136

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THE INDIAN CO-OPERATIVE REVIEW

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CONTENTS.

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OURSELVES

The need for a journal reviewing periodically the co-operative movement in the whole of India has long been felt by workers in the field, official and non-official. The question was first mooted in the Ninth Registrars' Conference in 1926 and a resolution was passed that an Indian Co-operative Magazine should be published from Delhi and that it should contain articles of general and of provincial interest. So far it has borne no fruit, partly because the scale of expenditure then suggested (Rs. 10,000 a year) was felt to be too high, while there was no guarantee of finance forthcoming from any important provincial institution. It was, in fact, strongly opposed by some official and non-official leaders, either because of the fear of its becoming a competitor with the existing provincial journals or of its becoming a predominently official organ. But there was then no non-official organisation to undertake publication.

The grounds on which Mr. C. F. Strickland based the need for an All-India Journal in moving the resolution have by no means lost their force now. He said, "We should have an organ which will reach the whole of India and perhaps foreign countries. Good as several of our existing magazines are, none of them can claim to speak for the whole country. Not only as regards foreign countries but in India also a magazine which would be . . . free from local strains would receive greater attention in this country itself . . . It will command a larger public both in India and in foreign countries."

At the Second All-India Co-operative Institutes' Conference held at Hyderabad in 1931, a resolution was passed directing the Standing Committee to publish a journal as an organ of the Association. This *Indian Co-operative Review* is the outcome of that resolution. The delay in its publication is regretted and it was unavoidable. But we hope the reception will not be less warm on that account.

This Review aims at supplying a keenly felt want; it will provide a medium for the periodical publication of articles on co-operation that would be of importance to the whole of India by writers of some standing or authoritative position. Attention will be drawn to co-operative legislation, experiments and activities in other countries, whose conditions are similar in several respects to ours. For, as has been well said: "Blunders will be avoided, not by excessive caution which spells stagnation, but by deductive reasoning based upon the comparative method." We propose to have correspondents in several foreign countries to provide us from time to time notes of events and to indicate to us the sources of information likely to be of great interest to co-operators in our country.

There has been hitherto no comprehensive and detailed survey of co-operative activities, covering the whole of British India and Indian States, published even once a year, official or non-official. The only official publication touching all phases of the movement in British India and a few Indian States is a very slender volume which exhibits the bare annual statistics of membership and transactions of co-operative societies of all kinds and is issued, by the Department of Commercial Intelligence of the Government of India, long after the lapse of all interest in such figures by the active co-operator. This official statement "Showing the progress of the co-operative movement in India" offers no interpretation or explanation of the figures. Here is a characteristic remark of Sir Horace Plunkett which it is said to ha[illegible] nspired: "If it were not for a glow of warmth which comes from [illegible] ntion of lakhs and crores, this wilderness of figures might as well [illegible]late to Greenland's icy mountains as to India's coral strand!" The annual report presented by the Director of Information of the Government of India contains but a bald and brief summary from the reports of the Registrars in British provinces. So far as certain types of agricultural non-credit societies are concerned, the *Review of Agricultural Operations* issued by a department of the Government of India used to furnish a fair survey, though it was by no means expert or detailed. This review is now issued by the Imperial Council of Agricultural Research once in two years and has undergone little improvement in treatment.

The proceedings of the Registrars' Conferences have undoubtedly been of a higher level; but these have been too few and far between. The discussion was confined to a few current questions and reflected largely the official views on co-operation. In fact, since co-operation became a Provincial Transferred Subject in 1920 the Government of India could not feel or exercise that amount of responsibility which it

did feel and exercise in the pre-Reform days—the two monumental evidences of which may be found in the Maclagan Committee's Report and the Government of India's resolution of 1915, both of which have been considered as classics on the subject of co-operation in India. Feeble official efforts at co-ordination of co-operative activities in the provinces could not lead to any fruitful results, while the need for co-ordination has been really growing greater with the growth of some types of activities like marketing and insurance.

Whether the Government of India succeeds in establishing a Central Board of Co-operation, advisory or otherwise, which would function in the words of Sir Fazl-i-Husain "as a clearing house for information and ideas as regards the co-operative movement", the All-India Institutes' Association has been already in the field and has had in its fold the Institutes of Indian States as well as of British provinces. It is in the fitness of things, it will be conceded, that it should provide the medium in its journal for a much more frequent and full and free discussion of views of co-operators all over India, official as well as non-official, than we have had hitherto, so that it shall not be said hereafter that co-operation in each province or State is "a water-tight compartment living in complete ignorance of the system elsewhere."

We are not unaware of the difficulties of running an all-India journal of the character we desire. Some of the provincial journals have in the past attracted articles of the type that we envisage for this journal; and to that extent they may fear we are competing with them. We may declare at once that while we are anxious in this Review to cater to the whole of India in a systematic way, we are equally anxious that the existing provincial journals should develop to the fullest possible extent, that the quarterlies should become monthlies, that the several provinces and States which have no journals of their own should start theirs in English, and in vernacular in particular, to deal primarily with the movement within their territories and to draw upon the experiences outside theirs in relevant cases. Theirs should be the most authoritative treatment of local topics, and we will ordinarily look forward to them for furnishing the fullest information on special problems of their own. We shall draw in this journal pointed attention to their difficulties, whenever necessary, and publish extracts from the more interesting articles. In special cases we shall invite contributions to this Review on types of societies that may be worthy of adoption over a wider area.

We do not, on the other hand, minimise the difficulty of getting contributions relating to particular phases of the movement covering the whole of this vast country. There are few among us who have had opportunities of extensive travel and fewer still who have had the time and facilities needed for a detailed study of any phase of the movement all over India. Such of them as there are among our official and non-official leaders, we shall specially invite to contribute to this journal. We shall be on surer ground when we invite the experts in each province or state to expound the working of special types of societies for which each has become famous. We shall request University and college teachers on co-operation and economics, who will have no bias of their own, to review the working of different kinds of co-operative activities in this country and abroad in a comparative method, and suggest lines of advance for future, indicating the economic setting necessary in every case.

A sound knowledge of the essential economic and moral conditions of success, with a thorough grasp of the local limitations and possibilities and a ripe practical experience of affairs and of men would be a rare combination to find among writers in our country. But it will be our endeavour to discover such persons among the older generation and assist in the building up of such men and women among the younger generation of co-operators.

EDITORIAL NOTES

We have in this first issue of our Review published most of the articles received for publication by Khan Mohammad Bashir Ahmad Khan of Lahore, Secretary of the All-India Co-operative Institutes' Association to whom the thanks of the Association and of ourselves are due for the trouble and interest he has taken in the initial stages of the creation of this journal. And we look forward to his continued co-operation in the conduct of this journal. There is such a variety of topics dealt with by writers of eminence and competence and there is so little of overlapping that it is needless for us to commend any particular articles to the special attention of our readers.

Some readers will recognise in the contributors to the present number, some veterans in the co-operative field, responsible official administrators, editors of provincial co-operative journals and University teachers. Some of them are so eminent—and they deal with topics so important and urgent—that it would be presumptuous on our part to introduce them to Indian readers. Others not so well-known to fame are content to be judged on the merits of their contributions.

In the present issue of our Review readers will find discussions of problems relating to (1) agricultural credit, rightly given the pride of place in the Indian movement; (2) debt conciliation, an admittedly urgent problem; (3) consolidation of holdings on a co-operative basis, appropriately sub-titled 'a tonic for agricultural improvement'; (4) arbitration societies and women's societies, novel forms of co-operation in the Punjab, which bids fair to be the co-operative laboratory of the country; (5) co-operative education, an essential condition for the growth, nay the maintenance, of the movement; and (6) co-operative marketing on which the gulf is widest between our aspirations and achievements and which therefore deserves a close examination.

We have just set the ball rolling with this number. Some of the topics dealt with here and others to be taken up are entitled to a more intensive treatment than has been possible and could be arranged for. Our plan is to throw open each of the succeeding issues of this Review to a full discussion of one or two special topics of major importance, so that more justice may be done to the several issues involved. We shall certainly continue to welcome articles on a number of other topics on which little light has been thrown so far. Only consistent with our aim to promote specialisation in one or two problems each quarter, we may not be able to publish more than a few articles relating to other topics in each number.

We propose to discuss in the next issue, to be published in April 1935, the subjects of (1) Debt Conciliation as affecting agriculturists in general and co-operative societies in particular; and (2) Consumers' Co-operation in Rural as well as in Urban areas. We earnestly request those who have made a special study, or have had intimate knowledge, of the working of debt conciliation schemes, or urban or rural stores to send us their contributions, which they will kindly make as brief and pointed as possible without detriment to enlightenment.

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THIRD ALL-INDIA CO-OPERATIVE CONFERENCES.

The Joint Conference of the All-India Co-operative Institutes' Association and the All-India Provincial Banks' Association, held at Amraoti (Berar) on the 23rd, 24th and 25th June last, transacted much useful business. There were also separate sessions of the meetings of the two Associations at which important subjects of special interest to each of them were discussed.

His Excellency the Governor of the Central Provinces and Berar sent a message wishing the Conference success. The Hon. Mr. B. G. Khaparde, Minister for Education and Co-operation of the Central Provinces, opened the Conference with a speech in which he dealt at some length with the condition of the working of the co-operative movement. Sir Lallubhai Samaldas, the President of the All-India Co-operative Institutes' Conference and Rai Bahadur Mihirnath Roy, President of the Provincial Co-operative Banks' Conference and the leading co-operators that participated in the proceedings of the Conference made valuable contributions on various topics. We invite the attention of our readers to the summary of proceedings published elsewhere * in this issue.

THE STATUS OF THE ALL-INDIA CO-OPERATIVE ORGANISATIONS

The All-India Associations of the Institutes and the Banks are not incorporated. The Conference drew attention to the necessity of central legislation, providing for the registration of co-operative organisations of an All-India character. Though such institutions may now be registered by the Registrar of any province, difficulties are bound

* pp. 73 to 132.

to arise in their daily working, not only in regard to the nature and scope of Governmental control to be exercised over them, but also in respect of their normal operations. Some of the provinces have their own provincial enactments and in the rest of British India the Government of India Act of 1912 is still in force. These special acts and the rules framed thereunder vary in important details relating to the rights and duties of co-operative societies and their members. It will lead to anomaly and inconvenience if All-India organisations are to function under different laws, enforced in several provinces, subject to the control of about a dozen different Registrars. The eleventh session of the Registrars' Conference held at Delhi in February last also recognised the need for central legislation to deal with co-operative institutions, operating over the whole of India. We, therefore, hope that Government will expedite the necessary legislation on the lines indicated by the Registrars' Conference and the Amraoti Conference. The Amraoti Conference further passed a resolution requesting the Central and Provincial Governments and Governments of Indian States to consult the two Associations in all matters affecting rural economy in general and the co-operative movement in particular. We hope the Governments will give due weight to this recommendation.

CO-OPERATIVE MOVEMENT AND STATE CONTROL

The law governing co-operative societies in India vests in the Registrars functions of Registration of Societies, their Audit and Liquidation, besides general control through inspection of and enquiry into their working. This general control was understood to mean ultimate control to ensure sound working of the societies and not interference with their management and conduct of business. Accredited non-official opinion has always been in favour of progressive democratisation of the movement by gradual relaxation of official control. Recent provincial legislation, however, considerably increased the scope and measure of the official control over societies. The Bills now pending before the Punjab, Central Provinces and Behar and Orissa legislatures seem to make the Registrar a virtual dictator of the movement.

The Hon. Mr. B. G. Khaparde, who opened the Amraoti Conference, in justification of this development, said:—"We have tried a kind of democracy in this movement, and we might as well try a kind of benevolent dictatorship to a certain extent for a time and see if we cannot improve upon things as we find them." The directions in which he would extend the Registrar's powers were by vesting in him (1) powers of appointment and dismissal of the staff of the co-operative institutions, (2) cancellation of licenses or certificates of the employees of co-operative organisations in provinces where the power of issuing them was vested in him, and (3) power of superseding the committees of management of co-operative organisations. The Conference rightly passed resolutions objecting to such powers. We are of opinion that the idea of making the Registrar the dictator is opposed to the fundamental principles on which the co-operative movement rests. It will kill all initiative and sense of responsibility among non-official co-operators. There seems to be some impression in the minds of people who are not intimately in touch with the movement, and particularly in some foreign countries, that the Central and Provincial Governments in India, ask for more and more control over the movement with a view to safeguard their financial interests. The movement is, in fact, not financed by Governments to any extent and the loans given by them to a few societies are a bagatelle by the side of the total working capital of the movement. Sir Lallubhai passionately pleaded for de-officialisation of the movement and we hope that his advice, which is based on thirty years of experience in the co-operative movement, will be given due weight by the authorities concerned. Otherwise, they would justify the reproach of a great writer that "Co-operation in India was not so much a movement as a Governmental policy."

THE FUTURE OF THE CO-OPERATIVE CREDIT MOVEMENT

The Presidential Addresses delivered at the Conferences were comprehensive surveys of the present condition of the co-operative credit movement in India and gave valuable lead to the country. It is recognised that the majority of the credit societies are generally speaking in a bad condition and that vigorous steps are called for to resuscitate them. At the same time, the leaders of the movement deprecated the idea of stopping further development or expansion of credit societies. Side by side with consolidation of the ground already covered, a programme of expansion by increasing the membership in existing societies, organising new societies and opening new channels for co-operative credit activity commended itself to the delegates.

There was general consensus of opinion at the Conference in favour of the separation of long term and short term finance in the co-operative credit societies, right from the bottom to the top and for entrusting long term credit business to separate organisations—provincial and primary land mortgage banks. The Conference laid considerable stress

upon the necessity to supplement the income of the agriculturist by organising co-operative production and cottage industries which will provide subsidiary occupations and by formation of marketing societies, which will enable the cultivator to get better prices for his produce.

Sir Lallubhai Samaldas gave a graphic description of the initial difficulties which workers in the cause of co-operation had to overcome in the earlier days. Not only were revenue officials apathetic and money-lenders antagonistic; even politicians, who had taken up the cause of the amelioration of the condition of the masses looked with a certain amount of suspicion on the movement, which was sponsored by the Government. The position has not undergone any marked change even now. The illiteracy of the masses has always been a stumbling block. In spite of these difficulties, the pioneers had invincible faith in the movement and were actuated by high idealism and persistently preached the gospel and hoped to reach the millennium. Mistakes committed were many, and some very serious, but none was intentional. Hasty organisation, expansion without consolidation, inadequate supervision, defective audit, lack of care in lending, inattention to repaying capacity, tenderness in collection and excessive reliance on honorary work may have all been contributory causes to our present troubles. Financial blunders like utilisation of short term deposits for long term loans may have resulted in some of our assets getting frozen. Lack of education in co-operative virtues and neglect of propaganda to promote thrift may account for over-borrowing and default in repayment. Nevertheless, the co-operative credit movement had shown remarkable progress in the quarter of a century, from 1904 to 1929, that preceded the World economic depression. In this period about one hundred thousand primary societies, six hundred Central Banks and a dozen Provincial Banks with a total working capital of about Rs. 50 crores (500 millions) were established. Out of this working capital, about Rs. 150 millions represent the owned capital of those institutions—their share capital and reserve fund. Taking an average family to represent five people, the three million members of those societies would represent about 15 millions of the population of India. The financial structure of the co-operative credit movement is still sound and its foundations are not shaken by the depression. We believe that the movement has successfully weathered the financial storm. If the official and non-official co-operators work with the same amount of zeal and faith, as the pioneers showed, there is no reason to think that the movement will not expand and grow and that the hopes and aspirations of those who inaugurated the movement will not be realised.

CO-OPERATIVE WEEK IN CALCUTTA.

The Standing Committees of the All-India Co-operative Institutes' Association and the Indian Provincial Co-operative Banks' Association, met at Calcutta in the Christmas week under the presidency of Mr. V. Ramadas Pantulu, reviewed the position of the movement in the several provinces and formulated a programme for the strengthening of the movement. Two public meetings of co-operators were also organised, at one of which Mr. Pantulu delivered an address on "Co-operation in India and abroad" and at the other Sir Daniel Hamilton delivered an inspiring address on "The Soul of India." The Bengal Provincial Co-operative Bank and the Bengal Co-operative Organisation Society have made excellent arrangements and the thanks of the All-India Associations are due to them, specially to Mr. S. K. Lahiri, Secretary of the Organisation Society and to Babu Sanat Kumar Chatterjee, Director of the Provincial Co-operative Bank. A report of the proceedings of the meetings will be published in our next issue.

The delegates who represented the several provinces gave an account of the condition of the movement in their several provinces and drew pointed attention to what they considered to be the main defects in their organisations. The Standing Committee of the Institutes' Association resolved to call for detailed reports from the provincial organisations and to make a careful investigation into the defects disclosed by those reports and to formulate remedies for the removal thereof. There was a fresh chorus of disapproval of the attempts to officialise the movement in the provinces and it was resolved to address the Government of India and the Local Governments on the question. Among other important items of business transacted at the Institutes' meeting was the formulation of a programme of rural reconstruction. There was an unanimity of opinion among the co-operators assembled that unless the villager's life as a whole was handled by the Co-operative Movement and his income and purchasing power increased by organising subsidiary occupations and other means, the Co-operative Movement alone could not rehabilitate him. The Standing Committee of the Banks' Association prepared a memorandum for submission to the Government of India on the amendments to the Reserve Bank Act and the formation of the Rural Credit Section of the Bank.

XIV INTERNATIONAL CO-OPERATIVE CONGRESS.

We publish elsewhere* a summary of the proceedings of the Fourteenth International Co-operative Congress and of the International Co-operative Press Conference held in London in September last. As may be expected, the deliberations of the Congress centred round the Consumers' Co-operative Movement. The Congress of Vienna in 1930, requested the Central Committee of the International Co-operative Alliance "to appoint a Special Committee to enquire into the conditions under which the Rochdale principles are applied in various countries, and if necessary to define them." The report of the Committee with the opinion of the Central Committee of the I. C. A. thereon was submitted to the Conference. After some lively discussion it was referred back to the Central Committee for revised report to the next Congress. The Central Committee in its turn referred it to the Special Committee, which was re-constituted. In some quarters, this action of the Congress is interpreted to mean that international opinion has changed in regard to the applicability of the Rochdale principles to the present day Consumers' Movement. Although it is true that the trend of discussion at the Congress has shown that important modifications in the application of those principles are called for by the social, economic and political developments that have taken place and are taking place in almost all the countries, whose national organisations are affiliated to the I. C. A., it would be truer to say that there was really no serious challenge to the soundness and validity of those principles in essence.

* pp. 133.

There is an impression in India that the Consumers' Movement has not much scope for development in agricultural countries and that the rural economy of India does not lend itself to the development of the Consumers' Movement. We are of opinion that this is not a sound view to take. The Consumers' Movement is closely associated with the life of the peasants and workers and can be used for improving their economic position; as an organisation to promote self-help and as a defence against exploitation by capitalists and employers, it has marvellous potentialities. Moreover, the Consumers' Movement is developing rapidly even in agricultural countries in the West after the Great War and making great strides in the spheres of production and marketing. The whole question should therefore be carefully re-examined by co-operators in India and every attempt should be made to develop the Consumers' Movement, no doubt on lines peculiarly suited to Indian conditions. We hope to be able to devote the next issue of our journal to an examination of this question and to publish the views of eminent co-operators in India and abroad on this problem.

Our delegate to the Congress, Mr. Pantulu, was elected as a member of the Central Committee of the I. C. A.

RESERVE BANK OF INDIA AND AGRICULTURAL CREDIT

By

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The appointment of Mr. M. L. Darling, I. C. S., as Special Officer to organise the special Agricultural Credits Department of the Reserve Bank of India has been received with satisfaction throughout the country. For several years Mr. Darling has devoted considerable attention to the study of rural problems in the Punjab. As the Registrar of Co-operative Societies Mr. Darling has acquired an unrivalled knowledge of agricultural conditions in that province. Punjab has the distinction of having produced officials of the type of Sir E. D. MacLagen, Sir H. Calvert, Mr. C. F. Stickland and Mr. Darling who have devoted their time and attention to a patient and sympathetic study of the rural conditions, and the whole country is indebted to them for their appreciation of the difficulties of the agricultural population and for their intimate knowledge of the social, religious, and economic life of the people. The Government of India are, therefore, to be congratulated on the choice of an officer who commands the general confidence of the co-operative organisations in the country and of all those who are interested in the well-being of the agricultural classes.

MR. DARLINGS TASK.

For some years the task of successfully constructing and maintaining a machinery of rural finance, that is to say, of establishing a satisfactory link between agricultural industry and the money-market and between the farmer seeking credit and the capitalist seeking investment has been the theme of many commissions and committees. It was expected that the Reserve Bank of India Act which has recently been passed would make adequate provision for supplying all the credit needs of agriculture. The act has not fulfilled these expectations. The difficulties and the complexities of the problem are such that the cautious line which the Government have taken in this matter can be appreciated. Without a much more elaborate examination of the present financial organisation in the support of agriculture they could not have gone

much further. While all the necessary provisions for supplying the credit needs of agriculture are, therefore, not in the act, section 54 of the act authorises the creation of a special Agricultural Credits Department, the functions of which are, stated to be :—

(*a*) to maintain an expert staff to study all questions of agricultural credit and be available for consultation by the Governor-General-in Council, Local Governments, Provincial Co-operative Banks, and other banking organisations ;

(*b*) to co-ordinate the operations of the bank in connection with agricultural credit and its relations with provincial co-operative banks and any other banks or organisations engaged in the business of agricultural credit. These provisions are vague and indefinite.

Section 55 of the Reserve Bank of India Act make it obligatory on the Reserve Bank to make a report at the earliest practicable date and in any case within three years after the establishment of the bank with proposals for legislation for the improvement of the machinery for dealing with the agricultural finance and methods for effecting a closer connection between agricultural enterprise and the operations of the Reserve Bank. It is clear, therefore, that while the Reserve Bank of India Act does not contain all the necessary provisions for helping organisations engaged in the business of agricultural credit, due provision has been made for the necessary investigations with a view to undertake the amending legislation as early as possible for the purpose. Mr. Darling has been entrusted with the task of making these preliminary investigations. The supreme importance of these investigations connected with the creation of an agricultural credits department is, therefore, obvious and the potentialities of Mr. Darling's task are great.

AN EXPERT STAFF AT THE RESERVE BANK.

The proposal contained in clause (*a*) of Section 54 for the maintenance of an expert staff to study all questions of agricultural credit and to be available for consultation by all those who may be interested in the solution of the credit problems of agriculture is to be welcomed for a variety of reasons. At the recent Conference of Registrars of Co-operative Societies a proposal was made by the Government of India for establishing a central organisation for the study of all questions relating to co-operation and it was opposed by many of those present at the conference. This proposal is now perhaps before the Local Governments. Such an organisation will perhaps be unnecessary if the proposal for the maintenance of an expert staff by the Reserve Bank for the study of all questions relating to agricultural finance is satisfactorily carried out. The Government of India's proposal for a central organisation consists of an Advisory Committee of the provincial representatives with co-operative experience and with an officer of the Government of India at its head with similar experience. It was stated that one of the functions of this officer would be to tour in the provinces to acquaint himself with the progress of the co-operative movement. This proposal was opposed by many of the officials and non-officials who attended the Registrars' Conference on the ground that a central organisation at the headquarters of the Government was unnecessary and that any attempt at centralisation of the co-operative movement would result in interference with the autonomy now enjoyed by the provinces. The proposal for the maintenance of an expert staff by the Reserve Bank for the study of all questions on agricultural credit is not open to these objections and it would be welcomed by the co-operative organisations in the country.

THE INDIGENOUS BANKER.

The study of all questions of agricultural credit by the expert staff proposed to be employed has been made easy by the exhaustive reports of the Indian Banking Enquiry Committee and the Provincial Committees. The subject of rural finance has been fully dealt with in these reports and the main outlines of the problem have been set out therein. Any further intensive study of these questions by the expert staff may perhaps be found to be unnecessary. There is, therefore, already much material which can form the basis of their work. What is needed is some definite action with a view to give the agriculturists the fullest possible facilities for meeting their needs and requirements, and to coordinate the existing arrangements with the new banking system proposed to be established by the Reserve Bank. The services of an expert staff can be usefully devoted for exploring ways and means for giving effect to many of these recommendations and assisting the Local Governments in effecting the needed changes and also in bringing about the changes in the banking and co-operative organisations of the country. For example, a great deal of insistence was laid in these reports that every attempt should be made to bring the indigenous banker within the banking system and to utilise his services in every possible way to further the needs of agriculture. No attempt has hitherto been made in this direction either to suggest any scheme or to find out ways and means of

fitting in the indigenous banker into the system. Speaking in the Legislative Assembly on the subject, Sir George Schuster stated as follows:—
"It is impossible to over-estimate the importance of the part that the indigenous banker plays in the whole of the banking and credit machinery of India. I think it would be no exaggeration to say that his part of the organisation represents, if anything, more than 90% of the whole; and it is unfortunately true that the links between the whole of this system and the modern banking system of India, in spite of the development of rural co-operative societies and in spite of the opening of one hundred new branches by the Imperial Bank of India, are still rudimentary and incomplete. I want to make it quite clear that we recognise that until the vast portion of India's banking and credit machinery, which is represented by the indigenous bankers, is put into gear with the relatively small machine of the modernised money market, with the Reserve Bank as its central control, it will be impossible for the Reserve Bank to exercise that full control of currency and credit of India, which is understood as the function of a central bank in western countries, and it will be equally impossible for the masses of the people who populate the countryside of India to get the full benefits of credit and banking facilities on reasonable terms which a well organised system of banking ought to give. That, I believe, is one of the greatest problems of the future for India, and it is a problem which I at any rate personally feel must be thought of, not in terms of displacing the vast masses of indigenous bankers throughout the country, but of making the fullest use of them by adapting their methods so that they may fit in with the modern banking system and the central bank; but unfortunately, it is a problem which we could not possibly tackle in connection with this bill. We could not tackle it in the sense of proposing any definite solution. I would remind Honourable Members that it was a problem that was very carefully investigated by the Banking Enquiry Committees, and yet they were unable to make any definite proposals on which action could at once be taken, but we felt that, although we could not tackle the problem immediately, in the bill, we certainly ought to do something about it, and we nave taken what we believe to be the best step towards tackling it. We have proposed in a very important new clause, which is numbered 54 in the bill, that the bank shall be put under a statutory obligation to report in the shortest possible time, and, at any rate, within three years, on this whole problem and to make proposals for legislation." I venture to think, therefore, that one of the first duties of the expert staff should be to examine this question and to devise ways and means for fitting in the indigenous banker into the banking system of the country. The diffi-

culties of bringing in the indigenous banker are obvious ; a large re-organisation and extension of co-operative credit throughout India is the only alternative for the proper development of agricultural credit to supplement the facilities to be obtained from the indigenous banker.

THE EXISTING DIFFICULTIES.

The difficulties of this task and the very delicate questions that will arise in its solution are obvious. If the indigenous banker is to be placed on the same privileged position as a scheduled bank, his financial position and status must be such as to command public confidence. He must submit himself to the control of the Reserve Bank and maintain balances and accounts that may be prescribed from time to time by the Reserve Bank. He will also have to submit his accounts for inspection and audit and render such returns from time to time as the Reserve Bank may desire. It may perhaps also be necessary for the bank to place a limit on his lending rate. Doubts will also naturally arise as to whether such a restriction, if placed, will be effective and may not be successfully evaded. These and other questions will have to be gone into. But before these questions are discussed, I presume, a preliminary survey of the indigenous bankers in each district who are likely to be useful for the purpose and who are to be placed on the same footing as the scheduled banks will have to be undertaken. I feel that the unmethodical and unbusinesslike ways of the average indigenous banker may be a difficulty at the outset. But a start will have to be made to train them in modern methods of banking and of keeping of accounts. These questions will require careful consideration. If the indigenous banker is to brought into the system, some latitude will have to be given to him at the outset till he is able to fall into line with modern methods.

ORGANISATION OF MARKETING FINANCE.

Another matter which should engage the attention of the expert staff relates to the organisation of a suitable machinery for financing the marketing of crops. The cultivator is always pressed heavily by the creditor immediately after the harvest; for the latter knows that if the debtor does not pay after selling his produce, it will not be possible for him to pay till the next harvest. The Indian Central Banking Enquiry Committee have remarked that "the effect of this pressure is so great that the borrower is compelled to sell his produce as quickly as he can." They, therefore, recommended that co-operative sale societies which can

advance money to the cultivator and enable them to avoid being forced to sell their produce at unfavourable rates will go a great way to help the cultivators in the case of crops intended for internal consumption. The whole question of marketing is now under examination by Mr. Livingstone, the Special Officer appointed by Government to work under the Imperial Council of Agricultural Research and marketing officers have also been appointed in each province. The work of these officers for organising the marketing facilities has necessarily to be supplemented by establishing a banking organisation for marketing with its roots in the villages. I also believe that the marketing officers will not probably be in a position to devise this organisation and it would be the duty of the special expert staff to be employed by the Reserve Bank to devise a scheme for financing the producer either through the indigenous bankers or through the co-operative organisations so as to enable him to derive the largest amount of profit from the sale of his produce.

RECRUITMENT OF THE EXPERT STAFF.

It is not known how it is proposed to recruit the special staff of experts. Will they be recruited solely for their banking experience or will they be drawn from the administrative services of the country from the class of men who have acquired knowledge of banking and allied matters or will they be drawn from the co-operative organisations for their special knowledge of rural conditions and rural economy? The recruitment of this expert staff will no doubt receive very careful consideration, but I venture to think that pure banking experience should not be the sole criterion for the selection of the staff. I presume that it will be the function of the expert staff to study all questions on agricultured credit including questions relating to long-term finance. I also believe that the Reserve Bank, though under its present constitution is intended to meet the needs of the agriculturists for their seasonal operations and seasonal credit, will also have to deal with much bigger question relating to the supply of capital to the agriculturists for long term credit. The question of establishing land mortgage banks to meet these needs was fully dealt with in the Indian Central Banking Enquiry Committee's report and also in the Provincial Banking Enquiry Committees' reports and it also formed the subject of discussion at the recent Economic Conference. It is understood that a suggestion was made at the conference that an expert on Land Mortgage Banking should be employed by the Government of India and that his services should be made available for the provinces. In these circumstances, I think that the special staff employed by the Reserve Bank will have to tackle the problems relating to long-term finance for the agriculturists either through the Reserve bank and its allied institutions or by other special institutions started for the purpose under its auspices. If this is so, some at least of the members of the special staff will have to possess an adequate knowledge of the land tenures of each province and the land revenue administrative system prevailing therein. Conditions in this country vary from province to province and it is necessary, therefore, that some provision should be made to meet these varying needs, and some members of the staff will have to be selected for their special knowledge of the rural economy of the country with special reference to the financial needs of the agricultural population.

THE RESERVE BANK AND LONG-TERM CREDIT.

The second function of the special Agricultural Credits Department as stated in Section 54 is the co-ordination of the operations of the Reserve Bank in connection with the agricultural credit and its relations with provincial co-operative banks and any other banks or organisations engaged in the business of agricultural credit. The creation of a special Agricultural Credits Department as part of the constitution of the Reserve Bank Act follows in principle similar provisions in the Commonwealth Bank of Australia Act. While the Reserve Bank Act authorises the creation of an Agricultural Credits Department, it does not lay down in detail how the Department is to be financed, for what purpose the funds of the Department are to be devoted and so on. While there are provisions in the Act under which the Reserve Bank may be able to render some assistance by financing co-operative and other banking organisations to help the ryot to carry on his seasonal agricultural operations and also to give him marketing credit, the Reserve Bank cannot, as it is now constituted, render any effective help to an institution like the Madras Co-operative Central Land Mortgage Bank Ltd., which has been established for the purpose of meeting the long-term needs of the agriculturists. As the act now stands, the Reserve Bank may not be of any immediate use in this direction. If the Reserve Bank had been authorised as under the Commonwealth Bank of Australia Act to issue debentures or to form a separate long-term mortgage branch as under the provisions of the bank of New Zealand Act for the issue of debentures for long-term purposes it would have been able to raise the necessary funds for long-term needs of the agriculturists much more cheaply and perhaps under much more favourable conditions than the Central Land Mortgage Bank is able to do. The flotation would meet with a ready response if a central financing institution like the Reserve Bank

were to issue the debentures. Being in intimate contact with the money market of the country, the Reserve Bank can, on the one hand, use its great influence to tap wider source of finance for the success of debenture issue, and on the other, it can know best the time and the opportunity most suited for such an issue. Besides, being the best judge of changing money conditions and interest rates it could float debentures more successfully from time to time at the lowest rates possible. As the necessary provisions are not in the act, this cannot now be done. The only other way in which the Reserve Bank can help the Central Land Mortgage Bank is to undertake on its behalf the flotation of debentures and if any part of any issue is not taken by the public to itself purchase the unsubscribed portion of the debentures. The debentures are now trustee securities and I do not see why this should not be done. This matter must now receive adequate attention and when the act comes to be revised the necessary provisions enabling the Reserve Bank to raise long-term money to meet the long-term needs of the agriculturists should be provided as has been done in New Zealand and Australia.

LEGISLATION IN OTHER COUNTRIES.

If it is not possible to make provision by amending the Reserve Bank of India Act for raising the requisite funds for long-term credit, a special institution for the purpose will have to be brought into existence as has been done in Great Britain. The Agricultural Credits Act, 1928, authorises the establishment of a Mortgage Credit Corporation for supplying the long-term needs of the agriculturists. Under that act Government gave a contribution from public funds of £10,000 towards the cost of the administration of the company for ten years, and made advances to the extent of £1,250,000 free of interest for 60 years for the formation of a guarantee fund. The Government also consented to subscribe to the debenture to be issued to an extent of at least ¼th of each issue up to £1,250,000 and also undertook the underwriting of debentures up to 5 million pounds. In the Dominion of New Zealand a long-term mortgage department was added to the New Zealand Bank by a special enactment in 1926. The department has a special share and debenture capital and the repayment of debentures is secured against long-term loans, and the loans are advanced up to periods extending to 36½ years. In the United States, under the Federal Farm Loan Banks, funds are raised by means of debentures and the Government is authorised to take debentures issued by these banks and also to pay for organisation expenses of the banks up to one hundred thousand dollars. It is clear, therefore, that in other countries Governments have devised an organisation for raising the necessary funds for long-term loans and are actively assisting these institutions by purchasing the debentures.

CONCLUSION.

Land Mortgage Banks in the country cannot be a success unless the Government extend their help in the same generous way as has been done in Great Britain and in other western countries. Under section 55 of the act, the Reserve Bank is directed to submit a report at the earliest practical date after its establishment with proposals for legislation on the improvement of the machinery for dealing with the agricultural finance and methods for effecting a closer connection between the agricultural enterprise and the operations of the bank. I venture to say that a satisfactory scheme for the supply of long-term needs of the agriculturists is one of the essential needs of the situation and I trust that the officer now appointed for the establishment of the special Agricultural Credits Department will go into the whole subject and make suitable recommendations for raising the necessary funds from year to year for supplying the long-term needs of the agriculturists either through the Reserve Bank or in some other suitable manner.

LAND MORTGAGE BANKS—MADRAS PRESIDENCY

BY

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For redemption of debt or for improvement of his land, the agriculturist requires advances, the repayment of which has to be made from the small margin of profit from his holding without crippling his resources for his current agricultural operations and has consequently to be spread over a sufficiently long period. An attempt to meet this demand of the agriculturist for long-term money was originally made by the rural credit societies financed by the District Central Bank which depended for its funds on short term deposits. This system of utilising short term funds for long term loaning involved serious risk and, therefore, the late Mr. F. R. Hemingway, I.C.S., (then Registrar of Co-operative Societies, Madras) proposed, as early as 1919, a scheme for raising long-term money by the issue of debentures based on the mortgages taken from the members of rural societies on unencumbered immovable property through the same co-operative machinery which dealt with short-term banking. This scheme depended too much for its safety and for its success on the panchayatdars of rural societies who generally did not possess sufficient business capacity. The proposal, however, was subjected to a detailed examination by non-officials as well as officials interested in the co-operative movement, as a result of which it was recognised that the ordinary rural societies and Central Banks could not be in a position to meet all the long-term requirements of members not owing to the shortage of money but to the shortage of long term money, and that a separate machinery for raising long-term funds was necessary.

Mr. Hemingway's scheme was therefore dropped and it was followed by a scheme for special land mortgage banks with power to float debentures on the security of agricultural lands mortgaged to them by the borrowers. Government sanctioned in 1925 the formation of special land mortgage banks at certain selected places. The principal features of these banks were (1) their limited liability basis, (2) the restriction of the area of operations to compact groups of villages generally with a 5 mile radius to ensure on the part of the directors intimate knowledge of the borrowers and of the lands offered as security, (3) the limitation of the borrowing power of the bank to 8 or 10 times their paid up share capital, (4) the borrowings were in the form of 20 year debentures carrying a rate of interest not exceeding 7 per cent, (5) the maximum loan for an individual borrower was fixed at Rs. 1,000 with a further restriction that it should not exceed 50 per cent of the market value of the mortgaged land, (6) the interest on loans was not to exceed 9 per cent, (7) the period of loan was fixed at 17 years, the margin of 3 years being provided for against the possible defaults of the borrowers, (8) the debentures floated by the banks were to have a fixed charge on the concerned mortgages secured and (9) the Registrar was to be the Trustee for these banks to safeguard the interests of the debenture holders. To encourage the investing public to purchase these debentures, the Government undertook to purchase an amount equal to that issued to the public subject to a maximum of Rs. 50,000 from any one bank and to a further maximum of 2½ lakhs for the whole presidency. It was also ordered that the formation of these banks should be confined to valuable wet areas.

Two land mortgage banks were registered in 1925, and ten by June 1927. Only three of these banks, which were well managed, had a good demand for their debentures but, even in these cases, the bulk of them were taken up by a few individuals only. Though repayment by the borrowers was fairly satisfactory, there were also defaults attributed to failure of crops and also a few instances of overestimation of value and of repaying capacity by the directors. Inspite of Government help, the progress achieved by the banks on the whole was very poor, mainly due to the inability on their part to sell their debentures to the public. The Townsend Committee on Co-operation, (1927-28) examined the position of these banks and found that they could not make any satisfactory progress unless a Central Land Mortgage Bank were formed to finance the primary land mortgage banks by raising the funds through the flotation of debentures on the mortgages transferred to it by these banks.

The main recommendations of the Townsend Committee on the formation of a Central Land Mortgage Bank were (1) the bank to be constituted with the primary land mortgage banks and individuals as shareholders, the latter for attracting capital and providing business talent and organising capacity to run the bank efficiently, (2) limited liability basis, (3) dividend on the share capital not to exceed 7½ per cent, (4) borrowing power not to exceed 25 times the paid up capital, (5) a Trustee to be appointed to ensure that the bank fulfilled its obligations to its debenture holders, (6) working capital to be raised by the issue of debentures only, which should have a floating charge on all the assets of the bank, (7) interest to be guaranteed by Government on debentures issued by the bank in the first 5 years, (8) debentures to be made Trustee securities, (9) maximum period of debentures to be fixed at 25 or 30 years and the maximum period of loans to be restricted also to the same period, (10) loans to be confined only to land mortgage banks, (11) lending rate not to exceed 7 per cent, (12) provision to be made for the disposal of collections either by the creation of a sinking fund or by the bank purchasing the debentures at par in the open market or by periodical redemption of debentures by drawing lots after due notice, and (13) debenture holders to be represented on the Board of Management. In December 1929, the Central Land Mortgage Bank was formed with a constitution that followed in essence these recommendations; and, with its formation, a second landmark in the development of the land mortgage banks in the province was reached.

The Government gave further special facilities to the Central Land Mortgage Bank in the shape of a subsidy of Rs. 25,000 for its working expenses and also sanctioned in the first instance for a period of 3 years, a special staff of two Deputy Registrars and ten Sub-Deputy Registrars to assist in all enquiries on behalf of the primary land mortgage banks. It also guaranteed the interest on the debentures to be floated by the Central Land Mortgage Bank up to a maximum of Rs. 50 lakhs to be floated within 5 years. To safeguard their interests, the Government were represented on the Board by the Registrar, and by a nominee of the Registrar approved by Government. Excepting the question of treating these debentures as Trustee securities, which could not be considered simultaneously along with the guarantee of interest on account of certain legal impediments, the Government carried out every recommendation of the Townsend Committee. The centralisation of the flotation of the debentures, the Government guarantee of the interest on them, and the inclusion of the leading co-operators, commercial magnates and public men in the Presidency in the first Board of Directors of the Central Land Mortgage Bank—all contributed to the successful launching of the scheme.

The debentures floated by the Central Land Mortgage Bank immediately commanded a fair response from the investing public and its career has been one of fair and steady progress excepting for the lull during 1931-32, which was an exceptional year of severe financial stringency. Its history for the past 5 years has been one of increasing business and on 30—6—'34, it had 190 individual members and 63 primary banks in the Presidency affiliated to it, with a total paid up share capital of Rs. 1,94,300. It issued in all up to 30—6—'34 debentures to the value of over Rs. 45½ lakhs of which debentures for Rs. 11 lakhs were redeemed leaving Rs. 34½ lakhs worth of debentures in circulation on 30—6—'34. During the year 1933-34, it earned a net profit of Rs. 41,000. It has also built up a Reserve Fund of Rs. 14,000 so far. The special staff sanctioned by the Government has been continued and further strengthened by the addition of seven more Sub-Deputy Registrars to cope with the increased work.

A further stage in the development of the Land Mortgage Banks in the province was reached during this year by the passing of the Madras Co-operative Land Mortgage Bank Act in the Local Legislature and of the amendment of the Indian Trusts Act in the Central Legislature. This Act empowers the Government to guarantee the debentures, the principal as well as the interest on them, floated by the Central Land Mortgage Bank, gives the banks effective powers to collect from defaulters and removes several legal impediments against successful working of these banks. The amendment to the Indian Trusts Act now provides for the inclusion of the debentures floated by the Central Land Mortgage Bank in the list of Trustee securities. By the passing of the two Acts, practically all the recommendations of the Townsend Committee and the Indian Banking Enquiry Committee have been given effect to by Government and there should be no difficulty, for the Central Land Mortgage Bank to market their debentures and to raise funds to meet up to a point the long-term requirements of the agriculturists of this province.

Though a few primary banks still retain the power to float their own debentures, the banking of long-term funds is practically in the hands of the Central Land Mortgage Bank. Loans may be sanctioned to the borrowers for the following purposes only:—(1) for redemption of agricultural land or liquidation or prior debts, (2) for improvement of land and (3) for the purchase of land in special cases so as to enable the ryot to round off his holding and work it more economically. The procedure for the sanction of the loans is as follows:—the applicant for a loan has to present his loan application to the primary land mortgage bank serving the area in which his lands are situated. The bank in collaboration with the Sub-Deputy Registrar ascertains the purpose of the loan, the applicant's title to the property offered for mortgage and his right to alienate it (through a competent legal adviser) and assesses the value of the property, the income from it and the applicant's repaying capacity. If the application is proved to be satisfactory in all these respects, it is sent to the Central Land Mortgage Bank for consideration with the reports of the Legal Adviser, Directors and Sub-Deputy Registrar. The principal tests applied by the Central Land Mortgage Bank in the sanction of these cases, are, whether the purpose is legitimate and satisfactory; whether the title is indisputable and absolute; whether the value of the hypotheca is at least twice the amount of the loan applied for and the net income from it sufficient to meet the annual instalment on the loan; and, lastly, whether the applicant has sufficient other resources to meet his family expenses and other charges without encroaching on the income from the property offered for mortgage, or in other words, whether he has adequate repaying capacity.

It is open to the Central Land Mortgage Bank to reject a case which in its opinion is deemed unfit. In cases of sanction, the sanction order is communicated to the primary bank which has to get the necessary documents executed by the borrower and forward them to the Central Mortgage Bank together with its assignment deed. On completion of these requirements, by the borrower and the primary bank, the loan is disbursed to the applicant through the primary bank. As a general rule in the case of applications for discharge of prior debts, a loan is granted only if the applicant can thereby be redeemed from his entire indebtedness. The maximum amount of loan that can be sanctioned to a borrower has been raised to Rs. 5,000, this limit being necessary to avoid the bulk of the funds being absorbed by the richer classes. The restriction on the jurisdiction of the primary banks was also relaxed as experience showed that the operations of the bank over an area of 5 miles radius would provide little for administrative expenses and could not pay. The present unit for the jurisdiction of a primary bank is generally a revenue taluk. There are at present 67 primary banks in the Presidency serving all the wet areas and a substantial portion of the rest of the province.

One immediate benefit to the agriculturists in this province is the reduction of the rate of interest on mortgage loans, the present lending rate through the land mortgage banks being 6½ per cent. But there remains the major question as to how far the agriculturist has been relieved of his chronic indebtedness by this scheme. The total rural indebtedness in this province was estimated by the Provincial Banking Enquiry Committee at Rs. 150 crores. The Central Land Mortgage Bank has so far disbursed loans to the extent of Rs. 35 lakhs only, or, in other words, the land mortgage banks have taken over ·24 per cent of the total rural indebtedness which is "a mere drop in the ocean". There is thus an unlimited demand from the ryots for long-term credit.

But nobody can be so optimistic as to believe seriously that this entire indebtedness can ever be transferred to the land mortgage banks. These banks have their own limitations. The maximum loan that can be obtained by a member is only Rs. 5,000 and the grant of even this loan is hedged in with several restrictions, all of which are, however, essential. Obviously these restrictions will shut out the bigger landlords and others who cannot satisfy the tests. Further, there are some classes of agriculturists who still fight shy of the publicity necessitated in the borrowing from land mortgage banks. Even excluding these classes there is a fair section of the agricultural population, in particular the cultivating landholders who are really benefitted by the land mortgage bank scheme, which therefore meets a real need, in spite of its limitations.

The stupendous problem of relieving once and for all the agriculturist from his chronic indebtedness cannot be solved in entirety by the land mortgage banks. As the land mortgage bank does not redeem the agriculturist forthwith from his indebtedness but only relieves his burden by transferring his indebtedness on to itself and providing him with facilities for liquidating it in driblets, it will obviously benefit only the prudent ryot. If he would get rid of his debts, he has to practice thrift in every direction, eschew all unproductive debts in his transactions and make every endeavour to increase his earnings. An orientation of outlook in the matter of expenses connected with social ceremonies and religious rites is also essential if he would improve his economic position. The borrower from a land mortgage bank should also stop all further unproductive debts until the loan from the land mortgage bank has been cleared. An attempt to instil this idea has been made by the land mortgage banks in this province by obtaining an undertaking from the borrower to the effect that he would incur no further debts until the loan from the land mortgage bank had been discharged. Other intensive and effective ways of propaganda in all directions for the economic uplift of the agriculturist are as necessary as the provision of long-term credit facilities if the ryot should emerge from his chronic distress and keep clear of it.

ECONOMIC RECONSTRUCTION AND AGRICULTURAL DEBT

BY

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Economic reconstruction in India has, within the last ten years, become the most vital problem of the day and different people have different ideas as to the best ways of achieving it. The Co-operative Movement has taken charge of an important part of the whole scheme of economic reconstruction in the country, *viz.*, the rural reconstruction of the villages. A very large part of the economic depression through which India is passing since 1929 is, no doubt, due to the world factors beyond our control. But, all the same, we have got to put our shoulders to the wheel and to find our remedies for our own problems which are peculiar in a way and somewhat different from the problems arising in the other countries of the world. No country in modern times is or can be entirely independent of the rest of the world. But even after making all allowances for the world factors, there are certain features peculiar to India which add to the seriousness of the problem and which shade the picture with a deeper hue than in other countries of the world. Our biggest problem is the problem of agricultural indebtedness and it would be idle to expect that any scheme of economic reconstruction would be a success until and unless we have solved—equitably and satisfactorily—the problem of agricultural indebtedness. It is a problem which affects about 75 percent of our people. The problem was big enough even before the present economic cataclysm started in 1929. The Central Banking Committee which reported in 1931, found that the total agricultural indebtedness of British India alone could be roughly estimated at 900 crores of rupees. Since 1929, the world-wide economic depression has led to an enormous increase in the burden of our agricultural debt. The intensity and the weight of the burden have considerably increased as a result of the sharp decline in agricultural prices. The cultivators' real returns have been considerably reduced while their financial obligations—fixed in terms of money—*viz.*, the rent and revenue, the debt and its interest all remained the same as before. While the cultivators' assets have largely evaporated his debts remained constant and, with falling prices, he had to sell more and more of his crops in order to discharge the same old obligations.

While the size of our agricultural debt is a problem by itself, the rate of interest at which most of the debt has been contracted creates a second—and a far more difficult—problem. Generally, the rates are very high—much higher than they need be—and these high rates hasten and complete the cultivator's ruin. The usual rates of interest vary between 18¾ to 37½ p.c. or even, in some cases, 75 p.c. Taking the rate of interest at the lowest figure of 18¾ p.c., the annual amount which the cultivator and other landed interests in British India have to pay by way of interest comes to the enormous figure of 169 crores of rupees. This roughly represents the cost of our agricultural finance to India and in face of modern international competition, no industry can possibly be run economically or efficiently if it has to pay such a heavy price for its working capital. Is it any wonder that under such hopeless conditions of finance, the cultivator is perpetually in debt? He has no escape from the iron walls of debt—ancestral or acquired—which ring him round from age to age. He is daily diving deeper and deeper into the quicksands of debt. It is like running on an inclined plane—the deeper he goes, the greater is the momentum he acquires. At this rate, the day is not far off when the entire agricultural industry of India will have to go to the Insolvency Court and rural India will be put up to sale. The cultivator gradually loses his land and sinks to the level of the landless labourer.

The problem of economic reconstruction, so far as it affects the cultivator, is thus clear enough. Briefly, it is the problem of repaying the vast agricultural debts on the one hand and the provision of a suitable machinery for the supply of adequate credit for his future needs on the other. Usury has to be controlled and put in chains so that money-lending which, in many cases, has become a most deadly type of extortion might cease to be antisocial and might serve a valuable economic purpose in society. At the same time the agriculturists' debts and his other fixed financial obligations have to be scaled down *pro rata* to the fall in prices. There is such a wide diversity in economic types and in the conditions of agriculture from province to province and in the systems of cropping, irrigation, marketing and land tenures that any attempt at solving the problem must necessarily be provincial in its origin, direction and control.

While the evil is so great and the problem is so vast, it is no wonder that the scope and nature of the remedies suggested also vary widely from province to province. The economic anarchy that followed the

Great War has greatly unsettled age-long ideas. The economic and political upheavals in some of the Western countries have led to a considerable reshaping of our ethical codes and our social institutions. There is loose talk all round and the old-time ideas about the sanctity of property or the sanctity of contracts are being buried ten fathoms deep. "What is Property"? asked Proudhon, the celebrated French Socialist and he answered it by saying 'Property is robbery'. Socialism has played havoc with the ideas about property and, since the War, economic anarchy by daily rehearsal has become a familiar fact and repudiation of debts and contracts has ceased to be considered a crime. The economic and industrial revolution which followed the War is reshaping and re-making human society from top to bottom. Its ripples have also reached the borders of India. No wonder, therefore, that we can hear to-day, even in India, the whispers of repudiation which, to some at least, seems to be the panacea of all our evils.

In the Economic Conference, which was convened by the Government of India last April at Delhi, the suggestion of repudiating the agricultural debts did come up before the Conference, though, luckily, it did not find favour with many. It was realised that any such revolutionary scheme would defeat its own end. It would merely complicate the situation and make it a thousand times worse than what it is. It would have very serious and adverse repercussions on the whole field of agricultural credit. Capital will retreat for cover against confiscation and credit—without capital—will evaporate. *Ex nihilo nihil fit.* Out of nothing, nothing comes. Such heroic measures seldom cure and the cultivator in the future will seek in vain for the credit which would be essential for his work. Our agriculture will have to grow in a vacuum and decay in auto-sepsis. As Sir George Schuster remarked, "a solution is not likely to be found by any heroic attempts to equip India in the midst of this crisis with some entirely new credit system different to that which has grown up as a result of centuries of experience."

As repudiation fails, the next remedy that has been suggested and is being actually tried in different provinces of India is the outlawry of usury. It is held that money-lending, *per se*, is not bad. It is the abuse of money-lending that is open to the gravest objection. Bills have recently been passed or are in the process of being passed into law in the different provinces of India making it illegal to claim or recover interest at excessive rates. For instance, the Bengal Monylenders' Act, 1933, has fixed 15 p.c. as the maximum rate of interest that the Courts will allow and it limits arrears of interest that will be recoverable to an amount which must not exceed the principal. The 15 p.c. maximum rate shall have retrospective effect from 1918 and the maximum rate recoverable in cases of compound interest shall not exceed 10 p.c. Every money-lender, shall, on demand, supply the debtor with an account every six months and, in case of default, interest shall cease for the period of default. The Bengal Act is the type on which similar legislation in other provinces—e.g., United Provinces, Punjab, Assam, N.W.F. Province and Central Provinces—has been or is being built and except for some minor differences in detail, here and there, the general lines of such legislation in the different provinces are very nearly parallel. Just at this very moment (November 1934) an epic fight is going on in the Punjab and the United Provinces Legislative Councils over the Agricultural Relief Bills between the advocates of the debtors and the creditors and it is too early yet to hazard any guess or risk any opinion as to which side will win the battle.

The Indian cultivator, it is urged, does not ask for charity; he merely asks for a square deal. He asks for finance: he does not ask for a halter round his neck with which he is to hang himself. The outlawry of usury throughout India may serve as a first aid in relieving the cultivator of his immediate distress but it is bound to be a temporary expedient only. It would be a mere palliative and can hardly be regarded as a permanent cure. It would apply to those cases of usury only which will come before the courts; but it would not touch a very large number of cases which would not come to courts for adjudication at all. Usury will be driven underground and it will work in subterranean channels where the long arm of the law would be powerless to interfere. The debtor can force the creditor into court once; but in future the creditor will know how to deal with the debtor. He will get all that he wants by private agreements which will not see the light of day. His legal documents will no doubt be clean in law but his transactions will be overloaded with restrictions and private agreements which the law will seldom know. The cultivator *must* borrow and so long as the number of co-operative societies in the country is limited, the mahajan is the only man who will finance him, to any extent, at any time and practically without any security at all. The high rate that he charges is merely the reflex of the risk that he carries in his business and the inadequacy of capital available in the country. The privileges and concessions which the mahajan grants are valuable and he naturally charges a price for them. The price has to be paid so long as there is no other competitive source of capital which can beat the mahajan at his game. If law will not allow the price to be paid openly the debtor will pay it in ways which the law will never see. Usury laughs at laws and the only way of beat-

ing it is to create competitive supplies of capital to compete with the usurer. Mere penalisation of the usurer without providing an alternative to him is a half-hearted, halting and inadequate remedy. Such laws will seriously reduce the flow and volume of credit which, for a heavily under-capitalised industry like agriculture in India, would be a serious economic danger. So long as the mahajan is alone in the field, the logic of the situation cannot be thwarted and he becomes the omnipotent dictator in the scene.

It is here that the co-operative credit movement in India will be called upon to answer for itself. The movement is on its trial. Unless the movement rapidly expands—thereby providing an adequate alternative to the usurer—the mahajan will make a jolly good firework with the usury laws and they will all end in smoke. The rate of interest is a function of the supply and demand of capital. Government can make any number of new laws but it cannot repeal or abrogate the Law of Supply and Demand. Economic laws cannot be cheated and any attempt to do it will lead to violent reactions. Unless the co-operative movement rapidly expands, either the usury laws will fail to achieve anything—as they had failed so many times before in India and abroad—or the entire structure of agricultural credit will be put in serious jeopardy and the whole system of rural finance might break down. That great danger is looming ahead. The Government has solved only one half of the problem by putting the usurer in chains. It is for the co-operative movement in India to solve the other half by creating fresh and competitive sources of capital to fill the vacuum.

For these reasons, we have considerable misgivings as to the ultimate outcome of the experiments, now in hand, in the different provinces of India. More constructive measures are needed for the stabilisation of our rural life. The cultivator must change before we can hope to change his condition. His mental outlook needs a new orientation that will save him from himself and his own folly and extravagance. His economic opportunities must be improved so that he may gradually grow in strength and prosperity. Prices of primary agricultural products have to be raised so that the cultivator may have a better return for his labour. The internal as well as external demand for his products has to be increased by increasing the purchasing power of the people through a policy of liberal construction of well-planned public works—in the present opportunity of cheap capital—on the one hand and by market surveys and advantageous trade agreements with other countries, like the recent Indo-Japanese and the Ottawa Trade Agreements, on the other. There is no doubt that these agreements have created new markets and new opportunities for Indian agricultural produce outside India. The facilities for marketing his crops have to be improved so that, in this matter, he might be independent of his bania. He would thereby save a huge breakage in returns through the multiplicity of middlemen. Better and more scientific agriculture, better marketing, better living, avoidance of waste in every possible way, promotion of co-operation and making it a really effective agency for our agricultural renaissance —these would provide a far more permanent though a somewhat slower and less spectacular method of rural rehabilitation than some of the heroic measures that are suggested for it.

Our difficulties are great. The co-operative movement, which provides only short-term credits to the agriculturists, is incomplete without the institution of land mortgage banks which would provide long-term credits for them. These land mortgage banks have yet to grow and prove successful in the different provinces of India. The great difficulty that stands in the way is the fact that these banks cannot succeed unless land—the chief security for long-term loans—is made more easily transferable. The real difficulty is the legal restriction on the transferability of land. To remove this difficulty, it would be necessary to amend the land laws in most of the provinces. But such a step has its great danger. Increased facilities of alienation would be a great danger in the hands of an illiterate and extravagant peasantry who have little or no *telescopic* faculty and whose realisation of the responsibilities of borrowing is very often nil. The change, by increasing the *quantum* of indebtedness, might be a greater danger than the original evil it sought to mitigate. The establishment of land mortgage banks must be the concern of the Local Governments. If they are unable to finance such banks themselves they can easily float loans and the Government of India might be asked to guarantee them. The present opportunity of cheap money should not be wasted. Repayment should be spread over a period of not less than 20 years in easy instalments. If we can start such banks quickly, they will go a great way in reducing the size and weight of the long-term indebtedness.

The Agricultural Credit Department of the Reserve Bank which will co-ordinate the operations of the Reserve Bank in connection with agricultural credit, maintain an expert staff to study all questions relating to it and advise the governments and co-operative institutions on all questions relating to the provision of credit for the agricultural

industry, might do a lot in giving the right lead to the movement, advising, guiding and helping it at every step, removing its difficulties and helping it to grow in volume and strength so that it might be—as it ought to be—one of the greatest agencies for stabilising rural life in India. The Government has deputed one of its ablest officers —Mr. M. L. Darling, I.C.S.,—to organise the Rural Credit Branch of the Reserve Bank and he is now touring the different centres of India for the purpose. He has a great work to do in front of him but we have no doubt he is the man for it and he will do it well.

Crop planning on the basis of quality, regional capacity and facilities of transportation and marketing would be a great improvement on the haphazard and erratic cultivation that has been going on in the past and the Government has, no doubt, taken the lead by organising the Crop Planning Conference held some months ago. The danger of serious over-production in rice, wheat, cotton, jute, etc., is real and the regulation of production, as already started in the case of jute by the Government of Bengal, would be a great aid in economic recovery. The development of cottage industries—so often suggested—would be a good thing, no doubt, but let us not exaggerate its possibilities by claiming miracles for it. Aladin, with his lamp, is dead and we know that the scope of cottage industries is seriously limited due to the deadly competition of factory industries both at home and abroad.

Government has already scaled down its own land revenue and the landlord's rent in some provinces in view of the heavy fall in prices. These are good so far as they go but they would be even better if the lower levels of rent and revenue survive the depression and are not washed out, the moment economic prosperity returns. The conciliation of old debts which is being attempted in some of the provinces through Conciliation Boards might do a lot—especially now —when moneylenders throughout the country have almost lost all hope of recovering their money from the debtors as a result of the economic depression through which the country is passing.

More important than all these remedies—and greater than all of them—is the sovereign remedy of co-operation. Has co-operation failed ? Have we got the best out of it ? Have we, in India, already exhausted its limitless possibilities ? Co-operation is a Mint but why the perennial parade of penury and poverty throughout the length and breadth of the country ? Why are the poor in rags ? Has Co-operation failed ? Who will answer it ? Undoubtedly, it is in serious difficulties in some of the provinces of India. In some cases it is causing grave anxiety. The fault lies not with co-operation but with co-operators—not with the principle itself but with the men who work it. The responsibility lies with us. It is no use blaming the Government for mistakes that we have committed and for the lack of living faith and enthusiasm that we have betrayed. If co-operation has failed, it has failed because of the lack of real co-operative spirit in our societies. The co-operative societies that fail are not sufficiently *co-operative*. A mere collection of individuals taken at random—without any living faith in the principles they profess, with neither love nor loyalty for the movement—can work no miracles merely because they are registered as a society under the Co-operative Act. Mere registration does not make a society co-operative. It gives a label but the label may be a fraud. It is the faith behind which we need.

Co-operation has not failed. It cannot fail. If co-operation is rightly guided and properly worked it *can* and *will* work miracles yet. It is one of the greatest of the humanitarian movements in the world. It will replace uncontrolled and wasteful credit, save the compound interest and will thus prevent the steady growth of indebtedness into astronomical dimensions. It will make credit democratic and bring it down from the gilded corridors of the rich into the hamlets of the poor. We can get more out of co-operation than out of a dozen Acts of the legislatures. Co-operations has an explosive power which can blow India's poverty into atoms.

It is up to us to make co-operation a success. It will be our duty as well as our privilege to do it. Let us keep whistling for courage and, God willing, we will not fail. Let us crown co-operation and enthrone it in our economic life. Co-operation, in its turn, will gild our dreams.

BHAVANAGAR STATE AND AGRICULTURISTS' DEBT REDEMPTION

BY

DEWAN BAHADUR AMBASHANKER U. MALJI,
Broach

I have gone through the Bhavanagar Debt Redemption Report with great interest. This was indeed a bold step. But Sir Prabhashankerbhai is a great diplomat and I see a great diplomatic move herein. In the result, the relations between the State and the ryot and the ryot and the sowcars are greatly cemented. The State debts carried precedence and the sowcars understood this well. I believe they took time by the forelock in accepting the State proposal. It must be owned by the ryots with gratitude that the State took interest in their welfare by taking stock of their financial condition. Such periodical stock-taking is essential. As a result of these efforts, the ryots and the sowcars are both rehabilitated.

I believe, in order to complete the scheme, the question of relieving the rural population which is not covered by the scheme, *e.g.*, landless cultivators, yet remains to be solved. A simple rural insolvency scheme should be devised to enable this class of people to begin a new life with a clean slate.

In order to maintain the enviable situation recently created, it is necessary for the State to advance fresh loans principally against the security of life insurance policies. At least, this should be encouraged very much, if fresh lendings are to be done through co-operative societies; and insurance as collateral security, with or without sureties, should be insisted upon. A creditor, including a society, has an interest in the life of the debtor to the extent of his debts and can, therefore, insure the debtor's life and even pay premiums. If the loans in the rural areas were to be advanced by Government alone through co-operative societies and only for the current agricultural needs of members, the chances of over-finance will be reduced to a minimum, provided all lendings take place according to the normal credit statements checked and approved by a responsible Government Officer.

The advances of Government loans to societies and through them to society members, will carry the priority the Crown usually enjoys and the advisability of the State undertaking life insurance business may be separately considered. A very small proportion of the loan when advanced may be recovered or deducted towards the insurance charges and the renewal premiums may form part of the instalment items in case of loans for more than a year. Personally, I would prefer an insurance fund maintained and managed by the State instead of encouraging insurance elsewhere.

If this insurance scheme could be launched, I see no possibility of any bad debts of members, with the result that the State loans will be quite safe and sound and the fears about the members running into debts will also be minimised.

The question of long term loans for other purposes must be determined on its own merits and left to be solved by land mortgage banks.

CONSOLIDATION: A TONIC FOR THE AGRICULTURAL MOVEMENT

BY

G. E. B. ABELL ESQ., I.C.S.,

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Agricultural co-operation in India has been very hard hit by the depression. The writer has personal knowledge only of the Punjab, but it can safely be assumed that the trouble exists everywhere in greater or less degree. In the Punjab the worst effect of the depression on co-operation is that it has brought a large number of average societies to a state of stagnation. Loans are being recovered, but only slowly and with great difficulty and in such societies it is often not considered safe to lend further to the members until the existing loans are substantially reduced. Compared with this stagnation in potentially good societies the collapse of a certain number of bad societies is of no great importance. The object of this article is to suggest that since for co-operation (a 'movement') stagnation is death, every effort must be made to find effective means of combating stagnation and infusing life (and in fact 'movement') into co-operation. It is no use preaching to societies about the 'benefits of the depression'. Pointing out the lessons and benefits of adversity is one of the favourite and certainly one of the most annoying gambits of the self-righteous moralist. This is not the line for the co-operator (whether non-official or official) to take. Great efforts are being made in the Punjab, and no doubt everywhere, to find means of helping the weaker agricultural credit societies through the depression but perhaps the most useful way of preserving interest in the movement is to encourage those co-operative activities which can flourish in spite of the depression, and whose benefits are all the more appreciated because of the depression. In the Punjab consolidation of holdings stands out as a supreme example of this type.

The main objects and features of consolidation are well known. One of the greatest handicaps of the land holder is the fragmentation of his holding, which can sometimes go to unbelievable lengths. It is a common thing for a cultivator to have 10 acres of land in 60 or more different plots. To cultivate 60 scattered fields of an average size of $1/6$ of an acre each is obviously an unprofitable occupation. Only the day before writing this article the writer was talking to a man who owned 150 acres of land in over 100 different places in his village. A laughable but significant difficulty of his was that when he and his sons were working in the fields their women folk often could not even find them to give them their food.

If a village decides to consolidate, the landholders form a society and agree to accept a scheme of re-partition of the land approved by a majority of two-thirds of the general meeting. A Government paid Sub-Inspector is posted to assist in the re-partition and prepare the necessary papers. As soon as re-partition has been effected and the consolidated holdings begin to be cultivated the benefits become apparent. Many of the landholders find it worth while for the first time to sink wells. This leads to the cultivation of more valuable crops. The area under cultivation increases. The zamindars begin to live on their land and keep their cattle there. Nuisance from straying cattle and trespass becomes negligible. Growing crops are properly watched. Disputes about boundaries and irrigation are greatly reduced. In fact prosperity is estimated to increase, on the average, by from 25 per cent to 50 per cent.

It can be said without exaggeration that consolidation revolutionises village life. Those who doubt it should visit consolidated villages and make enquiries for themselves. The Punjab Government have long recognised the benefits of this type of co-operation and at present employ a staff of well over 100 on consolidation work. That the expenditure on this staff brings a direct return to Government (as well as indirect return through the increased prosperity of the farmers) is proved by an enquiry which has recently been made in 40 central Punjab villages where land revenue is fluctuating (i.e., is assessed on the cultivated area each harvest, instead of being a fixed assessment). After consolidation the average land revenue paid each year in these 40 villages was Rs. 6,507 more than before consolidation. Taking the cost to Government as Rs. 2-0-7 per acre (the figure for 1931-32) the yield on Government's investment is 7.63 per cent per annum. If the 1932-33 figure for cost per acre is taken the return is as much as 8.62 per cent. In villages with fixed assessment a similar increase in land revenue is bound to occur at the next settlement, and in all villages remission and suspension of Land Revenue are likely to be less often necessary.

This co-operative activity is therefore entitled, even from the most materialistic point of view, to all the encouragement which Government and the public can give it. A most notable feature of the last year has been the way in which landholders have responded to the appeal to pay a share of the cost of consolidation. Voluntary contributions have been collected to the extent of about Rs. 20,000 and it is proposed in the near future to refuse to consolidate any village unless the villagers will pay at least As. 8 per acre. The contributions are used for employing additional staff for consolidation work. In time, with widening knowledge of the benefits that occur, it is almost certain that villages will be prepared to pay the whole cost. Even Rs. 2 per acre would be a very small charge and the landholder would be able to recoup the whole amount at the next harvest.

The following features of consolidation make it an ideal activity to counteract the stagnation which is caused by the present hard times:

1. An average village of 600-800 acres takes only 6 months to consolidate.

2. Results are apparent immediately on consolidation.

3. One result is a permanent increase in the incomes of the members.

4. The work is done by consent and the Sub-Inspector in charge cannot adopt officious and tyrannical methods; he tends to become an accepted friend and adviser, which is exactly what co-operative officials should be.

5. Consolidation causes a great reduction in the number of law-suits, on which agriculturists habitually waste a large part of their substance. The consolidation proceedings themselves always offer many examples of the value of a spirit of reasonableness and compromise. The obstinate, litigious man is exposed in his true colours as the bane of the village: he always makes trouble and is nearly always brought to his senses by the determination of the remainder.

6. The village becomes decentralised and less crowded and therefore cleaner and healthier. At the same time the families living on their land lead a healthier life.

7. Consolidation usually leads to the making of gardens by the more energetic landholders on their new wells. Gardens besides being profitable make the village more attractive to live in and improve the diet of the owner's family by the addition of fruit and vegetables.

8. Finally if a consolidation society fails (fortunately a rare occurrence) there is none of the aftermath of tedious and difficult recovery of loans, such as is involved in a credit society that comes to grief.

From the point of view of Government, consolidation has been conclusively proved to be an indispensable and a very beneficial activity.

Ask any landholder in a consolidated village and he is as likely as not to say that it is by far the most beneficial activity of the Government. At the lowest valuation it has abundantly justified itself and the only tragedy is that financial stringency has prevented it being taken up on a more worthy scale.

From the point of view of co-operation consolidation is just what is needed at the present time. Here is a front on which the movement can even now advance and where fresh victories can be won to maintain the credit of the movement as a whole and to put fresh life into those public-spirited workers whose path lies at present in very difficult places.

Co-operators who read this magazine may already know and appreciate the merits of consolidation. If they do, then it is to be hoped that they will show their appreciation in as effective a manner as did a very humble and a quite illiterate man, whom the writer once met in a Gurudaspur village. Bakhshish Singh (we will call him) was not educated, but he was extremely intelligent. He knew the village map and the contents of the village 'Jamabandi,' or record of rights, by heart, and he knew the number of every field in the village. Also he had heard of consolidation and believed in it with all his heart. For months he talked and argued. Most of the village came over to his side, if only because of his importunity. There emerged as the only obstacle to the scheme on which he had set his heart his greatest friend, an old man called Buddha Singh. Neither arguments nor appeals nor blandishments would move Buddha Singh. He was not prepared to exchange his ten acres of satisfactory land, though divided into 54 plots, for the questionable bliss of a consolidated holding. Bakhshish Singh's patience, and his lifelong friendship, were tried to the uttermost. Finally his patience, at any rate, was exhausted. One midnight he took his very substantial 'lathi' and went with it to Buddha Singh's house. Having arrived there he dealt his old friend such a blow over the head as would have certainly killed one who was not a Jat Sikh, and not a son of the soil. Happily it did not kill Buddha Singh, though he lay unconscious for hours. The first words he heard on regaining consciousness were '*Now* what about consolidation ? ' This finished the argument, and strange to relate re-established the old friendship. The village has been consolidated with the most admirable results and when the writer visited it he was told the story related here, and it was confirmed by both Buddha Singh and Bakhshish Singh who were sitting side by side, their faces wreathed in smiles of almost ludicrous self-satisfaction, obviously (and rightly) taking equal credit for this very happy ending.

ARBITRATION SOCIETIES IN THE PUNJAB

BY

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Temperament and lack of education have fitted a Punjab farmer to believe in the efficacy of the direct method of settling his disputes. He literally fights out his disputes before proceeding to a court of law. Trivial differences develop into terrible and fatal fights and end in crushing litigation. Litigation once started serves to fan the spirit of faction and through sympathy with a party or hostility to witnesses—often hired personifications of falsehood—villages get split up into a number of hostile groups the existence of which not only shields but positively breeds crime. Litigation is a highly expensive evil that has sapped the very life of our country side. It has been estimated that the cost of litigation in the Punjab alone amounts to Rs. 12 crores annually, a sum four times the annual revenue paid by the Punjab cultivator. Having practically no reserves to fall back upon, the farmer digs his own grave by running to the *sahukar* for borrowing in order to meet the expenses of litigation. He borrows and thus barters all his present and future resources. Thus litigation not only drains away to hopeless and unproductive channels the funds or the credit available to a farmer but also involves him in self-imposed unemployment. Litigation, for lack of attention, devastates his smiling fields and diminishes his prosperous yields. Countryside in India would certainly be brighter and happier than it is to-day, if this colossal waste of money and time could be checked effectively and the consequent saving in time and money diverted to productive and promising channels. Numerous petty crimes are committed in our villages which can be safely settled in the village itself and decidedly with greater prospects of reformation of the culprits and with undoubtedly greater deterrent results. In fact one of the speediest methods of reforming rural life in India consists in the setting up in each village of an organization for settlement of certain types of disputes which in the form of protracted and costly litigation that they assume sap the very life of the countryside in India. The Punjab pioneered the establishment of Arbitration Societies, for bringing about this much needed and fundamental reform in our rural life. A study of the working of arbitration societies in Punjab in the present rural-uplift age will therefore be quite in the fitness of things.

GENESIS OF THE ARBITRATION SOCIETIES.

The Arbitration Societies in the Punjab owe their origin to a suggestion of Mr. M. L. Darling, Commissioner, Punjab, once Registrar, Co-operative Societies, Punjab. In 1917, Mr. Darling put forward the following suggestion:—

"The system of arbitration is, of course, only applied to disputes between societies and their members. In time, probably in some modified form of Panchayat, it should be possible to extend it in selected societies to disputes between individual members. It is commonly asserted that Panchayats for settling civil and criminal disputes were at one time a familiar feature of Indian village life. An attempt has lately been made to revive them, and where, as in some cases, they exist by the mutual consent of all concerned they are a peculiarly valuable form of co-operative enterprise. Unfortunately their development in regard to criminal disputes is hampered by the lack of legal status, the recent Act applying only to civil suits. Even if the Act were extended, success on any considerable scale would probably only be possible if close supervision were guaranteed from the outset. For this a special staff would be required as in the case of the co-operative movement which would have been still-born had not special machinery been created to initiate and develop it. On the other hand, though most of the Panchayats informally started exist only in name, the fact that a few of them have survived show the possibilities of this most desirable form of co-operation."

The Arbitration Societies owe their existence to this suggestion although the Department seems to have failed to trace the idea to its original source. Mr. C. F. Strickland says: "The idea of Co-operative arbitration was first put forward in local conferences held in the year 1919." The idea with a view to its being translated into practice was really thrashed out at local conferences as Mr. Strickland tells us. Needless and boundless litigation was recognised to be responsible for a good deal of agricultural indebtedness in the Punjab. Co-operators were unanimous in their demand for the establishment of an organization for settlement of petty disputes outside the Courts. An experimental draft of by-laws was prepared, providing that members of a Co-operative Arbitration Society should draw up a schedule of subjects of all disputes concerning which they undertook to submit to arbitration under the by-laws of their society. A member had the option of taking his dispute to a Court of law either by securing the previous permission of the Managing Committee or on the payment of a moderate fine even without such permission. The award of the arbitrators after such

appeal as the by-laws allowed was declared to be final. On these lines 150 societies with 16,000 members were registered during 1919 and 1922 and undoubtedly did much useful work.

The legality of by-laws declaring any decision outside a Court of law as final was questioned and a summary order was received in 1922 to dissolve all Co-operative Arbitration Societies in the Punjab. All societies with a solitary exception were closed down. This one "appealing to a higher executive authority, obtained a decision that the order of cancellation could not be sustained." This will be easily recognised as the "unkindest cut of all." How deep was the sense of disappointment experienced by all interested in the amelioration of rural life in the Punjab, may be gathered from the historic funeral oration delivered by Mr. Calvert, the then Registrar, Co-operative Societies, Punjab.

"For reasons that I have never understood, an order was issued that all these societies should be closed down. That order has aroused comment and criticism in various provinces. One can, perhaps, imagine what would happen in England if all the arbitration work done by Chambers of Commerce and the big Exchange were suddenly prohibited by a Minister. All reports testify to the genuine sorrow with which the order has been received by members of all castes and grades. There are over 30,000 villages in the Punjab, in 148 of which we had Arbitration Societies, and in over 29,000 of which we had none, so there was ample scope for the development of Panchayats under the Panchayat Act and it cannot seriously be urged that there was any competition. In the 148 villages which have been deprived of a useful means of escape from litigation, there have been set up Panchayats in four only. None of these have yet done any work according to my reports. The remaining 144 have now neither one nor the other.

"Some reports point out that the summary closure of the Arbitration Societies is a big blow to the prospects of Panchayats for a very obvious reason. There is a tale of two local notables who were given honorary judicial powers; the ambitious one went about instigating cases and then settling them in his Court; the other, a leading co-operator, devoted himself to securing amicable relations between disputants without coming into Court at all. The latter was deprived of his powers on the ground that there were no cases within his jurisdiction, while the former has a beautiful record of public work to his credit."

The Arbitration Societies did not, thus, close down, unwept, unhonoured and unsung. But the usefulness of their work had so impressed itself upon the Department that an attempt to revive such societies even in a modified form was believed to be justifiable. The by-laws were revised and the attempt to declare them final was abandoned. These by-laws were submitted to and approved by the legal authority of the Punjab Government.

THE CONSTITUTION OF THE SOCIETIES.

The object of a Co-operative Arbitration Society is :—

(a) to provide a means for the equitable settlement of disputes; and thereby to save its members from the trouble and wasteful expenditure caused by false, frivolous and unnecessary litigation;

(b) to provide a means of defence for members against such litigation initiated by others;

(c) to secure, when necessary, professional legal opinion for the assistance of members.

Every member on entering the society pays a nominal admission fee and through a written agreement undertakes to refer all his disputes with other members to the Society for settlement under penalty that may amount to Rs. 100. The supreme authority within the society is vested in the general body of members known as the General Meeting. The General Meeting elects a Managing Committee which exercises all powers of the General Meeting. A panel of Arbitrators is also elected from among the members of the Society. A dispute is referred to the Managing Committee who try their utmost to effect a compromise within a specified time, failing which the dispute is referred to the arbitrators. Usually there are three arbitrators one of whom is nominated by the Managing Committee and one is elected out of the panel by each party to a dispute. Appeal against the award of the arbitrators lies to the Managing Committee. Every award has to be confirmed by a Civil Court.

WORKING OF THE ARBITRATION SOCIETIES.

Arbitration Societies have been recognised by the Department as the most difficult form of co-operation. The Arbitrators have to show vigour and honesty at every step. Once they go wrong they ruin the prospects of every useful activity. Cases have come to the notice of the Department in which people have proved unworthy of the great trust reposed in them. The Report for 1931 tells us that "one society went wrong and was closed; for it was abused, and caused disturbance in the village; and there have been other instances where absence of complete confidence in the Committee has very adversely affected the health of the Society." The Arbitration Societies have always been dis-

couraged by petty officials and pleaders. Members of an Arbitration Society were hauled up by a hostile Sub-Inspector of Police for unlawful detention of a member. These people suffered a lot without the moral support of the Department of Co-operation being extended to them. The Arbitration Society! Well all was over with it when its Managing Committee could so easily and effectively be shaken to a realization of its helplessness. Wherever will and honesty are to be found in an adequate measure, mistakes in scope and procedure involve the societies in failure and disrepute. Some societies have actually shown a tendency to 'usurp the functions and powers of the regularly constituted Courts', and the Registrar in his latest Report remarks that 'this must be held in check'. But an Arbitration Society to be of real use must, within certain limits, replace a court of law. How long it will take us to produce in our villages men to whom the work can be assigned with perfect confidence is a question, an answer to which cannot here be attempted.

Kangra District boasts of more than half of the Arbitration Societies to be found in the Province. The Registrar tells us that this preponderance of Arbitration Societies in Kangra is due to "the simplicity and straightforwardness of the people, the strength of the social tie, and the difficulty and expense of communications." Some of the societies, particularly Bhidhi Society in Sialkot, Thath Ghalwan in Multan and Muzang in Lahore and one in Hoshiarpur District, are doing quite useful work. In Hoshiarpur and Multan Districts the societies successfully decide disputes among Mussalman zamindars and Hindu money lenders —an achievement which any organization may well be proud of.

Arbitration Societies in the Punjab.

	1927.	1928.	1929.	1930.	1931.	1932.	1933.
No. of Societies.	27	43	44	49	54	72	84
Members	3,000	6,204	7,509	7,822	8,096	9,992	11,768
Average Membership.		144	170	161	150	139	140
Number of disputes decided.	660	787	924	382	371	322	612
(By Committee).				172	199	287	295
Number of cases in which the Arbitrator's awards were enforced through a Court.		18	18	18	29	22	31

An idea of the utility and efficacy of an indigenous organization for settlement of disputes may be had from the following account of its working given by Mr. G. C. Garbett, Chief Secretary to Government, Punjab. This is a translation of the original which appeared in Urdu, in 'Co-operation,' the Urdu Journal of the Department. "Burhan is a village in the Campbellpur District, situated on the Grand Trunk Road, near Hasan Abdal. Pathans are the owners of most of the land in the village. They are a hopelessly quarrelsome and a highly turbulent people. The village became notorious for its factions which brought free fights and crime in their wake. Up till 1927, therefore, either the Police kept a vigilant eye over the whole village or a punitive Police Force had to be stationed at the village, the annual cost of which, Rs. 6,000, had to be paid by the village. In spite of all this crime was on the increase, cases could not either be traced or proved. This brought poverty and degradation to the village and everybody's honour was at stake. One day the Tahsildar went to that village and being tired of their wickedness and machinations impressed upon them the necessity of putting a stop to that abominable sort of life they were leading. It took him three days to convince the people in the village that nothing but an honest effort on their own part could save them. Their cases, he suggested, must be settled by them in their own village. The entire population agreed to the formation of a Panchayat on which would be represented all classes of the people—the high and the low, the good and the wicked. Such a thorough going representation on the Panchayat of all classes of the people in the village was deemed necessary with a view to winning the confidence of every class of people. It was more of the nature of an Arbitration Society than of a body the decisions of which would be legally binding upon all. Every member of this Panchayat took an oath affirming that he would not show any partiality to his friends or relatives but would strictly follow the path of justice.

"The very first case this Panchayat had to decide was brought forward by a poor widow against the most influential man in the village who was a Jagirdar and, to crown all, the very President of the Society. The complaint was that his cattle had damaged the widow's crops. The case was proved after due examination of witnesses. The damage was estimated at Rs. 5 and was cheerfully paid by the President. The Panchayat soon won everybody's confidence and one hundred cases were disposed of in no time. Now all is quiet in Burhan, everyone reaps what he sows. Crime is practically unknown. Every oppressor knows that he will, in view of evidence available against him, soon be punished for his misdeeds. Panchayats have been started in the neighbourhood

of Burhan and much useful work is being quietly accomplished with the once notorious Burhan as the centre of reform."

Disputes of every class arising in Punjab villages were decided by the Arbitration Societies. Such a settlement of disputes brought justice speedy and free of cost to the Punjab villager. Since men living in the same village had a very clear idea of the cause of such disputes, the character of the parties to a dispute and their supporters, besides a knowledge of the sins of each party, their decisions were almost always well balanced.

The Arbitration Societies undertook to settle all disputes arising out of the possession of women, misappropriation of crops, cattle and trespass, insults, hurts, water-supply, succession, possession of land, theft, nonpayment of wages, land revenue and rent, breaches of promise, etc. The following are some of the important cases decided by Arbitration Societies which give us an idea of the usefulness of such societies in the organization of village life in the Punjab.

The Monzang Arbitration Society in Lahore decided in 1928 a case in which property worth a lakh of rupees was involved. If the case had been taken to a court of law, the cost of getting it settled would have at a modest estimate amounted to Rs. 20,000. Similarly, a society in Gurdaspur decided a dispute over distribution of ancestral property which would have in the normal course of justice involved considerable expense, much inconvenience and tremendous loss of time.

"In Lyallpur, a Lambardar lost his eye in a fight between two parties over a woman; the Lambardar did not go to a Court, and the Society got the woman back from Bahawalpur State territory and restored her to her husband."

"In Rohtak one society decided a case in favour of the plaintiff and the finding was acceptable—when in default of better evidence the plaintiff had sworn to his claim with some Ganges Water in his hand."

The Annual Report for 1930 records: "The most important case decided by an arbitration society during the year was one relating to the partition of agricultural land worth Rs. 80,000. The case was particularly complicated owing to various objections raised by mortgagees. Yet in spite of this, partition was effected within three months at a total cost of one rupee. All who are acquainted with the delays and prolixities of a difficult partition case, when handled in the usual way, will have some idea of what the parties must have saved in time, trouble and expense."

"Another interesting case touched the family affairs of two Kangra Chamars. A, after becoming engaged to the daughter of B, spent a good deal on clothes and jewellery for the bride, but at the last moment she was withheld by her father, who hoped for a better price from C. The dispute went before the caste Panchayat but was more than it could manage. A more formal gathering called a Dharam Mandal, proved equally ineffective, and it was only when it was brought before the local Arbitration Society that it was settled by the bride being given to A."

In 1931, a member of a society in Gujrat, lost a pro-note executed in his favour by another member of the society. The borrower refused to execute a new pro-note which he had to do when the Committee of the society decided that he must give a new pro-note. An interesting case was decided in 1932. One person in Kulu divided his property amongst his two sons who turned him out of their houses after getting possession of land. The society, when appealed to, decided that a portion of land should be set apart for the oldman's maintenance and must be cultivated by one or other of the sons.

ADVANTAGES OF ARBITRATION SOCIETIES.

The Arbitration Society exercises a great educative and moral influence. Even the dullest of persons, when he has faith in the impartiality of judgment and wonderfully prompt and incredibly inexpensive decisions of an Arbitration Society, will not hesitate to bring his disputes to the society. In fact the presence of an Arbitration Society in a village exercises an unconscious but very certain influence on the mutual settlement of disputes without their presentation even to the society, for the man in the wrong does feel that the case will be decided against him. To some of the Arbitration Societies, must as a matter of fact go, the credit of having introduced an atmosphere of mental tranquillity in their neighbourhood. "In Sialkot the society at Bhidi enjoys such confidence that it has been asked to settle disputes not only among its members but among the inhabitants of neighbouring villages, and the same is reported of the large Thath Ghalwan Society in Multan."

INEXPENSIVE JUSTICE.

Justice through a court of law is an expensive affair. An award through an Arbitration Society costs practically nothing to the parties to a dispute. In 1932, the Ghazipur Dasti Society succeeded in arranging partition of part of the Shamilat in the abadi-deh, the decision involving the exchange of some of the houses. It is estimated that this case, if taken to a Revenue Court would have lasted at least for a year and 'Cost about Rs. 1000'. Every case decided by an Arbitration Society means a saving of at least a couple of hundred rupees to the parties. The expense and prolonged period of contest in suits in courts of law has added a proverb to the language in that province, the English version of which would be 'He who wins a suit loses and he who loses it is done for.'

PROMPT JUSTICE.

Cases keep on hanging in courts of law for very long periods, sometimes for years together. But an Arbitration Society meets, studies the case, examines the witnesses and as a local body its members are often already in possession of true facts; the moral worth as well as the social status of every witness and of the parties is known to them—it does not therefore take long to come to a decision and the decision carries the moral support and embodies the prestige and wisdom of the entire village community and is thus bound to be honoured.

ANTIDOTE TO COMMUNALISM.

The Province due to its peculiar economic features very often falls a prey to the demon of communalism. Everything that brings different communities together in some practical work where honesty, good will and impartial judgment are to be exercised, makes for killing the demon of communalism. An Arbitration Society brings together Mohammedans and Hindus, the former as debtors and the latter as creditors generally. The decisions of the society are willingly accepted by the parties. These societies have thus been working even as Debt Conciliation Boards which in most of the provinces in India, the Government has as yet failed to establish.

CO-OPERATION AND EDUCATION

By

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In a vast country like India, illiteracy is a great handicap and the expansion of education is a tremendous problem. Education has been made compulsory in many areas by a legislative enactment. Laws may succeed in compelling people to pursue a definite course but it is doubtful how far they can alter the mentality. Co-operation can by slow and persistent propaganda develop among the people a consciousness for self-improvement which may be of great use as affording the moral sanction behind the law. The Compulsory Education Societies are voluntary organisations in which the members promise to send their boys and girls to schools, on the failure of which they have to pay fines to the society. There are over 110 such societies in the Punjab and these are responsible for having sent 4,175 students to the schools. Of immense value is the propaganda which these societies are carrying on in the villages in favour of school education. Individuals are tackled, their objections and difficulties are met and their aversion to education is got over. These societies are in fact the propagandist adjunct of the educational movement and their weapon is persuasion rather than compulsion. Their compulsion is voluntary, self-imposed and not imposed by others. Another great service which these societies are rendering is by promoting the co-education of boys and girls in the primary school stage, thereby obviating the duplication of schools for boys and girls, and saving funds which may be employed in starting more schools. Once these societies succeed by patient persuasion in getting over the prejudice against co-education, the education of girls will expand considerably and this will contribute not a little to the gradual rebuilding of our society.

The problem of school buildings is no less serious. Every school should have a building of its own, with some open space around it. In many areas, many school projects have foundered because the necessary funds could not be raised to put up the buildings. Here too, co-operative effort has worked wonders. If the villager cannot afford to give contributions in money, he can contribute his labour. Once he

is convinced of the necessity of a school, he will, if properly led, lose no time in constructing the school house.

The school houses at Masmano and Hessel in the Ranchi District are the results of the joint efforts of the villagers themselves. They prepared the bricks, secured the timber and constructed them and the money contribution was very negligible. The Masmano school has a big well—the result of joint labour of the villagers.

Education of the adult is no less important than the education of the child, but the task of getting the adults to attend the school is infinitely more difficult than securing the attendance of the children. There is immense scope for work for the co-operative societies in this direction. The co-operative adult schools started in various provinces, have proved to be popular. Classes are held for six months for two hours in the evenings which are attended by boys over 16 and by men of all ages. The aim is to teach them the three R's, and the primary school primers are used. The teacher of the day school is usually in charge of these classes. In the Punjab in 1926 there were 270 such schools but they are being taken up gradually by the Education Department. The greatest problem connected with the management of these schools is the retention of the interest of the students in the school. Attendance is usually fluctuating and the adult student becomes impatient after attending for some time. Co-operative effort can to a large extent keep up this interest by persuasion and by making the school attractive. In connection with such an adult school near Sabour in Behar, we arranged at intervals for a series of recitals from the Ramayana accompanied by discourses on the text, lantern lectures on subjects of rural importance and talks on agriculture and other allied subjects. The results were very encouraging. Not only was the usual attendance maintained, but new recruits joined the adult school and the attendance in the boys' day school also improved. The net effect of our efforts was the creation of a public opinion in the village in favour of education in general and the school in particular. This was utilised in various directions in effecting improvements in the village, *e.g.*, a road one half mile in length with drains on both sides was constructed by joint effort.

The village school should develop as a social centre for the larger community about it. But in order that it may do so, a necessary preliminary is the creation in the village, by constant propaganda by co-operative organisation, of a popular demand for school education, and once the school is started, it itself should constitute an essential part of the community. "This may be done, not by mere physical proximity on the part of the pupils, but by sharing in common ends, and so awakening the interest of each that individual activity is regulated by these common ends." The three R's will be taught for what they can contribute to the more important social ends, *viz.*, the creation of habits of unselfish co-operation with others. The real lessons will be—"How to be healthy, to support one's self adequately, to be a good citizen and to live pleasantly and profitably with one's fellows." This social idea will not only permeate the class room and the curriculum but all the activities of the school as a whole, as the guiding objective will be equipping the pupil for community service. To give one instance, rural sanitation depends to a very large extent on the development of the conscience of the villagers and the best training ground for this is the school. Cleanliness is the beginning of self respect and it is a great cure for idleness and slovenliness. Make a child hate dirt instinctively and you build his character on sure foundations.

The co-operator's work therefore is to create a demand in the village for school education, to convince the villagers that the school is their own institution, to be built by them and to be managed by them as an agency for equipping them and their children for the service of the village. Once this is done, many problems incidental to the expansion of primary education will have been solved. Here is one instance from France, a country where co-operation has come to the aid of education in a measure not achieved anywhere else.

In 1929 there were in France as many as 7,429 school co-operative societies. The particular school whose description is given below is situated in a little village in the Landes with 800 inhabitants, most of whom are small farmers and fishermen. The school is for boys with 60 pupils on its rolls. The school is in the form of a co-operative society, of which the Head Master is the President, but he rarely interferes in the management, which is solely in the hands of the boys. The school has no endowment fund. Its funds are derived from voluntary gifts from villagers, former pupils and present pupils. Boys give an entertainment every winter and this brings in about 100 francs. Snails being a very popular delicacy in the neighbourhood, the boys collect and sell them for 3 francs a hundred and the income goes to the school funds. The students run a store in which they stock school materials. The original capital was raised by the issue of ten bonds at 25 francs each at 4 per cent interest. The bondholders are the parents of the boys at school. The Manager is elected every month after stock taking. The income of the school society for the year 1930 amounted to about 800 francs and after the establishment charges, the balance was

utilised in purchasing library books, scientific apparatus and in giving aid to the destitute.

If the need of the co-operator's assistance is great for the educator, the co-operator in his turn is gradually becoming conscious of the fact that unless he can create an interest in co-operation among the younger section of the community, his dreams of reforming the social fabric would never be realised.

One of the principal causes of the slow progress of the co operative movement in this country is the lack of any attempt on the part of the co-operators to interest the student community in this work. Co-operation is not only a form of business organisation, it is something more than this. It is not merely a method but it is a vital principle of life, which, if adopted and truly realised, has great value in character-building. The future hope of the movement lies in the young school boy and girl of the present day. If we can sow the seeds of co-operation in these young minds now, and tend the young plants with care, the harvest in the future is likely to be a bumper one. The inculcation of the principles of self-help, thrift and brotherhood among the students will aid materially the work of educationists in developing their character and in enriching their minds. These students when properly imbued with the message of co-operation, will carry it to their villages and to their families and will act as our best propagandists in the work of the uplift of the countryside—a work which can never be accomplished satisfactorily even by an army of paid workers. Signs are visible on all sides that the modern student is no longer willing to confine his attention solely to serve. He wants to know what he should do with life. He is capable of splendid resolve and a fine interpretation of life. He has a spirit of adventure. Is it not one of the greatest tasks of all educationists to keep youth thinking courageously and looking hopefully to the future ? Is it not desirable that this restlessness and the spirit of service should be harnessed in the cause of co-operation so as to hold out before them a definite programme of work as well as initiate a process of self-help and self-discipline, with a view to make them better citizens in after life ?

So far the sole contribution of the students to the Co-operative Movement has been a few co-operative stores started mainly due to enthusiasm of individual teachers. These ventures have rarely proved successful, because in very few cases, any attempt has been made to teach the principles of co-operation to the students or any serious effort has been made to interest them in the work. As a result of this, as soon as the enthusiast has been transferred, the store has collapsed.

If therefore a serious attempt has to be made to interest the students in the movement, provision should be made at the outset for instruction in co-operation, by means of lectures, talks, games or other outdoor activities, with a view to develop gradually a co-operative outlook among them.

Educationists and co-operators in other countries have joined hands in forming various types of students' organisations to promote the co-operative spirit. In Rumania for example, the school co-operative societies are authorised to perform the following functions:—

(*a*) to sell school requisites to the members,

(*b*) to collect and invest the members' savings,

(*c*) to organise workshops for handwork, encourage cultivation of gardens both at home and at school, plant tree nurseries, re-stock forest and collect medicinal herbs,

(*d*) to organise choral societies, theatrical performances for the purpose of collecting funds to help pupils in need or to organise school excursions,

(*e*) to encourage personal hygiene,

(*f*) to encourage pupils to complete their own education by their efforts, notably by making use of the school library.

The best approach to students' co-operation is the organisation of thrift societies. The principle of thrift is as important from the co-operative as it is from the educational point of view. Thrift gives a basic foundation to character and it is easy to form this habit in one's early life. In the process of the formation of this habit, the young student will have to exercise rigorous self-discipline which will not only have a great effect on his own spiritual life but will react on his family and through the family on the society as a whole.

A co-operative thrift society may be formed with the teachers and students as members. In the early stages of the society the parents and guardians should also be interested in this effort. Members will either purchase a home savings box or if that is not possible in the early stages, they will deposit as often as they can with their parents, and bring the deposits twice a month to the society. On these two days the members will meet, the deposits will be accepted and recorded and the teacher-member will give a talk on some co-operative or any other allied topic. It may be necessary to group the students according to their ages or classes in which they read and vary the subject-matter or method of talk accordingly, e.g., for the younger boys, story-telling may be necessary. At these meetings, songs sung in chorus may be occasionally encouraged. Every member will keep a diary in which he will note any waste of money or time which he has committed or which he has avoided. These will be read out in the meetings and any member will be at liberty to point out any such waste committed or avoided by any other member. This will be a great moral check. Every member on admission will sign a pledge on the following lines:—

(1) I shall prevent the waste of time or money.

(2) I shall be industrious.

(3) I shall not purchase articles on credit.

(4) I shall help my friends and neighbours.

(5) I shall speak the truth.

Games which are likely to develop a team spirit and excursions or hikings to the villages should be encouraged. Attempts should be made to acquaint the members with problems of village life, by actual visits to villages. Some form of social services, *e.g.*, Nursing, First Aid, Spread of knowledge of Health laws etc., may be encouraged.

In conclusion, mention may be made of such an experiment carried out at the Sabour Co-operative Institute in 1931-32. The students were asked to practise thrift themselves before they could go out of the Institute to preach thrift as co-operative workers. The students there were mostly very poor and they were diffident at first about the success of this experiment. Eleven students started in December 1931 and 20 more in January 1932 and the total savings on 31-5-1932 amounted to Rs. 155. Possibly of greater value than the money saved was the great change this attempt to save effected in the character of the students. Even the poorest student found that he too had his avoidable expenditure, and that he too, could lay by something for the rainy day.

CO-OPERATION AND WOMEN

BY

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INTRODUCTION.

It may be asserted without fear of contradiction that no movement for the up-lift of the masses can be successful unless women take an active part in it. Man cannot work alone and be successful. Perfection requires co-operation both of men and women. Co-operation aims at the economic, social and moral emancipation of the people and the general well-being of the whole community and therefore women cannot be ignored by it. If co-operation in India is to be successful, it must bring the women in its fold. It cannot win a final victory without the women.

Many still doubt whether it is possible to introduce co-operation amongst the women of this country, but few who believe in co-operation can doubt that the effort should be made, for not only are women necessary to the success of men societies, but they cannot be ignored by a movement which aims at improving the general well-being of the whole community. Western influence too is so strong that, like men, they are in danger of losing their old foot-hold and require the teaching of co-operation with its new ideas of thrift, self-help and better living to prevent this influence having a disintegrating, instead of a liberating, effect upon their lives.

" COMMITTEES."

Attempts have recently been made in some Provinces and States to preach the gospel of co-operation among women. Women are not unfriendly to the co-operative idea, but cannot in the mass be described as either progressive or courageous. The wealthier in particular have been prevented (?) by the " Committee " especially in the Punjab. The Committee is analogous to the 'Fund' found by Nicholson in Southern India and flourishes as the 'Hotokhusha' in Japan and the 'Hue' in China; everywhere it is the revival of co-operation which

it paralyses. Ten or more women agree to subscribe a fixed and equal sum for a series of months equal to their own number, and the total collection is paid over in each month to the member on whom the lot falls. Nothing can be more pernicious or more attractive to the unreflecting mind. It is a gamble and the monthly prize is ordinarily wasted. A few 'Committees' now award the sum to the member who applies for it and shows a need, but since they retain the rule that no member may receive it a second time until all have had it once, the improvement is slight.

WOMEN SOCIETIES IN THE PUNJAB.

The Punjab is the first province in India in which systematic and successful efforts have been made to introduce co-operation among women. It was in 1926 that the first Women Society was started. Since then the advancement of the movement though slow, has been steady and uniform. The following statement shows the progress of the movement from its beginning:—

Year	No. of Societies.	No. of members.	Working capital. Rupees.
1927	79	1,163	29,292
1928	112	1,691	46,285
1929	128	1,977	90,319
1930	146	2,397	1,03,105
1931	164	2,871	1,39,701
1932	171	2,889	1,59,049
1933	189	3,393	1,86,000

There are now 189 Women Societies, with a membership of 3,393 and a working capital of Rs. 1.86 lakhs. Out of a total of 189 societies, 183 are thrift societies, one, 'better-living' and 5 children. A good many of the societies are in schools (High, Middle and Primary), a few in hospitals and the rest in towns and villages.

As already observed thrift societies overwhelmingly predominate among women. The objects of these societies are to promote the economic interests of their members, and more particularly to encourage thrift and small savings by providing means whereby such savings may receive a reasonable interest without risk and without being removed from the control of the members. Monthly contributions are compulsory and vary from Annas 2 to Rs. 50. 14 societies admit men to membership.

SOURCES OF CONTRIBUTIONS.

The sources from which the women members of the societies make their contribution are interesting. Out of 3,393 members, 892 pay their contribution out of their salaries, 361 from the income of industries and occupations, 2,140 from household savings.

CASES OF WITHDRAWALS.

It is pleasing to be able to record some of the causes of the withdrawals and their results. The total amount of withdrawals was Rs. 87,550, the chief among the objects given for these withdrawals are the purchase of property, expenditure on weddings, holidays and illness. One woman who had saved Rs. 83 during the last five years withdrew it to pay for necessary expenses of her son's wedding, which she was able to do without borrowing from anywhere. She is now depositing Rs. 2 each month in the society, and is singing its praises to her neighbours. Another used Rs. 18 of her deposits for her expenses during an illness. She has now re-deposited the same amount by instalments and has also enlisted her sister in the society. A third used her savings to build a house in the hills. A fourth saved her husband's property from being auctioned by producing Rs. 300, which she had saved in the local society. It is reported that there are some cases where husbands encourage deposits in societies as a more satisfactory investment than ornaments. Such uses of savings seem to be good illustrations of the purpose and value of thrift.

SOCIAL POSITION OF MEMBERS.

An indication of the social position of the members of societies can be gathered from the following table:

Wives of:—

1.	Servants (Government or Local Bodies)	.. 764
2.	Lawyers	.. 119
3.	Doctors	.. 57
4.	Businessmen	.. 427
5.	Zamindars	.. 440
6.	Labourers	.. 176
7.	Craftsmen	.. 852

STAFF.

There is one Inspectress paid by the Government and 11 Sub-Inspectresses paid by the Punjab Co-operative Union, who extend their activities over 10 districts. They are trying to bring the light and peace of co-operation in houses which are haunts of ignorance, superstition, suspicion and disease. Their efforts have met with vital success.

EFFORTS.

There have been a few conferences of thrift societies. They included music, recitations and lectures and many women spoke and took part, who would assuredly never have thought of doing such a thing, had it not been for their societies. Co-operative Day is specially celebrated every year by women. The fact that it has been found possible to organise conferences and celebrations shows that there is considerably more familiarity with the idea of co-operation for women, and gives good reason to hope that its growth will be increasingly rapid. That in a short space of a few years the idea of co-operation with its accompaniments has been successfully introduced to some of those who were thought to be entirely, if not permanently, out of its pale augurs well for the future. That a number of women should have been induced to save nearly 2 lakhs of rupees in 6 or 7 years shows the possibilities of this work.

PART PLAYED BY WOMEN IN MEN SOCIETIES.

Women play some part in co-operation even outside their own societies. There are a certain number of women who are members of men societies. In Rawalpindi and Jhelum they are freely admitted and are said to be more punctual in their repayments and more economical than men. In one Tehsil in Jullundur District 81 women have deposited over Rs. 2,000 in their own names in credit societies. In another society in Panjawar in Hoshiarpur District Rs. 7,000 have been deposited by women. In three men societies women are presidents and in one case a woman is a managing member. They not only attend meetings but make recoveries. All are successful in their offices.

CHILDREN'S THRIFT SOCIETIES.

An experiment of organising children's thrift societies was started in 1929. The need for these societies is ascribed to some reluctance on the part of the menfolk to allow women to save in their own names, whereas men will subscribe for their children's savings with alacrity. The object of these socieites is to teach thrift to children on co-operative lines and to introduce them to the principles and practice of co-operation. There are now 5 such societies. They have children of all ages, both boys and girls. They are run with the help of members' mothers' and have already accumulated a few hundred rupees in the most microscopic of subscriptions. These societies are somewhat difficult to maintain, but there is no doubt that they have possibilities for good in directing attention at this early age to the advantages of thrift and co-operation.

DIFFICULTIES.

There are many difficulties in the smooth working of women societies. The first difficulty is to find a secretary. Illiteracy among women is prevalent to such an extent that most societies are lucky if they have a single member who can read and write. Therefore in nearly half of the societies the local Sub-Inspectress has to work as honorary secretary for want of any competent member. This is a difficulty that is felt in many men societies also.

The next difficulty is to find a treasurer. This is usually solved by combining the offices of treasurer and secretary, an undesirable, but often unavoidable, arrangement.

Other difficulties are the promiscuous attendance at general meetings, to which mothers generally bring their children, the unpunctuality of those who attend, and the frequent postponements on account of social and religious obligations. The general meeting resembles a *mela* (fair), with babies howling, youngsters quarrelling, and their mothers chattering and wanting only to be amused.

There is also every variety of prejudice and suspicion to contend with. Women are self-satisfied, no less than the rest of us, and are confident that their own views are correct. One society, after being registered, refused to work owing to a rumour that the Inspectress belonged to the Criminal Investigation Department. Another objected to the low rate of interest on their deposits—7 percent. A third, consisting of Hindus, refused to deposit at less than 37½ per cent (2 pice to the rupee). Here is another stumbling block. Because their friends who are not members and use their money in other ways, get a higher rate of interest than any co-operative society can offer, the women

are very apt to be discontented and go so far as to say that they are losing by joining the societies. Much teaching will be required to show the error of these ways. A fourth consisting of Musalmans, insisted that no interest must be taken at all. A fifth found its members enticed away by a rival association formed on gambling lines. A sixth could not be started as the leading lady asked others to pay their contributions without contributing herself. A seventh was closed as the husbands complained that the society was a nuisance. Some husbands are hostile, either fearing that enlightenment will make their womenfolk more expensive and less submissive, or finding them so perfect and enlightened that no improvement can be conceived. To some husbands however these societies are a blessing, for members occasionally withdraw their contributions to pay their husbands' debts. These societies are always over-shadowed by a danger of party faction among the husbands of their members. If the husbands fall out, the women's society ceases to function.

Another difficulty at present facing these societies with the lack of trained staff is the wide area over which the existing societies are spread. The existence of these societies at present depends on the staff. There must be more enthusiasm and more willingness to work among the members themselves before all the existing societies can really be regarded as firmly established.

These societies experience a distressing amount of ups and downs. At all times, it is not possible to keep the societies strictly within the by-laws; insistence on strict compliance would scare them out of existence, and there can be no check on what is done between the two visits of the staff. So the societies have to be guided with a light hand.

CONCLUSION.

It must be admitted that the movement amongst women is still in its experimental stage. It would be easy to despair, but it is only fair to remember that there are innumerable obstacles which inevitably beset promoters. It is a costly expenditure, for in 1930, the expenditure worked out at Rs. 5-13-0 per member as against Rs. 2-3-0 in the case of other societies. But the opening of a better way of life to women in this country is of such importance, and so little is done for them, from the time they are brought into the world at a cost of 8 annas to the mid-wife to the time they are buried or burnt, that this should not be grudged. Nor are results to be measured solely in cash, though the accumulation of about 2 lakhs of rupees in 7 years is not to be despised. The real gain is probably the awakening of the desire for a better life that co-operation instils, signs of which are the conferences of members which are held at various places from time to time. At these conferences much useful teaching is given on hygiene, extravagance and thrift by means of plays, recitation and songs. As a step in this direction a Mutual Aid or Women's Institute for social and educational activities was started at Gurudaspur some years back and during its short existence it was able to purchase books, magazines and a badminton set with the proceeds of an exhibition of articles made by its members. Another example is the action of the headmistress of a girls' school, who has formed a committee of her teachers to preach the cause of better living amongst the women of the surrounding villages. The stimulus in this case was the thrift society in the school.

The confining of co-operative work among women to thrift societies alone has perhaps unnecessarily limited its usefulness. Therefore it has recently been decided to extend the scope of work so as to include all matters connected with social and uplift work among women and for this purpose to help in forming of clubs, health centres, women's institutions, adult schools, needle work societies, etc.

Economy is a fruitful source of revenue. In this country, where waste of all kinds is so widespread, the lesson can never be fully learnt unless the women learn it first and teach it; and if thrift societies among women help to inculcate it, they will have justified themselves.

WANTED A DEFINITE PLAN BEHIND

BY

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Great as has been the progress of the Co-operative Movement in India, it can be safely asserted that it should have been much greater than what it has been. For a long time past, I have begun to feel that that is due to want of a definite plan behind our work. We have heard the most divergent reports on the splendid success or the dismal failure of the economic five year plan of Soviet Russia. They express the views of different observers who have been looking at that unique experiment from different points of view. But it cannot be gainsaid that the five year plan has set people a-thinking and endeavouring to march towards a definite goal. We want a definite plan of co-operative work for a definite number of years to work upon and we also want an agency behind, to give it a driving force from behind. Cheap or easy finance has not been the effective panacea of all the ills from which the vast masses of the agricultural population of India have been suffering, as it was supposed to be when the first Co-operative Act of 1904 was passed. In many cases it has brought more harm than benefit to them.

People have begun to realise that all round rural reconstruction is necessary. Village life should be thoroughly reorganised in order to make it fit for the new conditions of life in which people have to live. Prices of our staple money crops are not determined in the Indian market but in Liverpool or New York. We can neither control nor regulate them. Therefore, if our agricultural population should live and thrive, they must sow better seed to have more valuable crop and in larger quantities. They must employ modern up-to-date agricultural implements which may save labour and reduce their cost of production. They must have improved marketing facilities, so that they may get reasonable prices for their crops. They must also have banking facilities to enable them to wait till market improves. Along with better production and better marketing they also want to be taught what better living means to them. All these can be done easily by co-operative effort from a central organization if that effort is made under a definite time limit plan.

Let me briefly illustrate what I mean. Agricultural researchers declare from time to time that a particular variety of seed of cotton, or rice, or jowari is good for a particular variety of soil. That declaration having been made and the "central organization" having found out suitable soil in particular areas for the growing of that seed in order to secure more valuable and larger quantity of the crop from that seed, should set up a suitable machinery to introduce that seed in all suitable areas within a particular time limit and work up to it. In my opinion *that* is really the fundamental essential of success in any line of work. I am not aware of either the Central or Provincial Governments having any definite agricultural policy to work up to, in a definite number of years, and unless and until that is there, I do not believe it is possible to achieve definite progress in a reasonable period. Let me illustrate the same point in another way. It is notorious how often farmers are compelled to sell their crops at any prices they may get on account of various causes, because of the want of godown facilities in the market town. Government should recognise it as part of their work and do it. But I do not propose to wait till Government come to realise it as their duty. I maintain that the central organization of the co-operative movement should chalk out a plan of supplying such warehouse facilities and see that necessary finance is found from all plus the co-operative banks for it. Similarly a well thought out plan may be devised to introduce better living societies in all villages with a population of 500 and above say within 5 or 10 years—with the definite object of eradicating all such social customs as cause an unnecessary drain of the poor agriculturists' money on "good and bad" social occasions of marriage, death, &c.

I do not claim for the above suggestions of mine any merit of a well thought out plan. But I have ventured to throw out these suggestions for what they are worth in the hope that if they are worth pursuing, some abler co-operator will work upon them and give to the public definite plans of progress for better production, better marketing and better living.

CO-OPERATIVE MARKETING IN INDIA—A REVIEW OF POLICY

BY

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The Economic Depression in India has given rise to a sudden faith in co-operative marketing, for long a neglected branch of the movement. The agriculturists who quickly seized the opportunities for cheap and easy credit were slow to realise the importance of joint sale, in which the Co-operative Departments of some provinces were experimenting. It cannot as yet be said that the faith is either universal or deep or even that the Government has any coherent and well-thought-out policy with regard to co-operative marketing. The late Sir Horace Plunkett is reported to have said in his memorandum to the Royal Commission on Agriculture that in India Co-operation is not so much a movement as a governmental policy. But policy is not the word to use so far as the attitude of the State is concerned. A more trenchant criticism of the lack of policy cannot be met with than in the following statement of the Foreign Experts attached to the Indian Central Banking Committee: "The co-operative movement throughout India has no clear line of advance. It is uncertain as to its future procedure with regard to marketing because it has no clear understanding of the goal to be aimed at. There is only one—clearing the line of surplus goods." [1] In their view, the old emphasis on credit to the detriment of other activities would seem to be misplaced. "The question of organised marketing is of greater national importance than that of rural credits. To supply the credit requirements of the ryot is important, but not so much as it is to cure the diseases from which the indebtedness arises. One of these is the low average production. Production can never be stimulated until the ryot can secure a free and sure flow of his surplus produce to the world's market." [2] The appointment of a marketing officer to work under the Director of Agriculture or the Registrar of Co-operative Societies, which was all that some of the provincial Banking Committees could recommend as regards improvement of marketing, was characterised by them as "only trifling with a part of the economic structure which is of supreme and vital importance." [3]

CO-OPERATION, A PRODUCT OF DEPRESSION.

Historically co-operation was in most cases a product of depression and co-operative sale, with lavish state-aid, was in particular resorted to as one means of relieving agricultural distress. Agreeably to this tradition perhaps, the Registrars of Co-operative Societies in India, assembled at their Eleventh Conference in Delhi in February 1934, passed a resolution the first part of which was: "The expansion of co-operative sale societies is essentially desirable as profits from agriculture are dwindling." Whether in normal times co-operative sale was not so desirable was a pertinent question that Sir Lallubhai Samaldas, President of the Third All-India Co-operative Institutes' Conference asked. The summary and formal way in which the Registrars disposed of the resolution—though there was a brief and interesting discussion raised on the question of securing loyalty of members to the sale society—indicates the lack of zest and of policy of which the Foreign Experts complain.

The enthusiasm of non-official co-operative leaders, assembled at the Second All-India Co-operative Institutes' Conference at Hyderabad in 1931, has not, we are sorry to say, resulted in any achievement. There was deep concern expressed at the urgent and imperative need for co-operative organisation of the marketing of produce—in particular the great staples, cotton, jute, wheat and rice—and a resolution was passed stating that besides co-operative sale societies, central organisations should be set up with the assistance, financial and otherwise, of the State. The Conference appointed, for the four staples, four committees of notable leaders, with powers to co-opt prominent businessmen, to prepare suitable schemes for and organise central co-operative organisations, straightaway without waiting for the sanction of the Standing Committee.[4] After the lapse of more than three years, we have not had any report or scheme.

MADRAS DEPRESSION ENQUIRY COMMITTEE.

Of all the Provincial Governments, so far as we are aware, it was the Government of Madras that ordered a specific enquiry into the possibilities of co-operative marketing as a measure of relief during the depression in their terms of reference to the Economic Depression Enquiry Committee of 1931. They were "to examine the effects of the general economic depression and to report whether any measures should be adopted by the Government to mitigate them by arranging for the co-operative marketing of certain produce or otherwise."[5] The report of the Committee contained more or less a resume of the findings of the Madras Banking Enquiry Committee on the question of co-operative marketing. Indeed the authorship of the two might be identical, for the Chairman of the latter was the Secretary of the former. It was laid down in quite orthodox style that an essential condition of co-operative marketing was "production in a fairly compact area, concentration and despatch through a 'bottle-neck' to a distant market" while "production spread over a wide area, largely for local consumption over an equally diffuse area, a common condition with food grains, will render concentration for co-operative marketing unprofitable."[6] It was definitely stated that "the prospects of successful marketing of paddy co-operatively on a large scale are exceedingly remote".[7] though

the ryots could be given loans on pledge of produce to help them avoid immediate sale after harvest and attract bigger merchants to buy the produce in larger bulk in the godowns of the societies at fairer prices than those offered by village dealers. We wonder if from this stage the step to pucca co-operative sale is long or difficult, at any rate in respect of rice of the deltas going long distances to centres of consumption. The futility of merely organising credit or offering any attraction to local merchants by storage in big godowns is indeed clear by the Committee's own statement later, in defence of the attitude of the Imperial Bank, that "in a falling market merchants are unwilling to buy more than they are obliged to do, while banks must naturally be expected to be conservative in their advances on produce."[8] The Committee approved of the lines of working of the Tiruppur Cotton Trading Society and suggested "an immediate investigation . . . into the possibility of starting more co-operative sale societies for all kinds of agricultural produce" on those lines. We have not so far heard of the organisation of any societies as the result of any such urgent and extensive enquiry, though we see that societies have since then been started not only to sell co-operatively groundnuts in the South Arcot district but paddy in Nellore and Madura.

PROVINCIAL BANKING COMMITTEES' FINDINGS.

Almost all the other Provincial Banking Committees, while pointing out difficulties and citing cases of failure of co-operative sale, have shown no lack of faith in co-operative marketing and have suggested remedies for particular ailments. For instance the Committee of Bengal, where there have been bad failures in jute sale societies, consider them to have great potentialities for good to cultivators, if run on proper lines.[9] The United Provinces Committee consider co-operative marketing the most promising of suggestions, though little progress has been so far made, compared with Bombay or even Bengal. They are emphatic. "We must insist that the success of co-operative credit is jeopardised, to a large extent, by the absence of organised marketing."[10] The Committee of Bombay, where successful societies are comparatively more numerous, examine the working of sale societies more closely and very naturally are prepared to go farther, for example *re* pooling, in the development of co-operative marketing.

NEED FOR CO-OPERATIVE SALE QUESTIONED.

It was given to the Bihar Banking Committee, on the basis of only two experiments which turned out to be disastrous failures, to belittle the benefits of co-operative sale, "a standard doctrine of the keen co-operator, which has gained benediction from the report of the Royal Commission on Agriculture in India." There is no doubt considerable force in the reasons they advance for the poor show of co-operation:

the smallness of the margin in paddy, the difficulty of the forecasting prices—particularly in a period of depression, dearth of managerial ability and character among the men at the helm of affairs and the lack of co-operative spirit among members, "who only desert the society at the first appearance of loss." Societies of larger size as suggested by the Registrar of Co-operative Societies, they argue, "would only involve larger losses," though we believe that would be the only means of reducing overhead charges and securing managers of ability and character. Their defence of the existing system of marketing is even bolder. "The normal system of marketing is, we are convinced, a free one, in which producers, whether indebted or not, have a fair choice of buyers and get a fair price." [11] As Miss E. M. Hough states, "Exact data on the ratio of middlemen's charges to the profit received by the cultivator are not available, but this finding is so contrary to the consensus of informed opinion in other parts of the country that not much weight can be attached to it." [12]

The Bihar Committee conclude that co-operative sale "should not be taken in hand unless there is a clear demand for them by producers themselves after the dangers of sinking money in an attempt to compete with a well-organised system have been fully set before them." [13] Students of the history of co-operation would know that it is a fetish to expect of an ignorant peasantry who would be co-operators a condition of desperate need or a clear demand for an organisation. It is to misread peasant psychology. Education and propaganda, more than all demonstration of success in the neighbouring area would be necessary. As Weld says, "It is perhaps going a little too far to say that Co-operation must be born of necessity. Better say that some tangible economic saving or some improvement must result in order to make Co-operation successful. In other words, 'co-operative spirit' is apt to be a result of successful economic endeavour rather than the cause of it." [14] As for the well-organised system we have at present with which it is dangerous to compete, it is unfortunately true that the competition of private traders is often very severe and they work on miserable margins, except where sharp practices are resorted to. But at each step there are too many middlemen and the volume of trade handled by each is very small, which means really more marketing cost per unit of goods. As the Foreign Banking Experts say, "in the aggregate the profits of the innumerable number of traders must be very great. Individual profits are small, as they always are where there is a teeming population as in India. The fight for a bare livelihood will always bring forward sufficient competition to secure to the ryot a price that will leave the country trader with a very small margin. It is not the excess profits of the traders that the ryot has to complain of and suffers from, it is the hopeless inefficiency of the system." [15]

THE CENTRAL BANKING COMMITTEE'S RECOMMENDATIONS.

The Indian Central Banking Enquiry Committee, after a brief review of the findings of the Provincial Banking Committees, felt bound to conclude, "On the whole we think that there is much scope for improving and extending the existing machinery and that with a clear line of advance and with sound and competent guidance, co-operative marketing is full of possibilities for the future . . . We also consider that provincial Governments should not hesitate to make advances to co-operative banks at concessional rates of interest for the development of co-operative sale societies." It is when we come to details of policy that the Central Committee's recommendations appear to be somewhat halting and indecisive and at times compromising the co-operative character of institutions. They should, to be sure, have had in their mind the past experience in several provinces and States and should also have been influenced by the findings of the Provincial Committees which were to some extent conflicting.

EXTENT OF CO-OPERATIVE SERVICE.

Let us take some instances; first, as to the extent of co-operative service. "While in the case of crops intended for export, adequate remedy for evils will not be forthcoming until arrangements are made for orderly marketing" they say that "in the case of crops intended for internal consumption" co-operative sale societies which can help cultivators by advance of loans to hold up produce for a favourable price will go a great way to help them and they recommend the establishment of such societies "wherever there are reasonable chances of their successful working." They add, "We do not recommend that such societies should purchase their members' produce outright; but they should continue the present practice of acting as agents to producers for the sale of their produce." [16] This is on the lines of the Madras Banking Committee's recommendation and also on those of the Maclagan Committee whose report has been the Bible of co-operators in India from 1915. This Committee said, with the caution natural for early days: "We do not think that a society should itself become the owner of the commodities handled. It is preferable that it should buy or sell on commission or on some system under which it merely undertakes joint sale and purchase on behalf of the members at their risk." [17] This glorified brokerage business is, perhaps, an even more necessary precaution in these days of extraordinary fluctuations in prices; but it is often accompanied by a conservative estimate of value and the retention of a high margin so as to cover probable fall in prices, so that 60 to 80 per cent. of the value alone is advanced on pledge of produce in the sale societies in Bombay, while in Madras we are told that 60 per cent. and below is the practice that obtains. To the hard-pressed ryot with produce on his hand, the alternative of the village dealer who is prepared to purchase outright—it may be for a smaller price than what he may get if he waits—should indeed be more attractive. And the commission or mandi shop-keeper in a neighbouring trade centre, to which the ryot, if he cares, may go, is prepared to pay a much higher proportion of the value. Either of these agencies might also have lent money to the ryot, who is morally if not legally 'tied' to that extent. No wonder our sale societies do not make much headway under these conditions.

SERVICE TO AND BY NON-MEMBERS.

On the question of selling non-members' produce, on which there is controversy in co-operative circles, the Central Banking Committee think it desirable that "for the present (sale) societies should deal only with the produce grown by members, but if in any particular locality the Society is competent to deal with non-members' produce there cannot be any objection to such a course."[18] We should think that the more competent a society is, the more chances it will have to convert doubters into members. We used to hear that it was in the initial stages that rigorous exclusion of non-members' produce was not desirable, in the interests of a large turn-over. In fact, a good part of the business now is offered by non-members in several cotton sale societies (the notable exception being those in Gujarat which are "strictly co-operative") and the co-operative commission shops of Lyallpur. It would not matter if non-members were ryots, pure and simple. But there were often merchants who in the guise of growers—for they too own some lands—utilising the easier financial facilities of the societies could better exploit the growers in the villages.

In some provinces, merchants have indeed been welcomed deliberately not only as customers but as members and even on the management. Thus the United Provinces Banking Committee have recommended "the utilization of the local *bania* with his practical knowledge of business methods but cutting down his profits to proper limits."[19] Bombay societies have actually used local merchants, some of them ginners, for marketing cotton on a commission basis. This is partly to utilize their business knowledge and partly to maintain cordial relations with them, lest they should boycott societies as they have effectively done in the past.[20] We cannot forget the warning given by Mr. Collins, an ex-Registrar, that "the merchant members become the enemies of the society, when its business begins to extend and they find their own business curtailed."[21] All the same we think it is worth considering whether it is not the part of wisdom to discover, and engage the services of, honest and efficient businessmen who would like to exchange a life of struggle and insufficiency or instability for one of moderate but assured comfort in a public cause.

HOW TO SECURE LOYALTY ?

On the need for loyalty of members and a large turn-over in sales societies, the Central Banking Committee merely endorse the views of provincial committees, which are mostly truisms, and do not give us a clear lead as to the practical measures needed to secure the same. Every province affords instances of the desertion of members by the offer of trifling concessions by rival interests. Societies are generally so weak that they dare not think of enforcing loyalty on pain of fine or expulsion. But without an obligation on the part of members to sell all surplus produce through the society, the latter has "to lead a precarious existence as a seller of occasional remainders." It is only in Bombay that there is provision for penalising disloyalty and it is a matter for gratification that in Gujarat loyalty is so common that "the occasion for enforcing penalty hardly arises." The Eleventh Registrars' Conference discussed the question of loyalty at some length and with only one dissentient voice stressed the need for securing loyalty if sale societies were to succeed. Registrars and non-official leaders from Bihar, Bengal, Mysore, etc., gave instances of disasters due to disloyalty, the most serious of which related to the Bengal jute societies in which in the course of 5 or 6 years Rs. 25 lakhs had been lost out of a crore of rupees advanced by the Provincial Co-operative Bank.[22] It is indeed too late in the day for us to be told, as by the recent Bengal Jute Enquiry Committee (Majority), that the formation of village credit societies to work alongside of jute sale societies and advance loans on condition of cultivators selling through sale societies in the locality is to be deprecated as "restricting the freedom of the individual and as being opposed to the principles of co-operation."[23] Three members, however, dissented from the above view and fully approved of the idea of conditional loans and rightly observed that "even in advanced countries, where co-operation has made considerable headway, some measure of compulsion, not to speak of 'local option', has been found necessary."[24] Apparently the other members have not known that in new countries like Canada, South Africa, Australia and New Zealand five-year 'iron-clad contracts' have been successfully worked and that even Great Britain, the land of *laissez faire,* has in her recent Marketing Acts taken the power to go ahead with a form of 'compulsory co-operative marketing' which would no doubt offend orthodox co-operators.

POOLING AND STANDARDISATION.

On the question of pooling produce for sale, and standardisation and grading as incidental to it, opinion was sharply divided among Provincial Banking Committees. One Committee even doubted "if the agriculturist will gain anything in the long run by forming a pool." In the Punjab the agriculturist is said to have 'a rooted objection to pooling'. In Bombay, where the advantages of pooling cotton of new strains in Gujarat have been realised, the Committee were of the view that "pooling is a very important item contributing to the success of the sales organization. Without pooling societies cannot go beyond the stage of the first or second middlemen and cannot permanently overcome the danger of local boycotts. Only if pooling is undertaken can the sale societies aspire to become a potent force in the market."[25] The Central Banking Committee have expressed a modest wish that "experiments should be made at selected centres and the benefits of standardisation, grading and pooling should be brought home to the agriculturist by this means and by propaganda and education" as even "similar difficulties existed in Canada as late as 1907, but have been overcome by educative propaganda and experience of the services of warehouses."

WANTED A THOROUGH CHANGE IN OUTLOOK.

In striking contrast to the hesitancy on the part of several of our committees in recommending bold and thorough-going measures and to their self-complacency in the small successes achieved by our sale societies, we find in the Memorandum of the Foreign Experts to the Indian Central Banking Committee a revolutionary outlook on the problem of organizing our marketing. They declare that India is less organised than any other country, except China, in respect of her marketing, in which antiquated methods are still employed, while tremendous changes have been made in other countries. "Standardisation and organisation are now the watchwords in every country, and there is a determined striving after efficiency with the Government hall-mark of quality. . . . As the organised competition of the rest of the world is increasing, Indian produce is being displaced."[26] The Foreign Experts have naturally emphasised the importance of export trade, though many of their observations should hold good in respect of produce travelling long distances within the country, particularly those which now face fierce competition even in our internal markets from produce imported.

Their candid criticism of the working of the 'co-operative' commission shops of Lyallpur, in a province often held forth as a model of co-operation, is very pertinent. "They sell in the local market exactly under the same conditions as other traders. The management is not more efficient; it is indeed perhaps inferior. . . . It is claimed that by this means a cultivator may save half a rupee per maund in commission. It is no doubt some benefit but it touches only the fringe of the problem. The congestion of the local market is left exactly as it was."[27] With the fundamental axiom they lay down, this article may be closed: "Co-operative marketing is not worth the doing if the existing methods cannot be improved upon."

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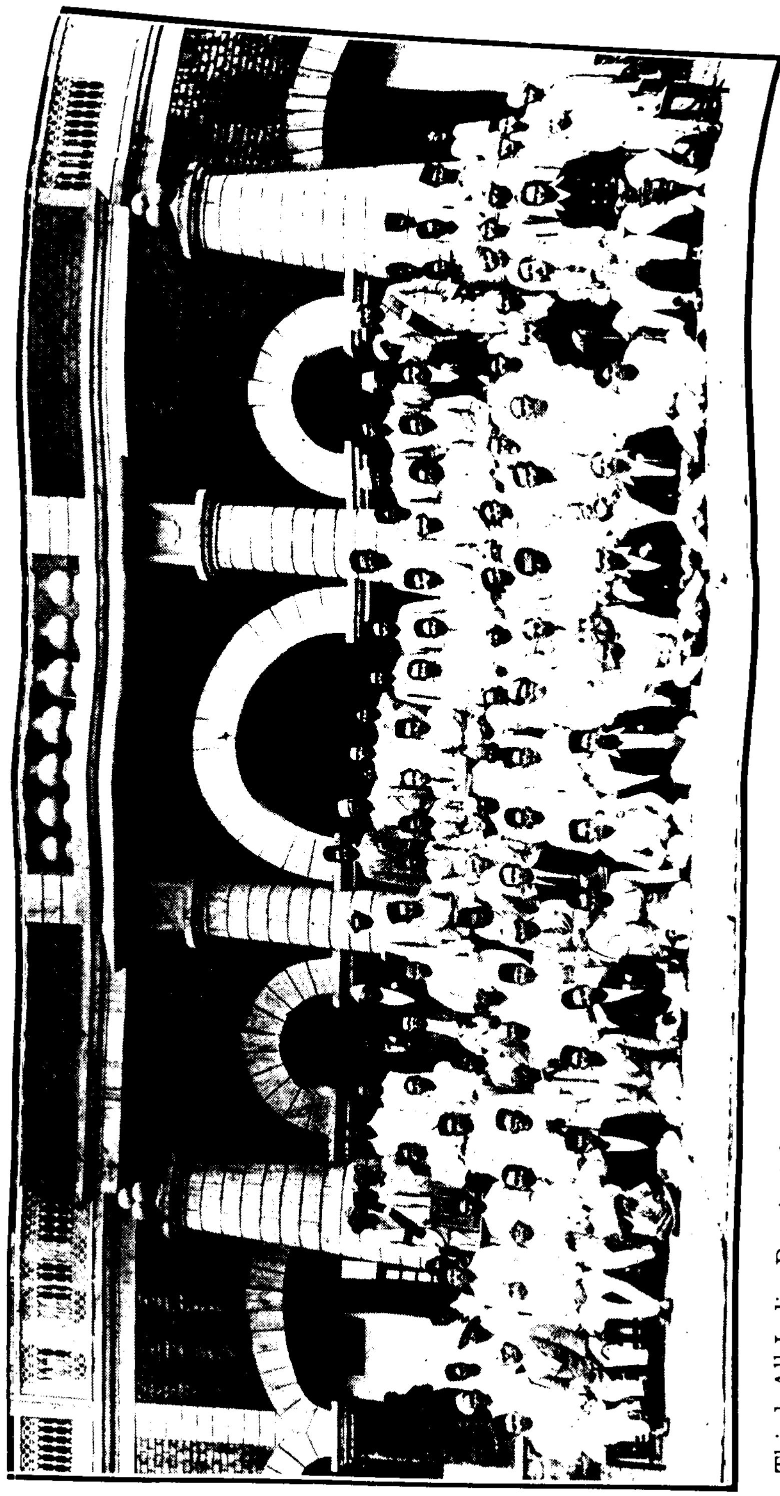

Third All-India Provincial Co-operative Banks' and Institutes' Conferences, held at Amraoti, Berar, June 1934.

Proceedings of the Joint Session of the Third

ALL-INDIA PROVINCIAL CO-OPERATIVE BANKS' AND INSTITUTES' CONFERENCES

Held at the Berar Co-operative Institute, Ltd., Amraoti.

On the 23rd, 24th and the 25th June, 1934

A joint session of the Conferences of the Indian Provincial Co-operative Banks and the All-India Co-operative Institutes was held in the Berar Co-operative Institute Ltd., Amraoti, on Saturday the 23rd June 1934 at 3 p.m. Prominent co-operators and delegates of the Provincial Co-operative Banks and Institutes in British India and many of the Indian States, numbering about 75, were present.

WELCOME ADDRESS

By

Rao Bahadur K. V. Brahma.

Rao Bahadur K. V. Brahma, M.B.E., C.I.E., President of the Berar Co-operative Institute and a leading advocate of Amraoti, who was the Chairman of the Reception Committee, delivered his welcome address, in the course of which he said :—

Financiers tell us that every concern turns a corner when it attains to 30 years of its existence; and the concern which successfully turns the corner at this juncture has no fears to fear in its subsequent career. Our movement has been in existence for the last 25 years though it got into full swing after the Act of 1912 was passed. Within 5 years after 1912, India entered a period of general prosperity and several pit-falls were then hidden from our view. The tide of prosperity has now ebbed and we are consequently faced with problems which were undreamt of before, but which now require patience, foresight and courage to be tackled successfully.

We want a vast army of men armed with the weapon of steady determination to fight all odds, who would go from society to society and live with their members and preach to them by example that it is not impossible even now for them to improve their lot if they are in earnest about it. What chills the enthusiasm of us all is the apathy if not the antipathy shown by those who belong to us, I mean, the members of our primary societies. Continued depression and poverty have made them desperate. Some of them have lost faith and the majority of them turn a deaf ear to our preaching and advice. My appeal to Sir Lallubhai Samaldas, who leads the Co-operative Institutes in India, is that he should show us how without men and money we can once more vitalize the movement. Government—the fountain of money in India—tells us it has no money for us. The societies and banks say they are unable to meet their own liabilities and cannot therefore be expected to find new money even for their own amelioration. I begin to feel we are between "Scylla and Charibdys" and we want the mariner of the harbour of Bombay, Sir Lallubhai, to take us safely through. I would not mind if he seeks the assistance of another expert sailor from Madras, I mean, Mr. Ramadas Pantulu.

For the material or monetary side of our concern, I have only a few words to say. With the desperate state of our societies, the banks and particularly the Provincial Banks get fidgety. They are alarmed by the so called frozen assets. They begin to imitate their compeers the commercial banks, between whom and themselves there is really very little in common. Those who are at the helm of affairs in banks must have the courage and foresight of the field marshal on a battle field and they must guide and advise the societies and Central Banks in such a manner that the so called frozen assets would liquify without delay. I do not mean they should give up any sound principles of finance or be the charity houses of India. But I do not believe that with adequate effort on their part it would not be difficult for them to get new money sufficient to give enough accommodation to all who can be saved. If one Provincial Bank cannot do it singly let us have a "Banking Corporation" of all Provincial Banks and deal unitedly with the money market in India. None can deny there is enough money in India, but the channels through which it flows have got clogged and if we imitate the Punjab which is the largest and the richest province in India and start a silt-clearing society the seven rivers of gold in India would more than irrigate her plains. The Mihirnath Roys of India must put their heads together and take us to a new heaven on earth.

Let me finish by welcoming you once again to our town. Forgive us for any shortcomings you may notice. Be generous to extend your hand of fellowship. Let us all go together, think alike and know each other's mind (as our Upanishads say) so that we may secure prosperity and happiness for the men and women of our Country by mutual good will and Co-operation.

HIS EXCELLENCY THE GOVERNOR'S MESSAGE.

A message from His Excellency the Governor of the Central Provinces and Berar was then read out by Mr. Brahma :—

"I regret that owing to engagements elsewhere I am unable to attend this conference of the co-operative institutes and co-operative provincial banks. It is in the fitness of things that the conference should be held at Amraoti, which is the headquarters of the oldest co-operative institute in our province.

"The crisis through which the co-operative movement is passing at present has been brought to a head by the general agricultural depression, but its real causes lie in the past history of the movement, and it will be your task to ascertain how far the movement has strayed away from the true principles of co-operation, and to suggest ways and means to bring it back on to the right track. It is a happy arrangement that the conference of institutes, which are responsible for the education and supervision of societies, and the conference of provincial banks, which are responsible for the provision of finance, are meeting at the same time and place. I welcome the presence of the many veteran co-operators from the various parts of India who are attending the conference, and hope that their wide knowledge and mature experience will succeed in finding a solution of the many problems that concern the movement today, in particular that they will be able to indicate some way in which the idle capital of the provincial banks can be made available for the promotion of agriculture and industry. I wish the conference all success."

THE INAUGURAL ADDRESS

BY

THE HON'BLE MR. B. G. KHAPARDE.

After His Excellency's message to the Conference was read, The Hon'ble Mr. B. G. Khaparde, Minister for Education and Co-operation of the Central Provinces and Berar Government, delivered his Inaugural address, in the course of which he said :—

The co-operative movement in almost every province is faced with more or less troubles due to internal as well as external causes. Though I shall deal with the movement as we find it to-day in this province, yet I cannot refrain from mentioning to you that this movement has been so widely affected in all parts of India that we cannot avoid concluding that the external causes affecting this movement must be very general and powerful and the internal causes affecting this movement in all provinces should have a great deal in common.

This movement has been affected by mistakes that crept in, and also by cause which were beyond man's control. It should be realized that taking the system as a whole, the affection of one component part of it cannot but tell on other parts, and if we want to work the system as a whole you cannot afford to neglect any one part at the cost of the other. The interests of the capitalist, who stands at one end and supplies the deposits to our banks, need being as much guarded as the interests of the peasant and the farmer, who stand at the other end, and the machinery that serves these two ends needs to be kept clean and well protected.

The mistake of using short-term deposits for long-term loans is now commonly admitted. Either it was hoped that the depositors will not want the money back and will renew the deposits or the faith in the borrower was unduly optimistic. This has affected this movement adversely. Inexperience in the conduct of a movement of this kind perhaps led to the concentration of debts, so that a large sum of money was locked up amongst a small number of debtors. Unduly large loans, such as were not contemplated by the sponsors of the movement, were lent out with the result that a section of the needy cultivators who wanted small debts could not be attended to, not perhaps because the necessary funds were not available, but because attention was disproportionately concentrated on large loans. The borrower was not very careful in using the capital for productive purposes and found it difficult to make it up after it was spent.

Like unskilful generals we conquered new regions without caring to keep a hold on the ones already ours and extended the movement at the cost of firm hold and organization. Voluntary work was accompanied by its usual concomitants, *viz.*, sincere devotion and elastic discipline. All honour to those who gave their youthful energy, mature judgment and precious long periods of their lives to the organization and betterment of this movement. Let us however recognize our shortcomings and learn from the consequences.

The external cause that affected this movement are too well known to be mentioned in detail. During and after the war the prices of field products happened to be so favourable and familiar that it took strong imagination to foresee that these favourable times may not continue long and the reaction to the extent that we experience would inevitably come. The lending banks under the circumstances lent freely hoping that the money would flow in as easily as it was flowing out, and the borrower borrowed without reserve hoping that he will be able to repay the money under the most adverse circumstances that he could then imagine. Unfortunately, the calculations and the faith of the lender and the borrower proved amiss and the long series of years yielding bad crops followed in continuous succession. The general depression of trade all the world over added to the difficulties and abnormal economic situations created by the war subsidies brought about world conditions which no human mind could foresee.

The co-operative movement, which was started to help the cultivator by increasing his power to produce the wealth of the nation, could not fulfil its mission under these adverse circumstances : and not only this, but the irony of the situation so worked that the movement came to be looked upon as something against the interests of the cultivators. The Central Banks were bound to pay back the depositors their money when demanded and keep up their credit, and, therefore, they took recourse to coercive measures against the agriculturist which could not possibly be appreciated. While the banks took their stand upon their right to get the money back that they had lent, the borrower came forward with the plea of equity and humanitarian considerations, which had their own force, and gained ground on account of the wide sympathy they commanded. For sometime past, therefore, the co-operative movement in this province has been torn between these conflicting forces and hovering between life and death. The advocates for its existence, however correct and logical in their theories, could not point out to many tangible benefits the movement had brought and the cry of the misery which surrounded us immediately was so loud that the voice of logic and reason could not be audible. Those that decried the movement were helped by the facts as they existed, while they did not bother either about the theory or the logic of the movement or the sacrifice made so far for keeping it going. Allow me to quote a few figures from the annual report of the Central Provinces and Berar for 1932-33 :—

"At the close of the year the total number of award outstanding were 3,321 involving an amount of Rs. 17,03,736 in the Central Provinces and 1,850 involving an amount of Rs. 36,06,898 in Berar. There were 938 societies under liquidation and the amount due from them was Rs. 33,62,103."

This naturally resulted in the properties of the borrowers being brought to sale and a movement devised for enabling the peasant to earn a better livelihood seemed to result in depriving him of the means of it. Up to the 30th June 1933, the banks and societies in Berar alone came to own 17,531 acres of land and the management of these vast areas of land created fresh problems which have not yet reached solution. The banks themselves could not cultivate these lands and it was not easy to find either lessees or *bataidars* to cultivate them.

There is yet another problem to which I must refer here in this connection. The acute economic distress through which we went lent force to the contention that relief to the agriculturists should be given at whosesoever and whatsoever cost it be and one of the measures the Government were induced to adopt for thus rendering help was to delay the execution of decrees passed against the debtor in the civil courts in usual course. The effect of this was that the short-term debt incurred for raising a crop was spread over a series of years, being made repayable in small instalments and thus was converted into a long-term loan. The loan was outstanding after the crop for which it was raised was gathered, sold and the money spent. The well-defined margin between a short-term loan and a long-term loan was thus perforce made very hazy. This, coupled with the mistake that was made in giving long-term loans out of short-term deposits, made the margin between the assets and the debts so thin that it became really negligible. Consequently the insistence of the conference held in 1928 about the necessity of keeping short-term loans for crop purposes and long-term loans for land improvement lost its real use, significance and meaning. Further, are we sure that we, by any means, took precautions to prevent the debtor from incurring further debts while the process of realizing the old debt, which was spread over so many years, was in progress ?

If you have followed the debates on this subject in the Provincial Legislative Council you must have observed that opinion was expressed from some quarters that it was time to think very seriously if the whole edifice of this movement should not be pulled down. This debate, to which I am referring, set me thinking about the situation in a new light, and my studies in this line have made me a confirmed optimist, and I

have arrived at the conclusion that not only the co-operative movement must continue to exist, but further, that if any good is to be done to the landlord and the tenant this co-operative movement is the only means of doing it, and we must make every effort to keep the edifice standing and strengthen it. A crisis in the movement which by itself was by no means unsurmountable so synchronized with the misfortune of successive failure of crops and the world depression that during the severe stress we felt we had neither the mind nor the leisure to think out and determine the share of our plight we owed to each of these. Indeed the intermixture, may I say the inter-dependence, of these causes was so complicated that it was not practicable to do so. The only solution and saving lay in firm optimism and faith and reliance in one's power to resist depression. In this perhaps we did not come up to the required level and political capital was allowed to be made out of the situation by responsible men. Let us turn away from this distressing thought. The present circumstances are not going to last for ever, and the future has, I am sure, many blessings in store for us. The acute depression of trade all over the world, the consequent lowering of the prices of the field produce, the reduction of the purchasing power of the cultivator and the consequent depression in trade and his inability to pay his dues the reduction in the value of his assets and the swelling up of debts, and the thinning of the margin between the short and long-term loans coupled with the unconscious mistakes, the responsibility for which we may not deny and the consequences of which we may not shirk, all these have brought us to where we find ourselves to-day. All this has to be faced with courage and optimism and dealt with a firm attitude.

The Government at present is adopting all possible measures to give the needy all the relief that can be given. They have sifted the temporary remedies from the permanent cure, and while they have not been slow in adopting the former they have never lost sight of the latter. The Government has now decided to accept the advice of the conference of the office-bearers of Berar banks and to allow the reserve fund to be utilized for writing off bad debts.

Land mortgage banks, if judiciously used, will, I consider, be of great use in relieving the present distress. The problem, however, is not so simple as it looks to a casual observer or at first sight. I quote from the latest resolution of the Government of India on this subject :—

" . . . . . . the essential problem in connection with such institutions in India lies in the realization of their security—land . . . Conditions in this respect vary greatly from province to province, and the representatives of several provinces were quite definite in their opinion that the dangers of tampering with the land laws and increasing the facilities for the alienation of land were so great as to outweigh the advantages for improving the character of the security on which credit could be obtained. Whatever the possibilities of future development may be, it is clear that, in view of these opinions and the differences in conditions, the responsibility for policy as regards establishing land mortgage banks must rest with the provincial Governments. . . . . It is for the provincial Governments to face the fundamental issue, and to decide, if they desire to have such institution, how far it is possible to provide them with a realizable security as a basis for their loans."

Our Government has recognized the steady pressure of public opinion in this respect and have now decided to establish mortgage banks. When the land mortgage banks begin to operate, it may be that they will not find their path strewn with roses, because even they will want a fair margin to be secured between the debts and the assets. It is very essential for the skilful working of the land mortgage banks that there should be thorough co-operation from the borrowers in repayment of the debts borrowed. This really means a well disciplined life and a real recognition of the responsibility to pay back what has been borrowed and a sense of ease and gratefulness at being allowed to enjoy certain privileges not obtainable elsewhere. Howsoever regrettable it be, the fact remains that the debtors are not as keen on paying back the debts as they are on receiving them, and we need cultivate a keen moral sense in this respect.

The land mortgage banks will be expected to work and advance loans within certain well-defined margins, and though they may start by extending their help to small and medium cultivators their scope in time may enlarge and, things going well, it should be found possible to put it within their means to help large proprietors and give fairly large loans.

The Debt Conciliation Act is now in force and the experiments so far made have given room for argument on either side. I am afraid we are not yet in a position to call it a decided success so far as the credit of the cultivator is concerned. I refer to it because it covers co-operative debts and indirectly affects the depositor.

The Provincial Economic Conference has pointed out that—

" . . . . . . while measures for dealing with debts, in the form of legislation or otherwise, varying with the needs and the conditions of each province might be necessary, such measures are essentially temporary expedients and palliatives, and in the absence of changes either in the mental outlook of the agriculturist or in his economic opportunities, they are likely to result merely in fresh debts being incurred from the original creditors, so that their position would speedily revert to its original state. Such measures, therefore, if they are to serve a really useful purpose, must be supplemented by a constructive action of a more permanent character, embodying a policy of economic and social development."

I now lay before you a suggestion for your consideration without expressing my own opinion about it. The suggestion has come from quarters competent to express public opinion. The suggestion is that the distrust so far exhibited against the Government should wear out in face of the fact that the Co-operative Department is a Transferred Department and, further, that provincial autonomy should command complete faith in the Ministers to come. It should, therefore, be possible to invest the Registrar with powers which have not been hitherto vested in him. We have tried a kind of democracy in this movement, and we might as well try a benevolent dictatorship to a certain extent for a time and see if we cannot improve upon the things as we find them. We all know that there are societies which persistently refuse to adopt disinterested advice given to them. The societies should be made more efficient by an external pressure exerted on them.

The management of a society should be liable to be superseded if they, that is to say the management, are found to persist in mismanaging their affairs. This is calculated to secure uniformity and discipline. Allow me to bring it to your notice that similar and such like powers have been granted by the Madras Legislature, and they are under contemplation of the Bihar and Orissa Government on a recommendation of a popular committee. Of course, these are suggestions, the value of which you may like to determine during the course of your debates.

May I say the movement is standing on the brink of a precipice, and may I express a hope that you will do or say nothing that will give it a push to go over to the other side? I expect drastic proposals will be made and discussed and weighed and valued according to their inherent merits. I need hardly tell you that the eyes of India are watching us. Now, ladies and gentlemen, I leave you to your deliberations.

THIRD ALL-INDIA CO-OPERATIVE INSTITUTES' CONFERENCE

PRESIDENTIAL ADDRESS

BY

SIR LALLUBHAI SAMALDAS.

Extracts from the address are given below :—

ELEVENTH REGISTRARS' CONFERENCE.

Since we last met, the crisis through which the co-operative movement was then passing has been intensified by the continuance of the general economic depression and to consider the situation the Government of India, in consultation with the Provincial Governments, thought it desirable to hold the eleventh session of the Registrars' Conference at Delhi on the 29th January of this year and on three subsequent days. That Conference was distinguished from previous ones in one important particular. For the first time in the history of these Conferences the rights of the Institutes' Association and the Banks' Association to send their representatives to attend such Conferences and to participate fully therein, was recognised by the Government of India. While we feel sincerely thankful to that Government for this recognition of the two existing non-official All-India Co-operative Associations, I think that to make such Conferences of the future really representative of official and non-official co-operators, it is necessary that the advisors of the Provincial Registrars should be elected by Provincial co-operative bodies such as the Provincial Banks, Provincial Co-operative Institutes or Unions. Other provincial organisations such as marketing and insurance societies when they come into existence should also be given the right to send their delegates. This demand of ours is a fair and reasonable one, and I hope it will receive the same sympathetic consideration at the hands of the Government of India as our demand for the recognition of the All-India Co-operative Associations did at the time of the Eleventh Conference of the Registrars.

Our Conference to-day marks an advance on its predecessors in so far as the representatives of the Provincial Co-operative Banks and of the Institutes meet together at the same time and place; and though they will be holding their Conferences separately, I earnestly hope that

this will be but a step towards holding one joint Conference of both these bodies in future. Though such a Conference will not be representative of the official side of the movement it would be a truly representative gathering of the non-officials who have devoted and are devoting themselves for the success and spread of the co-operative movement.

CRITICISMS OF THE MOVEMENT.

At the outset, I would like to convey on my and on your behalf our best thanks to His Excellency the Governor of the Central Provinces for his message which has been just read out to us and which takes proper note of the existing crisis that faces the co-operative movement due to various causes, chief amongst them being the slump in the prices of agricultural products. The message hints that one of the reasons for the present unfortunate position of the movement is that it has strayed away from the true principles of co-operation; a similar criticism has been made in other Provinces also, as for instance, by the Bombay Reorganization Committee and by the Bihar and Orissa Co-operative Enquiry Committee. When such criticism is made from time to time and from different Provinces, they should receive serious consideration at our hands. I have had the good fortune of being connected with this movement not only from its inception but to a certain extent even before the first Co-operative Bill was introduced in the Imperial Legislative Council. I have also had the good fortune of studying the growth of the movement at different stages. Nearing the grave as I do, I have no personal feelings in this matter; my sole object in referring to the past history of the movement and drawing conclusions therefrom, is to put before the younger generation of co-operators the history of the growth of the movement and its set-backs that I have been able to see till now, so that the young co-operators may be able to carry on the movement for the economic advance of the agriculturists and small industrialists on correct lines.

HISTORY OF THE MOVEMENT.

At the time of the introduction of the Co-operative Societies Act in 1904 when officials were appointed to the new posts of Registrars of Co-operative Societies, very few officials or non-officials knew even the 'A. B. C.' of what the co-operative movement had been in the West and what good results it had achieved. The local Revenue Officials of the time were apathetic and in some instances even unsympathetic. The soil in which the movement was to be planted was not ready to receive the seed as illiteracy was and is even now rampant in the villages. The old moneylenders were hostile to the movement as they felt that it would take away their bread from their mouths. The then political leaders thought that this movement was taken in hand by Government to cover the skeleton in the cupboard because they were not prepared to follow the precedent of the Egyptian Agricultural Bank. Add to all these the varying land tenures, from the full peasant proprietory rights in Bombay and Madras to the tenants with none of these rights in Bengal, Bihar and in the United and Central Provinces and you will realize the difficulties that faced the first Registrars in the initial stages of the movement. They had to sow the seed in unprepared soil and nurse the seedling under various adverse circumstances. They had also to create an atmosphere favourable to the growth of the plant.

All these factors are, I fear, not known to the present day critics who feel annoyed and dissatisfied when they see some plants being stunted in growth, some bent or twisted and most of them not rising straight to their full height. These critics usually spare the old official Registrars for having started a larger number of societies than they and their assistants and auditors could control or guide. They are equally reticent about the mistaken action of the various Provincial Governments in giving greater importance to the number of societies registered instead of to the quality of the societies that were in existence for some years. These two parties being consciously or unconsciously exonerated, the critics turn their eyes towards two classes of non-official bodies—financial and propagandist—and hold them mainly responsible for any evil that may be found even lurking in the movement. As the senior most non-official co-operator, I feel justified in saying that before the slump in prices began the movement was, on the whole, progressing on right lines to the extent that any good movement in our poor and illiterate country could be expected to go. If and when there have been mistakes of omission or commission, they are due firstly to the surroundings in which the work had to be carried on, secondly to the desire on the part of officials and non-officials to register as many societies as possible without preliminary propaganda, thirdly to Governments expressing their approval of such action and lastly to the mistaken ideals of some of the co-operators both officials and non-officials.

HANDICAP OF ILLITERACY.

Speaking for myself, I acknowledge that I did not realize till very late that the illiteracy of the masses would prove such a very great handicap to the progress of the movement on correct lines. But even when I and many others realized this fact, we were not able to render any material help, as the task of removing illiteracy of the masses is too big for private individuals and must be attended to by the Government of the country. My friend the late Sir Vithaldas—during the last years of his life—turned his attention to educating the members of the co-operative societies and made a handsome donation for the purpose. Successful as the work was within its limited scope, it could not cope with the vast ignorance of some 85 per cent of the village population. After his demise, even this work had to be given up as Government could not or would not find the money to carry it on.

Whilst it was not possible for co-operative institutions to tackle the larger problem of removing mass illiteracy or providing facilities for mass adult education, these institutions have been doing a fairly large amount of work in various provinces for the diffusion of knowledge of co-operative principles and practice amongst the members of co-operative societies and their officials through schools and training classes. But the essence of these co-operative principles embodied in the well known motto 'Each for all and all for Each' is difficult to imbibe unless backed by general knowledge and culture. The full success that we desire and earnestly strive for for the co-operative movement will not be attained unless illiteracy is removed, ignorance is wiped out, general knowledge widely diffused, and an intensive programme of adult education in villages is seriously taken in hand.

FUNCTION OF THE STATE.

This important and necessary piece of work is the legitimate function of the State which must, at all costs, and without caring for the difficulties that face it, introduce immediately a system of free and compulsory education for the young and also of adult education in rural areas. If the various Provincial Governments decide to undertake this duty which they owe to their agricultural population, not only co-operators but other non-official public men are sure to come forward to help such a movement with money, personal service and brains. The central financing agencies and their apex banks will also, I am confident, willingly participate in a movement that will strengthen the primary societies affiliated to them; and the propagandist Co-operative Institutes, Unions and Federations will likewise render all the assistance that they can to make this nationwide movement a great success.

RURAL RECONSTRUCTION.

The subject of rural reconstruction of which adult education, to my mind, is the most important part was in a way on the agenda of the Registrars' Conference at Delhi in January last. They dealt with the question of the place of co-operation in rural reconstruction. That Conference entrusted the work of rural reconstruction to village Panchayats or in their absence to better living societies or rural reconstruction societies and at the same time said that the staff of the Co-operative Department should be strengthened. There appears to be a fundamental difference in the outlook on rural reconstruction of that Conference and of most of us. Rural reconstruction cannot merely mean cleaning of villages streets, or having a few lamps in the streets or having a small night school or a medicine chest in each village. It is true that all these amenities are useful in making the lives of the villager a little more comfortable and cheerful than now, but no plan of such rural reconstruction will succeed unless and until the economic needs of the agriculturists who form the bulk of the village population such as cheap, adequate and immediate financing, co-operative marketing, irrigational facilities and consolidation of small holdings, etc., are satisfied. In my opinion, the improvement of the economic conditions of the agriculturists should form the ground work of all kinds of rural reconstruction activities. It is, therefore, the duty and the basic function of every co-operative society in a village or every co-operative institution working for rural areas to concentrate on this problem to the best of their abilities. This subject is put down on your agenda and I have no doubt that it will receive careful consideration at your hands so that the decision of the Conference may give a correct lead to all co-operative institutions.

SLUMP IN PRICES AND OVERDUES

Another important matter which deserves our earnest consideration is the correlation that should subsist between loans and the repaying capacity of the borrower. The problem of overdues is like a grim spectre hanging with outstretched hands over the whole co-operative fabric that has been so laboriously built up during the last thirty years and no efforts at conquering this spectre will succeed until the Provincial Governments realize their duty to the earning son—the agriculturist—and make an earnest effort with determination to drive away the spectre by a little help not of mantras (lip sympathy) but of hard cash. Almost all national governments have adopted special measures to assist the co-operative movement and the agricultural

population to tide over the existing temporary difficulties and we have every right to expect our Ministers and Governments to do the same. Our critics have often alleged that the present crisis is due more to over-financing or to the absence of correlation of loans to repaying capacity than to the slump in the prices of agricultural products. I would be the last man to say that mistakes of this nature have not been committed by officials or non-official institutions. But to attribute the present crisis mainly to these causes shows a want of proper perspective on the part of our critics and their ignorance of the details of the difficulties in the way of the movement such as inordinate delay in the disposal of arbitration and liquidation proceedings or of the execution of awards. For these inordinate delays, the responsibility lies more on the local revenue officials than on co-operative officials. The non-official institutions are not allowed to have a hand in this kind of work and no blame can be attached to them.

NON-CREDIT SOCIETIES

The movement in its early stages confined its activities mainly to the formation, registration and auditing of rural credit societies. It was only in recent times that the attention of co-operators was directed to the formation of purchase and sale societies and a few producers' societies. The repaying capacity of an agriculturist depends upon the reduction in the cost of production, upon an increase in the probable production and upon obtaining better prices for crops produced. We have been able by our co-operative credit organisation to enable the agriculturist to save a decent sum by way of reduction in interest which he would have otherwise had to pay to the sowcar for his loan. Similarly, by the starting of sale societies in certain areas, the movement has tried to help the agriculturist to get a better price for his products than he would have realised if he had sold his crops individually. In the cotton tracts of Gujarat and the Karnatak in the Bombay Presidency good and satisfactory results have been achieved; and there is no reason why such efforts should not be made to extend this extremely important side of the co-operative movement in other parts of the country. Time and again for the last several years, the Registrars in their Reports and the non-officials at Conferences have acknowledged the necessity of increasing these activities, but very little earnest effort has been put forth in this direction, and we must, I think, protest against this almost apathetic attitude of the powers that be towards a matter of such great importance to the whole structure of co-operation.

CO-OPERATIVE MARKETING

The resolution passed at the Registrars' Conference in January last concerning this question appears to me to be a tame and halting one. The Conference expressed its opinion that the expansion of co-operative sale societies was essentially desirable as profits from agriculture were dwindling. One might infer from the above that if profits from agriculture had not been dwindling, co-operative sale societies would not be essentially desirable. Whilst one cannot deny that the organization of co-operative marketing is likely to meet with considerable difficulties and is liable to risks and losses, yet if we are genuinely convinced that the economic regeneration of the agriculturists depends as much on the development of co-operative marketing as on the co-operative organization of credit, we need not be daunted by the dangers and difficulties ahead but should make up our minds to create or help to create conditions necessary for the success of the sale movement. The difficulties to be faced now are nothing compared to those faced by the promoters of the movement in its initial stages. Why cannot we, officials and non-officials, then similarly join hands and work with a will to inaugurate a chain of co-operative sale societies federated to central purchase and sale societies in the Presidency towns?

It is, however, gratifying to learn that Government have after all realized the extreme urgency of the question as evidenced in a recent resolution on the subject in which they refer to the great marketing drive which they propose to organize and towards the achievement of whose success they have appointed a Central Marketing Officer. Probably, this step will be followed by the appointment of Provincial Marketing Officers for the purpose of making a consolidated effort to improve the organization of the marketing of agricultural produce all over the country. We, as co-operators, should come forward to participate in this most important work and should be prepared to offer our assistance to the new marketing organization. For the small Indian agriculturist there can be no form of agricultural marketing better than the co-operative one, for without co-operation he might still be the victim of exploitation in one form or another. We do not know what steps Government are taking in their contemplated marketing drive, but it is hoped that Government will allow to our Associations an opportunity for co-operating in this work so that we can in collaboration with their officers render all help that we can to the improvement of agricultural marketing.

At the last Conference, we had passed a resolution on the subject and had appointed four committees for the organization of Central Institutions, for the chief crops of India, like cotton, jute, rice and wheat. For various reasons, none of the committees have functioned and hence no action has been taken in the matter. I believe, it will be better now to work in co-ordination with the Central and Provincial Marketing Officers appointed by Governments and if this proposal meets with your approval, this Conference might pass a resolution in lieu of the last one and offer its co-operation to Government for this purpose.

AGRICULTURAL IMPROVEMENT

It is more important that the agriculturist should get greater and better returns from his land than that he should merely save money in interest charges or get a slightly higher price for his marketted crops. The task is a very big one and in some aspects bristling with almost insuperable difficulties. These should not, however, deter co-operators from tackling the problem in selected typical areas. The initiative rests with Governments of the Provinces. It is for the Revenue Members and Ministers for Agriculture and Co-operation to lay down a definite plan for this kind of work as an experimental measure in at least one area in each province. I hope you will approve of my saying from this platform that the non-official co-operators in these areas will be glad to render all help that may be necessary to make the experiment a successful one.

SUBSIDIARY INDUSTRIES.

While I am speaking about the necessity of increasing the earning capacity of agriculturists and other villagers, I may briefly refer to the necessity of our paying attention to the subject of subsidiary cottage industries which could be beneficially worked on a co-operative basis. It is not very difficult to provide facilities to village for carrying on their subsidiary occupations and facilitating the sale of their products. Assistance for technical improvements may be sought from the Departments of Industries and that Department will, I feel confident, be perfectly willing to render all possible assistance in the matter. The agricultural industry is not a very paying industry in our country, though crores are engaged in it, and yet agriculturist maintains himself and his family for 12 months on the profits of the work done by him during 8 or 9 months only. He has a long vacation such as even college professors and High Court Judges might say, but for the fact that unlike them he does not draw his salary for the period of the vacation. A subsidiary occupation which tends to increase his income is an absolute necessity for the agriculturist in this country and it is up to us to take up intensive work for the development of subsidiary occupations in rural areas. This being largely the work of propagandist type, the institutes or unions might well take up the work of establishing contact for this purpose with the Department of Industries and making use of the primary credit societies and the district Central Banks for assisting in the finance and even in the purchase of raw materials and necessary simple tools and in the sale of the finished products.

AUDIT AND SUPERVISION

The question as to who should conduct the supervision and audit of co-operative societies is one that needs an early reasoned out solution. No branch of the movement should treat this question as one involving prestige nor should any branch feel that if it has to part with some of its work that might be taken up by the public as showing want of confidence, as the existing conditions of conducting supervision and audit vary in different provinces. This problem need not be treated as an All-India one as University is not absolutely necessary in this case. Leading co-operators can easily find out a workable solution if they decide once for all to drop all prejudices and to work for the betterment of the movement in the future. It is not necessary to have a solution which is academically correct and is in accordance with precedents in this or that country. What is need is a practical scheme for carrying on this work in an efficient manner best suited to local conditions and requirements. It may interest you to learn that a committee had been recently appointed by the Bombay Government for the purpose of examining the question and recommending best method of carrying out this very important function of supervision. The report of that Committee is not yet out, but I have reason to believe that if the Committee's recommendations are accepted, supervision work will be entrusted to the supervising unions with their district federations.

HIGHER CO-OPERATIVE EDUCATION.

Another need of the movement is the systematisation of co-operative education, both Central and Provincial, and the starting of colleges

and Training Institutes and the holding of All-India examinations. The advantages of such systematisation will be obvious to all co-operative workers and it is not necessary for me to say anything more than that the Central Banking Enquiry Committee have recognized this necessity and have, in their Report said :—

"We recommend that co-operative educational institutions should be established in each province. The subjects, which among others will have to be studied are co-operative education, propaganda, progressive farming methods, banking, accountancy, rural economy, marketing methods and rural industry. We feel that there is need for an All-India Co-operative College also for higher study of co-operation and allied subjects and research work. The Provincial and Central Co-operative Colleges should not be Government institutions. The question of their establishment should be left to organizations conducted by co-operators themselves although government may assist them by means of grants."

A PERSONAL NOTE.

This is the last occasion on which I shall have the privilege of addressing my co-operator friends from this Chair. I am getting older every day and am feeling that I am ageing. The Association needs at the helm of its affairs a younger co-operator who can devote more time and energy and clearer brains than an older man can do. I want to take this opportunity of thanking you one and all and through you all my co-operator friends, young and old, who have always loyally helped the movement, and who have evinced personal regard and kindness for me, which shall always remain engraved on my heart.

THIRD INDIAN PROVINCIAL CO-OPERATIVE BANKS' CONFERENCE

A separate session of the Third Conference of the Indian Provincial Co-operative Banks met on Sunday the 24th June 1934 in the Berar Co-operative Institute at 8 a.m. Besides the members of the General Body of the Provincial Banks' Association and delegates of the All-India Co-operative Institutes' Association, a large number of visitors also attended, Mr. V. Ramadas Pantulu, President of the Indian Provincial Co-operative Banks' Association delivered the Opening Address, in the course of which he said :—

OPENING ADDRESS

By

Mr. V. Ramadas Pantulu.

"It is gratifying to find that at last we are able to meet along with the Provincial Institutes' Conference at Amraoti, which is not only centrally situated but is also a great centre of co-operative activities in India. I wish to tender on your behalf the thanks of the Association to Rao Bahadur K. V. Brahma and the Berar Co-operative Institute for the generous invitation they have extended to us and the splendid arrangements they have made for the holding of these two conferences.

The interval that elapsed between the last conference and this has been a period of great trial to the co-operative movement. The year 1928-29 was the peak year in the prosperity of the co-operative movement in all provinces in India. The unprecedented economic depression, which set in towards the closing months of 1929, marks the beginning of the decline in the fortunes of the movement. In the quarter of a century since 1904, when the movement was officially inaugurated in India, it made marked progress. About 1,00,000 primary credit societies, 600 secondary institutions known as Central Banks and a dozen Provincial Banks with a working capital of about Rs. 50 crores (excluding loans made by the secondary bodies to the primaries and deposits made by the latter with the former) sprang up in India (British India and the Indian States), in that period. Out of this sum, about Rs. 14

crores represented the owned capital of the institutions themselves, that is to say, their share capital and reserves. The membership of these institutions reached the figure of about 3 millions and on the usual computation that an average rural family consists of 5 persons, it means that about 15 million people were brought into the movement. The co-operative credit institution had not only come to occupy an important place in our credit agencies but also secured a recognised position in the regular banking system of the country. This is borne out by the fact that the co-operative banks are definitely brought into the scheme of the Indian Reserve Bank.

Since 1929, however, not only there has been no further progress but there has been an actual setback. In almost all provinces registration of new societies is not encouraged, while large numbers of bad societies are being liquidated. There has been considerable curtailment in the credit dispensed to the members of the primaries, partly because the borrowing power and repaying capacity of the members have gone down and partly because they have become ineligible for fresh credit, having defaulted largely to discharge their previous obligations to the societies. There has been a shrinkage in the working capital of the credit institutions, mainly because they have ceased to borrow afresh from the investing public, there being no outlet for the money. Portions of the working capital which they still possess are either idle or are invested outside the Movement in securities which bear low rates of interest. The profits of the institutions have naturally gone down. With the fall in the net profits of the primary and the central institutions their capacity to make adequate financial contributions for supervision of societies has decreased, with the result that the supervisory agencies have also suffered. Effort is now largely concentrated on effecting recovery of overdue loans, securing old loans by additional or fresh security when they cannot be collected and in rectifying such of the societies which have any vitality left in them still.

The question is sometimes put to me now whether with the improvement of the economic position or in the wake of "Recovery," the co-operative credit movement will revive. My answer is that it will, but it can no longer be usefully or successfully run on old traditional lines. We started our credit movement on two main assumptions, both of which experience has shown to be fundamentally erroneous. It was believed that the rural credit society would be a suitable agency to supply all the credit needs of the agriculturist so as to completely wean him away from the money-lender. Co-operators were eventually disillusioned and found that, while the credit society was best suited to provide short and intermediate loans for production and marketing of agricultural crops, it was wholly unsuited to provide substantial long term credit, which is as much a necessity as the other varieties of credit. As co-operative credit has now crystallised round the idea that these varieties (short, intermediate and long term) of credit cannot be supplied by the same type of co-operative organisation and that two different types of them are indispensable." The other assumption that was a guiding factor in our credit movement was that the indebtedness of the agriculturist was the main cause of his poverty and that his economic rehabilitation could be accomplished by liquidation of his prior debts through co-operative credit societies. The truth seems to be that the poverty of the Indian peasant is due to other causes and is itself largely the *cause* and not the *result* of his indebtedness. There has been an enormous increase in the prior debt of the agriculturist in the last few decades, and it is still growing with the increasing dependence of the population on agriculture, the decline in village and domestic industries, which once furnished subsidiary occupation, constant fragmentation of holdings, increase in burdens of taxation, rent and revenue, fall in the prices of agricultural products and other economic factors. This process of the growth of rural indebtedness cannot be arrested by the co-operative movement alone, nor can the chronic prior indebtedness of the peasant be liquidated or substantially reduced by the co-operative credit societies.

The lines of development of co-operative credit in future must, therefore, mark in my humble opinion a definite departure from the methods hitherto tried. The lead in regard to this reform must naturally come from the Provincial Co-operative Banks and much of the future of the movement will depend upon that lead. I feel that the time has come for segregation right from bottom to top of " long term credit " from " short and intermediate credit " and to develop distinct types of institutions to deal with them separately. It does not follow that these types of organisations need not or cannot co-operate *inter se* to supply the different varieties of the credit needs of co-operators. Indeed, such co-operation between them is essential for the success of the movement. Hitherto the Punjab, Bombay and Madras, and to a certain extent Assam, have been endeavouring, with varying degrees of success, to develop land mortgage banks. Of these four provinces, Madras is the only province which has established its Provincial Bank to deal with long term finance and we are glad to welcome that new Provincial Bank to our Conference and to affiliate it to our Association.

In this respect, I commend the example of Madras to other provinces not because of my partiality for the system in my province, but because of the manifold advantages it has. I am glad to find that Bengal has taken up the question of establishing land mortgage banks in earnest and I hope that ere long Bengal will be able to go ahead with the scheme. The possibilities of a similar line of development in the United Provinces and Bihar and Orissa may, in my opinion, be usefully explored. I am fully alive to the impediments that stand in the way of developing land mortgage banks in these provinces, the most important of them being the system of land tenures and the statutory restraint on alienation of agricultural land. The Central Provinces and Berar stand on a somewhat different footing in this matter. While I fully realise that complicated and delicate political, social and even communal issues are involved in the storm of the laws regulating holdings and alienation of agricultural land, I urge that something must be done to permit transferability of such land in connection with the operations of co-operative land mortgage banks. The reasons for the channel of private money lending being blocked, even if sound, do not apply to the free flow of properly controlled credit through co-operative land mortgage banks.

The future development of co-operative finance through *rural* credit societies, Central Banks and the Provincial Banks must mainly aim at supplying the credit needs of agriculturists for seasonal operations and for marketing their products. I am in entire agreement with the view expressed by the Registrar of Co-operative Societies, Central Provinces and Berar in his report for the year 1932, when he says that providing the agriculturist with short and medium loans for raising his crops would result " in the general improvement in his material condition and standard of life ". Another sphere in which co-operative credit institutions can play an important part consists in the revival and reorganisation of some of our village and domestic industries. This question was carefully examined by several Provincial Banking Enquiry Committees and on a survey of the materials collected and the opinions recorded by those Committees, the Indian Central Banking Enquiry Committee came to the conclusion that by the revival of those industries much can be done to provide the cultivator with a suitable subsidiary occupation for his spare time and that co-operative industrial banks or well organised co-operative urban banks are the best agencies to meet the financial requirements of these industries satisfactorily. Here is therefore another useful line of development of co-operative credit for truly productive purpose in future.

Before I conclude, I desire to convey to our fellow co-operators in Bihar the sympathy of the Indian Provincial Co-operative Banks' Association and of the co-operators all over India in the terrible suffering they have undergone by the devastation caused by the earthquake. The task of reconstructing the affected areas will be long and strenuous, and I have no doubt that co-operative organisations and co-operators all over India will help Bihar, in this matter. The Madras Provincial Co-operative Bank has offered a loan up to Rs. 25 lakhs to the Provincial Co-operative Bank of Bihar and Orissa, if it required the money to finance the relief operations through co-operative organisations. But, I am glad to hear that the Government of Bihar and Orissa are themselves contemplating to lend the necessary funds to the Provincial Bank at Patna.

I congratulate you on securing the services of my esteemed friend, Rai Bahadur Mihirnath Roy, Managing Director of the Bihar and Orissa Provincial Co-operative Bank, to preside over this session of the Conference. I now request you to instal him in the chair and proceed with the business on the agenda.

PRESIDENTIAL ADDRESS

BY

RAI BAHADUR MIHIRNATH ROY.

Extracts from the address are given below :—

DEPRESSION AND OVERDUES.

The world-wide depression in trade and the steady fall in the price of agricultural produce of the last three years has seriously affected recoveries from the primary societies and has resulted in the accumulation of heavy overdues at Central Banks all over the country. The accumulation of overdues from members has resulted in the loss of credit of some individual co-operative banks and decrease in their deposits; while at others it has resulted in substantial surpluses due partly to their good credit and partly to the curtailment of credit facilities to their members.

If the accumulation of arrears and overdues in central banks were the cause of the loss of their credit we would expect to find all central banks, which have such arrears, sailing in the same boat, but what do we actually find? Whereas we see in one province its Apex Bank has to borrow to pay the maturing deposits of its affiliated Central Banks, in others we find not only Apex Banks but even Central Banks are getting unstinted support of the investing public leading in many cases to substantial surpluses. We have therefore to look for the cause elsewhere.

I believe, since its inception the movement never had to tackle a problem of such magnitude and immensity as the present one created by the economic depression. Lack of distinction of long and short term finance, over-finance, insufficient finance and finance without a proper appreciation of its utilization are certainly some of the causes of the arrears in societies, but I venture to think these are not the only nor the most potent causes of the general and heavy accumulation of arrears. In my opinion the main cause of the present overdues is the serious fall in the prices of agricultural commodities and consequent lowering of wages which started in the middle of the year 1931 and all this has further reduced the repaying capacity of our members, which was never too good. The depression, inspite of several efforts to check it, has continued to this day and efforts made to realise the arrears have met only with partial success.

If prices could be raised mechanically, the problem will be of much easier solution but the achievements of the countries beyond our borders, which have attempted to raise prices, provide convincing proof that the question is not so very easy of solution. This economic depression, I venture to think, is not a temporary phase, and though we may have turned the corner it must run its natural course. It cannot certainly last for ever. In order to take advantage of better times when they come, as they are bound to come, the movement must survive till then. Where a few members have grabbed a major portion of the loans of a society to themselves or where the members are able to pay, but would not, I would suggest the adoption of stringent measures for the recovery of their overdues and even to punish the wilful defaulters if need be, but for those who are unable to pay, any severe measure will not only be useless but bound to bring ruin to both the members and to the credit institution concerned. In trying to recover dues from members who could not pay many co-operative banks have been compelled to buy and take possession of big blocks of land. Possession of land for a bank is more a liability than an asset and a thing to be avoided as far as possible. Therefore I appeal that in deserving cases, after careful enquiry, extensions of time for the repayment of overdues should be granted and for this the help of Government will in most cases be necessary for the provision of adequate long term finance for their backing. If there was any time when Government should step in for the safety of the movement, I submit it is the present.

The proposed economic crop planning inaugurated by the Government of India has not come one day too early. Though I am sceptic of much practical result coming from conferences and committees, I hope that given good-will and proper help, it will make a definite step possible. Both agriculture and co-operation are now in the hands of popular ministers and we look to them for help and guidance.

With the accumulation of arrears most, if not all, co-operative banks have, I find, curtailed fresh credit. I do not suggest that fresh advances should be made in all cases, at the same time I am convinced that any extensive or total stoppage of credit without discrimination and starving of even deserving societies will precipitate the crisis. I entirely subscribe to the principle of consolidation but I hold strongly that the work of consolidation cannot be carried on without the means of subsistance and these can best be provided by a judicious and steady expansion, and in the present surroundings and with the materials we have consolidation may even be a long and a costly process as all have not the same facility at present to procure the necessary financial assistance for the purpose. But consolidation without expansion to my mind is another name for stagnation and in nature nothing stagnates. Things have to go ahead or go back. By expansion I mean expansion in the number of members of the existing societies, organisation of new societies on sound lines and opening of new channels for co-operative activity. In the present condition of rural societies we cannot expect new members to join readily but it should not be difficult to make changes where necessary in the constitution or rules whereby this can be made feasible. In any case, the difficulty does not appear to me to be insurmountable.

The movement has so far succeeded in attracting the enlightened within its fold and so long as it succeeds in doing so there is hope. In this country where the primary industry is agriculture and where people are heavily indebted we rightly gave a great deal of attention to the development of rural credit, but even in rural India much yet remains to be done, while in the urban areas and in other directions the field is practically untouched. I fervently hope in due course all these will receive the close attention they deserve.

With much regret I find that a general feeling of depression has overtaken us. It has made itself felt in the various provinces in varying degrees, but few have been able to escape unscathed. This feeling of depression which has come upon us more or less, is a counsel of despair; and I venture to give the warning that if we do not or cannot get rid of this incubus, our future is indeed gloomy. This feeling or blight, if it has spread over the spirit of the workers it will be all the more serious and must be dispelled, and we must instead instil an abiding faith in them that a movement which has as much an economic as a moral or ethical basis can never fail. With that robust conviction in all we must keep the banner of co-operation afloat. We should never take anything lying down in a defeatist spirit but should go forward and this I trust is bound to lead us from victory to victory.

STRENGTH OF THE FINANCIAL STRUCTURE.

The catastrophic fall in prices and the decrease in the repaying capacity of members has, we confess, prejudicially affected the movement and shaken the credit of individual co-operative banks here and there but the financial structure, and its credit has not been seriously affected: it still remains strong as a whole. We know how admirably it withstood the severe test of the Great War and the shock it received when the British currency went off gold in 1931, which temporarily brought in its wake panic and loss of faith in many other credit institutions of the country. It has also withstood the protracted economic depression when thousands of banking institutions of similar status have succumbed. Our Provincial Committee on Co-operation in this connection wrote in 1933 the following with just pride and confidence. "It is a tribute to the inherent strength of the movement that it has withstood the storm for the last 18 months. If it survives the crisis, as we confidently believe it will, it will be all the better for it, for it will emerge purified out of the ordeal. Reformed and reorganised it will pursue with renewed vigour its mission of conquering the poverty and helplessness of the Indian masses." Repudiation or non-payment of debts has almost become the order of the day, but the obligations in co-operative institutions are still being honoured and met albeit to the limited extent of the present capacity of the borrowers. A structure which has so admirably succeeded obviously stands on solid foundation and deserves further encouragement to achieve the object for which it was organised. I cannot do better than quote here the opinion of the Foreign Banking Experts expressed in their memorandum to the Central Banking Enquiry Committee. "The co-operative movement in spite of imperfections and unavoidable setbacks deserves every possible assistance from all quarters because there is no better instrument for raising the level of the agriculturist of this country than the co-operative effort, and a strong appeal to the banking interests of the country to assist this movement seems not at all out of place." Yes, the banking interests of the country should be mobilised and they should contribute their due share of help and co-operation to supplement our agricultural credit organisations.

RELATIONS WITH THE IMPERIAL BANK.

About a decade ago the policy of the Imperial Bank towards the movement was decidedly one of sympathy and good-will, but unfortunately it has lately undergone a complete change. Credits given to co-operative banks against the pro-notes of Central Banks and societies have been stopped and in some cases the facility of overdrafts even against Government securities are being denied.

In Madras, Bombay, and Bihar, Co-operative Banks have refused cash credits against the pro-notes of societies and of central banks, so the limited elasticity thereby imparted to co-operative finance is now being denied. Co-operative Banks at present are the only banking institutions in the country which cannot raise funds either by pledge or sale of their only available asset, viz., agricultural paper, not even in case of urgent necessity, with the consequence that heavy liquid resources have to be maintained by all of them, either in cash or in Government and Trustee Securities; and this materially reduces their income. The margin between the borrowing and lending rates of co-operative banks, you know, is usually low and the heavy liquid resources thus carried have the tendency of increasing the lending rate the burden of which falls ultimately on the poor peasants, and of reducing the funds of co-operative banks to that extent which would otherwise go towards the financing of the agricultural industry —both of which in my opinion are extremely undesirable. In the course of his evidence before the Central Banking Committee Sir Osborne Smith gave an assurance that if co-operative banks offered as security the paper of A and B class societies only, the Imperial Bank would be prepared to give the matter serious and sympathetic consideration, but no tangible result is yet in evidence. This Bankers' Bank, I regret to say, has taken an unduly severe attitude in this matter. A new orientation is, therefore, badly needed.

R. T. R. FACILITIES

In addition to the curtailment of credit facilities against agricultural paper, the difficulties raised by the Imperial Bank in regard to

the free remittance of funds between co-operative banks still continue to be numerous and they sometimes are extremely inconvenient. Even with regard to remittances within the provinces objections have in various places been raised on technical grounds and remittances are held up for days to the great inconvenience and loss of the co-operative banks concerned. Little attention is also sometimes paid to the "certificate" that a remittance is required for a bona-fide co-operative purpose.

Though the Government of India have granted these facilities to co-operative banks, I take it, after due and very careful consideration, it is regrettable that the Imperial Bank should put obstacles in the way of the smooth working of this concession especially when it enjoys the privileges of free use of Government balances. I need hardly say that free and uninterrupted remittances of funds for co-operative purposes is of the utmost importance for the well-being and progress of the movement and the obstacles put in the way will surely react on the ultimate good for which the movement was organised and is still fostered by Government. In the matter of remittance for purposes other than co-operative, the treatment accorded by the Imperial Bank is also not encouraging. The Central Banking Enquiry Committee recommended that till the Reserve Bank is started co-operative banks should pay the same rate as charged to joint stock banks for remittances for such purposes.

INCOME-TAX AND SUPER-TAX.

Co-operative banks, due to the extreme rigidity of their assets, have to invest large sums of money in gilt-edged securities to provide fluid resources. These resources are maintained in certain proportion to the liability under rules prescribed by the Local Governments, and these investments therefore form a part of the business of the banks. The Central Banking Enquiry Committee admitted the force of this contention and recommended that to the limit of fluid resources required the income derived by co-operative banks from their investments in Government and Trustee securities should be exempted from income-tax and super-tax on the same ground as the profits of such banks are exempted.

The profits of all co-operative banks are exempted both from income-tax and super-tax for the obvious reason, I take it, that the profits of co-operative societies are not profits in the commercial sense of the term. The idea was that while co-operative societies are institutions organised and owned by the borrowers themselves for their own personal benefit, commercial institutions are organised and run by capitalists with a view to get better income on their investments. The income of a society is income derived from business with its members or owners, and, therefore any profit made by a society is an excess of income over the expenditure provided for certain appropriations to the statutory or other reserves necessary for the stability of the society. If anything remains over it is returned back to the members from whom it was taken in the shape of rebate, dividend or bonus. The exemption from income and super-tax of the excess income over expenditure, or profits of societies was therefore well justified.

On the same ground on which the profits of societies are exempted from income-tax an exemption is also claimed for their investments in gilt-edged securities only to the extent these investments were considered necessary for their safety. This claim is further justified on another ground. The percentage of fluid resources to liabilities prescribed by the Maclagan Committee and the Provincial Co-operative Committees and by other rules being fairly large, all Provincial Banks have to maintain fluid resources on an average of over 25 to 30% of their total liabilities. The Provincial Banks have to work on a very low margin and if the income from interest on fluid resource investments in securities is computed it will be found that such income exceeds their annual profits.

The practice in assessing the income of Provincial Banks from gilt-edged securities for income and super-tax varies in different provinces. In Madras, the Commissioner of Income-tax allows deduction from the income derived from gilt-edged securities of the entire interest paid on the borrowed amount of such investments; in Bombay this deduction is allowed for super-tax only, while in Bihar and Orissa no deduction at all for interest paid on borrowed capital has been allowed so far. A careful enquiry into these matters will, I am sure, reveal more or less a similar state of affairs in some other provinces. These anomalies requires immediate rectification by the Government and I strongly think our Association should take up such matters.

The Central Banking Committee's recommendation for exemption of interest on securities up to the limit such investments were required for fluid resources was not, however, accepted by Government on the ground that such exemption will not benefit the members. I respectfully submit there is a misapprehension, for by far the largest number of such co-operative banks in India have very few individual shareholders, the majority of their shares being held by members only. So the benefit under the exemption would obviously go to the members in the shape of a lower charge on accommodation or a higher dividend.

RESERVE BANK

After the recommendation of the Royal Commission on Currency of the year 1926 for the establishment of a central banking institution in the country for securing the development of the banking and credit system on sound lines we are now on the threshold of the inauguration of a Reserve Bank for India. It is also gratifying to see that it will link the co-operative banks with the general money market, and that it will provide some of the financial requirements of co-operative credit. Our thanks for this are due to Mr. V. Ramadas Pantulu and the other representatives of the movement. We are indeed thankful that all the Provincial Co-operative Banks have been exempted from the compulsory deposit of money and co-operative interests are given representation by nomination on the Central and Local Boards. In order to ensure the selection of a representative who may command the confidence of the movement it would be advantageous if the Provincial Banks' Association and the Institutes' Association are permitted to select their representatives for nomination to the Boards. With regard to agricultural finance the Reserve Bank will offer facilities for carrying on the agricultural operations by purchase, sale or rediscount of nine months' bills drawn or issued for financing seasonal operations, and on the movement and marketing of crops and the Bank will also allow loans and advances on such bills. Considering the peculiar needs and requirements of agriculture in India and the difficulty in marketing the produce, the period of nine months as now fixed suits conditions better.

We are indeed happy that for the organization of the Rural Credit department of the Reserve Bank, Mr. Darling has been nominated by the Government of India, considering his long connection with the movement (in the Punjab) and with his keen and sympathetic appreciation of the problems of co-operative finance, we may be confident that everything which will ensure a smooth working of the provisions of the Reserve Bank Act so far as the co-operative banks are concerned will be safe in his hands.

SHORT AND LONG TERM FINANCE

Though the co-operative movement will get more assistance from the Reserve Bank than it did from the Imperial Bank of India, the assistance is unfortunately limited to and designed only for crop or seasonal finance. You know the Central Banking Committee recommended the separation of long and short term finance and suggested the confinement of the operations of co-operative societies to short and medium term advances only and the transfer of long term business to Land Mortgage Banks. But due to the economic depression and consequent inability of the members to pay instalments, even short and medium term loans are now becoming long. So the movement has been forced to carry a vast amount of long term business and, speaking generally, we do not possess adequate long term resources to cover long term commitments and if the inflow of fresh deposits ceases most of the banks will find it difficult to meet their obligations.

Therefore the first step should be to attract long term deposits even at a higher rate of interest. A systematic enquiry into every loan in every society will be necessary to ascertain the period in which the Central Banking Enquiry Committee has said, "opinion on the outstanding loan from each member can be repaid, taking into consideration his lower repaying capacity." I do quite realise the enormous difficulty in ascertaining the exact repaying capacity of members but it should not be very difficult to have a rough and workable figure on which the Central Banks and the Provincial Banks will be able to calculate their respective requirements and also work out the periods for which long term money will be required. If long term deposits cannot be raised at reasonable rates, the Pronvincial Banks will have to issue debentures. The risk of granting extensions without adequate long term resources is so great that I would humbly advise the co-operative banks not to undertake it unless adequate provision is made in advance. The comparative cheapness of short term deposits makes them very attractive but to depend on such resources for long extensions will be courting a disaster. In any case it will be very desirable to separate long and short term commitments and to show these clearly in all Balance Sheets.

In this connection I take the opportunity of publicly expressing our obligations to Mr. Ramadas Pantulu for placing at the disposal of the Bihar and Orissa Provincial Co-operative Bank, soon after the earthquake, a sum of Rs. 25 lacs or more if necessary, from the plentiful resources of the Madras Provincial Bank at a reasonable rate of interest for a period of 15 years. We had not however to take advantage of his kind offer as our Local Government came to our help by sanctioning a loan. For this our grateful thanks are due to His Excellency Sir James Sifton.

LAND MORTGAGE BANKS

When the movement was first started in India about three decades ago, its promoters believed that by establishing simple village credit societies all economic difficulties of the rural population will be solved, there was then no clear idea of long and short term finance, nor a clear appreciation of the danger of combining both in a village credit society. In fact in the beginning it was the idea that all loans to members should be for long periods. The error of this system was detected in the working of societies and it was then realised that for long term loans a separate organisation was necessary—the co-operative societies confining themselves to purely short and medium term credits. The type of bank which was best suited for long term finance was considered by various Committees and Conferences and it was decided that for the relief of the vast majority of smaller cultivators the type best suited was the co-operative organisation. Except in Madras, therefore, we find the Land Mortgage Banks are registered under the Co-operative Societies Act; Madras has a separate Land Mortgage Act but it is more or less supplementary to the Co-operative Societies Act. Though the movement for the redemption of prior debts is as old as the co-operative movements itself, it is with the establishment of Land Mortgage Banks in several provinces that the question is for the first time being attempted to be satisfactorily tackled.

Rural indebtedness in the country is so widespread that on an average over forty per cent. of the population is indebted, and the total amount of their indebtedness is variously estimated between 800 to 1000 crores. The interest charges alone on this debt are estimated to amount to about 70 crores per annum. It is also observed that the volume of indebtedness is steadily on the increase and for redeeming this huge debt there is at present only a very limited number of land mortgage banks. It is gratifying however to see that three provinces have already such institutions and Bengal has recently made a start in the organisation of land mortgage banks. As the successful working of such banks largely depends on the system of land tenure, in Bihar and Orissa with limited right of transferability of agricultural land no suitable security can be provided for the advances of land mortgage banks. If this impediment is removed, in my opinion it will be a blessing to the poor tenants who at present are groaning under the heavy burden of indebtedness. The problem of debt-redemption being too vast to be successfully tackled by only one method, I think the scheme of debt conciliation outlined by the Central Banking Committee should also be introduced and worked with vigour.

MARKETING OF CROPS

A comprehensive scheme for marketing prepared by the Marketing Expert of the Imperial Government was recently discussed with the Advisory Board of the Imperial Council of Agricultural Research. The Crop Planning Conference also discussed the question of planning the production of important crops in accordance with their requirements. Apart from the interest created in these subjects it is difficult to see what machinery the Government propose to employ for enforcing the decisions of the Conference. When most of the countries are adopting measures for raising the prices of their produce by means of a manipulation of currency the Indian Government has hit on a plan of better prices by crop planning. In a country like India which consumes most of the crops it produces, crop planning with necessary safeguards against imports ought to succeed in obtaining better prices but planning in agricultural matters is no easy task in India. Agriculture in India is not yet an organised industry, each villager follows it in his own way and its result is entirely dependent on the vagaries of the monsoon. However, the effects made by the Government to plan crops are of considerable interest to all those who are interested in the well being and prosperity of agriculture.

CENTRAL ORGANIZATION FOR THE CO-OPERATIVE MOVEMENT

An interesting exchange of ideas took place at the 11th Conference of Registrars regarding the advisibility of establishing a central organisation at the headquarters of the Government of India in connection with the Co-operative Movement. Co-operation now is a Provincial subject and the movement is developing along lines which are best suited to local conditions in each Province. The development in all provinces under this condition cannot be uniform and, in my humble opinion, rigid uniformity even if possible in such matters is not desirable. What is required is a closer touch between the different provinces and this can be best achieved by association of apex

institutions of the type of the Indian Provincial Banks' Association and the Indian Institutes' Association.

OUR ASSOCIATION

The Provincial Banks' Association was first started in the year 1926 at Bombay after the first conference of the Provincial Banks on the suggestion of Sir Lallubhai Samaldas who rightly thought that to carry out the resolutions of the Provincial Banks' Conference and to serve as a bureau for the exchange of information and ideas, an association should be formed. A standing committee was formed with Sir Lallubhai as President and Mr. Rangaswami as Secretary. The Bye-laws of the Association were drafted and approved in August, 1926. The objects of the Association were comprehensive, *viz.,* the promotion, furtherance and representation of common interests especially in matters of finance, legislation and administration, the development and improvement of member banks and advising and assisting the members in co-operative finance and economic matters. In the matter of representation of common interests in finance, legislation and administration, the Association has functioned to a certain extent but in the matter of developing, and strengthening member banks and in the matter of advice and assistance in financial and economic matters, with due deference, I regret to say it has yet to make up a great leeway. An association of the type of the Provincial Banks' Association in order to be useful must be a living organisation and this can be achieved if the member banks take a keener interest in its working. There should be some sort of common purpose and a feeling of brotherhood and cohesion among the members. Conferences like the present one may not meet more than once every two years but the Standing Committee can meet oftener, even if the President and Secretary meet every 6 or 12 months it will greatly help to develop the Association and to make it more useful than it is at present.

CONCLUSION

I do not claim to have said anything new but I have tried to place before you the difficulties I have felt during the course of my long connection of nearly 20 years with the movement; with a view to focuss and rivet your attention on those subjects which need an early solution and a lead from you all. These Conferences are very useful and of much practical utility apart from the social aspect. They give us the opportunity of meeting one another to exchange ideas and compare notes gathered from various experiences and with the assistance of veteran co-operators like Sir Lallubhai Samaldas, and Mr. Ramadas Pantulu, Rao Bahadur Brahma and others around me, I look forward for a correct guide in the elucidation of the difficult problems on which we shall be engaged now, and I earnestly hope that our deliberations will lead to something permanent and good.

VOTE OF THANKS TO THE MINISTER.

The Hon'ble Mr. B. G. Khaparde, Minister for Education and Co-operation, who attended the session on the 23rd and was also present at the opening of the morning session on the 24th, left the Conference after Rai Bahadur Mihirnath Roy delivered his presidential address. Before the Minister left the Conference Mr. V. Ramadas Pantulu proposed a vote of thanks to him and in doing so he said :—

"The very pleasing duty of proposing a hearty vote of thanks to the Hon'ble Minister for Education and Co-operation has been assigned to me. The inaugural address which he delivered to the Conference yesterday shows how keenly he is interested in the development of the co-operative movement. He has given proof of his solicitude for the amelioration of the agriculturists in this country. He took keen interest in measures like the Consolidation of Holdings Act and the Debt Conciliation Act, as a non-official member of the Council. I hope that he will be able to handle as a Minister, the responsibilities of which office he assumed very recently, agrarian problems and questions connected with the co-operative movement in the Central Provinces, with tact, earnestness and energy and give his best to the direction and development of the movement.

Addressing the Minister, Mr. Pantulu said : "Sir, in the course of your inaugural address yesterday, you invited the Conference to express its opinion on a suggestion made in some quarters to vest the Registrar with more powers and to make him a sort of "benevolent dictator," while assuring us that you will keep an open mind on the question till you ascertain all points of view. The Conference will no doubt in due course discuss this proposal. But, speaking for myself and for a large body of non-official co-operators I must say that dictatorship is fundamentally opposed to the very essence of co-operation. If you think that the non-officials have failed to conduct the movement on right lines and are incapable of improving even with official guidance and advice, the remedy is to wind up the movement in the province and not to replace the non-official by the official agency —for dictatorship means nothing less. It will kill all sense of responsibility in the non-officials. As for the "dictator" being "benevolent" he will be the sole judge of the amount of benevolence which he will put into his dictatorship. If the Registrar is made a dictator, it may not be possible even for a Minister to control him and it is more likely that he will control the Minister. The attempt to control the co-operative movement in Fascist Italy and Nazi Germany weakened and not strengthened the movement and strenuous attempts are being made there to secure the restoration of the freedom of the movement. So, I request you, Sir, to stand for the moral inheritance and the faith in democratic ideals of the co-operative movement and resist the attempts to officialise it from whatever quarter such attempts may come. Sir, I wish you on behalf of the Conference a long and distinguished career as a Minister and Publicist of this Province."

REPLY BY THE HON'BLE MINISTER.

"Ladies and gentlemen, I am giving vent to my sincere feelings when I say that I am very happy in your midst. I have listened with careful attention to what has been said of me. I thank you very much for the very kind reception that was accorded to me yesterday evening and this morning. I am very thankful to you for the criticism that you have advanced about the suggestion that was thrown out in the last part of my speech. I have said in my address that it is not my suggestion nor have I expressed any opinion of mine. The suggestion has come to me from responsible quarters and I have put it before you as it came to me for such criticism as you may think fit to make. I shall wait and hear all criticism that is offered on the suggestion and it will receive the most careful consideration at my hands. Beyond this, I am afraid I cannot go, either for myself or for the Government at present. I hope you will take the suggestion in the spirit in which it is offered. Please do not think of Italy or Germany. It is a friendly suggestion that has come to me, as I have already said, from responsible quarters. If you think it is worth anything, you may adopt it or you are at liberty to throw it out if you think that it is not worth anything. Once again, I thank you for the cordial sympathy I have received. I am sorry I have to leave you just now on account of a previous engagement. This I hope you will kindly excuse."

RESOLUTIONS DISCUSSED AND PASSED AT THE THIRD INDIAN PROVINCIAL CO-OPERATIVE BANKS' CONFERENCE.

RESOLUTION No. 1. This Conference places on record its deep sense of sorrow at the death of Babu Mahendra Prasad, the Deputy Governor of the Bihar and Orissa Co-operative Federation and a leading co-operator who rendered valuable service to the movement during the past 20 years.

Rai Bahadur Mihirnath Roy (President) moved the resolution, and it was passed unanimously, all standing.

RESOLUTION No. 2. This Conference requests the Provincial Governments to take necessary action either under section 32 or under section 46 of the Indian Co-operative Societies Act (II of 1912) to enable Co-operative Societies to take shares in the Reserve Bank of India and urges the Co-operative Societies and Banks and individual co-operators to become members of the Reserve Bank by taking the prescribed number of shares to qualify themselves to vote at the general meetings of the Bank.

Rao Bahadur T. A. Ramalingam Chettiar (Madras) in moving the above resolution said:—

"The arrangements made in the Reserve Bank Act are very inadequate so far as helping the agricultural occupation is concerned. In the first place, for cultivation, the arrangement made in the Act is only for the rediscounting of the bills, bearing the signature of the Provincial Banks and nothing more. The only Bank whose bills can be rediscounted is the Provincial Co-operative Bank. So, a District Central Bank has to go through the Provincial Bank and then alone its bills can be taken up by the Reserve Bank. The financing arrangement for produce marketing is very unsatisfactory, so far as agriculturists are concerned. We are not used to any system of warehouses. There are no such things as documents of title. Any document of title to goods which can form the basis or rediscounting or advance on the bill cannot be expected from co-operative banks at present, by the Reserve Bank. Either we should have documents which will be considered as proper title to the merchandise or arrangements will have to be made under which such documents can be had. This is a provision made, I suppose, just to meet the commercial needs of the people, while in a large agricultural country like India this provision is not helpful. Now, the chief financing agency of the country is being created by the Reserve Bank Act, and I think it is absolutely necessary that agricultural interests should not be lost sight of. We should take advantage, from the beginning, of whatever provision there is for assistance to agriculture through the Bank in its working. It is for that purpose that the agricultural industry should have its proper voice in the management of the Reserve Bank. It is therefore necessary for co-operators and co-opetive banks and societies all over the country to purchase shares and have the capacity to take as much share in the management of the Reserve Bank as is possible.

"Under the Reserve Bank Act, it is necessary that co-operators whether individuals or societies should take at least five shares to be eligible for voting at general meetings. So, it is necessary that five shares should be taken. But if they can take more, it is better. I should personally think that it is not enough to have one nominated representative on the Local and Central Boards. At least one seat in the Reserve Bank Board should be captured for co-operators, individuals and persons representing the several co-operative institutions. From the very outset, the Government should consult the Provincial Societies for nominations to Local Boards. Then, it will satisfy our requirements. This is a matter on which we should press the Government. It seems to me that it is as important as holding shares in the Bank. If the President will allow me, I will add the following to the resolution placed before you.

This Conference requests the Government of India to consult the co-operative organisations in the matter of their representation on the Local and Central Boards of the Reserve Bank, before nomination.'

Mr. E. S. Sunda (Madras), in seconding the above, said:—"Under the Act, Co-operative Societies cannot purchase the shares of the Reserve Bank and the Local Governments will have to make necessary rules, so that the shares can be purchased by co-operative societies. It is essential that co-operative banks should become members of the Reserve Bank to safeguard agricultural interests. Co-operative societies and co-operators should, I think, hold as many shares in the bank as possible to give it a co-operative bias. Any further concession, if needed, for agricultural interests can be obtained only after considerable agitation. For this also, co-operative shareholders are necessary."

After some discussion, in which several members took part, the resolution was carried with the addition proposed by the mover.

RESOLUTION No. III. The Conference is of opinion that some modification will be necessary in the form of the securities taken for the loans advanced by the Provincial Banks so as to make them eligible for rediscount by the Reserve Bank of India, and requests the Standing Committee to prepare a suitable draft for adoption by the Provincial Banks.

Mr. V. L. Mehta (Bombay) in moving the above resolution said:—

"As most of the delegates who are acquainted with the working of the Provincial Banks are aware, short term advances are made on Demand Promissory Notes to Central Banks and also to societies, where Provincial Banks deal directly with societies. These demand promissory notes are sometimes backed by supplementary or collateral agreements. It is necessary for us now either to draw bills for such demands or to have demand promissory notes in such a form as will make them eligible for being rediscounted by the Reserve Bank of India. The usual security which we take when advances are made against produce is just the physical possession of the goods and possibly a demand promissory note. We shall have to change this and take an agreement from the party which will offer us a real document of title to the goods on which we shall be able to get accommodation from the Reserve Bank of India on the security of the agricultural product which is in our possession. It will be open to the Reserve Bank of India to give us advances on Trustee securities. As it is, the debentures issued by provincial co-operative banks or land mortgage banks have their interest guaranteed by Government. The Government of India have accepted that, before these debentures can be included in the list of trustee securities, both the principal and interest must be guaranteed by the Government. The securities which will be eligible for purchase and sale by the

Reserve Bank will be those, both the principal and interest of which have been guaranteed by the Government.* "

Mr. V. M. Thakore (Bihar), seconded the resolution.

Mr. A. G. Sherlekar :—" It is not very clear, at least to me, what defects there are at present, or whether no documents are at all taken by the financing banks. Of course, it is a matter which requires technical consideration. I wish to know what is defective in the present arrangement."

Mr. V. L. Mehta :—" The security that we take at present is a demand promissory note and along with that very often a collateral agreement, and in the latter the time fixed is very much longer than that which is provided for in the section of the Act. Further, whether a collateral agreement bond modifies or lessens the demand promissory note is a question to be considered. Our loan agreement is at present drafted for the purpose of regulating the mutual relations of borrowers and lenders and now we shall have to examine whether that agreement satisfies in all respects the criteria or test laid down in this section of the Reserve Bank Act. With regard to the other matter, I would say that when advances are made on the security of agricultural produce, a collateral agreement in some Provinces is taken in the same form in which commercial and joint stock banks take agreements. These agreements do confer a title to goods. It may be that in other provinces these are not taken. It will therefore have to be laid down that if Provincial Banks are anxious to take advantage of these facilities they should examine the form of agreement. The doubt is also expressed whether goods lying as they do in ordinary shops or godowns give a title which is sufficiently good to enable us to pass it on to the Reserve Bank of India under the terms of the clause of the Reserve Act. It will be necessary that the form of the agreement which is being taken should be examined by the Standing Committee to see that if it is defective it should be modified to comply with the requirements of the Reserve Bank Act."

The resolution was passed.

RESOLUTION No. IV. (a) This Conference is emphatically of opinion that the provisions of sections 54 and 55 of the Reserve Bank of India Act for the constitution of an agricultural credit department of the bank are very unsatisfactory and that that department should not merely be an agency for advice and consultation but should be a machinery for actually providing agricultural finance to the co-operative banks, somewhat on the lines adopted in South Africa, Australia, New Zealand and other countries. (Vide the Agricultural Credits Act, 1928, The Commonwealth Bank Act 1911-24, The Land Bank Act, 1912, etc.).

(b) This Conference requests the Standing Committee to draft a bill indicating the lines on which the agricultural credit department of the Reserve Bank should be established.

Mr. V. Ramadas Pantulu, in moving the above resolution, said :—" Neither the bills of 1927 and 1928 nor the bill of 1933 dealing with the establishment of a Reserve Bank for India contained any provisions about the agricultural credit department of that bank. The Reserve Bank was conceived as a Bankers' Bank to accommodate commercial banks and also to a certain extent, provincial co-operative banks. The fact that agricultural credit was found not by commercial banks but mostly by indigenous bankers and other agencies and that some provision should be made to connect the Reserve Bank with rural credit was strongly pressed upon the Joint Select Committee to which the Bill was referred in 1933. In response to that demand, sections 54 and 55 of the Reserve Bank Act are now enacted; but, these provisions merely provide for a branch of the Reserve Bank to give advice and guidance in financial and banking matters to rural credit agencies. There is no provision in the Act to enable the Reserve Bank to finance agriculture. Something on the lines of the legislation in South Africa, Australia, New Zealand and other countries must be incorporated in the Reserve Bank Act to create a machinery for dispensing rural credit."

Rai Bahadur Mathura Prasad Mehrotra (U. P.) in seconding the resolution said :—" I happened to be by circumstance on the Committee to which the Bill was referred. Out of 28 members on the Committee, I was the only one who might have had some claim to represent co-operation. You can imagine the difficulties I had to face single-handed and it was with the greatest difficulty that we could get some little concessions in the Bill. The first concession was that the Provincial Bank will not be required to give a certain percentage on deposit to the Reserve Bank, as the joint stock banks have to do. The second concession was representation of co-operative interests on the Local and Central Boards of the Reserve Bank. It was conceded that one representative on the Central Board will be nominated by His Excellency the Viceroy. We fought very much that the Provincial Banks should be asked to select the representatives for nomination and it was agreed that His Excellency may consult them before making the nomination. But this was not included in the Act as finally passed for, if co-operative institutions are given such representation, the other vested interests will also claim the same. We are still doubtful whether the nominee of the Government will be one we desire and who will carry the confidence of co-operators. The third concession was financing agriculture. According to the original Bill, the Reserve Bank could purchase or rediscount agricultural bills maturing within six months from the date of such purchase or rediscount. Now, the period has been raised from six to nine months.

The resolution was carried.

RESOLUTION No. 5. This Conference recommends to the Government of India to suitably amend the Reserve Bank of India Act so as to bring the Provincial Co-operative Banks and other Co-operative Societies in such of the Indian States as may be notified by the Government of India within the scope of the Act.

Mr. M. A. Gopalaswami Iyengar (Mysore):—" These provisions in the Act enable only co-operative banks and societies in British India to hold shares in the Reserve Bank; but no co-operative bank or society in the Indian States can subscribe to the share capital of the Reserve Bank and be registered as a shareholder, under the provisions of the Act. Again, with reference to discounting of bills of Provincial Co-operative Banks under section 17 (2) (b), Provincial Co-operative Banks in Indian States do not come within the scope of the Act. So, the Act should be so amended as to bring the Provincial Co-operative Banks and other Co-operative Societies in such of the Indian States as may be notified by the Government of India within the scope of the Act. I have been taking steps in this behalf, and I have great pleasure in commending this resolution for your acceptance."

*Section 20 of the Indian Trust Act has been suitably amended to include these securities. The Madras Government has guaranteed the principal and interest of the debentures issued by the Madras Co-operative Central Land Mortgage Bank.

Prof. K. H. Kamdar (Baroda) in proposing a slight change in the wording of the resolution, said :—"I think provision for the inclusion of co-operative banks in Indian States in the Reserve Bank Act can be made only in regard to those Indian States, which agree to such a course. The resolution will therefore run as follows :—

'This Conference recommends to the Government of India to suitably amend the Reserve Bank of India Act so as to bring the Provincial Co-operative Banks and other Co-operative Societies in such of the Indian States as may be notified by the Government of India at the request of the Indian States' Governments concerned, within the scope of the Act.'

Prof. V. G. Kale (Bombay) asked whether the Indian States have been consulted or not on this matter and why the Governments of the States did not represent their case if they really wanted these facilities when the Bill was in the Indian Legislature. It was also not known whether this question was pending the decision of the coming Indian Reforms or not.

Dewan Bahadur M. Ramachandra Rao (Madras) said :—"I think there seems to be some confusion over this question. In clause 17(c) of the Reserve Bank Act it is provided that the Reserve Bank may purchase, sell or rediscount securities of such States in India as may be specified in this behalf by the Governor-General-in-Council on the recommendation of the Central Board. The reason why it has been put down that the Government of India should be satisfied with these securities of some of the States is that the finances of the States are such as to make the securities of some of the States undependable. The amendment suggested by Mr. Kamdar really attempts to restrict the membership to only those Provincial Banks in the Indian States, the Governments of which make a request for inclusion. It seems to me that if the States refuse to make the request in accordance with this amendment, the Government of India will be unable to include their co-operative banks as registered shareholders. If it is said that there must be a definite request from the Indian States before the co-operative banks in such States are admitted as members, there may be cases where the States refuse to recognise the request of the co-operators. Before admitting the Bank the Government of India should consult the States first and amend the Act so as to include all State Co-operative Banks as member banks within the scope of the Act."

Mashir Bahadur V. G. Apte (Indore) said :—"I also belong to a State. Unless a State enters into the future Federation this resolution will have no meaning whatsoever. When the States enter into the Federation, then the Reserve Bank Act will have to be amended to include co-operative banks in Indian States also. Unless a State joins the Federation, it will not recommend to the British Government for the inclusion of its co-operative banks within the scope of the Act."

Mr. V. Ramadas Pantulu :—"The question is raised in some quarters whether the Indian Legislature is competent to include the Apex Bank in Indian States in the Reserve Bank Act. At present joint-stock banks situated in Indian States and registered outside India can become members of the Reserve Bank. All joint stock banks can become members banks. If the Indian Legislature can legislate for the States' subjects to take shares in the Reserve Bank for becoming directors on the local and central boards and to enjoy all the privileges, there is no reason why the Indian Legislature cannot also legislate for the inclusion of the Apex Co-operative Banks in such States within the scope of the Reserve Bank Act. The Government of India, if necessary may give this privilege to such of the Indian States as it thinks fit. Therefore, there is no legal difficulty in regard to this in my view. They may make all co-operative banks in Indian States eligible for membership."

The resolution, as amended, was then passed.

At this stage, the Conference adjourned and met again at 4 p.m.

RESOLUTION No. 6. This Conference recommends to the Provincial Co-operative Banks and Institutes to interest themselves actively in the organisation of co-operative sale societies for the sale of the produce of the members of affiliated societies, preferably as commission agents.

Prof. H. L. Kaji in moving the resolution said :—The organisation of agricultural marketing is of supreme importance for the economic regeneration of the masses. We have so far built up a very extensive co-operative system, but I have always felt that through this organisation, we can hope to reduce the expenditure on the interest paid by the agriculturist on his loans from the sowcar. That, however, cannot solve his problem effectively. The co-operative organisation of the sale of his produce will bring to the agriculturist an addition to his income and this is no less, if not more, important to him than the saving of a few rupees in the interest paid on his loans. The time has come when co-operators should concentrate no longer on credit only but should direct their energies to co-operative marketing and such other means as would put in their pockets more money than would otherwise be the case. In this direction the organisation of co-operative sale societies or purchase and sale unions is undoubtedly called for, but unless the larger institutions in the co-operative movement like the Provincial Banks and institutes interest themselves in the question, very little, I am afraid, could be done. Pious resolutions for promoting marketing have been often passed in the past at Provincial Conferences and also at our last Conference, but unless active interest is displayed by our provincial organisations and the question earnestly taken up by them, I am afraid, nothing effectively will be done towards the solution of this question, which to my mind is the most important question facing the co-operative movement to-day. Government have also recognised in their recent resolution the supreme importance of the organisation of agricultural marketing and the provincial organisations cannot afford to ignore the claims of marketing any longer. It is not suggested that they should merely try to promote the organisation of more co-operative sale societies, but it is also recommended that these provincial bodies should give all sorts of facilities in the direction and should themselves function in the way that may be most practicable as commission agents in the sale of agricultural produce of the members of affiliated societies.

"I have no doubt that the next few years will show the co-operative movement entering on a new orientation of policy which will show co-operative marketing and co-operative credit both developing side by side together, the one serving to increase the income and the other to decrease the expenditure by reducing the amount of interest paid on loans. But I am of opinion that Government also should render some help in this direction. So, I would like the resolution to be as follows :—

'This Conference recommends to the Provincial Co-operative Banks and Institutes and the Governments to interest themselves actively in the organisation of co-operative sale societies for the sale of the produce of the members of affiliated societies preferably as commission agents.'"

Mr. Shamsur Rahman (Bengal):—"The amount of overdues which have at present accumulated does not allow the provincial banks or the central banks to advance any fresh money to the societies. The only possible way, therefore, in which we can help the members of primaries is to find a market for their produce, specially in view of the present depression and fall in prices. This is the greatest help we can render to the agriculturists at the present time."

Mr. K. G. Ambegaonker (Senior Deputy Registrar, C.P.) said:—We may talk about co-operative sale societies and pass resolutions. The greatest difficulty we feel in this province is that there is no single agricultural produce which is of a certain definite grade. We take no action to introduce standard seed with a view to produce an article of uniform grade. For instance, in wheat, there are so many qualities that it is difficult to grade and market it. In the case of cotton, we have in this province organised markets and the people get whatever advantage is available of a central and organised market. Without an organised market, the agriculturists may not derive the desired benefit, even if co-operative sale societies are established. If this Conference formulates some practical lines of work, I shall be grateful."

Mr. V. Ramadas Pantulu said that suggestions on the practical steps to be taken in organising sale societies were contained in the Provincial Banking Enquiry Committees' Reports. "Our Punjab co-operators are actually working these sale societies and we may visit the Punjab and study their working."

After some discussion the resolution was passed.

RESOLUTION No. 7. This Conference urges on the Provincial Governments to take action on the following recommendation of the Indian Central Banking Enquiry Committee: "Provincial Governments should consider the desirability of advancing long term loans at concession rates of interest to co-operative societies to build godowns in centres which provide good markets.

Rai Saheb Raj Prakash Narain (B. & O.) in moving the above resolution said:—

Stocking of produce in some place will be necessary, when a certificate will be required by the Reserve Bank for making advances. The agriculturists are not in a position to have godowns of their own. So, the provincial governments should help the agriculturists through co-operative sale societies to build godowns in centres which provide good markets, by advancing money at cheap rates of interest. By passing this resolution, we are only reiterating the recommendation of the Indian Central Banking Enquiry Committee.

Khan Sahib Malik Noor Mohammad Khan (Punjab) in seconding the resolution said that it was not necessary for him to make a speech as the mover himself had explained all the points and that the utility of the proposition was unquestionable.

Mr. N. Satyanarayana (Madras) was of opinion that the Government should not be approached for help in this direction, but the Provincial Co-operative Banks and Institutes should take steps in the matter.

After some discussion, the resolution was carried.

RESOLUTION No. 8. This Conference, while urging the continuance of the facilities for free transfer of funds for purely co-operative purposes, emphasizes the necessity for action being taken by the Imperial Bank of India on the recommendation of the Indian Central Banking Enquiry Committee that "as regards remittance facilities for other than co-operative purposes, co-operative banks should be entitled to the same privileges as joint stock banks."

Mr. V. L. Mehta in moving the resolution said:—Last time, when we met in Simla, we passed a comprehensive resolution on the subject. On this resolution and other proposals by co-operative banks in different parts of India, our demands were subjected to a very critical and thorough examination by both the provincial and central banking enquiry committees which have supported the proposal. The threat has been very often held out that the facilities for free transfer will be curtailed or withdrawn if they are utilised for the purchase and sale of remittances. This facility or concession is to be utilised solely for remittance for what we may call 'co-operative purposes.' In this resolution, we demand nothing more. In the second part of the resolution, we reiterate the recommendation of the Central Banking Enquiry Committee that the Imperial Bank should charge us the same rate for remittances for purposes other than co-operative as are charged by it for remittances between two branches of a joint stock bank. What happens is that when a joint stock bank desires to remit funds to its branch anywhere in India, it is allowed a demand draft by the Imperial Bank of India at half the rate charged for drafts on the place where funds are remitted. This concession is not allowed for remittances between co-operative banks. What we are asking for is to be placed in the same position as joint stock banks.

Rao Bahadur S. S. Talmaki (Bombay) seconded this resolution.

Mr. A. G. Sherlekar said:—All joint stock banks are not enjoying the same facilities at the hands of the Imperial Bank. Some indigenous banks and even some joint stock banks do not do so. It is for this reason that I request you to amend the resolution and add at the end "or indigenous banks."

Mr. V. Ramadas Pantulu:—"Some indigenous bankers as well as some joint stock banks are receiving facilities from the Imperial Bank of India. But it is difficult to say what facilities the indigenous bankers are receiving. As regards the joint stock banks, the Imperial Bank has special rates of concession. They charge two annas per cent for the issue of demand drafts to them, while they charge four annas per cent to co-operative banks.

The resolution was passed.

RESOLUTION No. 9. This Conference fully endorses the resolution of the Eleventh Session of the Registrars' Conference about the necessity for all India legislation providing for the registration of co-operative societies, the operations of which extend all over India or more than one province.

Mr. V. Ramadas Pantulu in moving the above resolution said:—The Indian Provincial Co-operative Banks' Association and the All-India Co-operative Institutes' Association are two institutions of an all India character and their registration as societies is essential; and it is doubtful whether we can register them now under the India Act (II of 1912) especially because Bombay, Burma and Madras have their own Acts and the All-India Act is not in force there. A draft bill for the registration of such societies was prepared and circulated to the Eleventh Session of the Registrars' Conference held in January last and the Conference commended such a legislation."

Rai Sahib Raj Prakash Narain (B. & O.) seconded the above resolution.

The resolution was unanimously carried.

RESOLUTION No. 10. This Conference is of opinion that the following among other steps may be taken to meet the situation arising from the economic depression:—

(a) In view of the present depression, the rates of interest charged by primary societies and central banks to the members should be temporarily reduced as far as possible, consistent with the safety of the society, even at the cost of reducing the margin for contribution to the Reserve Fund; (b) The instalments payable to the societies may be spread over a longer period, as far as the resources would permit; (c) Fresh finance should be given to societies to help good members, consistent with the safety of the funds even if the societies be in default to central banks.

Mr. V. Ramadas Pantulu:—"This is a question of immediate importance. I have no doubt that in the several provinces something is being done on the lines of this resolution to give temporary relief to the members of primary societies. In Madras, we have practically given up the charging of penal interest. Originally the lending rate to societies from the central banks was 7½ per cent., generally speaking; it is now brought down to 6¼ per cent. Members who had to pay 9⅜ per cent interest are now charged generally 7½ per cent. on their loans. If a member pays the entire interest due for a year, it is received at the reduced rates, though the principal amount is not paid. The Provincial Bank has reduced its lending rate to central banks to 5 per cent.

As regards part (b) of the resolution, the idea is not to convert short term loans into long term loans, but to give extensions on adequate new or additional security to existing loans where they cannot be otherwise recovered. This is only a very temporary expedient, but is intended to prevent the debtors' lands being sold in this period of depression.

As regards (c), it is felt that stopping of further finance to societies will lead to the stagnation of the Movement. Even punctual members get disgusted with the movement. So, we should encourage good and punctual members and not penalise them for the fault of the bad ones. Loans should, therefore, be advanced to non-defaulting members of defaulting societies, provided that the society has still a good management.

Mr. S. K. Lahiri, (Bengal):—"Madras has already taken steps in this behalf in the right direction, and I hope that other provinces will also follow suit. So far as I am aware, Bengal also has taken steps to reduce the rates of interest. I do not know whether other provinces have done so, but I am sure that, if they follow this resolution fully, it will confer a very great benefit to the suffering members."

The resolution was carried.

RESOLUTION No. 11. This Conference invites the attention of the Provincial Government to the scheme of debt conciliation recommended by the Indian Central Banking Enquiry Committee in paragraph 91 of their report and urges upon the Governments the necessity of introducing suitable legislation to give effect to the same as early as possible.

Rao Bahadur T. A. Ramalingam Chettiar in moving the resolution said:—Even before the depression, we took a sort of census of the agriculturists in a small district and we came to the conclusion that out of 100 agriculturists, 40 were solvent and the remaining 60 insolvent. They could not be saved. The idea of saving at least the 40 per cent of the people, who can be saved, if some help is given, is worth trying. But the depression has overtaken the good intention of the people with the result that unless some understanding is arrived at between the creditor and the debtor to moderate his demand, this is not possible. This has been recognised in most of the provinces in India. The agriculturists have no repaying capacity on the basis of their present bloated debts. The Hon'ble Minister who referred in his address to the debt conciliation scheme also mentioned this difficulty. At the same time there is no other way in which we can save the agriculturists but by this scheme."

Khan Bahadur Abdur Rahman (Bengal) seconded the resolution.

Mr. A. G. Sherlekar:—"What is the constitution of the Debt Conciliation Boards in C. P. and Berar?"

Mr. Lakhe (C. P.)—"The Board is appointed by the Government and so invariably the Chairman of the Board is some Government Servant of the rank of an officer of the Executive or Revenue Department, say a Deputy Collector. The other members of the Board are generally non-officials. In my district, some members of the Board are Government pensioners, honorary magistrates, etc. Under the Act, the maximum number of members of the Board is 9. The Government generally appoints seven."

After some discussion, the resolution was carried.

RESOLUTION No. 12. This Conference fully endorses the recommendation of the Indian Central Banking Enquiry Committee that the ordinary co-operative credit societies should normally confine themselves to dispensing short and intermediate term credit, long term credit being normally provided only by land mortgage banks.

Mr. S. K. Chatterji (Bengal):—"We have all heard what difficulties are being experienced by mixing up long and short term finance in societies and that the time has come to put the movement from the bottom to the top on a sound basis. The central banks generally have no long term money with them, but depend on short term deposits for their business. Unless we make arrangements for long term money we should not try to advance long term loans, but it should be left to be dealt with by land mortgage banks which have sufficient long term funds and proper safeguards."

Mr. S. Rahman (Bengal) seconded this resolution. As secretary of a Central Bank in Bengal, I have never tried to keep short term and long term loans separate. There is no difference in short and long term loans particularly in Bengal. We have practically introduced this land mortgage banking system for agricultural finance by Central Banks. If there be collateral security, I do not think there is any necessity for making this distinction between land mortgage banks and central banks. But as I have been asked to support the resolution, and as I am not opposed to starting of land mortgage banks, I have great pleasure in seconding it."

Mr. A. G. Sherlekar said there was some difference between this resolution and that of the Registrars' Conference.

Mr. V. Ramadas Pantulu:—"We have in substance endorsed the recommendation of the Indian Central Banking Enquiry Committee. The resolution passed at the Registrars' Conference says "land mortgage banks should be established wherever there is a right of free and unrestricted transfer of land." We may add these words if you like; but there is no need. The resolution recommends the organisation of mortgage banks *wherever possible*. It does not contemplate that central banks and societies when they cannot otherwise secure their loans, should not take mortgage to secure them and extend the period. We have to do this even when we have land mortgage banks. To start land mortgage banks, where the system of land tenure does not permit it, is risky. That is why we have said 'normally'."

After some discussion, the resolution was passed.

RESOLUTION No. 13. (a) This Conference is of opinion that while long term credit should be provided by a distinct type of co-operative organisation, namely, land mortgage bank, there should be sufficient co-ordination between such banks and the ordinary rural credit societies to satisfy all the financial needs of the agriculturists. (b) This Conference is of opinion that 20 years period is not sufficiently long to prove economically beneficial to the borrowers and that the maximum period of loans by land mortgage banks may be extended to 40 years. (c) This Conference is of opinion that separate Provincial Land Mortgage Bank should be established to finance primary land mortgage banks and that the Provincial Co-operative Banks should not be entrusted with this business.

Rao Bahadur S. S. Talmaki in moving the resolution said:—"You know that when a land mortgage bank is organised it dispenses only long term credit, but if the agriculturist has any need for short term credit for his current agricultural purposes, land mortgage banks may not lend. Consequently, it is necessary that there should be some understanding arrived at between the land mortgage banks and the ordinary credit societies so that the borrower may not have the necessity of having recourse to a Mahajan for his current or long term needs. This is the intention of this clause.

As regards clause (*b*), there can be no doubt that twenty years for repayment of a land mortgage loan is too short a period. The borrower has to pay a very large instalment by way of repayment of the loan, if the period is short. A smaller instalment is of special advantage in a poor country like India, where both the income from land and capacity to repay are exceptionally low. The land mortgage banks in other countries advance loans for at least 40 years and sometimes up to 60 years.

As regards clause (*c*), I am of opinion that Provincial Co-operative Banks should not undertake loaning to primary land mortgage banks, but such loaning should be done by Provincial Land Mortgage Banks, specially started for the purpose. This has been done in many provinces, for instance in Madras, where they have a separate Provincial Land Mortgage Bank and even a separate Land Mortgage Banks' Act."

Mr. N. Satyanarayana in seconding this resolution said: "In Madras the loans advanced by mortgage banks are for a period of 15 years, and further extension of the period is found necessary."

Dewan Bahadur M. Ramachandra Rao said: "I am in sympathy with the proposal for extending the period of repayment in mortgage banks as far as it is possible to do so. The period of repayment varies in different countries. The Government have floated very few loans for long periods in recent years. The present policy of the Government of India has been to float short dated loans for fifteen years or thereabouts. The difficulty is that many of the investors desire to invest their money for short terms and prefer short term debentures. We can extend the period of repayment of mortgage debts to 40 years if we are certain of securing money for the same period. The period of Government loans does not generally extend to beyond 15 or 20 years."

Mr. V. G. Apte: "Land mortgage banks can pay the dues of primary societies and take over their long term loans. If the societies concerned have paid up the dues of all the members, they will have some relief. I think that, in the interests of land mortgage banks and ordinary co-operative societies, such an arrangement can be made. The question of separation of long and short term loans will not be solved otherwise, as dues have accumulated to such an extent in co-operative banks. In my opinion, 50 or 60 years should be the period of repayment for mortgage loans."

Dewan Bahadur M. Ramachandra Rao: "We are doing our best in Madras to take over the dues of the ordinary co-operative societies as far as possible; but before doing so, the land mortgage banks have to satisfy themselves about the security of the loans."

The resolution was carried.

RESOLUTION No. 14. This Conference requests the Provincial Co-operative Banks and Institutes to make an earnest effort to develop subsidiary occupations of the agriculturists and to make suitable arrangements for financing and marketing.

Mr. N. Satyanarayana moved and *Khan Sahib Khan Hasham Khan* seconded the resolution.

Dr. Zaffer Hussain (Hyderabad): "So far as Hyderabad is concerned, a marketing officer has been appointed."

Mr. President: "I am really very glad to learn that the Hyderabad State has done something in this direction and I hope others will follow suit.

The resolution was passed.

RESOLUTION No. 15. In view of the abnormal conditions created by the economic depression, this Conference is of opinion that as a special case, Central Banks should be permitted to lend to members of rural credit societies affiliated to them on the security of produce and gold.

Rao Sahib K. M. Singaravelu Mudaliar (Madras) in moving the resolution said: "Permission is required from Government to enable Central Banks to lend to members of primaries affiliated to them on the security of produce and gold. Some Governments are not encouraging this system. In Madras we have passed a resolution requesting the Government to permit Central Banks to lend to members of primaries on the security of produce and gold. They have refused such permission saying that such business is unco-operative. We have again requested them to reconsider their decision, and a reply from them is awaited. . . . Even punctual members are unable to get loans when their societies have defaulted to the Central Bank, and direct advances against produce or gold will enable them to raise funds in case of need."

Mr. S. Rahman: "I wholeheartedly support the resolution and I must say that it has not come too early. I have found in some societies in my Central Bank, where there are forty or fifty members, say thirty have defaulted and because these thirty have defaulted, the Central Bank cannot advance more money to the societies, and consequently the ten or twenty non-defaulting members suffer.

"There is one defect in the wording of the resolution. Section 29 of the Co-operative Societies Act says that 'a registered society shall not make a loan to any person other than a member.' The borrowers are only members of primary societies and not of a Central Bank and as such no loan can be given to them direct by the Central Bank under the provisions of the Act. So, I think the resolution should be as follows:—

> "*In view of the abnormal condition of co-operative credit, this Conference is of opinion that the Co-operative Societies' Act should be amended enabling Central Banks to make loans to members of societies on sufficient security.*"

Mr. V. Ramadas Pantulu then explained that there was no necessity to amend the Act and that the Government can make *rules* under the Act permitting Central Banks to lend to members of primaries, or give special exemption to permit such loans.

The amendment was withdrawn and the resolution as moved was passed.

RESOLUTION No. 16. *This Conference is of opinion that in regard to the financing of small industrial societies of artisans in urban areas, well developed urban co-operative banks are more suitable agencies than the Central Banks operating in the same area.*

Khan Bahadur Abdur Rahman, in moving the resolution, said:—"It has been found by experience that special classes of societies can best be financed by banks specially started for the purpose. Special types of societies require a special kind of knowledge and supervision and these can best be provided by a special bank."

Rai Sahib Raj Prakash Narain seconded the resolution.

After some discussions, the resolution was passed.

RESOLUTION No. 17. *This Conference requests the Standing Committees of the Provincial Co-operative Banks' and Institutes' Associations to examine the possibility of organising All-India or Provincial Co-operative Investment*

Trusts, and if in their opinion the organisation of such Trusts is practicable, to draw up a scheme and circulate the same to the Provincial Co-operative Banks and Institutes.

Khan Sahib Khan Hasham Khan moved the resolution.

Rai Saheb Raj Prakash Narain seconded it.

The resolution was carried.

RESOLUTION No. 18. *This Conference is of opinion that Provincial Co-operative Banks may with advantage enter into mutual agreement whereby they may collect at par all cheques, drafts or bills drawn on Central and Urban Co-operative Banks in India.*

Mr. V. L. Mehta in moving the above resolution said: "The object of this resolution is to enable the constituents of co-operative banks to have the advantage of a cheap means of transfer of funds throughout the country. With the help of this we shall be able to collect cheques in all parts of the country at practically no cost. Business on these lines is being carried on in many provinces between central or urban banks and the apex bank. The proposal is that such business should be extended all over the country."

Mr. Lakhe seconded the proposition.

The resolution was carried.

RESOLUTION No. 19. *This Conference is of opinion that steps should be taken for the judicious and steady expansion of the Movement by the inclusion of new members in the existing societies, organisation of new societies on sound lines, and opening of new channels of co-operative activity.*

Mr. Sanat Kumar Chatterjee moved and *Mr. S. Rahman* seconded the above resolution.

It was carried unanimously.

RESOLUTION No. 20. *This Conference urges the Government of India to take immediate steps for the rectification of the anomalous treatment accorded to the various provincial co-operative banks in the matter of assessment of their income from gilt-edged securities for income and super-tax and urges that the investments of these banks in such securities to the limit of the fluid resources' required should be exempted from both income and super-taxes.*

Mr. Sanat Kumar Chatterjee moved and *Khan Sahib Khan Hasham Khan* seconded the above resolution.

It was carried unanimously.

RESOLUTION No. 21. *This Conference urges the Government of India to extend the privilege of the Provident Fund Act and the Income-tax (Relief) Act to the Provident Funds established by Co-operative Banks and Societies for their employees.*

Khan Mohammad Basheer Ahmed Khan moved the above resolution, which duly seconded, was carried unanimously.

CONCLUDING REMARKS OF THE PRESIDENT.

"Gentlemen, I thank you very much for having co-operated with me in bringing the proceedings of the day to a successful close. My special thanks are due to Mr. Ramadas Pantulu, who took the trouble of framing the necessary resolutions for consideration by the Conference, thereby facilitating the quick disposal of the items on the agenda. The difficulties that confront us are many and I earnestly hope that we will not merely go on passing resolutions but will put them into practice. Before we part, on your behalf, I would render our heartiest thanks to Rao Bahadur Brahma and his co-workers who have made our stay here as pleasant and convenient and as comfortable as they could. There have been many volunteers and workers and our thanks are due to them for having taken so much trouble for us and made our Conference a great success."

At this stage, Mr. M. A. Gopalaswami Iyengar, on behalf of the co-operators of Mysore, invited the next Conference to Bangalore. The invitation was accepted by the Conference.

With a vote of thanks to the Chair, proposed by Rao Bahadur N. K. Kelkar and seconded by Khan Sahib Malik Noor Mohammad Khan, the Conference came to a close.

MIHIRNATH ROY.

THE RESOLUTIONS DISCUSSED AND PASSED AT THE THIRD ALL-INDIA CO-OPERATIVE INSTITUTES' CONFERENCE

(Monday, 25th June 1934)

RESOLUTION No. 1. "This Conference places on record its sense of the loss to the Co-operative Movement sustained by the premature death of Babu Mahendra Prasad, a member of the Standing Committee of the All-India Co-operative Institutes' Association and the first elected Deputy Governor of the Bihar and Orissa Provincial Co-operative Federation."

The resolution was moved by the *President, Sir Lallubhai Samaldas* and it was passed unanimously, all standing.

RESOLUTION No. 2. Resolved that the Central and Provincial Governments and the Governments of Indian States be requested to refer for opinion to the Association, bills, resolutions and other matters affecting the Co-operative Movement, village uplift problems, marketing, subsidiary occupations, indebtedness, rural education and allied subjects, and associate the representatives of the Association with the work of Committees and Commissions dealing with such objects.

Mr. Basheer Ahmed Khan (Punjab) in moving the above resolution pleaded for the recognition by Government of the Association as it would facilitate expression of recognised non-official co-operative opinion on such matters and hoped that the Government would favourably consider the proposal.

Mr. C. Subba Rao (Madras) seconded the proposition, and after some discussion, it was carried unanimously.

RESOLUTION No. 3. This Conference recognises the great importance of rural reconstruction in the interests of the co-operative movement and directs the Standing Committee of the Association to obtain information periodically about rural reconstruction work that is being carried on in the different Provinces and States in India and make that information available to the member-Institutes.

Dr. Jaffer Hussain (Hyderabad) moved the resolution.

Mr. N. Satyanarayana (Madras) seconded the resolution.

The resolution was carried unanimously.

RESOLUTION No. 4. This Conference is of opinion that the development of subsidiary occupations in rural areas ought to be one of the most important items in the programme of co-operative work so as to increase the earning capacity of the agriculturist without which it would be diwcult to keep him free from debt even when once his debts have been redeemed.

Mr. N. Satyanarayana in moving the above resolution said that development of subsidiary occupations in rural areas was essentially necessary to improve the economic conditions of the agriculturists, specially in view of the present depression and fall in prices, which have considerably curtailed earning capacity.

Mr. S. K. Lahiri (Bengal) seconded the proposition and it was carried unanimously.

RESOLUTION No. 5. This Conference while welcoming the resolution of the Government of India on Rural Economic Planning issued on 4th May 1934, and the move made by some of the Provincial Governments in this direction, urges the need for an unequivocal declaration that such action shall in the main be undertaken through co-operative agencies and recommends early consultations between the All-India and Provincial Co-operative Associations and the Governments concerned.

Professor Benoyendranath Banerjee of the Calcutta University in moving the resolution observed that all co-operative workers in the country could not but welcome the resolution on Rural Economic Planning. Such action had been demanded by economists and publicists since the days of Gokhale and Ranade. The speaker's object in moving the resolution was to give vent to the feeling of disappointment amongst workers in the cause of rural uplift for the scant attention paid to the role of the co-operative movement in the five-fold suggested plan. After thirty years of experience with the co-operative movement, the Government of India, so far as the language of the resolution went, were apparently trying, according to the speaker, to introduce a quasi-dictatorial regulation of India's economic system.

After reading out extracts from the resolution, Professor Banerjee observed that no mention of co-operative marketing could be found in the paragraph on marketing and while several special officers were going to be appointed, nothing was said as to how far non-official and co-operative experience was going to be collated and heeded to in their endeavours. The co-operative movement was essentially a democratic movement, and the speaker expressed his full agreement with Mr. Pantulu's observation that officialisation or de-officialisation was not what was needed but a thorough democratisation of the Movement. That observation could also be applied to the problem of the socio-economic reconstruction of rural India. This was the speaker's plea for the first demand put forth in the resolution.

Turning to the part of the resolution urging consultation with co-operative associations, Professor Banerjee noted that the Conference had already accepted a resolution expressing similar views. He cited the case of Bengal where the Government would not appoint a non-official representative of the co-operative movement on the Board of Economic Enquiry inspite of requests by the Committee of the Bengal Co-operative Organisation Society and the Provincial Conference. Such a mentality betrayed, according to the speaker, a lamentable lack of appreciation of the value and services of the co-operative movement and non-official workers.

Professor Kamdar (Baroda) in seconding the resolution fully endorsed what was said by the proposer. After some discussion, the resolution was carried.

RESOLUTION No. 6. This Conference is of opinion that it is advantageous to borrowers from Land Mortgage Banks to take out policies of insurance on a suitable scheme for wiping out the debt of the land mortgage banks or on other plans suited to the economic conditions of the borrowers and to endorse such policies in favour of the Land Mortgage Banks and exhorts Land Mortgage Banks and insurance societies to encourage such schemes.

Dewan Bahadur M. Ramachandra Rao (Madras) in moving the above resolution drew attention to the part which life insurance is playing in Western countries as a means of extinguishing mortgage debt. "One of the methods adopted there is that where the borrower can afford to take out a policy from an insurance company for the amount borrowed from the Land Mortgage Bank he should be asked to do so, the policy being assigned to the bank as an additional security for the debt. The borrower will be paying the annual instalments to the bank and also a premium to the insurance company. The benefits of this system are obvious. It will also enable the Land Mortgage Bank to grant loans with greater freedom from risk.

Attention may also be invited to the system of dis-mortgaging by means of life insurance which has met with favour with the public in Germany, and this method of mortgage debt redemption is now very popular. The insurance is effected for the amount of the debt to be extinguished and since this becomes less every year in consequence of the payment of the annual amortisation charges this means effecting it for the sum that remains to be paid. Thus what is insured is the remainder of the debt, the amount of which goes on diminishing and consequently the premiums are gradually reduced. In the event of the death of the insured person, the residue of the capital debt not yet repaid is covered by this insurance and thus complete dismortgaging is rendered possible. Life insurance is not thus regarded as an end in itself, but introduced into the system of dismortgaging as an essential factor. The savings banks, the Raiffesen organisations for East Prussia and the Federation of Co-operative Societies, all these take an active part in the propaganda of popular insurance. The life insurance as arranged by the Landchaft of East Prussia is not concurrent with amortisation, but acts in its stead to effect dismortgaging and consequently the annual payments made by land owners are not in any way increased. On the understanding that the premiums are not allowed to lapse, the life insurance carries with it the certainty of the extinction of the debt. This problem of combining

life insurance with the mortgaging credit deserves very careful consideration both from the insurance companies and such of the land credit institutions as now exist in India."

Mr. G. Basu of Bengal seconded the resolution.

The President *Sir Lallubhai Samaldas* and *Mr. V. Ramadas Pantulu* took part in the discussion and explained some of the difficulties involved in the scheme while supporting it.

The resolution was carried unanimously.

RESOLUTION No. 7. This Conference directs its Standing Committee to undertake the systematic organisation of co-operative publications, statistics, charts, etc.

Professor V. G. Kale (Bombay) in moving the above resolution appreciated the good work done by the Association in that direction by publishing a few books on co-operation and hoped that the Association would continue to bring forth such useful co-operative publications, besides charts, statistics, etc.

Dr. Jaffer Hussain seconded the proposition and it was carried unanimously.

RESOLUTION No. 8. This Conference recommends to the Government of India to enlarge the scope of the Imperial Council of Agricultural Research so as to include problems connected with agricultural co-operation and to give adequate representation to co-operative institutions on the Council.

The Hon'ble Rai Bahadur Mathura Prasad Mehrotra (U.P.) in moving the above resolution said that it would be in the fitness of things that agricultural co-operation also should come within the purview of the Imperial Council of Agricultural Research and it would be possible only if the co-operative institutions were represented in the Council. He hoped that the Government of India would, in the interests of the Co-operative Movement, take the necessary steps.

Mr. L. Gangadhara Sastri (Madras) seconded the resolution and it was carried unanimously.

RESOLUTION No. 9. This Conference recommends to the Universities to give preference and prominence to the study of co-operation in every practicable manner, for instance, by instituting a separate paper on that subject, in the syllabus for study and examinations in economics.

Professor V. G. Kale in moving the above resolution said that provision for the study of co-operation in the syllabuses of the Universities was wholly inadequate and that such provision should be made by at least having a separate paper on the subject in the syllabus for study and examination in economics.

Rao Bahadur S. S. Talmaki (Bombay) fully endorsed the views expressed by the mover and seconded the resolution. It was carried unanimously.

RESOLUTION No. 10. This Conference directs the Standing Committee of the Association to obtain information about the arrangements for and courses in co-operative education in the various Provinces and States in India and to make that information available to the member institutes in a suitable form.

Rai Sahib Raj Prakash Narain (B. & O.) moved the above resolution and said that as a member of one province may not know what is happening in another province, it would be useful if the Association obtains such information about co-operative education and circulate it to the member Institutes.

Khan Sahib Malik Noor Mohammad Khan (Punjab) seconded. The resolution was carried unanimously.

RESOLUTION No. 11. This Conference requests the Standing Committees of the Institutes' and Provincial Banks' Associations to examine the possibility of organising All-India or Provincial Co-operative Investment Trusts, and if in their opinion the organisation of such trusts is practicable, to draw up a scheme and circulate the same to the Provincial Co-operative Banks and Institutes.

Professor Banerjee moved the resolution and *Mr. V. M. Thakore* seconded it.

Professor Kaji, at the request of the house, explained what a Co-operative Investment Trust was, and supported the motion.

It was carried unanimously.

RESOLUTION No. 12. Resolved that the first Saturday in November being convenient to the majority of provinces and Indian States in India be continued to be observed as the All-India Co-operators' Day, and that the Government be requested to declare that day as a public holiday.

The above resolution was moved from the Chair and carried unanimously.

RESOLUTION No. 13. This Conference is of opinion that Provincial Governments can do much to arrest the deterioration of and improve the movement in their provinces and urges upon them to take greater interest in the movement and formulate constructive schemes to develop and strengthen it.

Rao Bahadur N. K. Kelkar (C. P.) in moving the above resolution said that while the Local Governments have done something to arrest the deterioration of and improve the movement in their provinces they can do much more, and hoped that they would take steps to improve and strengthen the movement by formulating constructive schemes.

Mr. N. Satyanarayana seconded the above proposition.

After some discussion, in which several members took part, the resolution was put to vote and was carried, 22 voting for and 5 against.

RESOLUTION No. 14. (a) This Conference is of opinion that the registration of new societies should not be stopped and in suitable cases, after due enquiry, new societies should be organised.

(b) This Conference is of opinion that greater attention should be paid to the organisation of non-credit societies especially for marketing and for development of cottage industries and subsidiary occupations.

Khan Sahib Khan Hasham Khan (Punjab) in moving the above resolution said that the movement was already in a stagnant condition, and practically the societies do not now discharge any important function, except collecting the loans outstanding. The process of liquidation is being carried on vigorously, and unless new societies are started in areas, where local conditions are favourable and sufficient human material exists, the movement would die a natural death. The mover also said that organisation of non-credit societies specially for marketing and for development of cottage industries was necessary as profits from agriculture are dwindling.

Mr. Shamsur Rahman (Bengal) seconded the resolution. After some discussion, it was carried unanimously.

RESOLUTION No. 15. This Conference recommends to the Provincial Co-operative Institutes the necessity for formulating and working a programme of rehabilitation and development of the co-operative movement on a five or seven year plan.

Rai Saheb Raj Prakash Narain in moving the above proposition said that a five or seven year plan for the development and rehabilitation of the movement was necessary to rejuvenate it.

Mr. N. Satyanarayana seconded the resolution.

After some discussion the resolution was carried.

RESOLUTION No. 16. (a) This Conference disapproves of the recent attempts in some provinces to increase official control over the co-operative organisations, as running counter to the principles and objects of the Co-operative Movement. (b) This Conference is opposed to the idea of Registrars being vested with powers to cancel licences or certificates of the employees of co-operative organisations, even in provinces where powers of issuing such licenses or certificates are vested in them. (c) This Conference is of opinion that the Registrar should not be vested with any power for superseding the management of a primary society except at the instance of the supervisory or of the financing organisations concerned and with the concurrence of the financing Bank to which the society is indebted. The Registrar shall in no case have power to supersede the management of the central societies. (d) This Conference is emphatically of opinion that the Registrar shall in no case have any power to appoint or dismiss the staff of the co-operative institutions.

Mr. V. Ramadas Pantulu, in moving the above resolution, said that the increase of official control over the movement is not the proper solution for reforming or strengthening it; but the movement should be run by those for whom it is intended. It is really not a question of officialisation or de-officialisation, but one of democratisation. If this essential principle is forgotten, co-operation loses its value as a people's movement.

The management of no society should be superseded by the Department except at the instance of and with the concurrence of the supervising and financing organisations concerned. The appointment and control of the staff of the non-official organisations must be fully vested in the institutions themselves, and the Registrar should in no case interfere in the matter. He can of course lay down qualifications for recruitment and see that qualified men are employed, in order to maintain the efficiency of the movement.

Mr. S. K. Lahiri in seconding the resolution fully endorsed the views of the proposer and said that the increase of official control will not lead to the improvement of the movement and it must be left to the co-operators themselves to conduct their own organisations, subject to general control and guidance by the Registrar.

RESOLUTION No. 17. This Conference delegates Mr. V. Ramdas Pantulu to attend the International Co-operative Congress at London to be held in the coming autumn, as the representative of the All-India Institutes' Association.

Khan Sahib Khan Hasham Khan moved the above resolution, which was seconded by Khan Sahib Malik Noor Mohammad, and carried unanimously.

RESOLUTION No. 18. Resolved that Mr. V. Ramadas Pantulu be elected President of the Association in the place of Sir Lallubhai Samaldas.

The President moved the above resolution and said that as he was retiring on account of considerations of age and health, it would be in the fitness of things that Mr. V. Ramadas Pantulu, a leading co-operator, should fill the place. The resolution was carried unanimously.

RESOLUTION 19. This Conference places on record its grateful appreciation of the very important services of Sir Lallubhai Samaldas, the President of the Association, to the Co-operative Movement in general throughout the country and to the Association in particular and regrets that he is unable on considerations of health and age to continue to be at the helm of affairs of the Association any longer.

Mr. V. Ramadas Pantulu, while thanking the house, especially Sir Lallubhai, for electing him as the President of the Association, moved the above resolution. It was unanimously carried.

RESOLUTION No. 20. (a) Resolved that the following gentlemen be elected Vice-Presidents of the Association: 1. Rao Bahadur N. K. Kelkar, and 2. Prof. H. L. Kaji.

(b) Resolved that the following be elected as Honorary Secretaries of the Association: 1. Mr. Basheer Ahmed Khan, and 2. Mr. S. K. Lahiri.

Mr. V. Ramadas Pantulu moved the above resolution which was duly seconded by Munshi Syam Sundar Lal and carried unanimously.

CONCLUDING REMARKS OF THE PRESIDENT.

The President, in winding up the Proceedings, said:

"Friends, This concludes the work of the Conference, and I think we have done our work well. A very important matter before the house is the one which the Hon'ble Minister brought forward. I am glad that we made it quite clear yesterday what we think about this matter.

"I believe by the word "democracy" he also did not mean mock democracy. Friends, as I said, I have been connected with the movement for a very very long time, and since the time we started we have felt that great powers have been given to the officials—the Registrars—and that the movement should be now de-officialised. That has been and ought to be our aim and goal—that the movement should be run by the people for the good of the people and through the representatives of the people. The Government should not in any way interfere with the internal

management of the Provincial Banks, Central Banks or Societies unless definitely called upon to do so. Certain powers, by all means let them have, but let them use these powers in consultation with the co-operative workers, the non-official workers.

"As regards primary societies I know there have been troubles. The banks wanted to make more money by starting new societies in undeveloped areas; for instance, the Bombay Provincial Bank started registration first of Central Banks and then the Central Banks were asked to organise and recommend registration of primary societies. Naturally these societies would be machine societies if they fail to come up. Let us not blame them. Let us blame the officials who did not do their best. The first essential is a strong healthy primary society. Then there is the complaint that when we started the movement we did not do this thing and we did not do that thing. The Englishman has a belief in constitution, and we have a constitution for our societies. If you want to keep the movement alive, in the first instance do not lose heart. Have optimism. Let us work. If we fail, we shall frankly acknowledge it and then start again. For God's sake do not talk of either officialising or de-officialising all kinds of societies. Of course other societies will have to be started, the sale societies, the subsidiary workers' societies and so on. You cannot expect agricultural societies to repay the loans. What the Provincial Bank must do is to find out which societies are recalcitrant. By all means do away with them. But keep the others alive. Allow them to grow and if you find you cannot do much then only cancel them. But before doing that give them all opportunity and be honest. Take proper action against defaulters. Do not lose heart and I am sure they will be able to do, I would say, wonders. You have to work and work. We all have to work. Go ahead, chalk out a plan—you may call it a seven year plan and anything you like, but go ahead and do not fear.

Gentlemen: I think we have done a good day's work. Before I part, on your behalf and on my own behalf I would render our heartiest thanks to Rao Bahadur Brahma and his co-workers who have made our stay here as pleasant and convenient and as comfortable as they could."

With a vote of thanks to the Chair, the Conference came to a close.

DELEGATES TO THE CONFERENCES AT AMRAOTI, JUNE 1934.

BOMBAY.

1. Sir Lallubhai Samaldas.
2. Rao Bahadur S. S. Talmaki.
3. Prof. H. L. Kaji.
4. Prof. V. G. Kale,
5. Mr. V. L. Mehta.

MADRAS.

1. Mr. V. Ramadas Pantulu.
2. Dewan Bahadur M. Ramachandra Rao.
3. Rao Saheb K. M. Singaravelu Mudaliar.
4. Mr. E. S. Sunda.
5. Mr. L. Gangadhara Shastry.
6. Mr. C. Subba Rao.
7. Rao Bahadur T. A. Ramalingam Chettiar.
8. Mr. N. Satyanarayana.

THE PUNJAB.

1. Khan Sahib Malik Noor Mohammad Khan.
2. Khan Sahib Khan Ghulam Hassan Khan.
3. Sardar Saheb Sardar Sing Man.
4. Khan Mohammad Bashir Ahmad Khan.
5. Khan Sahib Khan Hasham Khan.
6. Ch. Mohd. Qasim Sahib.

BENGAL.

1. Mr. Shamsur Rahman.
2. Mr. G. Basu.
3. Mr. S. K. Lahiri.
4. Prof. Benoyendranath Banerjee.
5. Khan Bahadur A. F. Abdur Rahman.
6. Babu Sanat Kumar Chatterjee.

BIHAR & ORISSA.

1. Mr. V. M. Thakore.
2. Babu Shyam Sundar Lal.
3. Rai Saheb Raj Prakash Narayan.
4. Mr. D. D. Sondhi.
5. Rai Bahadur Mihirnath Roy.

THE UNITED PROVINCES.

1. Hon'ble Rai Bahadur Lala Mathura Prasad Mehrotra.
2. Rai Saheb Radha Mohan.

CENTRAL PROVINCES.

1. Mr. K. P. Pande
2. Rao Bahadur N. K. Kelkar.
3. Mr. V. B. Lakhe.

BERAR.

1. Rao Bahadur K. V. Brahma.
2. Mr. S. D. Ranadive.
3. Mr. R. V. Dharmadhikari.
4. Mr. S. V. Kelkar.
5. Mr. S. P. Chandeler.
6. Mr. T. R. Gadre.
7. Mr. Chinney.
8. Mr. L. V. Mahajan.
9. Mr. P. N. Pande.
10. Mr. B. R. Soudeker.
11. Mr. R. V. Deshmukh.
12. Mr. R. M. Rajderker.
13. Mr. S. S. Kulkarni.
14. Mr. V. K. Soman.
15. Mr. S. S. Pargaonker.
16. Mr. M. K. Chande.
17. Mr. S. M. Aserker.
18. Mr. T. K. Bhadang.
19. Mr. G. V. Aneker.
20. Mr. B. H. Jatkar.
21. Mr. M. V. Jogleker.
22. Mr. W. R. Dharmadhikari.
23. Dr. Kane.
24. Mr. D. K. Kane.
25. Mr. T. R. Pingle.
26. Mr. G. L. Kulkarni.
27. Mr. Y. B. Farkade.
28. Mr. N. C. Deshpande.
29. Mr. A. B. Mohoril.
30. Mr. S. S. Bobde.
31. Mr. G. M. Munshi.

HYDERABAD.

Dr. Jaffer Hussain.

MYSORE.

Mr. M. A. Gopalaswami Iyengar.

INDORE & BARODA STATES.

1. Mashir Bahadur V. G. Apte, Rev. Commr. Holkar State.
2. Mr. B. L. Budge, Indore.
3. Prof. K. H. Kamdar, Baroda.
4. Mr. S. M. Majumdar.
5. Prof. Urdhavareshe.
6. Mr. Bingley, Registrar, C. S.
7. Mr. R. R. Pawar, Registrar, C.S.
8. Rao Saheb Dr. K S. Chaskar.
9. Mr. A. G. Sherlekar.

GWALIOR.

1. Mr. H. R. Khan.
2. Mr. C. N. Naidu.

BHOPAL.

Mr. G. N. Haksar, Registrar, C.S.

DISTINGUISHED VISITORS.

1. The Hon. Mr. B. G. Khaparde, Minister for Education, Central Provinces Govt.
2. Sir Moropant Joshi, Kt., Advocate.
3. Mr. McClenoghan, Deputy Commissioner, Amraoti.
4. Mr. K. G. Ambegaonkar, Senior Dy. Registrar, C.S., C. P. & Berar.
5. Mr. S. B. Dave, Junior Dy. Registrar, C.S.
6. Mr. Muniruddin, Extra Asst. Commissioner.
7. Mr. N. C. Gupta.
8. Mr. M. G. Nashikkar, Addl. District & Sessions Judge.
9. Mr. G. W. Chipalonkar, Sub-Judge.
10. Rao Saheb Dr. S. B. Bhagwat.
11. Dr. P. S. Deshmukh, Ex-Minister.
12. Mr. V. B. Chaubal, Ex-Minister.

THE XIV INTERNATIONAL CO-OPERATIVE CONGRESS, LONDON

The Fourteenth International Co-operative Congress which held its sessions in London in September 1934 was an event of great importance to the co-operative movement in general and its significance so far as India is concerned has been considerably enhanced by the fact that for the first time in the history of co-operation in India we were able to send a delegate of our own to the Congress—Mr. V. Ramadas Pantulu.

Besides the great Exhibition in the Crystal Palace we see that around the central nucleus of the Congress there were ever so many other important meetings such as the International Press Conference, the International Women's Guild Conference, the International Conference of Educationists, and the International Co-operative Assurance Conference. There was also International School of Co-operation, which was held for a week prior to the Congress. The Executive Committee of the International Co-operative Alliance and its three Standing Committees dealing with the International Co-operative Wholesale Society, the International Co-operative Banking and Reassurance also had their meetings so that for about a fortnight the whole of London and its neighbourhood seem to have been extraordinarily busy with Co-operation.

THE CONGRESS PROPER.

The Congress was held in the heart of London at Westminster near the Mother of Parliaments.

About 500 delegates were present, roughly 250 British representatives and an equal number representing the rest of the world. Naturally, representatives of European countries, such as Russia, France, Denmark, Switzerland, Czechoslovakia, were numerically stronger than those of the countries of the other parts of the world. Our satisfaction is that our representative was also there.

Sir Frederick Hayward, President of the British Co-operative Union welcomed on behalf of British Co-operators, all the delegates present and Mr. Vaino Tanner, President of the International Co-operative Alliance, presided over the function. The British Government was officially represented by the Rt. Hon. Oliver Stanley, Minister of Labour, who extended a hearty welcome to the Congress on behalf of the Government. Lord Snell, President of the London County Council also welcomed the Congress on behalf of the City of London.

After fraternal greetings by distinguished visitors and guests assembled, the proceedings began. Mr. Arthur Henderson a former member of the Labour Cabinet and the present President of the International Disarmament Conference attended the Congress and spoke of co-operation as the surest foundation for true democracy.

MR. RAMADAS PANTULU'S SPEECH AT THE CONGRESS.

MR. PRESIDENT,

I am, perhaps, the only delegate in this large International Congress, that comes from a country which enjoys neither political nor economic freedom.

Nevertheless, I am in a position to say, that in the company of my fellow co-operators, I have not felt that sense of inferiority which I would have felt in a political or economic world conference, in collaborating with the representatives of self-governing countries and nations. I attribute this, in the first place to the atmosphere of freedom and self-reliance that has pervaded this Congress and which it has been the aim of the co-operators to create. In the next place I attribute it to the abundant goodwill to India, manifested by my fellow Delegates from all the countries.

There is no reason why we should not meet with a similar sense of identity in international interests in political and other concerns of national life. I feel that this will become possible only if Imperialism and Capitalism give way to the ideals for which this Congress stands and these ideals are accepted and put into practice. I shall, however, be untrue to myself if I fail to tell the Congress that as I listened to some of the speeches that were made in the last three days, I felt the ideal of "Co-operative Commonwealth", which in the past evoked great enthusiasm and raised large expectation in the ranks of co-operators, is receding somewhat into the back ground.

The cult of economic nationalism and of a planned economy of its own for each nation has made serious inroads on the faith of some of the delegates in the universality of their creed and the efficacy of their methods. It is said that, if in any country the interests of "organised co-operation" conflict with the large interests of the economic life of the nation as a whole, the former must give way to the latter. Put in this form, the proposition may appear to be *prima facie* sound. I am, however, unable to agree with the implications that the proposition carries with it. If I have understood the principles of co-operation aright, and if co-operation aims, as I believe it does, at promoting the interests and efficiency of production, distribution and buying, by eliminating all unnecessary factors that go to needlessly increase the cost of the consumer in private economy based on profit, I fail to see how organised co-operation of the right type can possibly conflict with true national interests.

If Governments in certain countries are hostile to co-operation or so frame their scheme of planned economy, as to suppress or injure the co-operative organisation or discriminate against them, it is because those government are either dominated by the vested interests of private economy, or, are unable to shake off the effects of the capitalistic environment and tradition in which they have been nurtured for centuries and not because there is anything wrong with the essential principles and practice of co-operation. In countries so circumstanced, it will not only be the right, but also the duty of co-operators to take effective action to convert their governments to their view point and to make them realize the fundamental identity of the interests of organised co-operation and those of the nation as a whole. It is the economic programmes of the governments that must give way to those of organised co-operation. To this extent the principle of political neutrality must be modified. In this demand, I am in full agreement with the view expressed by the British delegates. We in India will eagerly watch the growth of the Co-operative Party in British politics and of its influence in shaping the economic policies of the Government of Great Britain.

In India, co-operation has not yet made any effect on the capitalistic trading interests as it is largely confined to agricultural credit; but when the movement develops in India to such a stage as to bring it into conflict with capitalism in any sphere, we expect that the attitude of the Government of India towards the movement will be largely influenced by that of the Government in this country. So, the developments in Great Britain are of special interest to India.

It seems to me, that one of the most effective ways of bringing home to Co-operators in various countries the identity of their economic interest, is the establishment of an International Co-operative Wholsesale Society into which the wholesale societies of the different countries are federated. No country can produce everything that its people want and no country can live in economic isolation from other countries. Every country should be glad to buy such of its requirements as it cannot supply by its own productive effort and to sell its surplus commodities through an International Co-operative Trading Corporation than through a commercial corporation. The project of an International Co-operative Trading Organisation may be usefully linked up with a scheme of International Co-operative Banking Federation, because commercial banks generally make common cause with capitalistic producers and employers, to the detriment of producers of primary products, consumers and the working classes. I earnestly hope that the International Co-operative Alliance will take up this question in the near future.

In conclusion, I beg to assure this Congress, that India, which is irrevocably committed to the creed of non-violence will stand by the Congress in the struggle to end political and economic wars and will give her full moral support to the resolution on peace and disarmament passed by this Congress. Our success in influencing international opinion will largely depend on our loyalty to the creed and basic principles of co-operation, and I hope and trust that we shall soon regain in the fullest measure our faith in that creed and those principles, and in the possibilities and potentialities of co-operation to promote world peace and universal harmony.

RESOLUTIONS ADOPTED BY THE XIV INTERNATIONAL CO-OPERATIVE CONGRESS.

London, 4th to 7th September, 1934.

I. REPORT OF THE CENTRAL COMMITTEE.

That the Report of the Central Committee on the work of the International Co-operative Alliance during the years 1930-1933, together with the concluding statement on the future orientation of the I. C. A. be adopted.

II. THE PRESENT APPLICATION OF THE ROCHDALE PRINCIPLES.

That the Report of the Special Committee appointed to enquire into the application of the Rochdale principles be referred back for further consideration.

III. THE INTERNATIONAL CO-OPERATIVE MOVEMENT AND UNIVERSAL PEACE.

Faithful to its traditions, to its principles and resolutions of its Congresses, the International Co-operative Alliance once again declares its indissoluble attachment to the cause of Peace and Disarmament.

It counts with complete confidence on all co-operators in every country of the world to use every means and take advantage of every appropriate opportunity to obtain and safeguard a durable and universal peace.

IV. THE LEISURE OF PRODUCERS AND CONSUMERS.

The Congress of the International Co-operative Alliance requests the Central Committee to make an enquiry from all its affiliated organisations as to the means that they have employed, and the results that they have obtained, in the organisation of the leisure of consumers and producers, either by special societies for that purpose or by auxiliary institutions, and what are their proposals and plans for the future.

The Congress also requests the Central Committee to organise regular International Co-operative Conferences, similar to those for the Press and Education, which afford an opportunity for considering experiences, stimulating initiative, directing and defining all the forms of the Organisation of Leisure which are possible for co-operation.

V. INTERNATIONAL CO-OPERATIVE ECONOMIC POLICY.

The economic policy of the co-operative movement is based on the principle that the common interests of the consumers and producers in all countries form most secure foundation for a new economic and social order and one of the surest guarantees for the future peace of the world.

The International Co-operative Alliance—(Central Organ of the World Organisation of Co-operative Societies), therefore, aims at promoting these objects by the realisation of the following :—

ECONOMIC PROGRAMME.

1. PROBLEMS OF CO-OPERATIVE DISTRIBUTION.

The development of improved forms of distribution and the application of the newest methods and most practical devices which, by the rationalisation and the standardisation of products, will satisfy the maximum needs of the consumer.

2. PROBLEMS OF CO-OPERATIVE PRODUCTION.

The promotion of co-operative production, nationally and internationaly, co-extensively with the organisations of consumption and distribution.

3. PROBLEMS OF CO-OPERATIVE CO-ORDINATION.

The establishment of international business organisations on a mutual basis for trading and production and, as stepping stones to their realisation, the exchange of goods between National Movements and the adoption of systems of collective purchase.

The promotion of direct relations between the various Organisations of Consumers and Producers by Joint Committees for directing policy and commercial relations, orderly marketing of agricultural produce, etc.

4. NEW FORMS OF INDUSTRIAL PRODUCTION.

The application of rationalisation to co-operative enterprise as a technical system of the scientific organisation of labour; standardisation of material and of products, and the simplification of processes.

5. THE PROBLEM OF THE RAW MATERIALS.

The investigation of the sources of the raw materials of industry, the conditions under which their distribution takes place, and the initiation of improvements in the interests of consumers.

6. THE PROBLEM OF INTERNATIONAL EXCHANGE.

The gradual development of the international exchange of goods, labour and capital, on the basis of the mutual satisfaction of common needs and the exclusion of the profit-making motive.

7. PROBLEMS OF FINANCE AND CREDIT.

The establishment of international co-operative banking and assurance on a mutual basis which will satisfy the needs of short, medium and long term credit, and, as steps to the achievement of that object, the closest relations between existing National Co-operative Banks with a view to the evolution of uniform methods of business organisation and the exclusive use of Co-operative Banks for co-operative operations.

VI. AMENDMENTS TO THE RULES OF THE I. C. A.

Certain amendments mainly relating to membership and contribution were made.

VII. THE ROLE OF INTERNATIONAL CO-OPERATION IN PRESENT DAY ECONOMIC DEVELOPMENT.

The International Co-operative Alliance, which is an association of national co-operative organisations mutually independent and autonomous in their relation to the Alliance, seeks to assist the member organisations, each in its own country, in their endeavours to raise the national standard of living and to promote the sound development of national economic life.

In pursuit of these aims, the Congress declares :—

1. That the Co-operative Movement, nationally organised, should continue its successful work for the promotion of the interests of the affiliated members by effectively organising the productions of its members and the marketing of their products, or supplying their needs as consumers either of household goods or necessities needed in their occupations, these activities to be carried on in true adherence to the Rochdale principles, successfully established during the past century.

2. That the Co-operative Movement in every country should serve as a protection to producer and consumer against the exploitation of those capitalist companies which carry on a ruthless policy of high prices for goods necessary to their existence either as consumers or producers, a policy which, by extending the margin between the retail price and the price of the raw materials, reduces consumption and affects employment in a way detrimental to the interests of national economic life.

3. That the measures taken by consumers' organisations in different countries to assist farmers and other small producers in their depressed conditions of life should be continued in a manner well adapted to the purpose, in the first place by the creation and maintenance of the closest possible relations between co-operative organisations of producers and consumers.

4. That the National Co-operative Wholesale Societies should energetically continue their exertions to build up a powerful international economic organisation (I.C.W.S.), which will thus be able to assist the activities of the member-organisations to an ever increasing extent and contribute to an increase in the interchange of goods between the countries of the world.

5. That the International Co-operative Alliance, which has been in uninterrupted activity since 1895 with a view to bring co-operators all over the world into closer contact with each other, is, in fact, well adapted to render effective assistance to the national co-operative organisations in their endeavours by establishing or further developing a regular interchange of experience and ideas in matters relating to legislation, organisation, administration, technical and scientific progress, education, press and propaganda. Also, by carefully following the international advance of such developments in private economic life as are of special importance to the co-operative organisations and their members (*e.g.*, cartels, trusts, large-scale retailing organisations), the I.C.A. is designed to make an important contribution towards the development of national and, consequently, also international co-operation.

The Congress, therefore, calls upon the constituent national movements to have recourse to the forces and resources of the International Co-operative Alliance in the highest possible degree and to contribute by all means in their power to increase the capacity of the Alliance to assist the constituent Organisations in their work of realising the economic ideas inherent in Co-operation.

The next Congress will be held in Paris in 1937.

The International Co-operative Press Conference Dinner. London. 30th August 1934. —Fradelle & Young.

THE INTERNATIONAL CO-OPERATIVE PRESS CONFERENCE *

The Conference of the International Co-operative Press held in London on 30th August marked the resumption of the useful series of meetings begun at The Hague in 1929, continued at Vienna in 1930, and still further developed at Hamburg in 1931.

Sixty delegates were present from twenty countries, representing twenty-five National Organisations.

The subject for the Conference of London—"The Functions of the Co-operative Press"—had been chosen not only in view of the lapse in our press reunions but also, in the presence of a changing social order, with the idea of making a complete restart in the work of press propaganda and study. An excellent paper was contributed by Mr. J. A. Flanagan, Editor of *Co-operative News*, Manchester.

In the following extracts we give the principal points of Mr. Flanagan's paper:—

"The Co-operative Movement in its comprehensive international character believes that its principles and methods, generally applied, offer the only sane solution of the world's economic problems.

"*The masses of the people have not yet realised what the Co-operative Movement is, and do not yet understand what its possibilities are.*

"If the vast number of members of our Societies all understood the essential difference it makes to the people to conduct their own business of production and distribution in a collective way for their own collective good; realised what the present saving through co-operation is and how much greater it can become, none would be so foolish as to remain outside the co-operative fold.

"The press is the most ready and convenient medium to effect the great change. But the ownership of newspapers generally is in the hands of capitalists who are opposed to all forms of co-operation or collectivism. It is not natural to expect them to give news of the Co-operative Movement which is likely to strengthen its power. These newspapers are run partly as profit-making enterprises; and partly for the sake of developing public opinion favourable to other financial interests of the newspaper proprietors. We cannot, in such circumstances, guarantee that essential co-operative news will reach the public unless we conduct a virile co-operative press of our own.

"We are all conscious of the attacks that have been made upon co-operative organisation in many countries—attacks by governments and attacks by trade rivals and the political parties with which they are associated. The co-operative press is the first line of defence against such attacks; but it has also a great missionary work to do. The national co-operative newspaper should appear at least weekly. It should cover every phase of co-operation in the national life, giving the fullest news about the Co-operative Union and the Co-operative Wholsesale Society where these are separate; news about the Societies, guilds and subsidiaries, should be brought into proper perspective. The national co-operative newspaper has, in fact, to be the watchdog of the Movement. It should be the textbook from which the

* Extracted from *Review of International Co-operation, September, 1934.*

co-operator should be able to find justification for a growing interest in co-operation.

"The national weekly paper will not, if the editor be wise, confine itself to co-operation in its own country. For many years there had been difficulties in the way of publishing news from other countries, the chief of them arising from language. That difficulty has now disappeared, thanks to the International Co-operative Alliance and its excellent News Service. The Co-operative News Service itself is extremely helpful; and the Economic Services are valuable as they enable us to understand many events for which we would otherwise have to rely on capitalist newspapers' interpretations.

"The national newspaper, besides advising general support for national co-operative policy, should also endeavour, as far as possible, to advocate all those greater principles for which the International Co-operative Alliance stands. First amongst these is the co-operative demand for peace and disarmament about which no co-operator should remain silent. The national organs should also be used to rally support for the Alliance so that it may really and accurately speak to the world as the voice of the massed millions of co-operators throughout the universe, as it did at the opening of the Disarmament Conference and as it did at the International Economic Conference.

"We do not exhaust our functions when we simply supply a co-operative newspaper. The home magazine for women and girls, the magazine for youth, bright literary and educational journals, more serious journals dealing with economics and finance and monetary problems, as well as the organisation of industry and commerce, all come within the scope of the co-operative press.

"In regard to the international aspect of this subject to-day, and in the light of experiences in some countries, the co-operative press ought to stand out for the defence of co-operative democracy, as well as international peace. There never was more need for a co-operative press than there is to-day; for the Co-operative Movement was never in greater danger. Its enemies are more numerous than ever; more powerful than ever; more unscrupulous than ever. Our own co-operative press must reach its own members with all the news of the organisations with which they are closely connected. It must supply them with the antidote to the poison they receive from the capitalist press, and with the mental food upon which clear and right thinking may thrive. We must go out to the non-co-operator with the gospel of co-operation. We must link up our comrades in other lands with our own so that we shall know no 'foreigners' but know all co-operators as brothers in the coming Co-operative Commonwealth, realising that what injures Co-operation in one country injures the Movement as a whole. Along these lines we will foster the spirit upon which international trade can be built up and help to inaugurate a new regime when currency difficulties will have disappeared and when the needs of co-operators throughout the world may be met by co-operative labour and industry."

A discussion followed. Our representative, Mr. Ramadas Pantulu spoke of the great popularity of the Manchester *Co-operative News* and the *International Co-operation Review* in this country.

Mr. J. A. Flanagan was warmly thanked for his paper and in the evening the delegates were entertained to dinner by the Board of the National Co-operative Publishing Society, which Mr. Flanagan serves in the honoured capacity of Editor-in-Chief.