(5) The general enrichment of all the villagers.

He concluded his speech by congratulating Alamuru and its selfless workers like Mr. N. Satyanarayana, who made the centre an ideal one in Andhra Desa.

The following were among the many resolutions passed :—

(1) To have separate loan application forms for long and short term loans.

(2) Long and short term loans obtained from central banks should be disbursed to members as long and short term loans only.

(3) To alleviate the expense and trouble of panchayatdars getting loans personally from central banks, the latter be requested to grant loans on communication.

(4) To employ paid staff.

ANANTAPUR: THE SECOND CO-OPERATIVE TRAINING CLASS, 1928.—The report issued by the Anantapur District Federation about the conduct of the class is a document of interest. It first recognises the need for the education of proper persons for work in the Co-operative field. From 1925 the Federation has been conducting short Vernacular classes mainly for the benefit of Panchayatdars and office-bearers of village societies, besides carrying on propaganda work by means of conferences, exhibitions and circulars.

The classes conducted for the second time (under review) were for training men for becoming supervisors, inspectors, and employees in co-operative institutions. It is a sign of encouragement that the classes evoked adequate response. One striking feature of this class, which lasted for about 4 months, is that practical training was given to the students. The members of the class were taken to inspect actual societies and come in contact and have conversation with office-bearers and panchayatdars of societies. The majority of students also led some sort of residential life which facilitated corporate life. 29 students sat for the common Examination and 21 passed out of it. It is gratifying to learn that many of the students trained in the previous class have obtained suitable employment. The Report urges the need for extending the duration of the classes on account of the varied subjects which the students have to study.

CO-OPERATOR'S ASSOCIATION, MADURA:—Under the auspices of the Madura Co-operators' Association, Mr. A. Palaniappan M. A., Assistant Registrar of Co-operative Societies, Ramnad, delivered a lucid address on "Co-operation and its alternatives" at Madura on 2nd February 1929. A brief summary of the address is given below:

Co-operation is essentially a business organisation, though it involves moral consequences. It originated as a revolt against the evils of competition and capitalistic oppression. The main principles of co-operation are union, mutual help among the members, and elimination of unnecessary middlemen. It is democracy in the economic world. Co-operation differs from trade unionism and socialism in that it aims at improving the existing order of society by evolution and not by revolution. So it is more practical in outlook. Co-operation is a real boon—if not the only remedy for all ills—for agricultural and poverty-stricken India.

In bringing the proceedings to a close, the chairman of the meeting Mr. M. V. Narayanaswamy Iyer M.A., B.L., L.T., pithily observed that co-operation meant economic Swaraj and that it inculcated discipline, sure and steady progress and principles of self-government and thrift.

CO-OPERATIVE PROPAGANDA IN VIZAGAPATAM.—Mr. N. Satyanarayana, Joint Secretary of the Madras Provincial Co-operative Union, visited Bimlipatam on the morning of 24-2-29 in company with some of the leading Co-operators of the District including the Secretaries of the Central Bank and the Federation, the Deputy Registrar and the Assistant Registrar, Vizagapatam. They proceeded to the fishermen village in the town, convened a gathering of over a hundred fishermen and women and enquired them about their economic condition and the method adopted by them in the purchase of their food stuffs. Being informed by them all in one voice that they were greatly handicapped by the middlemen, Mr. N. Satyanarayana delivered a spirited address on Co-operation in which he explained to the audience, particularly to the fisher-women, the benefits of joint purchase of their requirements by forming a co-operative society exclusively for themselves and also introducing Homesafes wherein every family could deposit their small savings. The local Co-operators present on the occasion offered themselves to work for the amelioration of these people.

At about 2 P. M. a meeting of the Executive Committee of the Federation was held and, after all routine subjects were discussed, Mr. N. Satyanarayana who attended the meeting suggested the idea of concentrating development of a particular locality in the District, convening a central class for the presidents and secretaries of all the Societies in that particular area every month and also the desirability of holding a conference of all Union governing body members in the Vizagapatam District as well as those in the Berhampore Federation in Ganjam District. These suggestions were duly adopted, and it was resolved to convene the Co-operative Unions' Conference of Vizagapatam and Ganjam Districts in the first week of May under the distinguished presidency of the Hon'ble Mr. V. Ramadas Pantulu.

Again at 4 p. m., a number of Co-operators met under the presidency of Mr. C. Subba Rao in the Local Saraswati Samaj Hall and Mr. N. Satyanarayana delivered a lecture on the present condition of the Co-operative movement in India with special reference to the Madras Presidency and about the work it has so far done and has to do in future. The President in his concluding speech dwelt upon the various kinds of non-credit activities of the district and the necessity of the few educated to combine with the illiterate many under the co-operative banner and ameliorate the condition of the poorer labour classes.

THE VIZAGAPATAM DISTRICT CO-OPERATIVE BANKING UNION. At about 4 P. M. on 25—2—29, a Meeting of the Executive Committee of the Banking Union was held in the Co-operative Buildings at Vizianagaram under the presidency of Dr. A. L. Narayan M.A., D.S., F.I.P., President, of the Central Bank. Mr. N. Satyanarayana, Joint Secretary of the Madras Provincial Co-operative Union, the Deputy Registrar of Co operative Societies and the Assistant Registrar, Vizagapatam and several other co-operators were also present.

The committee after attending to its routine business discussed some important points, namely, the enhancement of the limit of the Central Bank's borrowings of local bodies' funds from four to six times the paid up share capital and reserve fund of the Bank and also about the necessity and desirability of accepting these funds at 4½ per cent. Mr. Satyanarayana also took part in the discussion and expressed his views in support of the resolution. The reason for the enhancement of the borrowing proportion was explained to be due to the small capital and short reserve fund of the Bank. The increase of the rate of interest on Local Board deposits was deemed necessary owing to the Imperial Bank having started the game of competition by offering half per cent more than their usual rate. The Executive Committee was then dissolved and a meeting of the representatives of the societies of the Vizianagaram Local Co-operative Union and several other co-operators of the District was held under the presidency of Dr. A. L. Narayan. The attendence was 50 strong and Mr. Satyanarayana at the request of the president first delivered a short speech on the business aspect of co-operation and instructed the societies' representatives as to what co-operation should do in the matter of creating unity among the villagers, educating the uneducated, helping the poor in their economic uplift and settling small disputes between villagers without driving them to a court of law besides providing credit to the needy and deserving members. He congratulated the Vizianagaram L. C. Union for having come out in first ranks in the presidency in regard to collection work and exhorted the representatives of the various societies to look to the other aspects of co-operation referred to above. He also brought home to the minds of the delegates how co-operation was amidst their forefathers though not in the present form of a minute book, a cash book, a receipt book and some ledgers and requested one and all of them present to work up higher ideals of co-operation side by side with its material aspects.

With the usual vote of thanks, the meeting then dispersed.

Editorial Notes.

AGRICULTURISTS' CAUSE PLEADED BEFORE THE MIGHTY.

A careful perusal of the proceedings of the Legislative Assembly and the Council of State at Delhi and Simla will disclose that very often our lawmakers are busy with very weighty subjects and do not find time to concern themselves with the problems of the poor agriculturist. With the arrival of Lord Irwin, there was a definite change and the Linlithgow Commission has come and gone leaving behind a ponderous volume of wise observations and helpful suggestions. Unless these suggestions are taken on hand one after the other and definite steps be taken to put them into practice, this costly Commission would vanish in course of time into the limbo of oblivion and its recommendations will adorn the shelves of the Government Secretariat to be pried into daily by the research student or the white ant.

In the two chapters from the report of the Commission that we reprinted,* great emphasis is laid upon agriculture as an important industry, the question of financing it is discussed at length and the adequacy of the present machinery is examined. But no attempt has been taken either by the Imperial Government or by the Provincial Governments to tackle this important problem in right earnest. We shall not be surprised if Governments concentrate their attention only on the founding of a costly All-India Research Institute and leave all other recommendations severely alone. We are glad to note that the Hon'ble Mr. V. Ramadas Pantulu has taken up the cause of the poor labouring peasant of India and advocated with great ability his claims upon the Imperial revenue. Sir George Schuster who did not mystify his hearers by any abstruse theories of higher finance will, we hope, give to the points urged by Mr. Pantulu the attention they deserve.

One observation regarding Mr. Pantulu's speech (which is published as a supplement to this number) we permit ourselves to make. It is full of information about the co-operative movement which may be considered as almost commonplace. The fact that our champion thought it fit to elaborate those points shows, perhaps, the depth of knowledge (or ignorance) of the average member of that august house on Co-operation. "These be thy gods! O' Israel!"

CO-OPERATION IN THE LOCAL LEGISLATURE.

We looked forward with keen expectation to some pronouncement of policy by the Hon'ble the Minister in-charge of Development Department at the time of the general discussion upon the budget for 1929-30 which

* See Supplement to February issue.

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was placed before the Local Legislative Council. We were sorely disappointed. Except a faint indication about the strengthening of the Department by appointing one Deputy Registrar for each district, a matter which everyone knew would be an accomplished fact from the 1st of April 1929, there was nothing worth mentioning in that small portion of the Minister's speech which was devoted to Co-operation. We cannot understand the extreme caution observed by the Government in the matter of starting a central land mortgage bank; nor the unwillingness to try new experiments in non-credit co-operation or to subsidise them if conducted by non-official agencies. What pains us is, there was very little indication of a new orientation towards the whole problem, an orientation which we had a right to expect after 25 years of experimentation crowned by an exhaustive enquiry.

A BURNT CHILD DREADS THE FIRE.

'A burnt child dreads the fire'. So says the proverb; but does it? Do we as co-operators grow wise as a result of our previous experience? It would be an interesting thing to keep a survey of societies started during the last 2 or 3 years and see how far they are an improvement upon the old ones. Are new societies started only after a real need is felt by the people of villages or are they started by successful organisers who count their achievement in terms of the number of societies started by them? Are the members clearly told of the significance of the unlimited liability or are they cozened into joining them by the tempting offer of 'one rupee share gets you a loan of Rs. 50'? Do we hav esatisfactory human material if not for actual scriptory work, at least for running an efficient panchayat, or do societies still show a dangerous tendency to drift into the hands of a cabal whose family concerns they soon become? Is the intending borrower told of the limitations of the society, that it is not a Kamadhenu to place him once and for all above economic difficulties or is he being dragged in to swell the number of members to wake up in due course of time to the realities of the situation? Is the property statement carefully prepared or made up to deceive the central bank and get to the borrowing society the maximum amount of loan? Above all, is the repaying capacity of the borrower taken into consideration and instalments of repayment adjusted accordingly or is the old practice still continued to fix the repayment according to some wooden rule so that the honest man is made into a rogue? In short, have we grown wiser after 25 years of bungling or do we still jog on in the good old humdrum way? That is the question. Let us hope that each District Bank and Federation will keep watch over the new societies and examine them in the light of our past experience and see that they do not fall into the rut.

CUSTOMS DEEP-ROOTED IN THE SOIL.

Prof. Mukherjee in his Presidential address at Rajahmundry dwelt upon the supreme need of making the co-operative movement in the country grow with due regard to and in maximum conformity with the past traditions and the present customs of the land. One such custom is the raising of a loan by the pledge of jewels. It has been in existence in this country from time immemorial and very often the female folk of the village banker blaze with jewellery which the unfortunate pledger was unable to redeem. Co-operation has been rightly taken as capitalised honesty and personal security was deemed more important than real security. But the ideal Raiffeisen group of villagers are to be found more in text books than in the work-a-day world and therefore we have been laying special emphasis on the unlimited liability and on the mortgage of properties. In fact, in certain Districts which are supposed to lead in matters co-operative, every loan is secured by a mortgage and the Rural Credit Society has been stretched out into a sort of miniature land mortgage bank without any of the advantages of the latter. We do not blame the practice. It is a natural growth, the result of some real need and it offends none but the purist. Why not in a similar way the liberty be given to certain banks (preferably big urban banks to start with) to advance loans to members on the pledge of jewels? We know that some banks do now enjoy the right as a mark of special favour. We are not oblivious of the fact that the difficulties in doing business along that line would be immense, difficulties in proper assessment of value and greater difficulties with regard to the safe custody of the pledged properties. But difficulties are there only to be overcome and in big and growing urban areas the experiment may be tried. We advocate this step partly because it is in perfect consonance with the traditions and present customs of our land and partly also because we foresee immense growth of business if this concession be given. Ladies will join the Banks in much larger numbers than they do now and their presence in the meetings of the General Body and the Managing Committee will sober and chasten us.

EMPLOYEES' SOCIETIES AND CO-OPERATIVE STORES.

A suggestion has been made that employees' societies may render much valuable assistance to the Store Movement if there be proper mutual understanding and co-operation. The Employees' Societies at present dispense credit to their members and do precious little besides. It is due to a false sense of mid-Victorian individual independence popularised by English education, and this proud isolation militates against the social philosophy of the advanced western countries as well as against some of the best and oldest institutions of this country *i.e.* corporate life in joint family and in villages. It should be the definite aim of salaried officers' societies to break down this barrier and bring their members together and make the society subserve a social purpose as often as possible. Joint purchase of common requirements is one of the easiest steps that can be taken without much risk or inconvenience, and if worked out successfully, it would not merely strengthen the bond between member and member but would open out new channels of further usefulness. Stores in many places languish for lack of loyal customers and if the Employees' Societies could make their members evince interest in the stores, they could easily obviate some of the difficulties standing in the way of people joining the stores. One of the commonest impediments that prevent the ordinary middle class man from becoming a member of the stores is that he is not able to pay down cash every time he wishes to make a purchase. If his society would accommodate him with credit and place a trade deposit in his name with the stores, the member has merely to issue chits for the articles he wants and the stores will supply them to the extent of the deposit. The store, if it be plucky and clever and if it has the guarantee of the employees' society, may even allow the member to slightly overdraw at the end of a month provided the amount is promptly paid up early next month.

Another suggestion is that the employees' society will place with the stores a consolidated order for the articles needed by its members and make one lump payment. It would either take delivery of articles in one central place or instruct the store to see that the articles are delivered to particular addresses, of course by paying for such extra service. If such a course be adopted, the employees' society may be given some concession rate and the margin of profit which is the difference between the retail price and the concession price will go to augment its resources.

We commend these suggestions, to start with, to well-established societies like the Government Postal and Telegraphic Department Employees' Society, Registration Department Employees' Society, the Government Press Co-operative Society and others of the city of Madras and to the authorities of the T. U. C. S.

NON-CREDIT CO-OPERATION: (I) LOAN AND SALE SOCIETIES.

Workers in the field of Co-operation have now come to realise that credit alone is not going to help the agriculturist out of his present helpless condition. 'Non-credit' is in the air and some experiments are being tried here and there. We would like to commend to our

readers certain specific aspects of 'non-credit co-operation' so that they may think deep and act wisely regarding them.

The first line of development would be the starting of Loan and Sale Societies which would enable the farmer to keep the produce of his farm till he gets a fairly good price for it. As it is, the poor man is compelled to sell his produce at any price he could get ; he can ill afford to wait. So pressing are the many demands on his slender income. A co-operative society which would keep his produce as pledge and advance him some amount for his immediate need, enable him to sell his stock at an advantage and take back the money advanced would be a great boon to the needy peasant. Such societies deserve to be started in tens and hundreds in every district. There is one note of caution to be sounded. If proper human material be not available in villages to run efficiently even the credit societies, greater would be the difficulty in securing the proper kind of persons to run this business which is a little more complicated requiring more skilful handling. There is another danger also. The temptation on the part of organisers, official as well as non-official, of such societies would be to show huge turnovers and the natural tendency would be to make the societies after the Gadag type rather than after the Gujerat type. Middlemen who exploit the farmer will be admitted as members and the ultimate object would be defeated. Provided proper safeguards are secured against these, co-operative sale societies will certainly enable the farmer to do 'better business' and thus help him ultimately to 'better living'.

NON-CREDIT CO-OPERATION: (II) HOUSING.

Housebuilding societies have not become as popular in this presidency as they have in the sister province of Bombay. The few societies have aimed, as we pointed out on a former occasion,* at enabling their members to become the ultimate owners of houses. In a city like Madras, there is a very real and urgent need for another type of housebuilding society. Madras has a large percentage of population who are not native to the city but who have come merely to make a living. Of this latter section there may be a few like some flourishing advocate or thriving medical practitioner whose ultimate aim is to own a fine bungalow and settle down in Madras. But there are also a very large number of people whose income is meagre and who look upon their stay in Madras as a necessary evil and look forward to the day when, having earned some competence, they can go back to their villages and lead a quiet life there "far from the madding crowds'

* See page 453 of this Magazine, February issue.

ignoble strife" and "husbanding out life's 'taper at the close". Such persons never aspire to own a house in Madras. They would consider themselves very happy if there be an agency which would give them healthy dwelling houses for reasonable rent. As it is, the dwelling places of lower middleclass men who earn Rs. 50 per month and less are hardly fit for human occupation. Cases are not rare of a family of 3 to 4 members living (cooking, eating and sleeping) in a room scarcely 10ft by 10ft and for this space they have sometimes to pay any sum from Rs. 5 to 8 per month according to the locality. These would gladly pay a rupee more by stinting themselves in other directions if they could secure a decent habitation consisting of a small kitchen, one room and some open verandah which would be dining room, drawing room and even sleeping room if need be. Small houses of the pattern described above, if built in large numbers, could easily be let on Rs. 10 a month and Co-operative enthusiasm has no worthier outlet than the starting of a society whose ultimate object is to provide housing facilities for the suffering thousands among the lower middle classes. Reserve Funds of banks like the M. C. U. B. cannot be better and more safely utilised than being employed in a housing scheme like this.

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AGRICULTURAL FINANCE.

(Speech by the Hon'ble Mr. V. Ramadas Pantulu Garu in the Council of State during the General discussion of the General Budget on the 6th March, 1929).

Sir,

I may without any breach of propriety as a Congressman join my friend Sir Maneckji Dadabhoy in congratulating the Finance Member upon the refreshing candour and the lucidity with which he presented his Budget. As a layman I found it much more easy to study his Budget than his predecessor's. That was to me a test of his clarity. I do not propose to go into questions of high politics or intricate finance because all that has been done in the other House. I think I shall be putting the case of the popular side, to which no portion of this House will object, if I say that the general request to the Finance Department of the Government of India is *not to do two things but to do three other things.* The two things we do not want them to do are not to revive the provincial contributions and not to impose fresh taxation. I have been reading, Sir, some account, however brief it may be, of the memoranda of the various Provincial Governments to the Simon Commission—I have not boycotted reading; I only boycotted the Commission—and in every one of them the Provincial Governments have complained that they have not enough money to expand the development programmes in the provinces. In my own province, it has been pointed out that Rs. 7 crores will be necessary if an adequate policy of expanding education is pursued, whereas only Rs. 180 lakhs could be found for it in the next year's Budget. Therefore, I think the Government of India must finally and once for all make up its mind to wipe out these provincial contributions. Last year's budget speech promised to do it. I understand this year's speech also to adhere to it, and I hope nothing will induce Government to revise its promise in this behalf. * * *

Sir, with regard to the high financial policies of the Government of India I will say nothing more. I shall confine myself to a few matters connected with agricultural finance in which I am very deeply interested. I have listened to the general debate on the Budget in the other House for some time on both days, and it appeared to me that politics and finance and economics were indissolubly wedded to industrial concerns in that House. Everybody spoke, rightly of course, of trade in Bombay, the mills in Ahmedabad, commerce in Calcutta, and things of that kind. If reference was now and then made to agriculture by Members, it was by way of additional arguments to support their own respective theories in regard to the bearings of Government's currency and exchange policies. The question of financing agriculture itself was not *directly* attacked or pressed upon the Government. Therefore I beg leave to take up a few minutes of this House to press the claims of agriculture to be financed on the Honourable the Finance Member. I have not had the pleasure and privilege of knowing him, but from reports I have heard, not only his mind is said to be responsive in this direction, he also seems to have a warm corner in his heart for the agriculturists of this country. If so, I hope what I say will commend itself to him at least in some degree. Hitherto our Budgets have been Budgets for politicians and industrialists and they have rarely interested the agriculturist, except very indirectly. He knew of course that the world money market conditions had some vague effect upon the price levels of the produce raised by him in his fields. Unlike the claims to capital and credit for urban industries, the question of financing agriculture as an industry had rarely arisen on the Government Budgets, and even now it does not arise to any extent. The reason is that finance for agriculture, for seasonal operations as well as for movement and marketing of crops by the small farmer, is obtained through the help of usurious moneylenders. They lend the necessary money at anything between 12 and 30 per cent. Therefore, it does not matter at all whether the bank rate is 4 or 8 per cent. All the money the agriculturist requires is obtained from a source which is quite unaffected by a rise of one or two per cent in the bank rate. Therefore, the conditions of the American money market or the discount rate or the bullion reserve in the Bank of England or the borrowings of our Finance Member and the like, hardly ever affect the credit sources of the agriculturist, because the usurious rate of interest on his loans cannot be improved upon. But now things are changing a bit. Most of you are aware that through the medium of more regular financial agencies like the co-operative societies and peoples banks, a number of agriculturists are being financed, and any one who is familiar with the working of these societies will find that the financial policy of the Government of India directly reacts upon agricultural finance so far as credit through these societies is concerned. Perhaps I can give you a concrete example so that it may carry conviction to you, instead of theorising. In the last month, Co-operative Central Banks in the Presidency of Madras applied to me as President of the Provincial Bank for loans to the extent of 14 lakhs. We had only two resources at our command—either to overdraw from the Imperial Bank at 8 per cent., the current bank rate, or sell some of our Government securities,

which could not be sold except at considerable capital loss. Therefore, I had to hold up temporarily for a short while the loan applications and immediately there were telegraphic enquiries asking "Why was not money disbursed from Provincial Bank as readily as it used to be?" We had then to tell Central Banks who used to get money at 6 per cent that money was very dear because the Imperial Bank charged 8 per cent, and that if we lent money at the usual rate it would involve the bank in heavy loss. I only give it as an illustration to show how, when once you finance the agriculturist on a sound and reasonable basis, charge them moderate rates of interest, Government policy with regard to its bank rate, with regard to its borrowings in the open market and similar operations have very great reaction, which is immediately felt and instantly communicated to the poorest villager who applies for a loan to any rural credit society. We have got 88,000 societies in British India and the States with a working capital of Rs. 67 crores. Members of these societies now understand the reactions of the financial policy of the Government of India and how it sometimes is responsible for their either not promptly getting the loans or if they get them for their getting them at a higher rate. Farmers also understand now better how their prices and profits are hit by your operations. Therefore, Sir, I beg to point out that your monetary policies and your Budgets are more and more scrutinised from the agriculturist point of view in this country, and it is for the Government to see that it so shapes its financial policy as to make sufficient money available to agriculturists at reasonable rates of interest and to strengthen the markets. There are very important recommendations of the Royal Commission on Agriculture which, if they are to be useful, ought to be carried out by the agriculturist himself. I quite agree that no Government in any country can largely finance agriculturists by directly borrowing from the public and lending to agriculturists. Facilities ought, however, to be created for the agriculturist to get his capital and credit increased if he is to carry out those programmes. It is very good to have a research branch; it is very good to attempt to bring the latest improvements in agriculture to the knowledge of the agriculturist, provided they permeate so far. But how is he to carry out the programme and how is he to utilise the knowledge imparted to him unless he is provided with capital? That should be the foremost consideration, and on that matter the Government of India, I think, cannot shirk their responsibility any more. These are not high politics and many people may think these are very small things which this Council is not intended to deal with. But I do not feel so. I feel that agriculture, as a national industry, has not received that attention from Government hitherto that it should have, and I hope at least hereafter it will receive proper attention. In this connection I may refer to the provision in the Budget of the lump grant of Rs. 25 lakhs and 7½ lakhs of annual recurring grant for working the Agricultural Research Institute. I think our thanks are due to Sir Muhammad Habibullah, whose department was for having brought about a welcome change in the Commission's recommendation. A Rs. 50 lakhs endowment grant is not of much use; I think the change made by the Government of India is really welcome and an endowment of Rs. 25 lakhs and the Rs. 7½ lakhs of annual grant ought to go a great way to bring about the beneficent results which the Royal Commission intended and which the Government of India want. I know it will hardly be enough. But Provincial Governments who are greatly concerned ought to supplement the grant. I therefore heartily welcome that portion of the Budget which allocates Rs. 25 lakhs as a lump grant and Rs. 7½ lakhs as an annual grant. The provision with regard to the development of roads is also one which will affect the agriculturist beneficially. There is, for instance, this additional taxation of Rs. 90 lakhs on motor spirit which has been cheerfully agreed to and there has not been one word of comment, because this is going to develop communications which is a very important factor in agricultural prosperity, because no ryot can realise his profits unless he has got good communications. On these two points, therefore, I congratulate Government on having done something for the agriculturist.

There are other important reasons for emphasising this matter of agricultural finance at such length. The Finance Member's speech itself shows that even in the hereditary occupation of husbandry the poor ryot of this country is called upon to face foreign competition. Speaking only of one article like rice, what I find in the speech of the Honourable the Finance Member is this:

> "Exports of rice, however, have gone down by as much as 7 crores as a result mainly of Japan's temporary prohibition of imports of the commodity into the country and of the increasing competition of the rice-producing countries on the Mediterranean sea-board".

It is the same thing about wheat, sugar and various other agricultural products in this country. The ryot being poor, he is not able to raise the proper kind of article; not being educated, he is not able to grade and market them properly, and the result is that he either gets unremunerative prices or in some cases his articles are driven out of the world's markets. Indeed rice and other foodstuffs are now imported into India from abroad. These are very serious forebodings which the Government of India ought to take very careful note of in shaping their financial policies. I am glad that the Economic Conference which meets under the auspices of the League of Nations has shown what an

indissoluble connection there is between industry and agriculture and that no industrialist can successfully carry on his industry unless agriculture is prosperous, specially in a country like India. In a country like this, where the bulk of the revenue is derived from land, and where the people live on the produce raised on their own land, it is the duty of the Government to see that the soil is not impoverished, that the ryot is not economically crippled and ultimately made to succumb to competition in the field of agriculture as he did in the field of industries. Therefore, Sir, I make no apology for so insistently pressing this point.

Then, you may ask me: "It is all right. You say we have failed to do some things. Have you any remedies to propose by way of any concrete suggestions?" Yes; I shall make two or three suggestions by way of concrete proposals. The first thing that I will suggest is, to consider, when you next take up this question of banking, whether you cannot co-ordinate agricultural finance with the existing system of banking in the country. I speak with practical experience for years of a man running co-operative banks. I find that credit facilities are wanting to ryots in many directions. Even if we have the good intention of financing agriculturists, banking facilities are woefully wanting. Naturally no commercial bank will ever agree to dissipate its resources by way of small loans to hundreds and thousands of agriculturists. That is not possible. Therefore, there must be other organisations which will be financed by these commercial banks on commerical terms. Co-operative banks can ordinarily borrow on occasions to supplement their own money from commercial banks and return it in nine months or one year and then cut it up into small loans to agriculturists. But what facilities have these co-operative and agricultural banks to offer that kind of accommodation? Hardly any. Of course I am thankful to the Imperial Bank for the overdraft they allow to our banks. In Madras we enjoy Rs. 60 lakhs of overdraft; but it is hardly enough and the terms are hardly suitable for the increasing demands of agricultural finance by the ryots. Therefore, I want the Finance Member to examine the system which prevails in New Zealand, Australia and South Africa especially, how they have co-ordinated agricultural banking with the ordinary commercial banking, and how the State banks themselves have rural credit departments and how in other ways agricultural finance has been supplemented very largely by the State and commercial banking concerns. We want short term credit for financing agriculturists for seasonal operations and marketing and movement of crops; we want intermediate credit for four or five years for ordinary works of improvement, for buying cattle, sinking wells, etc., and long term credit for redemption of old debts, for making permanent improvements and the like. In all these matters there is a great deal that the Government of India can do even without direct lending to co-operative banks. I will press one recommendation of the Royal Commission on Agriculture on the Finance Member in this connection. The Royal Commission has realised the necessity for providing to agriculturists long term credit on a sound basis, and for that they consider that land mortgage banks are the only suitable agencies. Each province should have a provincial land mortgage bank and Government ought to guarantee interest on the debentures floated by these land mortgage banks and they should be added to the list of trustee securities. These are matters which the Finance Member should consider and carefully examine, and if he does that and helps the formation of land mortgage banks to dispense long term credit, I assure him that with 80,000 or 90,000 societies working in India to dispense short and intermediate credit, agricultural finance can be made really an effective factor in our nation building. Government cannot be expected to borrow large sums and lend them to the ryots. The two Acts, the Agriculturist Loans Act and the Land Improvement Loans Act, have not done much by way of financial relief to agriculturists. Any member of this House who has revenue administrative experience will know that these two Acts, though beneficial in intent, have not touched the fringe of the problem of agricultural finance. Therefore, it is only in this way that you can really finance agriculture, that is, by organising and popularising special types of rural credit institutions and linking them up with the State and commercial banks. Therefore, I ask the Government to consider in

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what way the agricultural banks can be effectively financed by the commercial banks and by the State so as not only to finance agricultural production but also to help in the marketing and movement of crops. All this is being attempted now by co-operators but on a very small scale for want of resources. There is another direction in which you can do something. With regard to these co-operative banks, we are now suffering under some disabilities. You treat us just as you treat moneylenders. I should like to bring to the notice of the Finance Member that on the interest on Government securities we hold we are taxed although we are making no profits. Everybody knows the word "profits" is a heresy to a co-operative concern. We do not make any profits because our members distribute the surpluses among themselves, and the surpluses really represent the extra charges levied for services rendered to them by way of caution. It is true that on what are inappropriately termed "profits of business" no income-tax is charged. Interest on Government securities should then be placed under the same category of "profits of business". I hope something will be done to see that the co-operative banks are not

charged income-tax on any account. There is one other help which I would ask. It was suggested by the Government of Madras in the Agricultural Department and it was pressed upon this House on other occasions; it is with regard to some of the manurial articles; the Government of India ought to do something to prohibit their export. Oil-seeds are a great factor in the production of oil-cake manure and there are other things like bones and fish manure that are largely exported to other countries to the detriment of Indian agriculturists. The Madras Government lodged a very strong protest against these things of great value to cultivators being exported and asked the Government of India to discourage their export. But the Government of India took shelter under the plea that the Fiscal Commission did not recommend this. I am sorry that the Royal Agricultural Commission has also taken a very, very narrow view of the matter and stated that it did not see its way to accept the very reasonable request of preserving the benefits of these articles to the Indian ryot. I hope something will be done to reconsider this question in its fresh aspects.

I have just one more suggestion to make. It is about subsidiary occupations to peasants. The agriculturist does not spend all his time on agriculture, and the Royal Commission on Agriculture very carefully went into the question of how to supplement his slender income from the land and they have stated that he had sufficient time if only means were found to engage him in some forms of productive subsidiary occupations. The Agricultural Commission has referred to the fact that there are various occupations which could engage him, such as hand-spinning, hand-weaving and a few other cottage industries; but they all require finance, either on a co-operative basis or some other basis, and also they require expert advice. There is no technical advice available to them as to how to find a market. Many co-operative weavers whom I consulted said that there were excellent facilities for turning out hand-woven cloth but nobody would tell the producers where it could be sold readily. Therefore, the Industrial Departments of Governments have got to give technical advice to them and also provide finances for these subsidiary occupations on some systematised method. There are ways in which the agriculturist can be practically helped by means of a regulated system of finance and expert advice to earn additional income. I hope the Finance Member will do something to give a lead to the agriculturist. Lest my points about rural credit and agricultural reform be lost in other things, I purposely refrain from referring to more matters arising out of the Budget. I only want to say that if the agriculturist is organised and financed, India will have a different story to tell. But if you continue to neglect agriculture, it will continue to be a land of waste [illegible] -ant. I therefore press on the Finance Member very strongly [illegible] should see his way to do something during his term of office [illegible] -ething really tangible, to prop agriculture up in this country and [illegible] -elp the establishment of land mortgage and other types of agricultu- [illegible] -nks through which we can dispense capital and credit to the cultiva- [illegible] have kept you long over this matter, but I thought it was my duty [illegible] -s as fully as I can this aspect of finance upon the Honourable the F- [illegible] Member.

There is a passage in his speech which I [illegible] its reality. He says with regard to improving the economic [illegible] -e people:

"I would say that the only way in which that can be done is by the constant and combined effort of Government and all those who can influence public opinion, directed to the extension of education and credit facilities, to the encouragement of hard work and thrift, and to an increase in real wealth by the introduction of improved methods of cultivation and communications. Anything else is no more than a quack remedy."

I entirely endorse and heartily support every word of that sentence and I have as much grievance against my own countrymen, for having hitherto neglected these rural problems and activities, as I have against the Government, perhaps more. But I hope that this exhortation of the Finance Member to the Government and the people that improved production and agricultural prosperity can be brought about by the combined efforts of the Government and the public will be taken to heart and that something will be done by the people and the State to reconstruct our fast decaying rural economy.

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THE SIXTEENTH BOMBAY PROVINCIAL CO-OPERATIVE CONFERENCE,

2nd March 1929.

WELCOME ADDRESS

OF

SIR CHUNILAL V. MEHTA, K. C. S. I.,

(President, Provincial Co-operative Institute, Bombay).

YOUR EXCELLENCY, SIR P. C. RAY, BROTHER CO-OPERATORS, LADIES AND GENTLEMEN,

The Co-operative Movement, you are aware, Sir, has been in existence in India for about 25 years. It was introduced in the rural areas for the relief of the agriculturist from a heavy load of indebtedness, from usurious borrowing, for the organisation of his credit and also for the strengthening of his moral fibre by teaching the necessity of mutual help, thrift and mutual check, and the timely repayment of loans. A few years' experience showed the wisdom of widening the scope of the movement so as to include non-credit needs also. The Act of 1912 practically completed the organisation of the administrative arm of the movement. For the more adequate and prompt financing of Societies, the Maclagan Committee recommended the starting of Central Banks in the districts; and by the conversion of the Bombay Central Bank into a Provincial Apex Bank in 1920-21, the financial arm of the movement was perfected. It was soon, however, perceived that co-operation, to yield its full results, must bring out in the recipients of its assistance the higher moral qualities referred to above and must provide for a minimum of business training. These higher qualities are the outcome of education in its wider sense; and the business training was to be given through classes organised for the purpose. The realisation of this ideal led to the establishment, in this Presidency, in 1918, of the third arm of the movement,—the Educative Arm—I mean the Provincial Co-operative Institute, which was started under the guidance of my friends the late Sir Vithaldas Thackersey, whose name has been associated with our building and Sir Lalubhai Samaldas. The administrative machinery of the State and the financing through Co-operative Banks were not enough. The popular movement needed a non-official body charged with the function of carrying the message of co-operation to the toiling ryot as well as the handicapped craftsman, and also whose duty it was to supervise the working of the societies so as to ensure efficiency. Seven regional branches were opened in the Presidency and each had under it, its District branches. The honorary workers at these stations, often at great sacrifice, moved in the villages giving lectures, opening training classes and holding conferences. Courses of lectures were arranged, thanks to that indefatigable worker, Mr. G. K. Devadhar, and Bank Managers, Hon. Organisers and Secretaries of Rural Societies were trained at such courses.

I would like to emphasise the importance of this third phase of the Co-operative Movement; for I see no other agency which will make the Co-operative Society the live force of the village as it ought to be. With all the most valuable and commendable work that has been done during these years, there is still an uneasy feeling that all that might have been achieved has not been achieved. Overdues are still to be found in excess of necessities. Banks have surplus assets not employed in the movement and the Sawkar still drives a roaring trade. The objects for which the loan is taken and the purposes for which it is applied, are not sufficiently attended to by the Committee of Societies. In spite of such misgivings, however, I can confidently say that the movement has achieved what no other agencies could possibly have done. But no miraculous results can be expected. In this, as in other schemes of general up-lift, there must be a slow and steady building up and we must depend upon peristent *efforts of education, supervision and consolidation.*

The Institute has realised the importance of its mission and in spite of its scanty resources has set about its task with zeal and earnestness. It has appointed a Central Education Board which has systematised co-operative training and examinations. Three full time co-operative schools have been opened at the three linguistic centres, Surat, Poona and Dharwar, and the starting of a fourth in Sind is under contemplation. Union Supervisors, Inspectors and Managers of Banks and Secretaries of rural and urban societies receive regular instruction, for various periods, in the vernacular, in the theory and practice of co-operation. For these instructions small fees are charged. After finishing this course, students are expected to undergo practical training under experienced officers before certificates and diplomas are issued. The Central Board consists of educationists and others; and the schools have secured the services of local co-operators of repute like my friend Mr. Gandhi of Surat. The Central Education Board have also schemes of adult education under contemplation; for the Board realises that while a successful co-operative society in a village is an education in itself, there must be the broadening of the outlook and general knowledge which alone will lead the society to success. A scheme was put before Government by the late Sir Vithaldas Thackersey for stimulating adult education and he offered a part of the finance for some years. Owing to financial stringency, however, Government were unable to pursue the scheme. The Royal Commission on Agriculture have in their recent report also stressed the necessity of some arrangement for promoting adult education.

If Government and Local Boards will be willing to bear a share of the cost, the Institute will be prepared to make a beginning.

Supervision of Societies is another most important task that the Institute has to perform. There is the Government audit which includes Inspection. The number of auditors however is the minimum that is required for even the mechanical check of audit. The financing agencies maintain an inspecting staff and although their inspection as a creditor is very valuable, the supervison of a more friendly educative character from the co-operative point of view is essential; especially in view of the accepted principle in this Presidency of de-officialising the movement as far as possible. The Institute workers, as Hon. organisers of the Department, doubtless visit societies now and then and give advice and assistance in the recovery of overdues. The institute has appointed eight Propaganda and Supervision Officers and attached them to each of the regional branches: while two of the districts have also appointed their own officers. Such officers cannot however be expected to exercise effective supervision over the primary societies. Supervision to be effective must proceed from within: and progress should, I think, be along the line of the development of the system of Supervising Unions. We have 107 of such Unions in this Presidency: and the work of the paid district staff will be the forming of new ones and the supervision of the Unions themselves.

The most important event that has occurred since the last conference held at Poona in 1926 is the publication of the Report of the Royal Commission on Agriculture whose President and Members we had the pleasure of welcoming at that Conference. In their chapter on Co-operation the Commission lay great emphasis on the consolidation of the co-operative movement by supervision and education. I mention this not only to show how we have already attempted in the past to carry out what they suggest but to stress the fact that in view of their recommendations the work of the Institute requires both expansion and assistance. In addition to its own income from subscriptions of the members of the Institute, Local Boards are making annual contributions and Government too are making a grant for which we are grateful. In this connection, I would invite the attention of Your Excellency to the representation recently addressed by me and hope that the rupee for rupee basis accepted and publicly announced by Government subsidy will be adhered to. In that representation I have already shown that the Royal Commission on Agriculture justify and recommend such assistance.

I have taken the liberty to dwell at some length on the Institute and the role it should play in the Body Co-operative in the Presidency: for I am convinced that we are entering upon a new phase of the movement. Having prepared the administrative machinery, having built up the financial structure, Supervision and Education remain to be placed on a soild basis and it is for these that the Institute in this Presidency stands forth as the premier institution worthy of generous support from Government and the people alike.

I have mentioned about that co-operation does not mean merely an agency for the distribution of facile credit which in some circumstances may even be a doubtful benefit. For the improvement of the cultivator as a whole, all his problems, his conditions of life, his social requirements, his food, his outlook on work have all to be examined together. In other words, co-operation forms only one method, though a very important method, of what is known as rural reconstruction or what the Royal Commission on Agriculture call Village Guidance to stimulate the villager to take active interest in social and economic questions and to adopt remedial measures. The subject was discussed at the last conference; and some of the members of the Institute have been trying therafter the experiment in a village by employing a paid worker. The expenses were borne partly by the Institute, partly by the members themselves and partly, I am glad to say, by the Department of Agriculture. The experiment has given us much satisfaction, a very humble attempt, no way to be compared with large scale work elsewhere. Mr. Brayne, the Deputy Commissioner of Gurgaon, in the Punjab, has been working on bolder lines for the last seven years in the whole of the District in his charge. He has published his conclusion; and the Commission have given a favourable notice to his experiment in their report.

I am convinced that work on the above lines can only be successful by the harmonious co-operation of Government officers and the people; and indeed Government should take the initiative. In view of the strong recommendation of the Royal Commission on Agriculture, I am anxious that the Government of this Presidency should directly interest themselves in this work and should try the experiment on similar lines in one of the districts through a Collector specially chosen for the purpose: The Institute will be glad to give every assistance.

The Co-operative movement has been making rapid strides in this country: and our Presidency has been no mean contributor. I do not wish to quote any figures beyond saying that in this Presidency we are more anxious for consolidation than expansion.

I should like to refer briefly to some of the subjects that will engage the attention of the conference.

Though credit facilities have helped the farmer in largely reducing his interest charges, the question of the sale of his produce through co-operative agencies, to minimise if not to eliminate the charges he pays to the middleman, has not made as much progress as one would like.

The problem of marketing is no doubt difficult and complicated. We have, however, made a good beginning in respect of two commodities, viz., cotton and gul: but this has largely to be extended and applied to other crops.

The question of levying Audit fees is another question of policy. Hitherto the primary societies have enjoyed the privilege of free audit from Government: and any departure from a long continued practice requires to be carefully considered. Some feel the proposal to be premature; others might perhaps agree to the levy if the income realised therefrom is earmarked for supervision and education. I do not wish to express any views on the subject at this stage; but I am sure the matter will be carefully considered.

THE SIXTEENTH BOMBAY PROVINCIAL CO-OPERATIVE CONFERENCE,

2nd March, 1929.

PRESIDENTIAL ADDRESS

BY SIR P. C. RAY.

I thank you most sincerely for the honour that you have done me by asking me to preside over the deliberations of this Conference.

My association with the co-operative movement, however unobstrusive and casual it might be, has convinced me that in our present peculiar circumstances, co-operative societies furnish one of the most effective means for the improvement of the economic condition of the vast mass of Indian people.

Those who are familiar with the history of the modern development of the co-operative movement in countries in which it has taken root, will at once testify to its remarkable achievements in social and economic spheres during the last decade or so. In their work on "Economic Development of Modern Europe", Ogg and Sharp give an excellent account of the progress made by the movement during recent years. "There is indeed, no country of Europe" they say "in which the co-operative movement has not attained considerable proportions. The results are by no means confined to the diminution of expenditures, the increase of savings, and the amelioration of conditions of livelihood. The sense of social solidarity is perceptibly strengthened and labour is brought to a realisation of the highly important fact that the promotion of its essential interest may be attained by pacific and scientific means no less than by aggression and combat". While referring to the progress of the consumers' co-operative movement, the writers add: "At various junctures we have come into contact with the term 'co-operation' in connection with the economics of war and reconstruction. Nowhere, however, has the word meant more during the last ten years than in relation to the consumers' co-operative movement, the growth of which has been silent and largely unnoticed, but none the less remarkable. Organised labour and political socialism are mainly concerned in varying degress with improving the lot of the producer of wealth; consumers' co-operation endeavours to prevent the exploitation of the whole population considered as the consumer of goods, not by any revolutionary process, but by the building up by slow and peaceful methods of new socially owned capital."

I specially emphasised this aspect of the co-operative movement in my address at the celebration of the International Co-operators' Day in Calcutta last year. I would like to repeat what I said at the time: "The industrial upheaval of the west has, after a century, just reached the soil of India, bringing in its train, many of its evils, and I ask you to believe me when I say that one bed-rock of hope in this age of convulsion is co-operation. You must also bear in mind that, inspite of the universal clash and clang in almost every country, the co-operative movement is gaining ground day after day, month after month, year after year. No narrow national and racial interests have been able to chain it down, its progressive career is still accelerating. The colossal International Co-operative Alliance supported by the big co-operative institutions of various lands, has linked up different nations in one vast co-operative community, and we in India pride ourselves on being members of this world-wide brotherhood. * * * * I invite you all to join this mighty movement, whose aim is to lift man's material life to a higher plane, to give to it a nobler, a more spiritual tone, and to bind together the races, creeds and classes of the earth in sacred and everlasting union."

It is often said with reference to the co-operative movement in this country that it has not so far been able to imbue members of co-operative societies and others associated with these bodies with the spirit underlying it. That there is considerable force in the charge so frequently brought forward against the movement in India by critics that it is chiefly considered as an agency for the supply of facilities for credit and looked upon by many principally from the point of view of material gain, no body acquainted with its working will deny. But this is a complaint which is not peculiar to India alone. If you will take the trouble of going through the first article in the October number of the *Review of International Co-operation*, the official organ of the International Co-operative Alliance, you will find that a similar complaint is also made by the writer in respect of members and workers connected with the movement is advanced Western countries. And the writer of the article is no less a person than an ex-president of the Alliance.

"The co-operative movement has been" Mr. Goedhart writes, "generally regarded as a means of obtaining the necessaries of life cheaper than elsewhere, or as a source of a useful dividend at the end of the year which would afford to the poorer classes the opportunity of purchasing commodities of which they would otherwise have been deprived, and which the strictest thrift in the ordinary channels of expenditure could not have provided." "It is a very singular circumstance", he remarks, "that such an entirely erroneous conception of Co-operative principle should have held its own for so long a time."

If after working co-operative societies for over three quarters of a century promoters of the movement in educationally advanced and economically progressive countries in Europe and elsewhere find the higher aspects of the co-operative movement lacking in it, it is no wonder that in

India where education is diffused among so small a percentage of her population, and the movement has a life and history of not more than twenty-five years behind it, the conditions should be such as unfortunately they are.

It is much to be deplored that the members of co-operative societies and promoters of the movement are not actuated, to the extent that they should be, by the high and noble ideals that inspired its originators. What, however, is demanded is not a justification of the situation because the conditions in other advanced countries are also similar, but an earnest and organised endeavour to improve the conditions.

As you are all aware, the initial stages of the co-operative movement in India were devoted to the development of only its credit side. Although experiments in other directions have subsequently been attempted and efforts are being made for developing other types of co-operative societies, the progress achieved in these directions has, it must be admitted, been so far most inadequate. Even in the sphere of credit, considering the vast extent of this country and the almost abysmal poverty of the general body of our people, it cannot be said that the movement has been able to touch more than merely the outer fringe of the area to be tackled. This shows that much, very much, still remains to be done even for the development of the credit side of the co-operative movement. Whatever might be the imperfections of the co-operative movement as it has been shaped and organised by its promoters in India, it is undeniable that it has rendered signal service to a considerable section of the poorest people of this country by reducing the rates of interest and making credits available to them. But this does not go far enough so long as the people availing themselves of financial accommodation from co-operative societies are not able to acquire habits of thrift and to diminish their indebtedness by adding to their resources by productive means.

The indebtedness of the Indian peasantry has been variously estimated. According to the estimates made by Sir Hubert Calvert and Sir Purusottamdas Thakurdas, the amount reaches such a high figure as 600 crores. It will not take you long to calculate roughly the figure that represents the heavy sum that has to be paid as interest on this huge amount, and the effect that this exercises on the future prosperity of the cultivator. It can well be imagined how this reduces the Indian cultivator to the position of one who is no better than a serf. The ryot is thus in blank despair. He knows however hard he may toil the fruits of his labour will be snatched away, first by the exacting revenue officer and then by the mahajan and the ubiquitous middlemen. To him is presented the picture of Dante's Inferno on the gates of which are written in bold letters, "All ye who enter here abandon hope."

You will thus see that matters have not much improved since the Indian Famine Commission reported after the disastrous famine of 1877-78 half a century ago, "how far it is possible for Government by its action, to diminish the severity of famines, or to place the people in a better condition or enduring them," however persistent and energetic might be the efforts that are made from time to time by spokesman of Government in this country to prove that better conditions have intervened as a result of the economic policy that is being pursued by the British Government. As an English writer on economic subjects points out in a recent publication, in spite of all that the British have done the vast majority of Indian population "live on the verge of starvation, at the lowest possible level of poverty, threatened by famine and pestilence."

There is no single solution to this deplorable condition. To me it appears that the promoters of the co-operative movement in this country should now devote their attention to a proper development of co-operative activities in directions other than the provision of credit which has so far, practically speaking, monopolised their attention. Methods should now be devised which would enable the people to add to their resources by creating new wealth as also to retain a substantial portion of the profits, now appropriated by the interminable series of middlemen who are to be found in every important or unimportant trade or industry.

Whether the agricultural produce is cotton or jute or paddy or wheat, the cultivators should be encouraged to adopt co-operative methods for its sale and supply. I desire to quote what Mr. Keatinge, with his intimate knowledge of the agricultural and economic conditions of this Presidency, says on the possibilities of co-operative marketing in his excellent monograph on "Rural Economy in the Bombay Deccan." He writes: "The possibilities of co-operative credit have already been considered. Those of co-operative marketing are not less great; but the subject is more difficult and needs more careful adjustment to the circumstances of each particular case. To work out an effective system of co-operative marketing suitable to any locality, to organise and sustain such a movement is a task which will require much patience and management. It may be hoped that when the co-operative credit movement is more firmly established some of the enthusiasts now working for that cause will look for new worlds to conquer and will turn their attention to the organisation of co-operative marketing, which offers so vast a field and promises so great a reward." "A common sight on a market day is a continuous stream of people pouring into the town often from distances of 15 or 20 miles each carrying a bundle of produce for sale, wood, grass, *bhusa*, or what not. The effort to the man is considerable, the value of the produce which he sells is often only a few annas. In the evening he will return home with a bottle of oil, a little salt and spices, or some such trifling purchases, and his day's labour is gone. With organisation the whole of the marketing which used up the labour of five or ten thousand people might have been done by one thousand and the remainder might have put a day's work on their land. To effect this we can only look to an increase of the co-operative spirit which in other countries has done so much to make marketing efficient."

Since Mr. Keatinge wrote in 1912, co-operative marketing has achieved impressive and striking results in American and European countries. In

India we are just on the threshold of this movement. The situation here, therefore, demands more enthusiasm, more vigorous work and better organisation.

There should, I think, be organised effort not only for the development of sale and supply societies of the type mentioned by me for the marketing of our principal crops but when adequate experience has been gained in their working and these have become pretty widespread, attention should be directed to bring within the "co-operative" net, the numerous lesser crops. As has been already indicated, action in this direction has been taken in hand by the co-operative movement in some of the provinces—the Punjab has its dealings in wheat, Bombay, cotton, and Bengal, jute. About the work done in connection with the co-operative sale of agricultural produce in Bombay and the Punjab, the Royal Commission on Agriculture has made special mention. I have no personal knowledge of the working of these societies. But the reports that I have read of the results of this movement in Bombay and the Punjab and the accounts that I have received of the working of the new-born movement of my province for the marketing of jute and paddy from authorities whose testimony I cannot question, give me hope that if properly guided and developed this movement more than anything else can save the cultivator from his present pitiable position. These societies will not only help the cultivator in retaining a substantial portion of his profits that now goes to the middleman but by stimulating production will also indirectly help in creating new wealth.

There is another important sphere where our progress has been most inadequate, I mean, industrial co-operation. In their report the Indian Industrial Commission, 1916-18, strongly emphasised the intimate connection between co-operation and the improvement of agriculture and cottage industries. The Royal Commission on Agriculture do not, however, seem to be optimistic in the matter. They think that, to put it briefly, the possibilities of improving the condition of the rural population by the establishment of rural industries are extremely limited. With such a restricted outlook the recommendations of the Commission in the matter cannot be expected to be of much practical help or use. Although the introduction of machine industry in Western countries has had the effect of practically destroying our cottage industries, my enquiries lead me to believe that with the adoption of vigorous measures it is still possible to resuscitate some of these industries and introduce new ones, if co-operative methods are adopted. Without some such method I do not know how relief is to be afforded to the vast mass of our rural population, who are obliged to remain idle for 6 to 9 months in the year and need spare-time occupation.

Industrial Corporation by which I mean such cottage industries as have already been developed for the manufacture of cotton, silk, wollen and jute goods; Co-operative organisation of village artizans who formerly played a very important role in rural economy, but whose industries have been submerged under the tide of organised capitalistic exploitation; and such other productive rural industries, too numerous to mention; these, if developed, will help the production of new wealth. In this connection mention may be made of co-operative irrigation societies which in the words of the Royal Commission on Indian Agriculture are reported to have changed the whole outlook of the people and to have strengthened their economic position. Public Health societies like our antimalarial societies would, by rousing the sanitary conscience of the people, by inculcating the principle of self-help and by improving the health of the people and the sanitary conditions of villages, check the enormous economic wastage due to disease, that is taking place at the present moment, and thus indirectly help the production of wealth.

There are various other directions in which the co-operative movement may be utilised to help the vast mass of our unemployed and partially employed. It is true that the Consumers' Co-operative Movement has achieved very little success in India. But it is also a fact that wherever it has been brought into operation on right and proper lines, it has yielded very hopeful results. We have all heard of the achievements of the Triplicane Stores in Madras. In Bengal also there are stores which have worked and are working very well. The Co-operative Store at Gosaba (in the Sunderbans) in the district of Twentyfour Parganas in the Zemindary of Sir Daniel Hamilton is a striking example showing how co-operative concerns may be successfully managed. There are a few other stores in my province which yielded similar results. In Bengal two societies have recently been formed, one in West Bengal in the neighbourhood of Calcutta and another in East Bengal, for the supply of electricity. The societies have just been formed and the results of their working will be awaited with interest.

The co-operative milk movement in Bengal is a producers' movement. The little that has, however, been done there for the promotion of the co-operative supply of milk is very encouraging. Calcutta is not the only place in my province where we have such a society. The Co-operative Milk Societies Union in Calcutta has as its members primary milk societies in the immediate neighbourhood of Calcutta outside the limits of municipal jurisdiction. But elsewhere at Darjeeling and at Decca also unions on the Calcutta model have been started. In fact the demand for the formation of such societies is so great that the staff at the disposal of the Co-operative Department is quite unequal to meet the situation. Those who have taken pains to scrutinise the working of these societies since their inception will bear testimony to the excellent results achieved by the movement. This has induced the Corporation of Calcutta to come forward to help it by rendering financial assistance with which the Union has been able to set up up-to-date machinery for pasteurisation and other modern scientific methods of treating milk before it is placed before the consumer for use. The methods employed by the milk societies have enabled them to improve their cattle, increase their productive capacity and introduce improvements

in various other directions. In fact the Imperial Dairy Expert of the Government of India, Mr. Smith, is most eloquent in his praise of the system adopted by the co-operative milk societies in Bengal. We find the Royal Agricultural Commission commending it to the notice of the general public. "The experiment of this Calcutta Co-operative Society", they write, "shows what can be done by very small producers situated near railways and engaged in a high class trade. As a first contribution to the solution of the difficulties experienced by urban consumers, it is worthy of imitation wherever possible. Municipalities should follow the lead of the Calcutta Corporation, encourage the formation of central distributing societies and endeavour to arrange for groups of societies in all localities suited for milk production and having a good rail service." I have referred to this subject at some length because the problem of milk supply is not a local problem and it is a problem in the proper solution of which we are all vitally interested. If the Calcutta plan is a success, I do not see why it should not be tried elsewhere. The co-operative movement should now be strong enough to tackle the problem independently without waiting for help from Government when it is not forthcoming and follow the policy which Denmark has adopted in the matter.

It will not be difficult for you to realise that if the economic condition of the vast mass of our rural population is to be improved by co-operative methods and effective and energetic measures are to be taken for such improvement, the agency required for this onerous work is not available. The staff that the Provincial Co-operative Departments have at their disposal is generally meant for credit work. For experiments in new non-credit directions competent men with special qualification and an adequate number of such men are required. For the promotion of irrigation societies you require engineers, for milk societies you need properly trained experts conversant with the various scientific processes required for the treatment to milk; for health societies you require trained sanitarians; for sale and supply societies you require trained men with bussiness aptitude, and for all these you need honest men, having love for their work, conversant with the principles of co-operation and devoted to the co-operative movement. The question now is, where and how are we to get such men? This brings me to the question of education and co-operative training.

The striking progress of the co-operative movement noticed in Western countries is due principally to the great emphasis that its promoters place upon its educational aspect. As you must all be aware, the Rochdale Pioneers resolved that apart from the modest subscriptions of their members the entire surplus of their mutual trade should not be distributed to the members but should be kept partly as a reserve and devoted to the extent of $2\frac{1}{2}$ per cent for the promotion of education. "The education that they they had in view was that of instructing the community in the advantages and benefits of co-operation, that is to say, in genuine propaganda for the ideal, and afterwards when the recruits had become established members of their society, in training them to become real co-operators", Mr. Goedhart, to whose article I have already referred, points out that by following this method, co-operators in England and elsewhere in Europe have "obtained the means of developing their movement and extending its ramifications from the supply of food to clothing, housing, credit, insurance, indeed to the satisfaction of practically every human need", and that "the organisation of wholesale co-operative trading and productive enterprises under the control of federated consumers societies, and the import of nearly every kind of goods have become the ordinary activities of a well-organised co-operative movement in nearly every country."

"This vast extension of activity and successful growth has not been undertaken merely in order to obtain a greater margin of 'profit' or surplus, but in order that co-operators might make the movement they love, serve the common good of everybody and thus raise human society to a higher level. Those who have not understood the true basis of the co-operative movement, or who were too much prejudiced against it to ascertain the truth, have entirely misrepresented Co-operation, and not the least in those cases where they have wished to limit its province to the amelioration of conditions of life to the poorest and most unfortunate. No, it has not for a few of human kind that Co-operation was intended to be the noblest means of improvement but for all.

"Each for all and all for each is the universal motto of the movement, and clearly indicates that Co-operation was and is, the practice of the idea of social solidarity. Very slowly this idea has become understood amongst thinking men. So was it understood by the great William Ewart Gladstone, who once said to Sir William Maxwell, 'So long as you cling to the principles of Co-operation I am without fear for the future of my country. The help which a man gives to himself is always the best."

It is true that some of the Provincial Co-operative Institutes and Registrars of Co-operative Societies in India have now begun to realise the importance of improvement and extension of education and training with reference to the proper diffusion of co-operative principles in their areas and have turned their attention to the solution of this emergent problem. But all that they have attempted to do so far is nothing better than a mere tinkering with the question.

The whole problem of education has such an important bearing on the future development of the country in all its varying aspects, social, economic political, moral, sanitary, that I hope you will bear with me a little longer if I dilate on the subject, which is one of such absorbing interest to many of us.

You cannot but admit that the intent and purpose of the modern economic system is totally incompatible with the spirit underlying the co-operative movement. For, while the guiding motive of the present economic system is profit and material gain, the co-operative movement stands for communal service, equality and brotherhood. Human institutions in a society are, barring special cases, moulded and shaped by the

ideals and traditions that inspire the general body of population. This is true no less in regard to educational institutions than to others.

It is futile to expect any rapid and proper development of the genuine co-operative spirit so long as India is not able to introduce a system of education of her own,—which the present system is not,—a system of education which should besides be in consonance with the spirit and guiding motive of the co-operative movement.

I must make it clear that by education I do not mean mere literacy. A proper system of education if it is to fulfil the objects that a national system of education in a country fulfils, should be related to the real life of the people concerned and be suited to their needs and requirements. It should help them in achieving their aspirations and developing their character in accordance with their ideals. This purpose cannot be served by an educational policy not formulated by the childern of the soil and imposed on a subject race for reasons of administrative exigency.

I will illustrate my remarks with an anecdote that the great American industrial leader, Henry Ford, relates in one of his two remarkable books "My Life and Work" and "Today and Tomorrow". A highly educated Persian who, we are told, had taken several degrees both in Europe and America, was the master of many languages and had finished four years of special work in one of the leading American Universities, was some time ago on a visit, before he returned to Persia, to one of Ford's Trade Schools, the object being to find out how he could help his fellow countrymen. Ford had at that time under his employ a large number of Persians along with students from other Asiatic countries. At the close of his visit the persian made a significant confession to the Director of the school. He said to him, that he had begun in words and ended in words and that when he would go back to his country he would have nothing to offer to his countrymen. This was the plight in which many of your youths, whether educated in this country or in foreign lands, found themselves at the threshold of their lives; and it was time efforts were made to remedy this deplorable situation by bold and drastic methods.

While dealing with the problem of education and co-operative training, we must bear in mind the fact that if co-operative societies are to devote their attention only to the solution of the problem of primary education, as some co-operative societies appear to be so minded, the benefit accruing to the community therefrom would be realised, not presently, but perhaps, partially, at a distance of twenty or twenty five years hence. What therefore, is needed, is that a well—considered scheme of adult education should be devised and efforts should be made to bring it into effect at once and that steps be taken to introduce such education all over the country on an extensive scale. As the Report on the Royal Commission on Indian Agriculture states, "such a development would antedate by at least a generation that great advance in literacy which in our view is essential to progress in all directions".

In addition to this, steps should further to taken for the training of the staff employed for carrying on the work of co-operative societies of all descriptions. This work should be undertaken by the co-operative movement itself when adequate Government assistance is not forthcoming. The co-operative movement in India should now become more self-reliant and efforts should be made for releasing it from the leading strings of Government Departments. If the co-operative movement in this country is to be a real, popular. national movement, that we all desire that it should be, co-operative societies and their spokesmen should adopt methods that have made it so elsewhere and have at the same time enabled its promoters to run it as a beneficent movement, conducted, on independent and up to date business lines in Western countries.

There is a small book entiled "Co-operation in Denmark" published by the Co-operative Union, Manchester, of which the authors are Lionel Smith-Gordon and Cruise O'Brien, which, I am sure, many of you have read. The writers state that before the rice of the co-operative movement the Danish peasant was almost a serf and the agricultural industry was threatened with grave danger, if not extinction. The book shows how by co-operative methods the economic condition of the country has been transformed almost beyond recognition in this short space of time and Denmark at the present moment is regarded to be one of the most flourishing among the countries of the world and her peasantry are a happy and contented community.

In his excellent though brief introduction to a recent work on "The Folk High Schools of Denmark and the Development of a Farming Community" Sir Michael Sadler describes in his inimitable way the circumstances that have contributed to the remarkable change in the tone and temper of the rural population of that country as also to the phenomenal development of the co-operative movement among them. "The farmers of Denmark have," Sir Michael states, "won the admiration of the world by their alert courage in quickly adapting themselves to changes in economic opportunity and by the intellectual and moral power which they have shown in their successful achievement of many-sided co-operation": In answering the query: to what is due this remarkable transformation of a people who before the introduction of the co-operative movement were "* * * unprogressive; sullen and suspicious; averse from experiment; incapable of associated enterprise"; Sir Michael says: The secret is open. Character, as Goethe said, makes character. A group of greathearted patriots moved their fellow countrymen by their teaching and by their example. Their teaching was not occasional but systematic; and their precepts were distilled in corporate life. Danish experience confirms the truth of the epigram: "Educational bands make the strongest ties."

I know that our difficulties are more arduous, our hindrances much greater. For we have to contend with our numerous indigenous, internal troubles, besides attempting to extricate ourselves from the paralysing grip of a forign bureaucracy, joined to the benumbing embrace of a soul-killing economic system. But no hindrances are so enormous that they cannot be overcome, no obstacles so immense that they cannot be surmounted. Where other have elsewhere succeeded in conquering difficulties similar to ours, there cannot be any reason why we too should not succeed. The enterprise in which we are engaged is one of the noblest that can engage the activities of man.

Co-operation in the Madras Legislative Council.

(Speech by Mr. T. Adinarayana Chettiyar, Bar-at-Law, M. L. C.)

March 1929.

Mr. T. Adinarayana Chettiyar: Sir, I have no desire to pose as an alarmist. But with the intimate and first-hand knowledge of the subject that I possess owing to close connection with co-operative societies during the last quarter of a century, I think I will be failing in my duty if I do not point out some of the glaring defects that have been observed in the working of the co-operative societies in our province. I am glad to find that this opinion is not confined to this side of the House alone. For, I see that my hon'ble friend Mr. Arpudasami Udaiyar, who always sides with the Government, is also of the same opinion.

The Hon'ble The President: May I remind the Hon'ble Member that the demand is to be put to vote at 3-45 p.m.

Mr. T. Adinarayana Chettiyar: It is necessary for us in order to satisfy ourselves at least, if not to convince Government, that we should know the truth and that in future at least affairs are so shaped as not to give room for serious complaints. Sir, the working of the co-operative societies, especially the primary societies, is very unsatisfactory. It can, without any exaggeration, be said to resemble a white sepulchre, all clean and white outside but rotten within. It is a very serious matter this; for it is not a question of hundreds of Rupees or of thousands of rupees or even of lakhs of rupees but it is a question of crores. Not only the hard earned income of the poor is invested in this movement but also the moneys of thousands of widows and children and of pensioners, who have no more scope to earn, are deposited here. Therefore, any neglect on our part to mend matters will be nothing short of criminal neglect entailing the ruin of thousands of families as the Arbuthnot crash did years ago. Some of the evils that have been pointed out time and again are, the improper retaining of cash balances often consisting of large sums by the secretaries and presidents, the existence of innumerable *benami* transactions, falsification of accounts, granting of bogus receipts to parties, etc. Then, Sir, large sums are deposited in these banks simply relying on the alleged security afforded by unlimited liability. But this is often chimerical, and in many cases there exists no ghost of a chance for recovery of moneys lent being effected. I am not blind to the possible argument that a co-operative society has the right of taking out summary proceedings and then bringing the properties of members for sale. This is theory; but what is our actual experience? Many a time has it been discovered that if a property is brought up for sale, the whole village joins together or rather "co-operates against the financing society" and thus there is none to purchase the land for a proper price. In the light of such experience, we know how far the argument that the societies are registered on the basis of unlimited liability and that they are automatically safe can be maintained. To be lulled to sleep on this sense of false security will be, to say the least, to be guilty of nothing short of criminal neglect. Then, again, Sir, the depositors and the general public often pin their faith to the infallibility of Government audit. But we know this Government audit has ensured no real safety. Who are these Government Auditors? They are none other than the ordinary Inspectors of co-operative societies. I may say, without wasting many words, that their audit reports are often not worth the paper on which they are written. For instance, in the case of Tiruchengodu Co-operative Union in the Salem District, expenditure of a sum running to four figures was being incurred without proper vouchers or the sanction of the executive and in spite of these grave defects, the auditor gives a certificate that everything is correct.

Another thing to be noted is that even grave misdeeds pointed out in Audit Orders are ineffectual to punish the culprits or to ensure their non-recurrence. I know, Sir, of the Secretary of a Co-operative Union in my district regularly paying himself twenty-five rupees a month as clerical fees without any sanction behind it and this has been going on for the last some years in spite of the Audit Certificates pointing out this irregularity. Recently, I asked this Secretary his authority for persisting in this; but he paid no heed to me; he knows the departmental control is lax. Hence I say that your audit certificates are often not worth the paper on which they are written. And as regards the Annual Report of the Department, in spite of the gaudy orange-coloured imposing volume, I submit it does not present the real state of affairs. Moreover, the published figures in these reports are based on unaudited statements and often on the previous year's figures. Therefore, I repeat you cannot entirely depend on the infallibility of the Department's Audit Reports and Audit Certificates.

What is the remedy? It is open to people to say, "You are merely indulging in destructive criticism." I submit there is only one obvious remedy for this state of affairs. It is the employment of an adequate staff of Inspectors and giving them adequate pay and status. At present the

Inspectors have not got even peons and they have no powers except that of reporting to the Assistant Registrar, who *submits* the same to the Deputy Registrar and who, in his turn, has to *submit* the matter to the all-mighty Registrar while the defalcating rural secretary snaps his fingers at the Inspector. It would be also in the fitness of things to entrust the matter largely to the banks that lend the money to these societies so that they will always take great care that the money is not lent to persons or bodies from whom it will not be easy to recover, not to say irrecoverable. The financing bank, in that case, will be guided by self-interest which is, after all the most potent of interests. But the present Registrar will not give the financing banks even the power of raising the maximum borrowing power of societies.

Some Central Banks have already their own supervising staff and have their own machinery for detailed inspection. Moreover, it is the non-official staff alone that can attend to the moral and social betterment of our villages which, it is admitted, are even more important than their material advancement. But, Sir, what is the attitude of the Registrar in this matter? The Registrar has a sort of bias against the central banks. He seems to hold that their out-door staff cannot be efficient. But I can assure this House that some of these central banks employ an efficient staff. I have no hesitation in asserting that the out-door staff of my (Salem) bank will any day be a match for some of the best Inspectors under the Department. For, in these banks appointments go on merit and ability and not on communal or sectarian grounds. We have no G. O. No. 72 either. (laughter).

The latest nostrum of the Registrar for ushering in the co-operative millenium is the Federation. I have great respect for the federation. Theoretically it should occupy a useful place among the machinery constituting the co-operative hierarchy. Federations are, to state the matter simply, combinations of supervising unions in a certain area. But what has the Report of the Townsend Committee to say about these Unions? It bears eloquent testimony to the uselessness of most of the existing supervising unions. How then can a combination of these evidently inefficient unions, several of them absolutely non-functioning, how can a combination of these useless unions become suddenly efficient? The Registrar has, I understand, said the last word on this matter and his word must be law. Evidently it is a case of "I am Sir Oracle [illegible] His subordinates, knowing what their superior officer is self-opi[illegible]ted and severe in the punishments meted out to subordinates, the[illegible]peat parrot-like what their superior says. Perhaps the Federa[illegible] may have worked well in a particular district and from that alone one cannot conclude that it is a universal panacea. We must take into account the local conditions, the inclinations of the people and the suitability or otherwise of the scheme to the environment. For instance, in the district of South Arcot whose representative Mr. R. Srinivasa Aiyengar has spoken earlier this day, we have the spectacle of a district federation neither doing the work nor allowing the District Central Bank to do it by employing its own staff. The question of federation *versus* the central bank has been further complicated by the supervising unions objecting to the pooling of both finance and staff.

Then, Sir, why should the Registrar be an Englishman? And why does he still want the help of a Joint Registrar, a post created temporarily but now sought to be made permanent—and a Personal Assistant and a Manager besides? He has under him the Deputy Registrars—the men on the spot—in whom he has implicit faith, and he has, I may say, more faith in these men than in experienced non-officials. A European Registrar, however well-intentioned he may be, however good his motives be, goes about the province in his car on first class roads, better if tarred also, and so does not often understand what people really feel or what their requirements are. He is an alien and he is ignorant of the language of the people and any knowledge he acquires he does through his subservient subordinates. For all these reasons, the strong case made out for an Indian Registrar can no longer be ignored. Another reason, if more reasons are still needed, why the Registrar should be an Indian is that the present Registrar wants the whole co-operative movement to be subservient to the interests of the Imperial Bank. Sir, on the Lalaji Memorial Day, the Central Co-operative Bank, Nellore, was closed as a mark of respect for the departed patriot. Neither the share-holders nor the depositors objected. But down comes Mr. Hood on this Bank and he severely reprimands the Bank's executive. May I ask, Sir, in all humility, what is it to H. M. Hood Esquire, I. C. S., if the Nellore Central Bank wants to observe as holiday a day set apart as a day of national mourning? Does Mr. Hood contribute to this Bank's funds? Does this gentleman stand to gain or lose by the Bank's prosperity or adversity? Is not Mr. Hood aware that on a former occasion the Imperial Bank closed its offices on the death of its Governor? Sir, this is not the only instance where the Registrar showed racial bias. Recently, a co-operative society in Dindi resolved at its annual meeting to devote a small portion of its common good fund for *Khadi* work, but obstacles were thrown in their path by the department.

Sir, the air is thick with proposals for re-organization. We were progressively asked first for three lakhs, afterwards for five lakhs, subsequently for seven lakhs and today we are asked for eleven lakhs. We

have no objection to grant this sum provided Government utilises it in a proper manner. Let us see how Government propose to spend this additional sum. I am anxious that this vast sum should not be spent in strengthening the higher staff, neglecting the lower staff. The higher staff is obviously to control the lower staff. But where is the adequate lower staff for so many men to control? Not only that, even as regards recruitment of these officers, a great deal of dissatisfaction is anticipated. Where again is the necessity for the continuance of the present Assistant Registrars when a Deputy Registrar practically for each district has been decided upon. The Townsend Committee's Report, the Bible by which so many people were swearing, says that the present lot of Assistant Registrars is a fairly useless lot. The Hon. Minister, I am told, is being pressed by the political party to which he has been lately admitted in spite of his Brahminical birth, to fill the new additional posts of Deputy Registrars from out of the present lot of Assistant Registrars, ostensibly for reasons of favouritism. But if the posts are to be filled up on considerations of patronage, there will surely come a time when either he or his successor will rue the day for the fatal mistake he would have thus committed. Recently one such person was appointed as Deputy Registrar, one who has absolutely no knowledge of economics or of co-operation and he was promoted overlooking the claims of deserving men. Very soon after his 'elevation', he issued an injunction order against a long-standing co-operative society for which there was absolutely no legal justification and when an interpellation was put in this House, the Hon. the Minister had to admit that his conduct was wholly irregular. This same officer wanted to prosecute the people for disobeying his illegal order!

Then, Sir, with regard to the development of the non-credit side of the movement, though it is all right on paper, I know of a case—I do not wish to mention names—where a D.O. was issued by a Deputy Registrar to the non-credit Inspector to stop all non-credit work in the District while the Deputy Registrar in all his official letters to the central bank promised his full support in the promotion of its non-credit activities. It is rather late in the day to argue at any length on the urgent need for the development of co-operation on non-credit lines if the Agricultural and Industrial aspects of our rural life have to be revived. Then, Sir, in the matter of the proposed new higher appointments, I want to see that they are made on a merit and not on a communal basis. The Registrar as well as the Hon. the Minister must understand that it is the savings of 42 millions that is at stake. They must not overlook the fact that the money belongs to an unsuspecting and trusting public. They should not, therefore, appoint ignoramuses, who have no imagination whatsoever but whose only forte is communal propaganda and promotion of Self-Respect Conferences.

There is again the important question of Life Assurance. You will find in all important cities not only in India but also in the West, the biggest buildings are those belonging to Insurance Corporations and yet when the number of "bucketshops" are daily swallowing up the savings of millions of poor people, you do not think it necessary to tackle the question of co-operative insurance for which your 15,000 existing primary societies will be a most valuable asset. The only possible reason for neglecting this vast virgin field for co-operative enterprise is want of knowledge on the part of the higher officials of the Department.

The motion was put and lost.

The demand was then put to the House and carried and the grant was made.