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**THE
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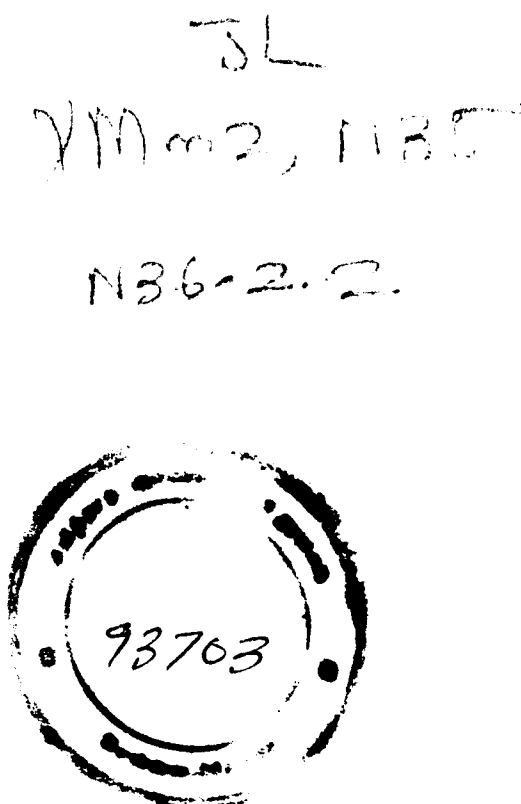
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H. E. The Viceroy
The Marquess of Linlithgow



THE LATE RAO SAHIB
T. K. HANUMANTHA RAO.



THE LATE
MR. V. C. RANGASWAMI.

THE INDIAN CO-OPERATIVE REVIEW

VOL. II

APRIL, 1936

No. 2

EDITORIAL NOTES

THE NEW VICEROY

To none can the new Viceroy, His Excellency The Marquess of Linlithgow, be more welcome than to the Indian agriculturist and the co-operator. As Chairman of the Royal Commission on Agriculture in India in 1926-28, he has toured through the length and breadth of this country, examined nearly four hundred witnesses with an acuteness and insight ever remarkable, visited every agricultural farm of importance, got into touch with some of the leading landlords and even met some groups of villagers. We are glad to be told that he has kept up his study of the several problems of the Indian ryots in the last ten years. What would touch them most is his expression of anxiety "to learn something in a very personal way of their modes of life and modes of thought." He has already shown his goodwill by visiting some villages in the Punjab and having a heart to heart talk with some of the rustics. His anxious desire "not just to talk about agricultural improvement but effect it" and set a personal example to the richer folk has been demonstrated by the presentation of a few stud bulls bought by him for service in the neighbourhood of Delhi. We understand his noble example has been quickly followed by some in the Provinces.

The advice he tendered, in his first Broadcast Speech, to the District Officers to "know your villages, whatever be the difficulties" has already stirred Civilians in some Provinces to prompt deliberation, if not action. Rural reconstruction is now on the lips of every official. We hope this new-founded enthusiasm to get into touch with the masses will bring some real relief to the countryside. While we are all agreed on the need to increase production, the immediate demand for a reduction of the burden of taxation on land may have to be met first. Lord Linlithgow is said to have protested against heavy taxation of land in Scotland. Will he be gracious enough to lend his ear to such a complaint in this poverty-stricken land and influence the Local Governments? He has had a reputation for immense popularity with his tenants in his estate. Will His Excellency help create such goodwill among landlords and tenants in this country? We hope he will.

We, for our part, are concerned with the prospects for Co-operation in the regime of the new Viceroy. Lord Linlithgow had distinguished himself as Chairman of the Departmental Committee on Distribution and Prices of Agricultural Produce in Great Britain before he took up the Chairmanship of the Agricultural Commission in India. The report of that Committee led to the establishment of a Marketing and Co-operative Section, in the Department of Agriculture, whose solid work in economic research and organisation has won universal praise. The report of the Royal Commission in India has led to the creation of the Imperial Council of Agricultural Research, whose marketing services will soon see the light of day and, we hope, lead to a more effective organisation of co-operative marketing in this country. There are several phases of the Movement in which his abounding sympathy and great courage will be of immense help. However much the faith of work-a-day co-operators might have been shaken in these difficult days of depression, it is hard to imagine a similar inroad on the faith of the Chairman of the Commission, which reported: "We have great hopes that many millions of peasant proprietors may be led to a better life through a sound co-operative movement; if this is secured, much else is brought within the bounds of the movement. If Co-operation fails, there will fail the best hope of rural India."

THE LATE RAO SAHIB T. K. HANUMANTHA RAO

The Co-operative Movement in South India, in the Madras City in particular, has suffered a heavy loss in the sudden death in January last of Rao Sahib T. K. Hanumantha Rao, at the age of 68. He was by profession a Lecturer in Chemistry in the Madras Presidency College and later in the Government College at Kumbakonam. It is said his hobby was co-operation. The fact is he devoted so much time to co-operation, that it is a misnomer to call it his hobby. It is a common saying in Madras that his students learnt more of Co-operation than Chemistry in his classes. Along with a dozen other eminent intellectuals he founded the now famous Triplicane Urban Co-operative Society, commonly called the Triplicane Stores, a year prior to the passing of the first Indian Co-operative Societies Act. Mr. Hanumantha Rao was indeed the soul of the T. U. C. S. for long and was the inspirer of several stores in other parts of India, notably by South Indians. His name is a household word in every part of India having any successful store.

Professor Hanumantha Rao was a prince of propagandists—thanks to his close study of the classics on Consumers' Co-operation, his wonderful power for narration and of persuasion, his humorous hits and strokes of satire. He was not merely a great speaker and propagandist.

He was eminently practical in his suggestions and was the embodiment of thoroughness in what he undertook to carry out. His was the strength born of deep conviction in co-operative ideals. He could not easily brook disloyalty or carping criticism; he saw no future for a distrustful and heterogenous democracy. He devoted all his time, later in life, to build up a splendid credit institution, the Triplicane Fund, on the model of the famous *nidhis* described by Sir Frederick Nicholson. It is an institution run almost entirely on co-operative lines but without the trammels of the Co-operative Act. Mr. Hanumantha Rao will long be remembered for his idealism and life-long devotion to the Co-operative cause. We offer our sincere sympathy to his son and other members of his family.

THE LATE MR. V. C. RANGASWAMI

The Madras Provincial Co-operative Bank has sustained a severe loss by the death of its Secretary, Mr. V. C. Rangaswami, at the age of 53. Mr. Rangaswami, who succeeded his father, the late Sir V. C. Desikachariar, as Secretary of the Bank in 1912 gave his best for the institution during the last 24 years, and took more than an employee's interest in it. In fact, he grew with the institution and was largely responsible for its growth and popularity. His high integrity, quick understanding, thorough grasp of the principles and practice of banking and an innate capacity for administration made him an officer of exceptional merit. He served on the first Board of Directors of the South India Co-operative Insurance Society to which he brought to bear the experience he had gained as a Director of the Indian Mutual Life Association. He took also considerable interest in the affairs of the Triplicane Urban Co-operative Society, the premier Co-operative Store of Madras. He was the first Secretary of the Indian Provincial Co-operative Banks' Association (from 1926 to 1928.).

He was immensely popular in the commercial circles and the popularity of the Madras Provincial Co-operative Bank among commercial men and institutions in the city is due not a little to his popularity. Not only the Madras Provincial Co-operative Bank but the Co-operative Movement in India in general and South India in particular has thus lost a zealous co-operator in Mr. Rangaswami's death.

He was national in outlook to the core. He took keen interest in the encouragement of Swadeshi enterprise and in the promotion of technical instruction in the Ramakrishna Mission Students' Home. We convey hereby the sympathy of all co-operators to the members of the late Mr. Rangaswami's family.

THE LATE SHETH CHIMANLALBHAI GIRDHARLAL

Co-operators in India, in Baroda in particular, have lost a chief supporter of the cause in the death in February last, of Sheth Chimanlalbhai Girdharlal, at the age of 56. Born and bred up at Ahmedabad, which next to Bombay is the biggest centre of cotton mill industry, and trained in the business of his father who was running a cotton mill, Sheth Chimanlal found a new vent for his native talents and acquired experience in the management of the Baroda Spinning and Weaving Mill, which he purchased from the Baroda Government. It is now the biggest mill in the State and is one of the soundest. He built up another cotton mill at Ahmedabad and set up a match factory at Petlad. He was also interested in several other concerns, on the managing bodies of which he served. He was keenly interested in several public and social activities. He endeared himself to the people by his munificent charities in which he is said to have given away more than Rs. 3 lakhs. His Highness the Gaekwar of Baroda awarded him the medals of "Raj Ratna" and "Raj Mitra" in appreciation of his services to the State. He was the Vice-President of *Shri Sayaji Sahakar Sevak Sangh* of Baroda, corresponding to our provincial co-operative union or institute. He served on the Editorial Board of the monthly *Gram Jivan*, devoted to rural uplift. He was a member of the Standing Committee of the All-India Co-operative Institutes' Association. The family and friends of Sheth Chimanlalbhai as well as the public of Baroda have our heartfelt sympathy in the great loss they have sustained.

THE EIGHTH TRAVANCORE CO-OPERATIVE CONFERENCE

The Travancore Co-operative Conference, held on the 14th to 17th January 1936, was convened by its organisers with the special object of dealing with the Devadhar Committee's Report on Co-operation in Travancore and to consider in detail the provisions of the Travancore Co-operative Societies' Bill, which was drafted in accordance with the recommendations of that Committee. Owing to certain differences between the Trivandrum Central Co-operative Bank and the Travancore Co-operative Institute, a propaganda was launched by some Co-operators against the competence of the authorities of the Trivandrum Central Bank to convene the Conference; and at one time it seemed to threaten the smooth conduct of the Conference. An appeal was made by the President that all co-operators should join hands in dealing with the matters which were placed before the Conference, sinking their differences in regard to the manner in which and the agency by which the Conference was convened. Fortunately the appeal made by the President had the desired effect.

The resolutions of the Conference, which we publish elsewhere in this issue clearly indicate the trend of co-operative activity in Travancore in regard to the recommendations of the Devadhar Committee and the provisions of the Bill. The Bill purports to unduly strengthen official control over the Movement and very drastic powers of interference with the internal management of the Societies are vested in the Registrar. The reason given for adopting such a course is the very bad state into which the Co-operative Movement has fallen in Travancore. There is no doubt that the Movement is in a very bad condition. But the way to resuscitate and strengthen it is not to tighten official control, but to place the whole Movement on a better and more satisfactory basis in conformity with the ideals and practice of Co-operation. As we had occasion to say at the Conference itself: No one objects to the statutory powers of registration, audit and liquidation of the Registrar. But beyond that all powers of departmental interference with and control over co-operative institutions are not in the least degree conducive to the healthy growth of the Movement and that co-operation as a factor in the reconstruction of our rural and urban economy can make no real progress so long as it is thus administered and controlled. If co-operation is to occupy its legitimate place in our nation-building activities, the co-operative law of the country has to be entirely rewritten from an angle of vision and a standpoint radically different from that on which it now rests.

In this connection we desire to draw the attention of the Travancore Government and the co-operators of Travancore to the resolutions passed by the joint Session of the Standing Committees of the Indian Provincial Banks' Association and the All India Co-operative Institutes Association held in December 1934 at Calcutta, and in April 1936 at Fyzabad and which we extract below:—

Calcutta: (a) The Committee strongly deprecates the increasing tendency to strengthen official control over the movement and views with grave concern the retrograde and reactionary character of the bills now introduced into some provincial legislatures and the rules and bye-laws made under the existing Acts which virtually destroy the autonomy of the societies and make the Registrar a dictator.

(b) The Registrar should help in securing the good management of societies by advice and guidance and not by interference with the internal management of the societies.

(c) The Committee calls upon co-operators to mobilise non-official co-operative opinion against such tendency and requests the Provincial Governments to give due weight to accredited non-official opinion in their provinces and to preserve intact the fundamental character of co-operation as a people's movement, which must be managed by them on true democratic principles.

Fyzabad: (a) This Committee, while reiterating resolution No. 4 passed at the meeting of the Standing Committee held at Calcutta in December 1934, urges upon the Government the extreme undesirability of interfering with the appointment and

control of the staff of non-official organisations and the internal management of the societies, and is of opinion that the Registrars should help to secure the good management of society by the exercise of the power of supervision and ultimate control vested in them and by offering general advice and guidance.

(b) This Committee is of opinion that the Travancore Co-operative Societies Bill tends to unduly officialise the Movement and that it should be so amended as to make it consistent with the ideals of co-operation as a popular movement.

ALL-INDIA CO-OPERATIVE ASSOCIATIONS AT FYZABAD.

Elsewhere in this issue are published the proceedings of the Joint Session of the Standing Committees of the Indian Provincial Co-operative Banks' Association and the All-India Co-operative Institutes' Association, held at Fyzabad (U.P.) last April. The problems of the United Provinces naturally received some special attention. It was a matter of some significance that the Provincial Banks' Association chose to have its seventh session in a Province which had no Provincial Bank yet. This was the greatest need of the United Provinces, and has been so recognised. The advent of a Provincial Bank will not only facilitate the securing of short-term and long-term funds at cheaper rates through the good offices of the Reserve Bank but also the investment of funds now lying idle with Central Banks in more co-operative enterprises like the sugar factory at Biswan which, as Raja Syed Md. Mehdi said in his welcome address, has conferred substantial gains on cultivators and strengthened their position as producers. Funds may also be utilised in promoting co-operative marketing, in particular the construction of warehouses. As we pointed out in our Presidential address, with cheaper money the Central Banks could further reduce the rates of interest to societies, so that the ultimate borrowers may have funds at as low as 6 per cent, as in Madras.

Among the resolutions passed was one that reiterated the handing over of co-operative training institutes to the Provincial Unions; another pointed to the need for Universities prescribing Co-operation as a special subject in certain courses, and a third approved the idea of a Central Institute of Co-operative Research for the whole of India for which the co-operation of all Provincial organisations and the support of the Government of India were essential. The need for more propaganda, by means of pamphlets, broadcast speeches was emphasised, for which funds from out of the Rural Development Grant by the Government of India may be allotted. The tendency to increase official control over the staff and management of non-official organisations noticeable in some Provinces and States was resented and the Registrars were requested to confine themselves to the field of supervision and general guidance. The message of the Hon'ble Nawab Sir Md. Yusuf, the

Minister in charge of Co-operation (U.P.), was short and pointed to the need for bringing in the women. "In a pervasive movement of this character, you cannot leave the woman folk out of account. They are the chancellors of the domestic exchequer. Rope them in if you want to succeed in your campaign against ceremonial extravagance and in popularising thrift."

COTTAGE INDUSTRIES AND CO-OPERATION

Readers will be glad to see that our invitation for contributions on how cottage industries could be aided by co-operation has had quite a good response—the conspicuous exception this time being Bengal. Handloom weavers' societies have been dealt with at greater length, as they have received so far the largest attention, though efforts have not been crowned with success except in a few cases. The history of the Movement on behalf of these and other small industrial workers has been traced as regards most Provinces. The tale of failure is repeated with a saddening uniformity.

It is of course easy to be wise after the event, but it is by no means easy to apportion the blame for failure. Workers themselves, weavers most of all, are a hopelessly poor lot, ignorant and illiterate. Impecunious to an extent that small holders are not, with irregular and utterly inadequate means of income, they become bonded slaves of the middlemen—the master-weavers and the merchants—who finance them on condition of sale of the products to themselves. They cannot pay them well, as they must reduce the cost of production or lower the quality of goods to face the growing competition of goods turned out by large-scale factories at home and abroad. As Mr. R. Suryanarayana Rao says, "To those who have even a cursory acquaintance with the life and labour of the weaver community, it is a wonder the community has not yet been wiped out of existence." We, however, believe that it is possible, if not easy, to reconcile the interests of the Indian mills and the handloom weavers, by laying down that in certain lines the mills shall not compete with handlooms in so far as their manufacture of yarn is protected by the levy of an import duty on foreign yarn.

The fate of societies organised for other classes of workers has been almost the same. Perhaps the better workers have not been brought within the fold of the Movement, as they could manage for themselves independently. But if these had been organised and better results had been shown, they would have blazed the trail for the poorer ones. The societies have not been, on the whole, fortunate in their leadership. The

workers could not throw up leaders from among themselves. The official or the non-official in charge has not been able to do any lasting good ; no wonder this is so when more sustained missionary efforts have failed in the West. It is no good trying to save an industry without recourse to improved tools and implements, which alone can reduce cost of production and enable it to face the competition of large scale production. Pointed attention was drawn at the Sixth Indian Industries Conference held at Simla in 1934 to these and other difficulties and the Provincial schemes for helping handloom weavers, co-operatively organised, have been drawn up so as to meet or circumvent such difficulties. All eyes are now turned upon the working of these schemes.

As Mr. V. L. Mehta and others have pointed out, the financing agencies in the Movement cannot in fairness be blamed for failure to finance the industrial societies adequately. With the best will in the world it was not easy to finance members without any assets or regular means of income. In fact caution was thrown to the winds in some cases, with disastrous consequences. Special Industrial Banks organised for helping industrial societies in Bombay and the Punjab have fared no better. Banks indeed could do little if the industry was bankrupt or the bankrupt elements alone could be brought together. The almost prophetic words of the MacLagan Committee on Co-operation are worth noting : "To avoid mistakes, which may well plunge small craftsmen into still deeper difficulties than now, it is very necessary that a systematic enquiry should be made by Government or some other agency into the economic conditions of any industry that may be taken up, and the organiser should have grasped the details and difficulties of the business and have a practicable scheme to propose before asking the people to accept it." At the Joint Session of the Standing Committees of the Indian Provincial Co-operative Banks' Association and the All India Co-operative Institutes' Association held at Fyzabad (U.P.) recently, this recommendation of the MacLagan Committee has been supported in the resolution pointing out the desirability of forming Committees or Syndicates in each Province to investigate into the condition of cottage industries and to explore the possibilities of organising them on co-operative basis.

The next issue of the Review will deal largely with the problems of Co-operative Central Banks.

CO-OPERATION AND WHEAT

By

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There is probably no commodity which so lends itself to drama as wheat. From the consumers' side it is the staff of life or the bread and circuses of political cynicism, from the producers' it represents the virgin soil made fruitful, the golden harvest, the very emblem of prosperity ; "the Soviets conquer wheat" and Mussolini fights his "battle of the grain"; even in transport it has been made picturesque since newspapers discovered what they are pleased to call the "grain race" of sailing ships from Australia. Fancy and heroics apart, wheat has certain characteristics—a wide-spread, almost universal demand, an equally wide-spread supply with concentration in certain areas and frequent occurrence as a specialist crop as well as an element in mixed farming, which do indeed give it an unusual position in national and international economic life and subject it to unusual vicissitudes. This position and these vicissitudes are reflected in the history of the co-operative organisations which have handled or attempted to handle wheat for the market.

Broadly speaking, wheat is produced to-day on two types of holding—the peasant farm in thickly populated countries where wheat forms only one element in a system of mixed cultivation and is sold usually on the home market but occasionally on the market of some neighbouring State, and the specialised wheat farm, often of several thousand acres extent, carved out of the virgin plains of newly settled countries, and producing for a remote market across the seas. Europe is typical of the first and Australia and the Americas of the second type of wheat production. Certain countries are intermediate, or it may be transitional, for India can show both peasant production and overseas trade, and Russia and the Danubian Basin, after a career as exporters from large, but not new, estates have become peasant countries producing for the home market, while Russia is now moving into a third stage of large scale cultivation on a Communist basis.

Canada shows the development of wheat production and wheat co-operation in a new country in something like ideal form. The opening up of Western Canada to settlement was in progress throughout the last quarter of the nineteenth century, but it was not till the opening of the twentieth that organised grain marketing began. In 1906, a Grain

Growers' Grain Company was formed in Manitoba, and began its struggle with private trade for the right to sell its members' wheat on co-operative lines. Five years later, co-operative Elevator Companies were formed in the newly constituted provinces of Saskatchewan and Alberta. These not only sold wheat, but undertook storage in their own elevators, built with the help of Government loans for twenty years, which covered 85 per cent of the initial cost. Later, the Manitoba and Alberta companies were merged into the United Grain Growers, and handled, together with the Saskatchewan Company, about a fifth of the total shipments of the three prairie provinces.

The War cut across this orderly development. The Canada Wheat Board was set up by Government with full monopoly powers over the marketing and distribution of the crop. The demands of warring Europe and the decline in European production meant high prices, and the State marketing system was approved by the farmer. In 1920, however, there came simultaneously the fall in world prices and the end of control. There followed the first of several political campaigns for the resumption of State control. It was defeated mainly on account of that division of authority between federal and provincial governments which has impeded sweeping economic measures in more than one overseas country. The growers fell back upon the idea of a voluntary co-operative pool backed by a five-year contract obliging members to market their whole output to the pool. Proposals for a national pool failed, but by the harvest of 1923, Alberta had just upon half the total wheat acreage of the province under contract. By the following year, the Manitoba Pool controlled one-third and the Saskatchewan Pool more than half of their respective territories. The three provincial pools combined to form the Canadian Co-operative Wheat Producers', Limited, an agency through which all grain was placed on the world market.

The formation of the Pools had been something of a whirlwind campaign, and it owed some of its success to disappointment at the discontinuance of State marketing. There was also genuine co-operative idealism and knowledge, and the organisation was on a democratic basis from the first. Members had each one share and one vote; in Manitoba they were grouped in self-governing local associations electing delegates to attend the annual meeting, which was the supreme authority of the Provincial Pool. The Provincial Pools in turn appointed their representatives on the Central Selling Agency. The existing co-operative machinery of the elevator companies was also invaluable in the early stages of pool development. Not only did they, together with the provincial governments, lend money, without security, to cover the initial expenses of the pools, they provided the elevators by which alone

the crop could be handled. At first these elevators were hired, but later the Saskatchewan Pool purchased the whole elevator system of the Saskatchewan Co-operative Elevator Company. The United Grain Growers, on the other hand, retained most of their property, though the Alberta and Manitoba Pools purchased a number of elevators from them and other owners. The crop was moved on to the market with the help of bank loans. The Central Selling Agency secured membership on the Winnipeg Grain Exchange, but very early it broke new ground with a bold and in many ways admirable attempt to sell through its own agencies direct to importers overseas.

During the next five years the Pools handled something between half and two-thirds of the wheat deliveries of Western Canada. In 1928 the five-year contracts began to be renewed. About this time, however, there were signs that the Pools, with all their good work, had not completely solved the problems of the world wheat market. In the decade since the War, European countries had been solely resowing their devastated fields. Overseas production had meantime increased rather than diminished, and by 1929 two years of exceptional yield confronted the Pools with a crop which they had little chance of marketing at a price anywhere near that expected by their members. Wisely or unwisely, they decided on a policy of holding. In spite of this, prices continued to fall, and the Pools were found to have made an "initial" payment (paid to farmers on delivery of their wheat) higher than the price finally received. The result was a heavy carry-over of wheat and a considerable loss. The majority of the members remained loyal, but in some cases contracts were not renewed and it was realised that others would be evaded. The Pool operations had been financed almost wholly on bank credits, and in 1930, in order to prevent a crash, the three western provincial governments stepped in with a guarantee of all advances made up to that date, and the Dominion Government guaranteed advances for the coming season. At the same time, the governments insisted on the reorganisation of the Central Selling Agency and the abandonment of direct sales to importing countries. Finally, pooling methods and the pool contract were suspended and replaced by a voluntary Pool, and by the sale of grain through Pool elevators on the open market. The Pools, moreover, in exchange for financial aid, pledged their elevator systems to the Government and at the same time granted the Government representation on their board of directors. This change largely destroyed the peculiar democratic and federal character of the Manitoba system. At this period a movement was set on foot for a compulsory Pool in Saskatchewan. Provincial legislation was secured, only to be challenged by the courts, and finally found *ultra vires* by the Privy Council.

The net result of these violent changes was to make an end of the pool system proper, but to leave intact, and on the whole financially stable, a system of co-operative elevators in each of the Prairie Provinces. These survived the next few years which were years of catastrophically falling prices and growing indebtedness, coupled with actual distress on the farms. In accordance with the International Wheat Agreement, plans were laid for a reduction in either acreage or quantity coming on the market, but at this point there occurred two years of exceptionally short harvests which, with a slight improvement in world demand, made artificial restriction unnecessary. One more attempt at introducing compulsory marketing of agricultural produce (the Natural Products Marketing Act) was made, this time by the Dominion Government, only to be found once again *ultra vires*. This, however, was of comparatively little moment to wheat growers, since at the beginning of 1935 the Dominion Government once more stepped in and established the Canadian Wheat Board of three members with an advisory committee of seven, four of them representing consumers, and power to take delivery of wheat from producers only, to buy and sell wheat, establish a minimum price and acquire all the holdings of Canadian Co-operative Wheat Producers' Ltd. So the wheel has come full circle and Canada is back at war-time control abandoned fifteen years before.

The case of Canada has been described at length since it illustrates admirably the difficulties and problems of the co-operative organisation which attempts to sell a nation's wheat on an overseas market. An imperfect appreciation of the trade cycle, an unwise attempt to hold prices and lack of reserves to meet losses and tide over bad years, perhaps also lack of full co-operative education and responsibility on the part of members, have been the cause of the partial failure of co-operative wheat marketing in Canada.

Of the other countries with similar conditions there is not space to write in full. In the United States a somewhat miscellaneous collection of regional grain co-operatives, pools, elevator companies and others were organised about 1929 into the National Grain Corporation, a body inspired, in a large measure, by the Federal Farm Board and its policy of "stabilisation corporations" with grandiose plans for the national control of prices and supplies. The bubble burst four years later, when the Federal Farm Board was abolished, and the National Grain Corporation virtually dissolved into its component parts. Under the A. A. A. they fared better, for the compulsory reduction of surpluses relieved them of their heaviest burdens. Now once again the situation is changing, but it still seems to leave the field open to the building up of voluntary co-operation on a strong local basis and armed with prudence

and experience. Meanwhile, however, the importance of the United States on the world wheat market has been growing less.

In Australia, Queensland, South Australia and New South Wales have substituted compulsory co-operation—State-backed marketing boards on a basis of democratic choice and control, for the accepted type of voluntary co-operation. But in the principal wheat-growing State, Western Australia, farmers have carried voluntary co-operation to a high point of intensity and they have had their reward. A dry climate and a brittle wheat did not call for an elevator system but, like Manitoba, Western Australia has organised on a basis of local units federated in the Wholesale "Westralian Farmers" and the "Wheat Pool of W. A." Unlike Canada, it has financed itself at the outset with credits not from private banks but from the (English) Co-operative Wholesale Society, and not even a contract system has impinged on the purely voluntary character of every sale. Later, the two central organisations out of their own resources created an organisation, Co-operative Bulk Handling, Ltd., which by substituting storage bins for bagged wheat, moved a stage nearer to the elevator system. These two organisations between them marketed half the wheat of Western Australia in 1934 and made satisfactory returns to their members. In the following year, the bulk handling organisation was anxious to extend its activities, but the State Government at first refused to grant facilities, and appointed a Royal Commission to enquire into the co-operative system. This Commission has just issued a voluminous report, in which the work already done is vindicated and approved, and it is recommended that facilities should be given for its extension to other wheat growing districts of the State.

The history of co-operative wheat marketing in the peasant countries has followed different lines. In very few, is wheat of sufficiently outstanding importance to justify the maintenance of local co-operative societies handling only this one seasonal crop. A more usual course has been to follow the line of natural development and combine the marketing of grain with the supply of agricultural requirements. This has always been the practice of the corn merchant in European countries, the man who buys grain from the farmers and sorts it according to quality into milling, feed and seed wheat, malting and feed barley, and so forth, reselling certain classes to his farmer clients and passing on the remainder to the miller or brewer. In many European countries, Czechoslovakia is a particularly good example, this function has simply been transferred to the co-operative society. One building, usually at a railway siding, serves both purposes, and the trade in fertilisers and imported feeding stuffs keeps staff and premises busy between harvests. The societies are relatively small, independent, local organisations. Membership is voluntary and there is no contract to supply. Most societies

started with a small share capital contributed by members and a considerable loan from a local credit bank, the resources of which had been built up by the past deposits of the same group of farmers. These loans were paid off gradually, and strong reserves established, the high prices of the War years contributing to this result. The trade in agricultural requirements was usually established first and brought to a sound footing before the more speculative handling of grain was attempted. When it was taken up few societies tried the Canadian scheme of initial payments; nearly all bought firm and sold at the society's risk. This was only made possible by their substantial reserves and the existence of other branches of non-speculative trade. To say this is to indicate an obvious defect, both from the co-operative and the business point of view, but in practice it is undeniable that the system has worked. One interesting result has been the educative influence which such a society can exercise over its members' husbandry by supplying them with improved seeds, fertilisers and tools and assuring a market for the product.

There are between three and four hundred of such societies in Czechoslovakia. A number of them also own mills, and a few bakeries. For many years the Central Co-operative Unions had done a limited business in wholesale supply, but after the War, regular commercial wholesale societies were organised for the different provinces and racial groups. By far the largest of these is the Kooperativa of Bohemia. It sells agricultural requirements and specialises in selected seeds, but for many years considerably more than half of its turnover has been in produce, largely grain. Recently, during the course of the agricultural crisis, the State has intervened in the marketing of grain, first by the compulsory registration of corn exchange dealings and then (in 1934) by the establishment of a State grain monopoly based on the strong organisation of local co-operative warehouses, and with power to fix and enforce prices. The Monopoly has made use of the existing machinery of the central co-operative organisation, which has given its cordial support.

In other countries the exigencies of the crisis—real or supposed—have driven the State to an increasing regimentation and frequent subsidisation of wheat marketing. In Sweden, co-operative societies building elevators may obtain loans on favourable terms from the State, the object being to decrease the import of bread grains and to relieve the pressure on dairying by making profitable a measure of home wheat production. In France, somewhat similar steps have been taken, and the semi-State agricultural credit system has been called on to finance the movement of crops, while special co-operative societies have been formed to own and manage elevators. Again, in French North Africa

(an export country) rapid advances are being made in the establishment of a co-operative elevator system. Co-operation and the State together handle the Italian wheat crop, at least at certain stages; much of the Hungarian crop passes through the central co-operative organisation and the other Danubian countries have attempted to work out similar plans, though these are still far from being complete or self-regulating. Russia, on the other hand, seems to have abandoned the co-operative machinery of eight or ten years ago and to be moving towards a completely integrated system of State grain collection and distribution, based on the collective farm, internally self-governing but working to a strict production plan imposed from above.

Wheat is a world commodity sold on a world market and with the considerable measure of national control already achieved, largely through co-operative organisation among producers and also consumers, it is natural that the thoughts of some have gone forward to the International co-operative control of wheat. The loss and even danger of an uncontrolled wheat market is generally appreciated, and it would be merely defeatist to assume that rational control will never be effected. But it would also be childish not to recognise that the difficulties, technical, economic, political, are immense, and that no attempt up to the present has achieved any substantial success. It can be said confidently, however, that if the attempt is made not by States but by self-governing co-operative organisations, one great area of difficulty, the political, will be altogether eliminated.

The co-operative associations that have succeeded have improved the merchantable quality of the products which they handle and have effected economies and efficiencies in marketing which benefit the consumer as well as the producer. In no sense have they operated as 'farmers' trusts.' Monopoly control of farm products has long ago been demonstrated to be a delusion.

—W. M. Jardine (U.S.A.).

TOLSTOY THE CO-OPERATOR

Memoirs of Visits to Yasnaya Polyana

By

DR. V. TOTOMIANZ.

Sofia, Bulgaria.

It is now more than twenty-five years since the great author of *War and Peace* during his last pilgrimage died in the little railway station of Astápolovo. During these years the public interest in the famous writer has not diminished.

My own visits to Tolstoy were made in the years 1899 and 1900. In the latter year I was seeking an article for the then Russian journal *Nordkurier*. "One can see by your face", Tolstoy said when I first met him at his country home, "that you are neither a smoker nor a drinker." Whether through the sympathy thus established or otherwise, contrary to my expectations I received the article. But it did not appear. The paper was under police observation. The article, apparently, was denounced by an informer in the printing house. The manager of the paper—Prince Bariatinsky—was called before the Censor, was reprimanded, and the printing of the article was prohibited. A little later the paper itself was forbidden. For me, this was a hard blow, since the *Nordkurier* was the first journal to give me in Russia the opportunity of propagating co-operation. So my visit was unsuccessful. Leo Tolstoy who rarely wrote for newspapers, had given me an article, and we could not publish it. However, the privilege was mine of thus becoming better acquainted with the great Russian writer and with his circle.

Besides the Tolstoy family I met other guests at Yasnaya Polyana, amongst them the distinguished pianist, Goldenweiser. The difference of views in the Tolstoy household was marked in the furnishing of the rooms (Tolstoy's having no soft furnishings) in the food at the table, and in the conversations. Leo Tolstoy and his daughter Tatiana, at their end of the large table, had vegetarian food only. To the rest of the family and the guests orthodox meat dishes were served, under the presidency of Tolstoy's wife, who, by the way, liked to be called "Countess".

Tolstoy's attitude toward Marxism and revolutionary anarchism deeply interested me. Of Marxism Tolstoy was critical. Toward revolutionary anarchism he was less severe; but the acts of violence and the

materialism of the anarchists of that time clearly contradicted all his teachings; and he was rather astonished when I told him that in the west of Europe his views were regarded as anarchistic. Marxism, for Tolstoy, notwithstanding its revolutionary ideas, was not sufficiently radical. It would change the material and social circumstances but not the man within. The inner change, in Tolstoy's view, needed faith in God and love for one's neighbour. A Marxist revolution would touch only the surface of things, without altering the moral nature.

During my second visit I began to talk of the co-operative movement. Tolstoy admitted that this was a subject unknown to him. Naturally, I took the opportunity of offering papers in explanation.

I did not visit Tolstoy again; but from time to time I sent him co-operative publications. In one long letter I tried to convince Tolstoy that the co-operative movement could not be foreign to him, since amongst its pioneers had been the English Christian Socialists, whose views he honoured. In reply Tolstoy sent me his famous letter on the co-operative movement printed in the final volume of his works—an English translation appeared in April 1910, in the *Wheatsheaf*. In this letter Tolstoy did not renounce any of his well-known principles. But he declared that the founding and assisting of co-operative societies was the only social activity open to the man who does not want to be an exploiter or oppressor of his fellows. Leo Tolstoy himself promised to spread the co-operative idea amongst the peasantry. And, soon afterwards, I was asked by Mr. Boulanger, a follower of Tolstoy, to send co-operative rules to Yasnaya Polyana. I published Tolstoy's letter in Russia and abroad, and throughout Europe it had influence.

That was in 1910, twenty-five years ago. To-day co-operators everywhere honour Leo Tolstoy not only as a novelist and philosopher, but also as one who, as a writer, supported co-operation in its still young days.

In industry as well as in politics, centralisation has so many admirers. But in both the ideal of the centralisers badly needs revision.

—Kropatkin.

AGRICULTURAL CREDIT IN PORTUGAL ¹

By

MR. FREPPEL COTTA,

Author of '*Agricultural Co-operation in Fascist Italy*.'

In the October number of this Review we examined the organisation of agricultural credit in Italy. It may be useful, particularly to our States, to describe this time the organization in a smaller country.

Portugal is a predominantly agricultural country. A little under 50 per cent of her population is engaged in agriculture²; about 56 per cent of her exports consist of agricultural products.

But Portuguese agriculture had fallen on evil days: to the general causes that have brought world agriculture on the brink of ruin, were to be added special causes of internal origin, such as political instability and the want of an agricultural outlook on the part of the party politicians, who were recruited from the "schools, the public offices and the cafés" and constituted the constantly changing ministries.

With the establishment of the dictatorship in May 1926, more stable political conditions set in, but the Army, which controlled the situation, had not yet found a man capable of putting the financial and economic house in order; such a man was prevailed upon to accept office only in 1928, as Minister of Finance, to become in 1932 the Prime Minister.

The Press of the English-speaking countries was full of Dollfuss, it is still full of Mussolini and Hitler, but it says little about Salazar, the Portuguese dictator, who, though a layman, is comparable with that great constructive statesman and patriot, Mgr. Seipel, for asceticism, high integrity and unimpeachable character, and who from the seclusion of his office, without swaying the masses with inflammatory speeches and

without violent measures, has been, during the last eight years, regenerating and raising Portugal internally and in external estimation.

Huge deficit budgets had become chronic in Portuguese finance, the country's credit was low, about 10 to 13 per cent was the effective rate of interest on public loans.³ The very first budget produced by Salazar left a surplus of £ 2,856,500. Of course, direct and indirect taxation was raised; but sacrifices were necessary if the country was to be saved from ruin, and rehabilitated.

With the finances in a sound condition, Salazar could turn his attention to the economic field. Credit facilities are very necessary if economic enterprise is to meet the prevailing world conditions; they become of paramount importance when industry and agriculture have to be entirely reconstructed, as was the case in Portugal. So, early in 1929 Salazar issued elaborate decrees reorganising industrial and agricultural credit.

CREDIT RE-ORGANISATION.

In Portugal there were few co-operative credit societies (there are only 127 of them for the 3705 parishes), and what is worse, those few had scanty own capital. There were no private organisations, even like the Italian Provident and Death Benefit Societies, to bring financial aid worth speaking of to Portuguese agriculture. The financial aid given by the ancient charitable institutions called *Misericordias* had steadily declined since the beginning of the century and more so since the war. As co-operative and private credit could not be built at short notice, and as, on the other hand, the needs of Portuguese agriculture were urgent, Salazar decided to unify the credit facilities given by the Government, and to increase and to make them easily available.

The sources of agricultural credit then available were threefold: (a) An amount of about £100,000 given by the Bank of Portugal, under a contract with the Government, for financing co-operative credit societies, which amount was distributed by an institution called *Caixa Geral de Credito Agricola* (General Bank of Agricultural Credit); (b) about £ 350,000 given by the said *Caixa* and another institution called *Bolsa Agricola* (Agricultural Exchange); (c) a further £ 530,000 given by a general banking institution named *Caixa Geral de Depositos* (General Bank of Deposits). The amounts available, totalling in all about £ 1,000,000, were not large enough; and what is worse, there was overlapping and waste, both in the credit given and in the management expenses.

3. The present effective rate is about 4 per cent.

1. The main facts and figures for this are drawn from: (1) Decrees Nos. 16,665 and 16,666 of 27th March, 1929; No. 17,215 of 10th August, 1929; No. 19,547 of 1st April, 1931; No. 20,451 of 31st October, 1931; (2) the Annual Reports of the *Caixa Geral de Depositos, Credito e Previdencia* and the *Caixa Nacional de Credito* for the years 1931-32 and 1932-33; (3) *Anuario Estatistico de Portugal, Ano de 1933*, Imprensa Nacional, Lisbon; (4) *The Financial Times*, Supplement Series No. 134, London, 7-10-'35.

2. The total population of Continental Portugal was according to the 1930 census of 6,340,797 souls; the total area cultivated in 1933 was 5,403,000 hectares. (1 hectare = 2.47 acres).

Now the *Caixa Geral de Depositos* was the people's savings bank, holding about 50 per cent of the total deposits of the country, and it had branches and agencies throughout Portugal.⁴ Salazar decided, therefore to avail himself of the resources and the machinery of this *Caixa* in order to provide credit cheaply and easily on an extensive scale.

The *Caixa Geral de Depositos* was re-organised and re-named *Caixa Geral de Depositos, Credito e Previdencia* (General Bank of Deposits, Credit and Providence) and to it were attached two financially autonomous institutions, but using the same staffs, called *Caixa Nacional de Credito* (National Bank of Credit) and *Caixa Nacional de Previdencia* (National Bank or Institute of Providence). In order that the activities of these three independent institutions might be co-ordinated and given unity of purpose, the Council of Administration of all three was made one and the same.

CAIXA NACIONAL DE CREDITO

The above, to which we shall refer hereafter as the C.N.C., is the official channel for giving credit to industry and agriculture in the elaborate plan of national reconstruction organised by Salazar. It has, therefore, two departments, viz., industrial and agricultural. We shall deal only with the latter.

Objects. Besides the main object of giving loans, the C. N. C. has the following subsidiary objects: (1) To convert rural mortgages; (2) To purchase uncultivated lands for colonisation and cultivation purposes; (3) To distribute those lands on credit, with suitable guarantee, among small farmers and agricultural labourers; (4) To finance the purchases of land made by small farmers and agricultural labourers themselves for colonisation and cultivation purposes; (5) To promote banks of the Luzzatti type; (6) To promote credit societies of the Raiffeisen type⁵; (7) To promote any other types of credit and providence institutions of economic and social value.

4. The deposits in the C. G. D. C. and P. at the end of 1932-33 amounted to £16,691,800, besides which it had funds to the tune of £5,044,860. There were 478 branches and agencies, that is, in the average, one for every about 12,000 inhabitants.

5. The co-operative movement is very weak in Portugal. So, in spite of the fact that there is at the ministry of Agriculture a special Department to promote and supervise co-operative societies, various other efforts are being made to foster co-operation. Co-operative credit societies are being particularly encouraged for the two well-known reasons: (a) Loans given through them have the guarantee of the unlimited liability of their members; (b) their members are, owing to their mutual knowledge, in a better position to see that the loans are properly applied. As an encouragement to co-operative credit societies, loans through them pay $\frac{1}{2}$ per cent less interest.

Funds. The funds of the C. N. C. consist of the following: (a) Those furnished by the parent institution, the *Caixa Geral de Depositos, Credito e Previdencia* (C. G. D. C. e P.). These funds amounted at the end of the year 1932-33 to £3,709,520; (b) Short-period issues, of from one to three years, for financing short-term credit, to the maximum amount of £1,500,000. No such loans had been issued up to the end of the year mentioned, as the funds furnished by the C. G. D. C. e P. were enough for that purpose; (c) Long-period issues of the maximum period of 30 years and maximum amount of £1,500,000, for financing long-term credit. Long-period issues to the amount of £333,800 only had been subscribed up to the end of 1932-33⁶; (d) Funds supplied by the Government for financing co-operative credit societies. These amounted to £483,190 at the end of the said year; (e) Other funds totalling £127,130, which amount included Reserves of £122,210.

SHORT-TERM CREDIT

Purposes. Discrimination is made between loans (a) to individuals, (b) to associations.

(a) Short-term loans to individuals may be (1) for the purchase of seeds, plants, fertilisers, insecticides, fungicides, utensils, machines, implements, means of transport, cattle, vaccines, serums and medicines for animals; (2) for wages, salaries, rent, taxes and any other charges due to agricultural enterprise; (3) to re-pay small loans on mortgage.

(b) Short-term loans to associations may be (1) for the production, processing, preservation, improvement and sale of agricultural products and cattle; (2) for the purchase of means of transport, industrial plant, and machinery and implements necessary for collective farming.

Periods. Short-term loans may not be for a period longer than one year, and no extension, either total or partial, may be for longer than a similar period.

Guarantees. Short-term credit may be guaranteed by (1) pledges; (2) consignment of income; (3) mortgage; (4) personal security; and it may be given against bills of exchange, promissory notes, warrants and such other documents.

Statistics. Short-term loans given by the *Caixa Nacional de Credito* outstanding on the 30th June, 1933, were on old account £444,590 and on new account £325,750. Those given by the *Caixa Geral de De-*

6. It is interesting to note that when a Court of Law orders the investment of funds in public loans, at least 25 per cent thereof must be in the issues of the C. N. C.

positos, Credito e Previdencia during 1932-33 amounted to £2,290,000 for the orderly production and marketing of wheat⁷; £200,000 for Portwine; £ 69,950 for olive oil and £ 69,550 for cork.

LONG-TERM CREDIT

Purposes. Long-term loans may be given without distinction to individuals or to associations for the following purposes: (1) To purchase or to adapt lands for cultivation or afforestation; (2) for the construction of urban or rural buildings in connection with purpose (1) above; (3) for the installation, improvement or alteration of industrial plants employed in the production, processing, preservation or improvement of agricultural products, as a complement of agricultural enterprise; (4) for the purchase of agricultural machinery and implements of high value; (5) for redeeming mortgages; (6) for the purchase of raw materials in connection with purpose (3) above.

Conditions. Loans for purposes (3) and (6) above must fulfil the following conditions: (a) The industry, whether old or new, must be a public necessity or of national or regional importance; (b) It must be feasible and must have possibilities of being self-supporting and of progressing.

Periods. Long-term loans may be for five, ten, fifteen or twenty years.

Guarantees. Long-term loans must be guaranteed by the mortgage of rural or urban property, theatres, quarries, mines and other property with changeable value being excluded. The loan may not exceed two thirds of the value of rustic property, one half of urban property, and one third of machinery. The Council of Administration may, however, alter these limits. In case of mortgage of an industrial establishment, its adaptability to other purposes must be ascertained.

The improvements resulting from the employment of the loan are also held mortgaged. Until such improvements manifest themselves,

7. In the first few months of 1933-34 the loans given by the C. G. D. C. e P. for wheat had risen to £5,340,000. In the season 1928-29 the Portuguese production of wheat was 372.5 million litres, which was enough for just about six months' consumption. In 1929 Portugal started a Wheat Campaign with the object of self-sufficiency. By means of extensive and intensive cultivation (the former having been disorderly) and helped by good seasons, by 1932 there was a considerable surplus, amounting to about ten months' (since risen to one year's) consumption. As a consequence, though the producers and millers had been compulsorily syndicalised, a grave situation arose in the wheat market, to meet which huge credits became necessary.

the borrower may be required to supplement the mortgage with Government securities on a gold basis. Such further security may also be required when the value of the property mortgaged falls. Raw materials and manufactured products may also be used for giving provisional additional security. The loan follows the property mortgaged, unless specially allowed otherwise by the Council of Administration.

It will be noticed that in the above and in many other respects the principles and the practice of the Italian organisation are followed.

Statistics. Long-term loans given by the C. N. C. outstanding on the 30th June, 1933, amounted to £260,550, besides which there was £ 55,820 employed in agricultural property bought.⁸

GENERAL PROVISIONS

Rates of Interest. The Council of Administration fixes from time to time the rates of interest, in accordance with the ruling official rates. To the rates thus fixed the C. N. C. may add up to 1 per cent to cover management, propaganda and other expenses.

Surplus. This is to be allocated as follows:

- (a) 80 per cent to the General Reserve Fund,
- (b) 20 per cent to a Special Fund for promoting and helping Luzzatti banks and Raiffeisen societies, and for increasing the funds of the latter.

Council of Administration. Like the whole organisation, the Council of Administration is entirely official. It is composed of (a) the Administrator General of the *Caixa Geral de Depositos, Credito e Previdencia*; (b) two Administrators of the C.G.D.C.e P.; (c) two Administrators of the *Caixa Nacional de Credito*; (d) two Administrators of the *Caixa Nacional de Previdencia*. From the composition of the Council, which, as previously mentioned, is common to all the three organisations, it will be seen how the activities of all of them are co-ordinated and given unity of purpose.

8. It will be noticed that the long-term loans are not considerable. Portugal is engaged just now chiefly in organising and improving the existing production. Reclamation and irrigation works that will bring more land under cultivation and colonisation are being carried out by an autonomous official body under a ten-year plan. Rural improvements, similar to those under the Italian *bontifica integrale* scheme, are also being carried out by the State, out of ordinary revenue. As regards land bought, we saw that one of the objects of the C. N. C. is to buy land to be distributed among small farmers and agricultural labourers.

Board of Management. The *Caixa Nacional de Credito* is managed by a board composed of (a) the Administrator General of C. G. D. C. e P.; (b) two Administrators of the C. N. C.

College of Syndics. This is composed of (a) the Director General of Public Revenue; (b) the Director General of Public Accounts; (c) a representative of the Superior Council of Finance. These, as well as the members of the two other bodies, are appointed by the Minister of Finance, who is the supreme head of the organisation.

CONCLUSION

Co-operation has a two-fold ideal: 1. To secure the economic independence, the social emancipation and the cultural uplift of the less-favoured; 2. To attain those ends from within by the voluntary association of those concerned. Splendid ideals they are, indeed, but not always attainable in their entirety.

In industrial areas, with their higher educational level, more stable income, more compact and organised population, voluntary co-operation has been a success. In the agricultural field, where illiteracy, economic difficulties, dispersion, mistrust and individualism are more pronounced, voluntary co-operation has been a success only in a few countries.

In the greatest democratic country of the world, England, where voluntary industrial co-operation has been such a brilliant, nay, phenomenal success, agricultural co-operation has been a practical failure; otherwise the Marketing Boards, which are meeting with so much criticism, would not have been necessary.

As the economic depression was becoming more and more intense, so also was the plight of Portuguese agriculture becoming more and more serious, due in a large measure to its almost entire want of organisation. Orthodox co-operative organisation had been a long-cherished ideal in Portugal, and in 1919 excellent legislation had been issued on the matter. But the Government had done little beyond that, and the action of the people too had been negligible. If voluntary co-operation were started now it would probably take a couple of decades, possibly a couple of generations, before it became effective; and in the meantime, Portuguese agriculture would be ruined. To prevent that, agricultural production, processing and marketing in the chief branches have been compulsorily associated, from the bottom to the top, on commodity basis. The extensive short-term credit previously mentioned has been given chiefly to finance these compulsory co-operative associations, the capital of which is being formed gradually by means of levies.

Similarly, co-operative credit was, as already stated, utterly inadequate, but credit was urgently needed. Salazar did the practical thing by pressing at short notice the vast resources and the extensive ready-made machinery of the people's savings bank into the service of people's agriculture. And from the co-operators' point of view it is worthy of note that the co-operative ideals have not been neglected. The organisation of agricultural credit in Portugal has no profit motive; one of its avowed aims is to promote and to foster local societies, which are the most important units of co-operative credit; ⁹ no less than 20 per cent of its surplus is devoted to the promotion of those societies.

9. The funds placed by the *Caixa Nacional de Credito* at the disposal of co-operative credit societies outstanding on the 30th June, 1933, amounted to £673,580. This is apart from the short and long term loans previously mentioned.

AGRICULTURAL MARKETING IN BOMBAY PRESIDENCY

By

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Need for Marketing Organisations:—The Bombay Banking Inquiry Committee in its report divide the crops into three classes for the purposes of marketing :—(1) Export crops, (2) food crops and (3) perishable crops. It is only in the case of money crops as they are called that marketing organizations are important from the point of view of the cultivator. Of the money crops, cotton is by far the most important⁴ commodity. Next to cotton are groundnuts, gul, wheat, paddy and other food grains. The complexity of the present marketing system can be easily seen from the chain of middlemen through which this produce is passed. From the grower the produce comes to the village dealer, from the village dealer to the market, from the market to the commission agent and from the commission agent to the mill buyer or the exporter. At centres where there are Co-operative Sale Societies or Purchase and Sale Unions, the produce of some members of village societies comes for sale to these organizations. At present such organizations only do the work of commission agents, no financial responsibility in any way being undertaken by them.

Methods of sale of cotton :—Some persons sell their standing crop, some sell kappas in the village, some bring and sell either cotton dokras or full pressed cotton bales. Sales of standing crops are few. Sales of kappas at villages are also on the decrease because growers prefer to sell at the market centres. Persons prefer to sell their kappas either ginned or unginned at market centres. Only persons who have limited quantity to sell, which is not even a cart-load, prefer to sell in the villages. Persons who bring their produce for sale at market centres, sell unginned kappas if the prices are favourable. If there are some chances for a rise in the prices in the near future, they prefer to gin their kappas and wait for better prices. Such persons, if they require financial accommodation, get advances up to 60 to 70 per cent of the value of goods for some months. These advances are given by money-lenders, joint stock banks, co-operative banks and sale societies or purchase and sale unions. When the cultivator takes his cotton for sale to a market

ing to the custom of the market. If the sale is transacted through an agent, the cultivator, however, receives payment immediately after weighment of the stock. In Khandesh and at some other centres, the prices of cotton are settled under cover by finger negotiations, while at some other places sales are made by open auction. Negotiations for sale are conducted by the broker, but before the sale is effected, the grower is always consulted. After the bargain is struck and the cotton is taken to the ginning factory, at the time of weighment, *wandhas* (disputes) generally arise between the buyer and the seller about the quality of the produce. The *wandhas* are mainly to reduce something from the contracted price. In places where there are Regulated Markets, disputes are settled by the Cotton Market Superintendent and the *wandha* Committees. Any decision given by them is final and is to be accepted by both the parties. At other places, the grower who has no voice and who is in a hurry to finish up weighment, has to give way and suffers by way of reduction in prices. At places where there are Regulated Markets, no remissions are allowed from the actual weights, weighments are made by licensed *maparies* (or weighmen) who get a fixed remuneration per cart. They are required to issue receipts in duplicate, about the actual weight. The sale proceeds are to be calculated at the price at which the cotton is sold. Receipts in triplicate showing actual weight, amount at the price contracted, less amounts deducted for usual charges are issued. One receipt is given to the producer, one is to be sent to the Market Officer and one is kept on office record. From the procedure detailed above, it will be seen that much is done to safeguard the interests of growers by the Regulation of Markets. At other centres, *maparies* are paid servants of *dalals* and so some mischief at times is played in weighments. At such centres, Co-operative Sale Societies or Purchase and Sale Unions are of much help to the producers in case they sell their produce through these agencies. Here, they are sure about correctness in weights and get receipts for the goods brought by them. Other *dalals* do not give receipts. Sometimes payments are made after one or two days.

It is an established fact that the Indian cultivator is always dependent on his *sowcar*. This money-lender is also a trader. In many cases advances are given on the clear understanding to bring all the produce for sale to him. So when the produce is ready, the cultivator has no other option but to take the produce to the *sowcar*. Thus he has to sell his produce at a particular time and at a particular rate. In some cases before advancing money, an agreement is got executed to sell produce at a particular price only. Here, he is not even in a position to realise the price current when the produce is ready. Even in cases where there is no such condition, the cultivator is not in a posi-

tion to wait when the crop is ready, because he has to pay land assessment, interest on the amount borrowed, some amount towards the principal amount of the sums borrowed and also he is in need of some small sum for his daily requirements. These things compel him to sell his produce at a time when the market has good arrivals during the harvesting season and the prices are at ebb. Where the persons have taken advances only from co-operative societies, no pressure to sell their produce is made. If they desired to wait for some time, arrangements to allow temporary advances on the security of goods with suitable margins are made through the Sale Societies or Purchase and Sale Unions.

Illiteracy, lack of Regulated Markets and want of uniform quality are also big hindrances to the cultivators. For the buyers to know what they are to buy inspection, sampling and grading are the chief *desiderata*. Inspection of the commodity is not always possible. But contracts by samples require grading. Grading is difficult for cultivators because there is no uniform quality. So for the growers, sales by inspection are current even in these days. Whatever grading is done is done by middlemen only. Adulteration, damping and such other practices are resorted to by these middlemen but for such actions cultivators have to suffer. The only way to minimise such malpractices is to bring the producer and the consumer nearer each other than at present. This is done to a small extent by the existing Sale Societies and the Purchase and Sale Unions.

The steady increase in the number of agricultural non-credit societies from year to year is an evidence that such organizations do bring good return to the cultivators. In the year 1928, the number of such societies in the Bombay Presidency was 59. This has gone up to 63, as on 30th June 1935. The societies are classified as under according to the produce sold :—

Cotton sale societies	..	24
Gul " "	..	1
Tobacco " "	..	1
Chillies " "	..	1
Paddy " "	..	2
Salt " "	..	2
Mango " "	..	1
Miscellaneous "	..	31
	—	
Total	..	63
	—	

Cotton Sale Societies do good work in Gujarat and at other places. The Farmers' Co-operative Pressing Factory at Surat has proved a great

boon to the agriculturists because it has freed them to a small extent from the powerful influence of the capitalistic class. Hubli and Gadag Sale Societies work successfully. These societies not only sell cotton but also purchase cotton seeds of good quality and supply the seeds so purchased to their constituents. The Gadag society now commands one-fourth of the total arrivals in the market. The Hubli society was able to make direct arrangements with some Bombay mills for the sale of cotton bales.

In Khandesh a very large area is under cotton cultivation. In this district, the sale of cotton on co-operative lines was first undertaken by the Shirpur Branch of the Bombay Provincial Co-operative Bank, Ltd. This branch undertook to supervise the ginning operations, to negotiate the sale of ginned cotton and to purchase reliable seed for the members of societies. This work of the branch in the beginning, paved the way for the starting of the West Khandesh Purchase and Sale Union, Ltd., in the year 1928. This Purchase and Sale Union has got its head office at Dhulia and branches at Dondaicha and Shirpur. As on 31st August, 1935, its share capital was Rs. 33,140. It has as its members 264 societies and 192 individual members. During the period of six years it has built up funds amounting approximately to Rs. 10,500. The chief articles brought for sale are cotton, groundnuts and bhusar. The sale proceeds are immediately paid to members and nothing is deducted for credit of advances given to them by societies. On the lines indicated above, Purchase and Sale Unions do work at Malegaon, Jalgaon, Baramati, Islampur and Kopergaon.

All these Purchase and Sale Unions are on a limited liability basis. Shares are subscribed by societies. In some Unions provision for individual membership is also made and so there are societies and individuals as members. Individual members sometimes do the same business as the Unions and their desire is to obtain some personal gains from these Unions. To continue individual members but to prevent them from getting private gains, a provision exists in the bye-laws about the maximum seats representing individual members on the committees of management. In the constitution of the managing committee of the West Khandesh District Co-operative Purchase and Sale Union, out of 12 members only 2 seats are kept for individual members. If this is done, the co-operative element will always predominate in the working of the Union. The West Khandesh Union has kept the value of its share at Rs. 50 for societies and individuals and Rs. 5 for individuals who are members of societies affiliated to the Union to enable agriculturists to become its members on payment of a small amount.

The success of these Sale societies and Purchase and Sale Unions solely depends upon good management and on loyalty of members.

Honesty and popularity of the management are also important but besides these factors efficiency is of much importance. Management of these institutions should very tactfully handle the situation arising out of the competition of the local middlemen. Much depends upon paid staff. It is chiefly by their work that confidence is created among members. If members are satisfied they continue to bring their produce and so the business goes on. In many institutions low-paid inexperienced Managers are selected and these persons are not able to create confidence among members and thus the institutions fail. To help the paid staff there is an Executive Committee, which watches the work, hears complaints and carries on the necessary propaganda to induce members of societies to sell their produce through Unions and also to make their purchases through them. These committee members are elected representatives of societies, and so they are not necessarily expert businessmen. To guide these members a Cotton Committee is set up. This Committee is composed of non-members. To associate with the management someone who has got an insight in the business one of its members is co-opted from the business class. The members of this Committee are not required to seek election. This Committee has got representatives from the Co-operative Department and the financing bank. This Control Committee is entrusted with the power of veto over the resolutions of the executive or managing committee and has got powers of action on important questions. The final appointment of the staff is entrusted to this Committee.

In our country, there is no compulsion imposed on members to sell through these unions but in some foreign countries, provision is made in the bye-laws of sale societies and unions to inflict some penalty on members who sell their produce through outside agencies. At some places amounts realised from sale of produce are directly adjusted against advances given to members by their societies. Such compulsion is not introduced in this Province and payment out of the sale proceeds is left to the discretion of members.

Finance in the process of marketing of produce is required both by the middlemen and the producers. Middlemen are financed by Sowcars or banks. Producers who desire to wait for sometime require financial facilities. Advances are given on the security of produce by ginning factories, Sowcars, sale societies or unions and by co-operative banks. Advances are allowed up to 60 to 70 per cent of the market value of goods. The rate of interest generally charged varies from 6 to 7½ per cent. Sale societies or Unions which require funds for this advance business as well as for daily transactions are allowed cash credits and maximum credits by the financing banks. Advances thus allowed to Sale societies or Unions are limited to eight times their share capital

and funds. Cash credits are allowed for their daily transactions and maximum credits for advances against produce. Before granting advances on the security of produce, produce is taken in the possession of the bank. To ensure the correctness of weights, the bank's representative has to be present at each weighment. In this province good storage facilities are wanting. This difficulty about storage can be avoided if warehouses are constructed. Warehouses would not only allow the produce to be stored but would also enable the financing institutions to make advances on the security of the produce stored in these warehouses. If under proper safeguards, some of the warehouses are licensed and proper measures are taken for their timely inspection, it would be possible to create in the shape of warehouse warrants, a readily acceptable security. The establishment of these warehouses would no doubt help to a great extent agriculture, trade and industry. The success of this system will depend on efficient management, strict supervision and low and reasonable charges for the services rendered. As an experiment it is worthwhile to introduce it at one or two selected centres in the province. It will not be out of place if some portion of the grant received by Provincial Governments for the work of village uplift is set aside and utilised early in this direction.

Advances against agricultural produce are taken by persons who have got large holdings. This class is very small. They get this facility from sale societies or unions if they are members of these institutions. Advances are required on the security of cotton, groundnuts, gul and foodgrains.

In addition to the services stated above, these societies also supply to members seeds and other articles required by them. These organizations purchase seeds and other articles in the season and so finance for this kind of business is also required. They make purchases either on the strength of indents received from members or on an average likely demand from members. In the season, supplies to cultivators are made from the stock on hand. For supplies on the strength of indents, adjustments are made through the financing banks, and for such supplies amounts are received in cash. Sales on credit are not current. This system of supply of seeds ensures good and reliable seeds to members at the proper time and also at a reasonable price. Members who purchase seeds from other sources are required to pay more price and even on payment of more amount they are not sure of the quality.

The co-operative marketing facilities now in existence in this country are very inadequate inasmuch as the organizations act only as commission agents or Dalals and do not take any financial responsibility

by direct purchases from the members. It is only of late that we have come to realise that progress in marketing facilities is bound up with genuine and healthy progress in credit facilities. Efficient planning and organization is necessary for the expansion of marketing facilities. It is necessary to have one Wholesale society with only societies as its members. Existing Sale societies and Purchase and Sale Unions should be either amalgamated with this wholesale society or they should act as agents. The functions of such an organization should be all embracing. It should establish connections with business houses of the city and also of foreign countries. This institution should make direct purchases from the growers at various centres through its branches and agents. The Central Organization should communicate limits of prices and quantity up to which purchases are to be made. Purchases thus effected should be sold to cotton mills or to exporters. This would obviate the need of local sale societies depending on merchants or Dalals on the spot and thus acting as mere agents. Such direct sales would enable the members to secure better prices for the produce and attract them to the sale societies or unions. To encourage members to bring all their produce for sale and also to purchase all requirements through this institution, a provision to distribute by way of rebate some amount to members in proportion to the produce sold or bought should be kept.

The wonder is that the small farmer on his five-acre holding, weak and isolated as he is, should receive for his crop as much as he does, for, as regards much of his produce, he is confronted by a thoroughly well organised body of distributors and by ultimate consumers no less well equipped, who are able to draw their supplies from every quarter of the globe.

—The Marquess of Linlithgow.

COTTAGE INDUSTRIES AND CO-OPERATION

By

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IMPORTANCE OF COTTAGE INDUSTRIES.

The question of finding a subsidiary occupation for the agriculturist to fill his spare time profitably is a great problem. In this country, cottage industries next to agriculture still form the most important and extensive occupation of the rural people and play no mean part in the economic system of this country. The All-India Hand-Weaving Exhibition recently held at Patna has shown what a wide range of textile fabrics are being produced and what an enormous trade is being carried on all over the country in this, the most important of the several cottage industries, despite severe set-backs and keen competition from cotton mills. It is estimated that nearly 10 millions of our people are at present employed in hand-weaving and that about 40 crores of Rupees worth of cloth is being produced every year to supply but a third of the requirements of the country in clothing. The economic benefit of developing an industry of this kind requires very little comment.

PRESENT POSITION OF COTTAGE INDUSTRIES

The men employed in cottage industries buy their raw materials at high prices from their village *mahajans* or *saukars*, when they cannot produce the same in their own villages, and very often are forced to sell their finished goods to the same local monopolists. Again, the various manufacturing operations which are still being carried on with inefficient tools and wasteful methods enormously increase the cost of production and consequently the prices of the manufactured articles. It is a matter of surprise how these industries, carried on under such unfavourable economic conditions, instead of being destroyed by the unlimited industrialism of the progressive countries of the world, have continued to exist, successfully facing the competition from the well-organised and mechanically efficient industries even of their own country.

If we succeed in securing for our cottage workers the advantages of such economic factors, as sufficient working capital, expert management, mass production, standardization of goods and well-organised distributing agencies, which are responsible for the success of factory industries, we can surely develop our cottage industries as successfully as the latter.

In support of this statement let me quote here one observation made about 20 years ago with reference to hand-weaving by Sir Alfred Chatterton, an eminent authority on Indian industries. "The hand-weaver, who has already achieved wonders in this age of machinery by means of the primitive appliances of his forefathers, would be able to turn the table on the power-loom weaver if but a fraction of the capital, energy and organisation was devoted to his trade that have been expended in pushing power-loom weaving." This remark may not be literally correct in respect of all cottage industries but is nevertheless quite near the mark.

CAUSES FOR FAILURE OF INDUSTRIAL SOCIETIES

Impelled by a desire to infuse life into these decaying industries and to help the workers employed therein, the Co-operative Departments in the different provinces and States in India started several industrial societies and "stores" in the course of the last 30 years and honorary services of non-officials were requisitioned to manage the same. But all these sincere efforts to improve the condition of the village artisans by the application of the ideal principles of co-operation to their trade have rarely been crowned with success. When the educated and more enterprising class of people have failed in many cases to work successfully even the simpler type of "consumers'" or "store" societies it is too much to expect the illiterate artisans to discharge the great responsibilities of economic buying of raw materials and of the profitable marketing of finished products with any degree of success. On account of their extreme poverty, the cottage workers cannot raise from amongst themselves the capital required for their trade. Again due to their present indebtedness and their habitual imprudence it is unwise and unsafe to entrust them with others' money. The failure of many of these non-credit industrial societies is perhaps due to the dishonesty of the members and to their disloyalty to the society. Very often the members looked upon their societies as alien institutions, especially when they were financed by outside agencies.

The management of these societies was by no means an easy problem. Honest efforts inspired by the best of motives and honorary services rendered by educated men have brought forth no striking improvement in the work of these societies. Nor has the attempt to manage these societies with paid managers been much of a success. This is because adequate provision is not generally made for the success of these societies. Secondly, in many cases, these managers were appointed more on account of their high educational qualifications or experience in maintaining accounts than of their technical knowledge and business experience. Thirdly, paid servants of the societies though possessing the

necessary qualifications have had no stake in the business entrusted to their charge and soon ceased to take such interest in the work as would ensure financial success.

Conditions favourable for the successful working of industrial societies do not exist at present. Efforts to organise cottage industries on co-operative lines have nevertheless to be made and nothing will be more favourable to the growth of cottage industries than the help and encouragement the co-operative movement might give them. We should take advantage of our past experience and continue our experiments till we evolve a successful organisation for the large army of our cottage workers.

PROVINCIAL SCHEMES TO HELP THE HAND-WEAVING INDUSTRY WITH GOVERNMENT OF INDIA GRANT

Every province has done much work to improve the technique of weaving, the premier cottage industry of India. The recent Patna Exhibition showed that very encouraging results were achieved in that direction. But the economic problem of financing and efficient marketing of the products of handweavers still remains unsolved. The Government of India announced in 1934 a rural economy plan for this country and decided to give a grant of Rs. 5 lakhs every year for five years for the development of hand-weaving industry. Since the Member for Industries and Commerce stated in March 1934, while introducing the Textile Tariff Bill in the Legislative Assembly, that the Government have decided to invite the Provincial Governments to place before the Government of India suitable schemes for the development of co-operative buying and selling on behalf of the hand-loom weavers and generally for better organisation and improvement of the industry, the majority of the provincial Departments of Industries submitted their marketing schemes based entirely on co-operative principles. These schemes as drawn up and worked by different provinces differ widely both in the constitution of their marketing organisations and the responsibilities of the staff employed. In Bengal, Bombay and United Provinces the goods woven by a group of primary weavers' societies are sold by marketing societies called either Co-operative Unions, District Associations or Stores. These are under the control of the Registrar of Co-operative Societies and are expected to seek expert advice and guidance from the Marketing Officers and their staff responsible to the Director of Industries. In Madras and Central Provinces the primary societies sell their output with the help of marketing agents appointed by the Provincial Marketing Associations. In the Provinces of Bihar and Orissa and probably in Assam, the Departments of Industries take greater responsibility in

marketing schemes inasmuch as they find the necessary working capital required for financing the business, get their goods manufactured by weavers' societies and agents, and market the same with the help of their technical staff.

GOVERNMENT TO PIONEER TRADE ORGANISATIONS FOR COTTAGE INDUSTRIES

An examination of the merits and demerits of these different types of marketing organisations ought to guide us in the selection of the most suitable organisation for our cottage workers. In entrusting either the individual primary societies or central stores or unions with the responsibility of both manufacturing and marketing, we unnecessarily take again the risks of failure as in the past. These institutions are too small to take advantage of the economies resulting from wholesale purchase of raw materials and the manufacture of goods on mass-production basis. Their resources are too slender for them to engage the services of qualified managers and technical staff or for the profitable sale of their products in distant markets. As such these institutions will not be in a position to avail themselves of expert advice, either technical or commercial, offered by the Department of Industries through their marketing staff. Again, as the latter work more or less in an advisory capacity without direct responsibility for the success or failure of the societies, they cannot be expected to take as much interest in the work as they would do if the entire business in the goods manufactured by the primary societies had been entrusted to their charge.

The one great difficulty of Provincial Co-operative Associations of Madras and Central Provinces seems to have been to raise sufficient working capital either from the primary societies or from the investing public outside these. For, these being new institutions in this country, with uncertain financial prospects before them, they cannot be expected to win the confidence of the investing public. Again, the resources of a private institution of this type in men and money, even when supplemented by handsome subsidies, will be far less than those of Government Departments. As such these associations will not be able to employ a staff of experts having adequate technical qualifications and necessary business acumen which are so essential for the successful organisation of a large industrial undertaking.

It is therefore inevitable that at the initial stages of the working of these marketing schemes, the Government will have to take on itself all responsibilities including the supply of capital and run the central marketing organisations as model institutions for the people to copy. When the Departments of Industries in co-operation with the Registrars of Co-operative Societies have satisfactorily solved all the initial difficul-

ties and problems relating to co-operative manufacture and marketing with large resources at their command, and when the Government marketing organisations themselves are made self-supporting, the entire management can be transferred to Provincial Co-operative Associations.

The main functions of these associations would then be (1) to provide necessary working capital, (2) to design new patterns, to draw up necessary specifications and fix wages and societies' commission for the manufacture of various patterns, (3) to purchase raw materials at wholesale rates and to distribute the same among primary societies, (4) to supervise the manufacture of goods in primary societies through managers appointed for the purpose, (5) to collect the manufactured goods in a central place and finish them in the form required for the markets and (6) finally to market the finished goods through co-operative societies and stores, sales depots, selling agents and commercial travellers. The problem of marketing can be greatly simplified if the various agricultural and credit societies purchase their requirements in clothing from these Provincial Marketing Associations.

PRIMARY SOCIETIES FOR MANUFACTURING

The organisers of industrial societies in the past seem to have overlooked the fact that the working of these societies involved far greater responsibilities and was more difficult than that of credit societies. Otherwise they would not have expected these primary societies, not only to find their own capital and manufacture goods, but also to market them profitably. If our industrial societies are to function successfully, the responsibilities of providing adequate finance, of economical manufacture and of efficient marketing should be divided among the primary societies and the Provincial Marketing Associations. While the former confine their activities to the conversion of raw material into finished articles, the latter should arrange for necessary finance and provide expert supervision for the efficient distribution of the manufactured goods, the relation between the two types of societies being the same as that of rural credit societies to the Central Co-operative Banks. The village societies of artisans will raise from among themselves a small capital which will be utilised to purchase raw materials from Provincial Associations, to pay wages to members, and to meet contingent expenses. The manufactured articles will be paid for by the Marketing Association as soon as they are delivered. These societies will be in charge of managers who will supervise the work of members in their cottages, issue raw materials, inspect the finished goods and keep accounts. In course of time, as the members are trained, this work of supervision may be entrusted to the office-bearers of the societies.

RESULTS OF EXPERIMENTS IN BIHAR AND ORISSA

Before I close this article let me briefly state what is being done in Bihar and Orissa for the organisation of the manufacture and trade in handloom cloth on co-operative lines. To begin with, the Department trained the weavers in the use of the latest appliances in hand-weaving through Peripatetic Demonstration Parties. The services of expert designers were then obtained and fabrics which would bring in better wages and profit to the weavers were produced. These were advertised in important exhibitions and agents appointed to secure orders on behalf of the village weavers. The Government provided the necessary working capital and staff to carry on business in these goods and the weavers were trained in their villages to weave new designs. As it was not possible to deal with individual weavers directly and as they had not been sufficiently trained and advanced to form themselves into societies, manufacturing agents had to be appointed to distribute the yarn among the weavers and to supervise the weaving of cloth. These agents, besides investing their own capital, undertook all responsibilities relating to the correct reproduction of the new patterns. After a few years of the working of these manufacturing organisations under agents, co-operative societies of weavers were formed in centres, in which these agents worked. There are at present 6 of these societies with a total membership of about 130. The services of agents will be gradually dispensed with from the organisation, as the societies are formed and organised to take their place. Our most successful manufacturing society has so far been that of Bihar Shariff. This society earned a net profit of Rs. 4,011 in 1934 and about Rs. 4,500 in 1935 with a paid-up capital of only Rs. 4,500. During this period, the 52 members of the society also earned wages of about Rs. 10,000 per annum. Since the central marketing organisation could not keep the members employed throughout the year, they had to weave other cloth for local markets. This society maintains its own Supervisor at a cost of about Rs. 800 per annum.

The goods manufactured by the village societies under the supervision of weaving supervisors are brought over to the central warehouse of the marketing organisation at Patna, where they are carefully examined and checked with the specifications laid down. Those satisfying the specifications are accepted, packed and sent to agents for sale. It is now proposed to get the staple cotton goods bleached and finished. A modern finishing plant has therefore been purchased at a cost of about Rs. 30,000. The manufactured goods are sold through selling agents and aided sale depots started both in and outside the Province. During the last 5 years, business to the extent of about Rs. 1,50,000 was transacted and profits to the extent of Rs. 25,000 on an average were earned per year. When a few more markets are secured and when the

manufacturing societies begin to function efficiently, the entire organisation should be taken over by a central co-operative association of the type now started in Madras.

CONCLUSION

I am therefore of opinion that for the organisation of our cottage industries, on co-operative lines, the field is to be first prepared by training the artisans in the improved technique of manufacture, by securing new and wider markets for their products and by working a model trade organisation for the people to copy. For such pioneering work, the Provincial Governments will have to lend the services of their experts, or employ some more if necessary, and invest the necessary capital required. Both the Industries and the Co-operative Departments will have to work together harmoniously, the former supplying necessary technical assistance, so essential for the economic manufacture and efficient marketing of the products, and the latter providing necessary finance and audit facilities. With such help and co-operation from the Government, it may be possible to do a great deal in reviving and revitalising our decaying industries of which so much is spoken both in the Press and on the platform.

Direct aids being tangible and immediately beneficial are the more popular—a bull, a boat or a hand-loom is more readily appreciated than a professor, a leaflet or an idea. Yet by far the most important work we have to do is that which belongs to the sphere of education—especially education which has a distinctly practical aim.

—Horace Plunkett.

CO-OPERATION AND COTTAGE INDUSTRIES IN BIHAR AND ORISSA

By

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The paucity of exhibits of genuine co-operative manufacture at the last Provincial Exhibition held at Patna points to the poor development of producers' co-operation in this province. Ever since 1912 attempts have been made by the Co-operative Department to foster this branch of co-operation and the history of these efforts may be of some interest to co-operative workers of other provinces.

It was realised quite early that with the extension of the scope of the Co-operative Act in 1912, the Movement should be made as broad-based as possible and that with a view to safeguard the future of the co-operative credit section, adequate support should be given to the artisan members of credit societies, so as to enable them to rehabilitate their economic condition. Among the cottage industries of this Province, the weaving and bell-metal industries first arrested the attention of the co-operative workers and societies were organised between 1912 and 1914 at important centres of production, like Bihar Sharif, Ranchi, Bhagalpur, Cuttack, Puri and Sambalpur. The War came in 1914 when the societies had just started functioning and the textile industry was hit hard as the price of yarn rose from Rs. 3 to Rs. 15 per bundle. In the Weavers' Societies round about Ranchi efforts were made to introduce the use of fly-shuttle looms and much economy was effected by the joint purchase of yarn. Between 1914 and 1917 while the cotton weaving societies struggled against adverse circumstances, the Tasar Silk weavers of Bihar were in a more favourable position as they obtained their supplies of cocoons from the Surghbheem and Hazaribagh Districts and made *pagris* (turban cloth) for the Punjab market. Members of the Silk Weavers' Societies of Bhagalpur were gradually strengthening their position. "Many of them were literally in rags before. In five years they have increased their average earnings to Rs. 1-8-0 per day and some of them have begun to build brick-built houses." Those societies which could raise funds to make wholesale purchases of cocoons for their year's requirement in October, when prices were at their lowest, made good profits, but others who had to depend on middlemen for the supply of raw materials were worse off. It was therefore considered desirable that a co-operative store should be started for the Bhagalpur

weavers which would free them from the hold of the middlemen for the supply of the raw material as well as for marketing. In 1924 there were in Bhagalpur 106 weavers' societies of which 39 were affiliated to the weavers' stores there, but already a change had come in the prospects of these societies. With a working capital of Rs. 1,39,600 the stores incurred a loss of Rs. 2,000 in 1924, mainly due to mismanagement and defective organisation.

The cotton weavers of Ranchi started a weavers' store in 1917. Every member had to purchase a share of Rs. 5 and he was given on 30 days' credit yarn worth Rs. 20 (one bundle of grey and a few knots of Turkey Red). As there were local agencies of mills, the store could not get the sole agency for sale of yarn and it had to pay cash for the yarn purchased from the mills; hence it was soon found to be unremunerative due to great fluctuations in prices. Therefore it decided to buy the yarn locally at a small discount from the mill agents. When the demand was slack, it was difficult for the members to sell the cloth immediately and they defaulted. Very often it was necessary to give them a further cash loan or yarn on credit to keep them going and enable them to repay their previous dues, with the result that indebtedness became chronic and bad debts accumulated. Sale of yarn on credit was discontinued and the weaver was supplied with yarn and he was paid wages for the cloth woven by him; thus the store instead of becoming an agent for the weavers' societies for the sale of their output, became their employer. During certain seasons like summer and the *Durga Puja* local demand was strong but during the rest of the year, a market had to be found for the cloth purchased by the stores and it tried to supply coolly saris and dhotis to the Assam tea gardens. At first an attempt was made to push on this trade through those members who usually hawk about cloth in these gardens. These men had very little security to offer and in most cases proved dishonest and the store suffered a loss of Rs. 4,800 in principal and Rs. 1,900 in interest. After this, arrangements were made for marketing through the management of the tea gardens and this business yielded good profits. When the War was over, the price of imported cloth fell and the sale of this cloth was pushed on in the gardens by the Marwari dealers who gave long-term credit to the buyers and it was found difficult for the Store to retain the business there. In 1924 the Store incurred a loss of Rs. 7,000.

Between 1925 and 1930, although stray societies weaving coarse cloth for the village market or manufacturing specialised products like the Obra carpets in Gaya paid their way, the two principal Co-operative Weavers' Unions at Bhagalpur and Ranchi fell on evil days. The Bhagalpur Store lost all hold on its members who transferred their allegiance and it accumulated heavy overdues and was finally liquidated.

The losses of the Ranchi store, in spite of the great efforts made by its Secretary, Babu Tara Prasanna Ghosh, mounted up steadily till they amounted to Rs. 32,670 in 1930, when the Ranchi Central Bank agreed to write off Rs. 15,000 out of its loan to the Store. An attempt was made with some success to introduce the weaving of woollen cloth. By this time the Government Department of Industries decided to build up an export trade in Bihar cotton and silk art textiles, and appointed agents in London and New Zealand. It gave not only technical guidance but undertook the function of marketing as well for the hand-loom weavers of this province and the Ranchi store took advantage of it to improve its position. A Purdah weavers' society was started at Bihar Sharif which in 1933 purchased raw materials valued at Rs. 11,327 and sold to the Bihar Cottage Industries Institute cloth of the value of Rs. 20,628.

The co-operative production of bell metal wares was mainly localised in Orissa although a few stray societies were started in Bihar as well. In 1926 there were 8 societies in Orissa and these were mainly financed by the local Central Banks. They produced cooking utensils, water vessels as well as dishes and cups. From the very start it was realised that unless the scale of operations was made large enough, labour-saving appliances were employed in the manufacture whenever necessary, and the designs were modernised, this industry would not be able to make much headway against the competition of aluminium-ware industry. The innate conservatism of the artisans precluded all prospects of the adoption of new models and designs of lighter weight. The efforts of an expert lent by the Government proved barren, and although some of these societies, e.g. Baidyarajpur in Cuttack District and Balkati in Puri, worked well and earned good profits in 1926, in the course of three years the position was changed and the bell metal societies of this Province having a total working capital of Rs. 1,65,000 suffered a loss of Rs. 22,800.

Among the causes which may be considered to have contributed to the failure of this type of co-operation in this Province, the most important are (1) the defects in organisation and management, (2) lack of adequate finance, (3) lack of marketing facilities. The organisation of these societies was entrusted to people who had no special training in this line and no special form of organisation was developed for these societies with the result that in most cases, either the society degenerated into an ordinary credit society or where it was more ambitious, it undertook the marketing of the output of the members without any close study of the market and the locking up of a major portion of their capital. In few cases was any study of the existing indigenous system made with a view to adopt the co-operative organisation on those lines. In some cases, the enthusiasm of the organiser led him "to commit the

economic fallacy involved in the belief that the middleman is a useless parasite and can be eliminated." The member found that the mahajan, however hard he was, was efficient in his work and supported him, but the weavers' society could not market at advantage or absorb his entire output. Loyalty of the member in such a case was hardly to be expected and the society had no provision by which it could enforce this loyalty. In the society itself those members who were better off were unwilling to contribute any large share of the capital, although they invariably used their influence in securing a more than proportionate share of the raw material bought by the society. In a few cases, wages were given to members at market rates and bonus on the trade done at the end of the year; on the other hand a higher rate of wages was used as the bait for attracting membership and this increased the cost of production and placed the society under a handicap in the open market. Inadequacy of capital restricted the scale of operations and increased the overhead cost. The Central Bank, on which usually fell the task of financing these societies, carries on a different business. It lends to agriculturists for a period of years, but the requirements of the industrial society vary according to seasons. The amount of capital which the Central Bank can set apart for these societies is limited and it experiences difficulty in finding an useful avenue for the investment of the amount repaid by the industrial societies in off seasons. The percentage of overdues in these societies, due to a slump in the market, may prove often heavy enough and this adds an element of weakness to the financial position of the Bank itself.

It is clear that the Central Bank with its high rate of interest is not a suitable agency for the financing of these societies. This difficulty was perceived as early as in 1926 when Mr. K. L. Barua moved in the Conference of Registrars that central societies with individuals and primary industrial societies as members be formed and central depots with Government assistance be started for the marketing of the produce of members. As a result of this, the U. P. Government sanctioned in 1927 the allotment of a sum of Rs. 20,000 per year for being lent to these societies at 7 per cent. The obvious solution therefore is an Industrial Bank with or without a marketing annexe. These banks may be on the commodity basis or better still, one provincial bank financing the most important industries. Much can be said in favour of a common bank for all industries, as a separate bank for a particular industry is apt to suffer seriously with a slump in that industry while in the case of the former the loss of one is made good by the profits of the others; and the seasonal demand in different industries may not synchronise, e.g., in September-October there is a demand for loan from weavers' societies, while it is

the season when the bell metal societies have their annual sale. With a multiple industry bank a separate marketing organisation having warehousing facilities would be required. In the case of weavers' societies this organisation would encourage the grading and standardization of the cloth so that sales according to samples may be promoted and forward contracts may be undertaken. This marketing organisation would be able to obtain funds from the Industrial Bank on the basis of its warehouse receipts and lend to members when the market conditions indicate a holding up of the produce. This organisation will further study the changes in the demand and give directions to the members about patterns and designs and also may start a central establishment for preparing warps for the members' looms. The Bihar Government have just inaugurated, with the financial aid of the Government of India, a scheme for the marketing of not only art textiles but of staple goods for common consumption. A Central Sales Depot has been started at Patna with branch depots at divisional headquarters and a finishing plant has been installed at Patna with a view to bleach, calender and finish the cloth produced by the weavers in the villages, before it is put on the market. It is expected that under the able guidance of Mr. S. M. Dhar, the present Director of Industries, this five-year plan of the revival of cottage industries will prove successful and will usher in a new era of industrial co-operation in Bihar.

*I am weary of doing and dating
The day with the things to be done,
This painful self translating
To a language not mine own.
Give me to fashion a thing,
Give me to shape and to mould.
I have found out the song I can sing,
I am happy, delivered and bold.*

—Laurence Binyon.

HANDLOOM INDUSTRY IN MADRAS

By

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Among the many cottage industries which provide subsidiary or main occupation to a large number of families, handloom occupies an important place. In the case of most families it is the main and hereditary occupation. As they depend for their subsistence on this occupation only, its failure for any cause would render them utterly helpless, depriving them of their bread as it often happens and recently happened in Salem. This industry is responsible for the production of a large quantity of cloth without which the cloth supply of the presidency would be greatly diminished affecting the consumers badly. It also provides cloth of a class, quality and durability which is always in demand especially as no animal fat is used in sizing and the colour is fast and the cloth wears longer than the cloth prepared in power-looms.

IMPORTANCE OF HANDLOOM INDUSTRY.

It is true Bombay and other provinces import a large quantity of cheap mill-made cloth and foreign imports of cloths, mainly from Japan, continue in a large measure. There has also been in Southern India an increase in the production of cloth in the mills from 25,000,000 yards in 1910-11 to 75,000,000 yards in 1934-35. In spite of increased production of mill cloth and of imports, local and foreign, the handloom industry consumed 78.8 million pounds of yarn in 1934-35 and produced 315,000,000 yards of cloth, while the consumption of yarn in 1910-11 was only 59.1 million pounds of yarn and the production of cloth was only 236,000,000 yards. More than 300,000 handlooms are at work engaging as many as the same number of persons in weaving, leaving out of account those engaged in preparatory processes. These and other facts should convince any unprejudiced observer that the handloom industry cannot be totally killed. It is bound to subsist though in a precarious condition. Given favourable conditions it could supply a great deal more of cloth requirements of the Presidency. But it should be observed that the increase in the consumption of yarn and the production of cloth by the handloom industry have not been either in proportion to the growth in the weaver population or commensurate

with the demand for cloth supply due to increase in the general population. Nor comparatively is the percentage of increase in the production of handloom cloth as large as that of the mill cloth. This is due to factors which affect production over many of which the weaver has no control. In spite of unfavourable circumstances which almost threaten to kill the handloom industry, it is a fact, however tragic, none the less patent and true that the handloom weaver still clings to this industry, being perhaps compelled to do so because of its being his hereditary occupation carried on in his house and providing work for the members of his family and of the lack of any other remunerative cottage industry. In the nature of things any attempt to divert the weaver community to other occupations will not meet with success at all. Moreover, the existence of the handloom industry and its development are in the interests of the consumer as well as that industry alone can supply cloths of a kind which the mill industry can scarcely attempt. Some of the disabilities of the handloom industry are dealt with below and remedies suggested.

HIGH COST OF PRODUCTION DUE TO TARIFFS.

Various factors affect the cost of production and of these the cost of raw material is the most important. The wages are already low and further reduction is neither possible nor advisable. Reduction in the cost of manufacture is therefore mainly dependent on the reduction in the price of yarn. The protection afforded to the Indian spinning mills has resulted in increase in the price of yarn, considerably reducing the imports, even if they have not been completely shut out. It is also understood the price of cloth produced in the Indian mills has not risen to the same extent as the yarn and they produce cloth from the same counts of yarn as those used by the handloom weavers. The handloom weaver is, therefore, at a great disadvantage. If the mills do not produce cloth of the same counts of yarn as those used by the handloom weaver, he will then be able to raise the price of cloth and make good the higher cost of yarn. The handloom weaver suffers from the fact that he cannot raise the price of cloth beyond that of mill cloth while he is forced to pay increased price for yarn. The false sentiment of promoting Swadeshi mill industry should under no circumstances be allowed to kill the handloom industry, bringing misery and starvation into countless homes.

QUOTA OR A CESS ?

The mills should undertake not to weave cloths of counts up to 40s. This proposal was the subject of a Conference recently held of representatives of handloom weavers and the mill owners, but unfortunately their deliberations resulted in no agreement. If the mills are not prepared to give this undertaking, a cess of at least 3 pies on every pound

of yarn consumed by the weaving mills should be levied. If either of these proposals do not receive support, it should be the endeavour of all interested in the handloom industry to agitate for the removal of all import duties on yarn. In addition the Local Government should be free to levy a terminal tax on every pound of cloth brought into the provinces and they should also be empowered to restrict the installation of additional power looms until the required quota of handloom production is obtained. The amount realised either as cess or as terminal tax should be utilised for the purpose of helping the handloom industry. It is doubtful if even any of these alternative suggestions will receive the support they deserve. It is best to recognise that it is not easy to reconcile the interests of the Indian mills and the handloom weavers in India. Any measures adopted to prop up the mill industry will not necessarily further the interests of the handloom industry. It is worthwhile for the Government of India to appoint a Special Tariff Board to examine the effect on the handloom industry of import duties on yarn, the extent of Indian mill competition with handloom weaving industry and to fix the quota of production between the mills and handlooms. This Tariff Board should also consider what steps should be taken, by legislation if necessary, to compel mills to adhere to correct count, length and weight of yarn in bundles to prevent any deviations which the ignorant handloom weaver is not at present in a position to detect.

ADEQUATE FINANCE AND MARKETING.

While the high cost of production, with the consequent high price of cloth, is largely responsible for the failure to get ready and adequate sales for the handloom products, there is no denying the fact that adequate and organised marketing facilities will greatly improve the situation. The mills give as much attention to sales agencies as they do for production; no wonder their sales are larger and quicker. Owing to the poor economic condition of the handloom weaver he is the victim of many a middleman to whom he is always heavily indebted. Often he has to be content to receive the price he is paid for and often he undersells his goods in order to satisfy his immediate wants. Even for the raw materials required to keep him occupied and enable him to earn his living, he has often to rely on the middleman who adopts all kinds of methods to keep him always in his clutches. The description that is given of the Indian labourer in the plantations that he 'is born in debt, lives in debt, and dies in debt' may with equal force be applied to the handloom weaver. His is a miserable existence as even his freedom of movement is restricted owing to the paucity and unsuitability of other occupations. He is often the producer and seller combined and usually he spends more time in finding sale for his finished products than even in producing

them, unless he has a middleman to buy his finished products and he is prepared to receive any price offered. There is no continuity of employment as there is no quick sale of finished goods. Lack of certainty of employment places him at the mercy of *Sahukars* who are often the middlemen.

WEAVERS' CONSERVATISM AND POVERTY.

The weaver is generally conservative and he clings, as in other matters, to his age-long methods of production. In some places it has taken years to bring home to his mind the value of labour-saving appliances and the improved methods of weaving. But as he now realises that he has to face the serious competition from mills, he is inclined to change his methods or designs if they are brought to his notice. But the problem again is that of marketing, for improved methods mean increased production. He is already finding it difficult to find easy and quick sales for the goods manufactured according to primitive methods. Naturally he is content to pursue, his old ways of resigning himself to fate. Moreover, it is difficult to organise weavers for a common purpose. They seem to feel organisation means disruption, little realising that in union lies strength. They are as a rule the victims of three evils—the three D's, debt, drink and disease. A study of the economic condition of the community discloses that they are getting deeper into debt. This is demoralising the community and as long as the load of debt remains any attempt to improve their lot will yield no adequate results. Drink has been ruining them and the little they are able to earn is wasted in drink. The wastage involved is hardly realised; they seem to feel that they can drown their woes in drink. The natural consequence is they fall easy victims to disease. In most cases while they have the desire to work and the necessary capacity to turn out good work, their physique is too poor to stand continuous strain for a length of time. To those who have even a cursory acquaintance with the life and labour of the weaver community, it is a wonder the community has not yet been wiped out of existence.

GOVERNMENT OF INDIA GRANT.

With a view to encourage the handloom industry and to improve the lot of the weaver, the Government of India have been pleased to give subventions to Local Governments out of the sum collected by the levy of a specific duty on yarn. It may here be stated that a portion only of the sum so realised is allocated for this purpose. It may also be remembered that the handloom weaver is not only paying the duty indirectly but is also paying a higher price for the yarn of Indian mills, contributing thereby indirectly to the growth of the Indian mill industry at his own expense. The duty on imported yarn has been imposed not

for the purpose of protecting the handloom industry nor with the avowed or implied consent of the handloom weaver. It is the bounden duty of the Government of India not only to increase the subventions, allocating the whole amount realised from the duty, but also to take all possible steps to protect the handloom weaver from unfair competition, even though it be from the Indian mills. Various suggestions have already been made in regard to this matter.

THE MADRAS SCHEME FOR THE PROTECTION OF HANDLOOM INDUSTRY.

The Local Governments have framed and put into effect schemes for the development of the handloom industry suited to conditions prevailing in different provinces. The Madras scheme consists of the organisation of a Provincial Co-operative Society with primary weavers' societies affiliated to it. The authorised share capital of the society is Rs. 5,00,000—shares being allotted to all those interested in improving the lot of the weavers, firms engaged in production and distribution of raw materials, mainly yarn, and co-operative weavers' societies. The whole of the subvention is placed at the disposal of the Provincial Society to meet the cost of administration, recurring and non-recurring, and to give assistance, financial or otherwise, to the weavers' societies. The Government had also taken power to nominate the first Board of Directors for a period of one year. The Government are represented on the Board by the Registrar of Co-operative Societies, the Director of Industries and the Textile Expert. The necessary staff to study the problem in all its aspects, especially in regard to cost of production and the existing facilities, has been provided. Five Supervisors have been appointed, whose duty it is to supervise the working of the existing societies, assist in the marketing of their goods and start new societies wherever the need for them exists. It is only a few months since the Provincial Society has been in existence and it is too early to assess the value of its activities. However, some facts may be given. There are at present 39 weavers' societies affiliated to it, of which 2 of them are mere credit societies. The membership in these societies is about 1700. It is hoped that when the nature of assistance given to societies is fairly known, the membership will increase and that more societies will come into existence. Already there is a great demand for the organisation of more societies. But the Provincial Society is not in a position to give assistance to all newly organised societies. The nature of assistance to the affiliated societies is in the following ways: (1) giving of subsidy for administrative expenses and the provision of improved tools such as fly shuttle slays, etc., (2) guaranteeing the supply of yarn through mills up to a limit, such limit being prescribed on the recommendation of the Deputy Registrar of Co-operative Societies. (3) marketing the finished goods for

which sales cannot be found locally, either through wholesale or retail merchants.

So far 25 societies have been given monthly subsidies amounting till now to Rs. 1958. The Provincial Society has guaranteed to the mills the supply of yarn to 19 societies of the value of Rs. 29,420. It may be noted that the guarantee given is not a grant and the amount is to be recovered from societies, those failing to pay on due dates being required to pay interest on the amounts outstanding. The Provincial Society and the primary society share equally the commission received on the purchases of yarn made from the mills. While every society is required to find local sales for its products, their surplus goods are proposed to be sold through depots which are to be established at Madras, Madura, Bezwada and Calicut. It is learnt from experience that societies which have been enabled to run depots with the kind assistance of Government grants have always managed to find better sales for their goods. Ultimately it may be necessary to establish a depot at each district centre and link all with the central depot at Madras. It is also proposed to pay in advance half the price of goods sent to depots for sale, the amount being adjusted towards the yarn supply, and the balance of price will be paid monthly on sales made. A Cloth Designer attached to the Provincial Society is required to study the designs in vogue for which there is demand, propose new designs and pass them on to the primary societies. The Executive Officer of the Provincial Society is the administrative head giving his attention to marketing and supervising the work of the supervisors. The Society proposes to set up a finishing and calendering machine for the use of societies for which a small fee will be charged. The whole organisation, when completed, is meant to afford as much assistance as possible to the primary societies.

LIMITATIONS OF THE SCHEME—SOME SOLUTIONS.

The Scheme outlined is not perfect and is not calculated to help all the handloom weavers. From the figures already quoted it will be seen the whole scheme, even when it is completed, will be able to render assistance only to a small body of weavers. As the funds at the disposal of the Provincial Society are limited and help cannot be given in the form of subsidy to more societies unless the subvention is increased, the number of weavers helped cannot at any time exceed 2000. But there are nearly 3,00,000 weavers in the Presidency. What is to be the fate of other weavers? Are they to be deprived of help simply because they are not members of the Weavers' Societies? Is not the subsidy of the Government of India received on their account also? Are they not also contributing to the funds from which grants are made? There is no gainsaying the fact that these weavers too need assistance, and it will not

be considered amiss if it is said the members of weavers' societies receive undue preference though small in numbers, while the majority who are outside the movement deserve help equally. How best to bring them into this movement without waiting till they all organize themselves into registered societies is the problem. It may be argued that a Provincial Society registered under Madras Act VI of 1932 can render assistance to and have dealings only with affiliated societies registered under the Act. There is much force in this contention. But attention is respectfully invited to Section 60 of the Act, whereby the Local Government may exempt any registered society from any of the provisions of the Act or may direct that such provision shall apply to such society with such modifications as may be specified in the order. Cannot the Provincial Society invoke this section and section 59 for the purpose and request the Government to allow the Provincial Society to frame a scheme to help non-member weavers also? The Government of India may also permit the Provincial Society to utilise the subsidy and if necessary they may even earmark a particular sum for this purpose. While the affiliated societies will receive preferential treatment in regard to subsidy, etc., the unorganised weaver will receive assistance at least in the matter of marketing. The problem is a very intricate one and at the same time a very important one.

The societies need cash to pay wages and incur other expenditure. It would be a great help to them if in addition to the guarantee for the supply of yarn, a small amount were given as advance, charging interest if need be, for working expenses. Every society cannot find ready sales for its finished goods. The small amount of share capital raised will be locked up in business and will not be available for daily use. The amount of advance and the terms of repayment may be fixed and strictly enforced. Half the cost of goods sent to depots for sale is set off against the cost of yarn. While this by itself is no doubt a great help, payment of actual cash to meet wages and other expenses will enable increased production.

The problem of handloom industry bristles with so many difficulties as to make one feel that whatever remedy may be tried the problem is impossible of solution. Circumstances over which the weaver has no control arise now and again and they have to be carefully watched and dealt with. The suggestions made in this article are based on the study of the conditions existing today. They may not be original; they may not solve all the difficulties. Nevertheless they are designed to meet the situation as it exists to-day and so they merit consideration.

COTTAGE INDUSTRIES AND CO-OPERATION IN THE BOMBAY PRESIDENCY

By

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There is scarcely any country in the world where the great mass of the people depend so largely on agriculture for their sustenance as they do in India. This is no new phenomenon. Over fifty years ago the Famine Commission of 1880 observed in their Report that the only remedy for the poverty and indigence that this state of affairs gave rise to lay in "the development of industries other than agriculture and independent of the fluctuations of the seasons." These industries may be of three types: large scale industries, cottage industries and secondary or subsidiary occupations. It is not proposed in this article to deal with the first type of industries. Organized industries of this type have their place in the economic life of the country, but they have their limitations also. Despite all the attention that has been bestowed on the development of these industries they have not succeeded in absorbing, during the last fifty years, more than one per cent. of our population, while in that period the population has grown by nearly 30 per cent. Even in Bombay which is industrially more advanced than any other province in India, 77.5 per cent of the population are rural and no less than 65.9 per cent. are directly maintained by agriculture alone. Out of a population of over two crores, only four lakhs have found employment in factories. These factories are usually located in urban areas, and it is a matter for consideration whether it is an advantage either to the industries or to the country-side if they depend for their labour largely on persons resorting to them during the agricultural off-season, as is often the case at present. On the other hand, if they succeed in withdrawing large portions of the rural population throughout the year, there may not be available in some areas the additional labour that is required during the sowing and harvesting seasons.

Cottage industries and secondary occupations have a place in the national economy of all countries, because everywhere it is recognized that handicrafts have a cultural value of their own and because these often provide a supplementary source of income for the families of those principally engaged in agriculture or large-scale industries. In India, and even in the comparatively industrialized province of Bombay, their value is enhanced because of the need for providing for the pre-

dominating rural population some industry or occupation which will absorb locally the growing surplus population on the land and which will engage the spare time of the actual tillers of the soil in a remunerative manner. The two terms are distinct, but the two types of occupations are dealt with together here for purposes of convenience and to distinguish them from the organized, large-scale industries carried on in mills and factories. The term 'cottage industry' is ordinarily applied to an industry carried on by any person with the help of members of his family though outside labour may be occasionally employed. The term secondary or subsidiary occupation covers an industry the pursuit of which is intended to supplement the income of the persons engaged in some other main occupation. For this reason, a subsidiary industry is a part-time occupation, while a cottage industry is a full-time one. Consequently, the considerations that govern the successful working of cottage industries are somewhat different from those that may favour the introduction of subsidiary occupations. It is the surplus or spare time labour of the agriculturist or individual that is employed in subsidiary occupations, modifying to that extent the level of the subsistence wage that is payable and reducing, therefore, the overhead charges and cost of production.

Until the advent of machinery, all production was carried on through cottage industries which were either full-time or part-time occupations. And the articles produced extended from the most exquisite specimens of handiwork to objects of daily utility. A number of the industries formerly pursued have survived, large numbers have either decayed or are on the verge of extinction, while a few new ones have been introduced in response to the demands of modern life. It is difficult to take count of the number of persons who follow subsidiary occupations. The following details regarding the more important among the cottage industries give, however, some idea of the variety of these industries and the large numbers that continue to be engaged in these industries in the Bombay Presidency:—

Industry.	No. of workers.
1. (i) Cotton : sizing, weaving & spinning ..	1,23,893
(ii) Wool : carding & spinning and weaving of blankets & carpets ..	14,454
(iii) Silk : spinning and weaving ..	15,323
(iv) Dyeing and printing ..	12,514
(v) Lace, crape and embroidery ..	7,068
(vi) Workers in coir, hemp, etc. ..	5,664
Total, Textiles ..	1,78,916

	Total, Textiles ..	1,78,916
2. Tanners and leather workers, etc ..	28,187	
3. Earthenware, brick, tile and porcelain ..	56,043	
4. Workers in precious stones and metals, etc. ..	43,197	
5. Basket making, etc. ..	26,724	
6. Metal workers ..	17,707	
7. Oil pressing ..	14,883	
8. Food industries: sweet-meats, biscuits, cheese, molasses, etc., making ..	9,886	
9. Printers and lithographers ..	4,856	
10. Bangles and beads making ..	1,883	
11. Others: Toy-making, ivory working, coach building, cabinet making ..	2,812	
	Total ..	3,85,094

As in several other parts of India, hand-loom weaving still continues to be the premier cottage industry of the Presidency. The last census showed that over 5,23,000 persons were dependent on it for their livelihood either wholly or very largely. The bulk of these engaged in the industry have weaving as their sole occupation; but there is a sprinkling of agriculturists also included in this category. The value of the present average production of cloth on hand-looms in the Presidency is estimated at about Rs. 4½ crores per annum approximately. There are about 1,000 weaving centres spread throughout the Presidency, employing, on a rough estimate, nearly 80,000 hand-looms. The reasons why despite the growth of the indigenous large scale textile industry hand-loom weaving as a cottage industry has not only not become extinct but is maintaining a plucky fight against the competition of machine made goods, both Indian and imported, are the same all over India. In the first place, the population of the country living in villages which far outnumbered that in towns and cities, still prefers the use of the coarse but durable cloth turned out locally by hand-looms. Even among the urban population there is a traditional preference, especially among the women of Maharashtra and the Karnatak, for saris turned out by hand-looms. The hand-looms are able to turn out cloth with artistic patterns and designs and of suitable size and can meet the special demands of customers with tastes of their own better than power mills. It is possible for individual weavers to vary their production in response to changing fashions, although as a class the weavers too are conservative and find such adjustment difficult.

In recent years, textile mills and small-sized factories using power have set up competition, the former in the manufacture of coarse cloth

including cheap saris particularly and the latter in the production of saris of artistic design and finer counts. The condition of the weavers as a class is, therefore, steadily deteriorating. Investigations show that over 80 per cent. of the hand-loom weavers in the Presidency are at present in a most depressed condition, continuing their work with difficulty and contracting debts from yarn and cloth merchants. Large numbers have ceased to be independent workers working at home on their own looms and have become daily wage-earners engaged by entrepreneurs or *Karkhandars*. The independent weavers who have sufficient credit for the purchase of yarn number less than 20 per cent. The remaining are, as noted above, in perpetual debt and enjoy no freedom of action either in respect of the supply of raw materials or the sale of finished goods. Owing to these disabilities, those engaged in the industry are handicapped because of the high price of the raw materials, the low price obtainable for manufactured goods owing to forced sales and the absence of marketing facilities, and lastly because of the inadequate and costly finance that they obtain.

A somewhat elaborate account has been given of the position of the hand-loom weaving industry because that industry is still the premier cottage industry, and also because the general economic structure of the other industries is not very dissimilar. A majority of the cottage workers are heavily in debt, some have become piece-workers or daily wage-earners engaged by *Karkhandars*, most have lost all initiative and depend on their Sowkars for the raw materials of their industry and for the sale of finished articles. Their custom is on the decline and the violent fluctuations in prices that have occurred in the last twenty years have spelt disaster to them, on the top of which has come the economic depression that has crippled, to an alarming extent, the purchasing power of their largest customers, the agricultural population.

These are essentially conditions which call for the application of the co-operative method for the reordering of the industries so that the workers and actual producers should be enabled to carry on their processes of production under healthy conditions of work, to share in the profits of their work and to control the manner and method of production. The changes that have occurred in our economic structure in modern times have led to the transference of the control of most cottage industries to the hands of Sowkars and *Karkhandars* even to a greater extent than is the case with the agricultural industry. When co-operation was first introduced in 1904 there was no definite plan to extend the benefit of the movement to cottage industries, though the law provided for the organization of societies among artisans and other persons of limited means. This was intended mainly to imply the admission of artisans and cottage workers to the membership of rural and urban socie-

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ties, and it was not until after the amendment of the law in 1912 that any systematic measures were first taken in hand to organize co-operative societies for artisans, especially for hand-loom weavers.

It was in 1912 that the Government of Bombay first constituted a hand-loom weaving section attached to the Co-operative Department. This section was transferred to the Department of Industries when it was constituted some ten years later, though there is still attached to the Co-operative Department an Inspector of Weavers' Societies. The Weaving Assistant working under the Director of Industries conducts demonstrations of improved appliances and is in charge of 24 peripatetic schools. This officer and the staff working with him have succeeded in introducing some 16,600 fly shuttle looms and other improved types of implements. Recently, a central hand weaving institution has been opened to provide facilities for the training of persons who can re-organize the industry on suitable lines.

It was in the same year that the Co-operative Department in the Bombay Presidency first interested itself in the organization of co-operative societies for weavers. In a leaflet dated 17th September 1912 issued on the subject of "Weaving Societies", Mr. R. B. Ewbank, the then Registrar of Co-operative Societies observed that it would be to the advantage of the weavers to establish co-operative societies in as many centres as possible in order to free themselves from economic serfdom and to enable them to secure a fair share of the profits of the industry. These co-operative societies were intended to bring home to members the advantages of improved methods of production so as to increase their output and also to assist them in the purchase of yarn in the cheapest market, the sale of cloth to the best possible advantage and the grant of cash loans where required on fair terms. To quote the wording of the model bye-laws: "The object of the society is to improve the condition of the weavers residing in the area served by the society. With this object it may raise funds and use them in granting cash advances to weavers, in purchasing raw material at wholesale rates and retailing it, in purchasing improved machinery to be sold or to be hired out to its members, in granting advances to members on the security of the cloth woven by them, in buying and retailing improved dyeing materials and in many other ways which seem likely to conduce to its general object."

These objects are comprehensive, but unfortunately a majority of the societies that came to be started worked merely as credit societies. Examining the position in 1929, when the number of weavers' co-operative societies was 55 and their membership 2,559, the Bombay Provincial Banking Inquiry Committee observed that compared to the magni-

tude of the weaving industry the number of persons helped through the agency of co-operative societies was exceedingly small and even this small number did not receive adequate finance and had to resort to the Sowkar. The working capital of the societies was only Rs. 2,63,722 and the value of sales only Rs. 2,27,514. The position does not appear to have undergone any change for the better during the last five years as will be seen from the following figures:—

Year	No. of societies	No. of members	Working capital Rs.	Sales Rs.	Profit or loss Rs.
1932-33	52	2,154	2,57,989	1,44,794	2,651
1933-34	49	1,957	2,34,042	1,04,602	753
1934-35	46	1,815	2,35,806	1,19,136	951

The Registrar in his last Annual Report attributes the stagnant condition of the movement in general to the curtailment of the purchasing power of the agriculturists and to the keen competition of the mills. In spite of the adverse circumstances, a few of the societies in Khandesh and the Karnatak are reported to have done excellent work. The arrangements for finance cannot be said to be unsatisfactory. Government themselves allow loans to the societies free of interest for a period of three years and to the extent of the local capital raised by way of shares and deposits. Not much difficulty is experienced in securing finance from central financing agencies which grant small credits against general assets and on the security of finished articles. The main defect in the working is the absence of any central organization for the wholesale purchase of yarn and also for the orderly marketing of the finished goods. There are two unions in Sholapur and Hubli, two leading weaving centres, but these were not developed on the right lines. The Bombay Provincial Co-operative Bank by a change in its bye-laws was empowered to interest itself in the purchase and supply of yarn and the grant of advances against finished goods. It undertook this business, with a certain measure of success at Parola in East Khandesh and in one or two other centres as well, but in the absence of any organic relations between it and the individual weavers' societies the arrangements could not be developed satisfactorily. The Poona Central Co-operative Bank and the Surat People's Co-operative Bank conducted, for some time, depots for the sale of the products of cottage industries including hand-loom products, and the Sind Provincial Co-operative Bank has recently undertaken to provide similar facilities in Karachi and Hyderabad. Apart from these isolated attempts, weavers' societies

have been left to their devices in these respects, with such assistance as can be rendered by a single Inspector for the whole Presidency.

It is expected that in view of the grant of a subvention by Government of India for the development of the hand-loom weaving industry it will be now possible to remedy several of these defects. Government have decided to start district industrial associations at five centres. Three associations have already been registered under the Bombay Co-operative Societies Act and arrangements are in progress for the organization of two more. The membership of the associations is open to individual weavers, weavers' societies and sympathizers. The principal aims and objects of the Association are as under :—

(i) To supply improved appliances on the hire purchase system or otherwise; (ii) to supply raw materials at reasonable rates; (iii) to advise weavers and others in regard to the production of improved and easily marketable patterns and designs; (iv) to undertake preparatory and finishing processes and dyeing and printing in connection with the hand-loom industry; (v) to accept on consignment account against partial payment hand-loom products from weavers and to purchase outright hand-loom products and sell the same.

To carry out these objects, each of the associations has started a shop in the leading weaving centre of the district and these shops are directly supervised by the Boards of Management which include as ex-officio members the Weaving Assistant of the Department of Industries and the Marketing Officer. The latter is an officer newly appointed under the scheme specially for the work of organizing the various district associations and their shops and for arranging for the sales of the products of hand-loom industry in the markets of Bombay City and elsewhere. The scheme provides for the salaries of the manager, salesman, accounts-clerk and peon of each shop being met by Government for the first five years and similarly charges on account of furniture and other sundry requirements of each shop are also met by Government. The annual recurring charges are estimated at Rs. 14,200 and the non-recurring charges at Rs. 5,000 for all the five shops. The former figure includes a provision of Rs. 2,000 as a reserve donated by Government for bad debts and depreciation of stocks. This sum serves as a guarantee fund also, on the security of which as also on the hypothecation of the stock in trade the associations that have come into existence have been able to arrange for substantial cash credits with their respective central financing agencies. A Textile Designer has been appointed whose duty it is to advise the various shops, weavers and weavers' societies about the introduction of improved and marketable designs. The entire scheme is to be controlled by a joint board

consisting of the Director of Industries and the Registrar of Co-operative Societies. It is expected that the Associations will aid, co-ordinate and guide the operations of the various existing agencies working in the same field. As it is only six months since the first of these associations came to be registered and the scheme inaugurated, it is too early to pronounce any opinion on the results achieved. Undoubtedly, a good beginning has been made and an admirable plan laid out for the expenditure of the subsidy from the Government of India. But in order that the subsidy should operate to the lasting benefit of the industry it is also necessary to enter into arrangements with Indian textile mills for the wholesale supply of yarns on the most advantageous terms that can be secured, and to negotiate with them for the reservation of certain specialized types of goods for manufacture by hand-loom weavers alone.

If little has been done so far in the direction of extending the benefits of co-operation to hand-loom weavers, still less has been done to organize co-operatively workers in other cottage industries. Nor has the Department of Industries any greater achievements to its credit. No doubt, the Department has carried out some surveys and investigations, for instance in the tanning industry and in the art-crafts of the Presidency. It has also at its disposal some funds to be disbursed by way of loans under the State Aid to Small Industries Rules of 1935. Apart from some work in connection with the gold and thread industry no attempts, have, however, been made presumably for lack of resources, but also in the absence of any well-defined policy to tackle the problems of any other cottage industry. Until 1920, the Co-operative Department too does not appear to have devoted any attention to the subject. There were a few centres where artisans were financed through agricultural credit societies or urban banks and a stray society for shoe makers could be found here and there

In 1920, however, the then Registrar, Mr. Otto Rothfeld, conceived the idea of giving a new turn to the movement by organizing various types of artisans and handicraftsmen into producers' societies of the type found principally in France. The ideal he placed before these societies was an admirable one. The workers in one trade or craft in different areas were called upon to combine and by pledging their services or their credit in common to obtain the premises or the machinery required for their industry. They should work in common and share profits in common and they should control themselves through their own elected representatives. The model bye-laws provided that goods should be produced on behalf of a society and should be the collective property of the society. In return for work done the workers would obtain, from week to week their normal pay, and at the end of the year

their proportionate share of the profits which would go to them instead of going to the entrepreneurs or Sowkars. And to distinguish these collectivist types of societies from the resource societies working on an individualist basis, the law was amended so as to provide for the registration of producers' societies formed with the object of producing and disposing of goods as the collective property of their members.

To give effect to this new policy, a special Assistant Registrar's appointment was created and he was given the assistance of two Industrial Organizers. As a result of the propaganda, a certain number of producers' societies were started for metal workers, leather workers, blanket weavers and toy-makers. Some of them made indeed a very promising start, and at one time proposals were mooted for the formation of a separate producers' bank to cater to the needs of this new type of societies. Incidentally, it may be mentioned that a central agency for assisting in the operations of small industries in Maharashtra called the Maharashtra Co-operative Industrial Agency was opened with its headquarters in Poona. Although this rendered some help to gold thread workers and weavers in its inception stages, latterly its operations have been confined to medium or largesized factory industries. Unfortunately, most of the cottage industries were hit very hard by the post-war slump, even before the economic depression, that only a few among these societies have survived these two severe setbacks. The comparative statement of their position for the last three years is as follows :—

Year.	No. of Societies	No. of Members	Share Capital	Working Capital	Value of articles produced	Profit
1932—33	17	703	60,728	3,14,657	35,391	1,149
1933—34	14	671	24,313	4,32,980	370	879
1934—35	12	592	21,949	1,57,992	520	1,214

As the Registrar observes, a majority of the societies act more as sales agencies than as productive units and the market conditions in most of the industries have become so unstable that in his opinion the societies can thrive only when world conditions improve.

That seems to be, however, a counsel of despair. As Mr. Otto Rothfeld observed in 1920, "there is no greater instrument for national regeneration both in craftsmanship and in morality and self-respect than the successful and steady growth of producers' societies" for the development of indigenous crafts and industries. From the depart-

mental point of view it was unfortunate that the need for retrenchment led to the abolition of the post first of the special Assistant Registrar and later on of the Industrial Organizers. Similarly, the cuts effected in the budget of the Department of Industries have, presumably, prevented it from following up the results of its investigations in the tanning, oil-crushing and other cottage industries. The situation has, however, now undergone a change for the better inasmuch as some funds are now available from the Rural Improvement Fund of the Government of India which, according to the Finance Member's Budget Speech of 1935 is primarily intended to be devoted to measures likely to assist in the economic regeneration of rural areas. The Departments of Co-operation and Industries have collaborated in devising a workable scheme for the subsidizing of the hand-loom industry out of the subvention received from the Government of India. These two departments together with the Department of Agriculture should similarly join forces in planning similar well-considered measures for the improvement and revival, one by one, of the dead or dying cottage industries of the Presidency.

The only agricultural societies that are of an industrial type are cattle breeding societies, which number 16, and machinery and implements societies numbering 29. A majority of the machinery and implements societies are for letting out agricultural machinery or implements on hire, but included in the group are a few societies for the running of sugar cane crushers worked by power. Some of the societies have obtained intermediate term loans from Government, while a few have borrowed funds from central banks. It may be mentioned that there is no regular scheme for the development of this type of societies. Some scanty provision—amounting to not more than Rs. 94,000 out of a total sum of Rs. 7 lakhs—has been made in the scheme of the Government of Bombay for inland fisheries, tanning poultry farming, egg-selling and buffalo-milk supply, but it is a point for criticism of the provincial schemes as a whole that not enough is provided for building up the economic strength of the rural population by the introduction of comprehensive schemes for the encouragement of subsidiary occupations and the formation of producers' societies for cottage workers. All the same, it is no use holding various departments of Government as responsible for inactivity. The public in general and co-operators in particular have a duty to perform irrespective of what Government may or may not do. And it must be admitted that in the Bombay Presidency neither the Provincial and Central Banks nor the Provincial Institute and its off-shoots have taken any special steps, except now and again, to promote the re-organization of the cottage industries of the province or the revival of secondary occupations among the rural population. Central financing

agencies are directly interested in this problem inasmuch as the bulk of their investments are in rural areas, and apart from higher considerations of national economic policy it should be in their own interest to encourage activities that add to the wealth of the countryside and reduce the pressure of population on the land. Similarly, the Institute and its branches, supervising unions and Taluka development associations should put in the forefront of their programme of action measures for the revival and organization of producers' societies for cottage workers. All combined should assist in the formation and working of such societies, place them in touch with suppliers of raw materials, patronize the products of such industries and organize arrangements for the marketing of finished articles. The atmosphere for the revival of cottage industries was never more congenial. While Government have decided to make available considerable sums of money for a programme of rural improvement, Swadeshi sentiment is as keen as ever, and the leaders of the Indian National Congress under Mahatma Gandhi's inspiring lead have brought into being an organization for the revival and encouragement of the dead or dying village industries of our country. In their task of reviving and reorganizing cottage industries and subsidiary occupations co-operators may thus be able to count on the support of officials and also to secure the active assistance of a large number of selfless adherents of the constructive programme of the Congress who have settled down in villages. Such a splendid opportunity may not recur for a generation, and for this reason it may be hoped that co-operators in the Bombay Presidency will rise to the height of the occasion and promote Swadeshi in its truest sense through the organization and revival of producers' societies for cottage workers.

So far we have thought too much about the machine as an aid to large-scale production, and too little about it as the ally of small-scale production, of craftsmanship, work with an individual flavour. This was inevitable with steam power ; but now we have electricity, which is power that can be laid on like gas and water, it is time that we remembered that man is a craftsman as well as a manufacturer.

—J. B. Priestley.

COTTAGE INDUSTRIES IN THE UNITED PROVINCES

By

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So much has already been said and written about cottage industries in India that, as a cynic once observed, if one says anything new, it can't be true and if it is true, it can't be new.

Undue attention and importance have so far been given to the organised mill and factory industries in India, but we cannot forget that our cottage industries support a very much larger number of the people than all the organised industries of India put together. The organised industries engage a very small part of our total industrial population in India. The number is extraordinarily low for a vast country like India. At the most, it will be about 5 millions in the whole of India. In the United Provinces, the percentage of rural population dependent on agriculture is 86 and the percentage of the aggregate population dependent upon it is 76. Of every 1,000 people in the U.P., 894 live in the villages and the vast majority of them depend on agriculture and subsidiary cottage industries. The cottage industries, at one time, formed the most important feature in the economic life of India, but the Industrial Revolution in the West played havoc with them and the unrestricted competition of cheap machine-made goods completed their ruin.

Of the cottage industries some provide only subsidiary occupation to the cultivators while others provide the only means of subsistence to some people. The development of our cottage industries would provide some relief to the acute unemployment problem in the country. The U.P. Banking Committee found that the average cultivator in U.P. does not find employment for more than 200 days in the year. And yet, the pressure on land is increasing every day by leaps and bounds. Without subsidiary cottage industries, how will our agricultural classes live ? Cottage industries will widen the scope of employment on the one hand and relieve the pressure on land on the other.

The problem of our cottage industries is multiple and varied. The co-operative organisation of cottage industries has not, so far, proved a success anywhere in India and the U.P. is no exception to the rule. Co-operative development of cottage industries is bound to be an uphill work and it is futile to look for startling results within a limited time. More hurry, less speed.

GROWTH OF CO-OPERATIVE DEVELOPMENT.

The first attempt to organise cottage industries through co-operation in U.P., was made at Benares in 1905 when the silk-weavers were organised into an association for the sale of their finished products. The association consisted of both producers and traders but, unfortunately, the attempt failed on account of mismanagement, intrigue and fraud. The traders attempted to exploit the producers and the result was disastrous. The Said Raja Weavers' Society is the only organisation of the time which still survives. The rest proved unsuccessful though the Co-operative Department is still trying to revitalise them. The next attempt was made at Sandila where, a Central Weavers' Bank was organised, to which a number of small weavers' societies were affiliated. The Bank supplied credit, managed a store for the supply of yarn and it also ran its own factory for the production of cloth. This naturally led to overloading and finally embezzlements led to its compulsory liquidation. A new society for the supply of raw materials and the sale of finished products was organised. The factory was also converted into a separate concern and it is now reported to be doing well.

The Co-operative Movement has, no doubt, unlimited possibilities for developing cottage industries but so far, we, in U.P., have not been able to make the most of it. In 1933-34, the number of our non-agricultural unlimited liability credit societies was 152. Their members numbered 2,929 of whom 1,786 were workers on cottage industries. These societies were chiefly artisan societies of which weavers' societies were 48 and leather workers' were 49.

In 1934-35, the total number of such societies increased from 152 to 166 and the membership increased from 2,929 to 3,342. As the Registrar in his last annual report (1934-35, p. 10) points out, the majority of these societies are artisan societies.

Of the non-credit societies, those that are concerned with our cottage industries covered chiefly the following in 1934-35 :—

(a) *Cotton*.—There are 2 societies of which only one—Bilgram—is working well. It produced c. 402 cotton which it ginned and sold the pure cotton in the market.

(b) *Durries*.—There are 4 societies at Agra which do a small volume of business and earn a small profit. But, in the absence of adequate orders, the members suffer from under-employment. There is a store which supplies raw materials and helps to sell the finished products. In 1932-33 it worked at a loss. The high tariff in foreign countries has greatly affected its prospects. The high prices of durries have led to a

considerable decline in demand. Agra formerly employed about 3,000 men in the industry but now only 500 men find remunerative employment in it.

(c) *Blanket weaving*.—There is a society at Najibabad which was organised for co-operative production and sale. The spinning section made a small profit but the society is under-capitalised. It needs more capital to improve its plant and equipments for milling. The required capital has still to be found. The defective milling has affected the market and demand is poor. Lack of technical supervision and marketing is responsible for their decay.

(d) *Tannery*.—There is one society at Jaitra organised for co-operative production and sale. But it is deteriorating due to factions, lack of technical supervision and lack of adequate markets.

(e) *Brassware*.—The only society is at Oel (district Kheri) organised some years ago to supply raw materials. It worked very satisfactorily for some years—so much so that at one time it even forced the *karkhanadars* out of business. But now intrigues and factions, internal demoralisation and disloyalty have ruined the society almost beyond any chance of recovery. The Moradabad brassware industry can expand greatly if it is assisted by the Government with the services of an expert on new designs. At present, its designs are made at the Lucknow School of Arts and Crafts. With a little assistance, it can easily make electric fittings which the U.P. now largely imports from abroad.

(f) *Gur and rab-making*.—These societies make gur or sugar which ever is more profitable. Of the 3 societies, one did not work. It merely sold the cane. The Kheri society suffered a small loss. Only the Bastia society in Lucknow had a successful year. Its profits amounted to Rs. 1,188. The cane-growers got a rebate and the society is working successfully.

(g) *Sugar manufacture*.—The Co-operative Vacuum-pan sugar factory at Biswan with a crushing capacity of 300 tons per day is a co-operative though not a cottage industry. It is a major industry that has been recently organised and worked through a co-operative agency. As such, it is strictly outside the scope of this present article. It is the first co-operative venture of its kind in India and it is very satisfactory to note that last year it earned a profit of Rs. 70,000 which yielded a dividend of 6 per cent.

The number of open-pan factories organised some time back at Gorakhpur, Lucknow and other places to find local units for cane consumption in areas where there are no vacuum-pan factories have all

decayed through failure of proper co-operative management. Practically all of them have now disappeared.

(h) *Glass manufacture*.—A society was organised at Nagina for co-operative production and sale but it suffered heavy losses due to lack of technical supervision, lack of marketing and floods.

(i) *Potteries*.—The society at Khurja practically did no work. The stone and pottery industries at Chunar are old industries which need a little assistance to develop.

(j) *Bangle manufacture*—at Firozabad—formerly suffered heavy losses. But it is now working at a profit.

(k) *Weavers' Societies*.—We had quite a number of them but some of these are dying while others are in a moribund condition. While a few have earned some profits, most of them were misfits. At Tanda, there are 32 weavers' credit societies. An attempt to organise a store for the supply of raw materials and sale of finished products proved abortive. The weaving factory at Sandila is doing well. A federation of weavers' societies, formed some years ago at Barabanki, to supply raw materials and to arrange for the sale of finished products has not made much progress. In 1931-32 a wool-spinning plant was lent to the Gaderian Co-operative Society at Najibabad. The plant was erected by the Government Textile School, Cawnpore, which also undertook to train some of the members of the Co-operative Society. The silk weaving industry in Mirzapur ought to prosper with a little effort and assistance.

(l) *Ghee Societies*.—They are doing quite well. They have showed enterprise and are making good profits. The main centre of the ghee trade in U.P., is in Etawah, where it has enormously developed. The total export of ghee from U.P. exceeds Rs. 2 crores per annum. Etawah alone exports Rs. 30 lakhs per annum. The ghee is sampled and tested before export at the laboratory of the Etawah Ghee Merchants' Association founded in 1927. There is a subsidiary tin industry in Etawah to make tins for the ghee trade.

From a careful review of past history the Committee on Industrial Finance (1935) in U.P. found that of the various attempts made in the past to help cottage industries in production and sale on co-operative lines those at Agra, Sandila, Lucknow, Biswan and Benares were more or less successful. In the majority of cases, however, they have not proved successful.

STATE ASSISTANCE.

Let us now turn, for a while, to the policy pursued by the State for the encouragement and development of small industries in U.P. In 1907, the U.P. Government convened an Industrial Conference at Nainital

which recommended, firstly, suitable money grants from the Government to new enterprises and, secondly, loans to co-operative societies of artisans in order to aid cottage industries. In 1914, the Hailey Committee appointed by the Local Government recommended that an Industrial Bank should be started to provide cheaper finance for the small industries. The Industrial Commission in 1916 was also in favour of an Industrial Bank as it found that the existing banking system was both inelastic and inadequate to meet the needs of industry. In 1921, the U.P. Government appointed a fresh committee with Sir Thomas Smith as the Chairman to re-examine the whole question. This Committee recommended the establishment of a Board of Loan Commissioners which would grant loans to suitable applicants out of a lump grant to be placed annually at its disposal by the Government. The Committee held that non-agricultural co-operative societies should not be eligible for loans from this Board, which should grant loans only to pioneer and small industries. The Board was actually constituted by the Government in 1922 with more extensive powers than what the Committee had proposed. For instance, the Board was empowered to grant loans to all classes of individuals and corporations engaged in industrial development and the non-agricultural co-operative societies were also made eligible for loans from the Board. The question of an Industrial Bank for U.P. was thus shelved once again.

The Burn Committee of 1924 marked the next stage though it made little change in the position. It merely approved of the existing arrangements which were therefore continued. The U. P. Banking Committee did not specifically recommend any Industrial Bank but the Indian Central Banking Committee did recommend the establishment of a Provincial Industrial Corporation for each Province. The Government was to help in establishing them by subscribing to such parts of the share capital as could not be raised by public subscription. If the Government supplied the capital, further guarantee of dividend by Government would be unnecessary. If necessary, the Government might give a limited guarantee of interest on debentures that might be raised by such Corporations.

In 1932, the U.P. Government appointed the Industries Reorganisation Committee with Sir Jwala Srivastava as the Chairman and on the recommendation of that Committee a fresh and representative Committee was again appointed in 1934 with Sir Sorabji Pochkanawala as Chairman to re-examine the whole question of financial aid to industries in this province. We deal with its recommendations later on.

THE DIFFICULTIES OF COTTAGE INDUSTRIES.

Each cottage industry has its own individual and peculiar problem. But if we make a broad general study of the conditions prevailing in the

cottage industries in U.P. we find that the following main difficulties are practically common to all :—

(a) *Difficulty in securing raw materials easily and cheaply.*—The cottage workers generally depend on *karkhanadars* and other indigenous credit agencies for their raw materials. These middlemen generally finance the workers and supply them with raw materials, pay them wages and take over their produce for sale. The *karkhanadar* combines the functions of the *entre preneur*, the artisan and the capitalist—all rolled into one. The workers work either in their own homes or in the establishments of the *karkhanadars* themselves. This system of finance through *karkhanadar* is not ideal. Indeed, it is very far from it. It does not provide the best organisation for our cottage industries and its results are far from satisfactory. The worker is left practically at the mercy of the *karkhanadar*. This degrades his status and keeps him in economic serfdom. The artisan has to pay a high price for his raw materials which are supplied on credit. Credit prices are bound to be always higher than cash prices. Credit has to be paid for—in one way or the other. The artisan also gets a lower price for his finished product. Thus he loses at both ends under this system. At the same time, in spite of its serious defects it is not possible to scrap it until we can provide a better alternative to it. In the absence of a better alternative, the system holds the field. The alternative so far attempted through co-operative organisation—as we have seen above—has not been successful. Co-operative loans to artisan societies totalled Rs. 70,000 in ten years or roughly Rs. 7,000 per annum. This can hardly be taken as an effective substitute for the *karkhanadars* and other middlemen. If co-operative agencies grow in size and importance, they can bring about competitive and therefore lower, rates for the finance needed by the cottage industries. One great advantage of these indigenous agencies is that the credit they offer is available locally in every village. It thus saves a lot of trouble and expense which would have been inevitable if the credit had to be sought for in distant places. Further, the ordinary cottage worker is quite familiar with the system and its methods. While therefore we can concede that there is considerable room for improvement in it, it would be futile to talk of replacing it so long as we are unable to provide a better substitute for it.

(b) *Lack of cheap and adequate finance.* This is already partly dealt with in (a) above. Cheap finance is one of the essential conditions of success in any industry and our cottage industries are no exception to the rule. They can't produce—generally because they are short of capital. The old days when they prospered within the limits of each village are gone for good and now they have to produce under world competitive conditions. In a way, the economics of our cottage

industries are now regulated in London, New York and Berlin. Our cottage workers usually pay 15 to 18 per cent. on their working capital. No industry in modern times can produce for competitive markets with a 18 per cent. rate for its working capital. The rate of interest that they pay for their capital must be substantially lowered and the methods of loan recovery must be largely liberalised before they can hope to fight an even game. It is here that Co-operative Industrial Societies can greatly help with cheap finance and expert guidance.

(c) *Lack of expert and technical advice and guidance in quality, standard and design.*—Our cottage industries badly need improvement in technique and organisation. The general illiteracy of the workers and their conservative outlook are poor equipments in modern industrial competition. Their profound illiteracy rings them round and keeps them out of all new ideas in production, designs, advertisement or marketing.

(d) *Lack of finish*—which is partly the result of (b) and (c) above.

(e) *Lack of adequate stocks.*—This makes it impossible for them to meet any order at a short notice. Generally, they work to order and not for stock.

(f) The artisans are scattered all over the wide country and this makes it difficult for them to be organised into a corporate entity. There is no trade union for them and none is possible.

(g) *Difficulty in marketing.*—This is the greatest difficulty they have to face. Our cottage industries badly need improvement both on the productive as well as on the distributive sides of the industries. Advertisement is the life of modern trade but our cottage industries are absolutely innocent of it. We deal with this point in detail later on.

(h) *Extreme poverty and indebtedness* of the artisans make them cripples in everything and cripples are not born to conquer. It is idle to expect any industrial efficiency in a class that suffers perpetually and dangerously from an economic anaemia.

PRESENT METHODS OF ASSISTANCE.

These are our difficulties which must be met before any real improvement can be hoped for. But before we deal with the remedies, it is necessary to discuss the exact methods of assistance that our cottage industries are now provided with. At present, the following methods and agencies are applied to assist our cottage industries :—

(1) *The indigenous credit organisations* play a large part in financing cottage industries in U.P. We have already dealt with it above. Our cottage industries practically get no help or accommodation from the joint-stock banks.

(2) *Co-operative Societies for Artisans*.—We have a number of them. But their number is much too small. Their microscopic size is too inadequate to meet the real needs of the country. This is partly due to the fact that such societies could not be organised until the first Act of 1904 was amended by the Act of 1912. The first Act did not provide for industrial societies and hence progress was necessarily slow. Their total number to-day covers a very small part of the total ground. Co-operation has, so far, failed to render substantial aid to our cottage industries either in finance or in organisation.

(3) *Government* has established a large number of schools and technical institutions to give training in the improvement of design and technique. The Industries Reorganisation Committee found that institutional instruction had not been very successful and they recommended three types of schools, viz. :—

(a) Central institutions—one for each industry; (b) Elementary schools—which may serve as feeders and (c) Instructional classes for artisans.

Apart from the bigger institutions like the Harcourt Butler Technological Institute at Cawnpore, we have Government technical schools at Lucknow, Gorakhpur and Jhansi, the Government School of Arts and Crafts at Lucknow, the Textile School at Cawnpore, the Carpentry Schools at Allahabad, Dehra-Dun, Nainital and Fyzabad, the School of Dyeing and Printing and the Leather Working School at Cawnpore and Meerut, the Metal Working School at Aligarh, the Weaving Schools at Bulandshahr, Benares and other places and a number of other schools and institutes throughout the Province. These institutions train the industrial workers in improved methods of technique and design.

(4) *The U.P. Arts and Crafts Emporium* located at Lucknow provides a certain amount of advertisement and marketing facilities to the local handicrafts and cottage industries in the province. But its work is poor compared with the work that is actually needed. We deal with it later on.

(5) *The Stores Purchase Department* makes occasional purchases of textiles, leather goods, locks, woodwork, paper, stationery, hardware and miscellaneous stores. The total stores so purchased varied as follows :—

	Manufactured in U.P.	Manufactured in India (outside U.P.)
1932-33	Rs. 6.58 lakhs	Rs. 7.02 lakhs
1933-34	„ 6.94 „	„ 8.18 „

(6) *Loans* have been granted, since 1925, through *Central Co-operative Banks* to co-operative societies of artisans. A limited grant was placed at the joint disposal of the Registrar of Co-operative Societies and the Director of Industries out of which these loans were made. The total amount advanced in this way to cottage industries came to Rs. 70,000 since 1924-25. This comes to less than Rs. 7,000 per annum for the whole province. The amount is so poor and so miserably inadequate that, naturally, it has made little impression so far. Further, in some cases, the Central Banks have themselves attracted deposits at rates lower than those charged by the Government for its advances. That explains why there is such a limited demand for these loans. Unless the rate of interest is liberally reduced these loans can never be popular. The Government should really adopt a bolder policy and raise loans to promote productive industrial development just as loans were taken for developing the recent hydro-electric works.

(7) *The Board of Loan Commissioners*.—This Board grants loans to small industries in the province but its total grant is so small that it can really do little. In 1931-32, only Rs. 30,000 was budgeted for the purpose. The Board did not meet in the whole year for want of sufficient business. In 1933-34, no meeting was called as no application for loan was received. Rs. 20,000 only had been provided for industrial loans and even such a small amount remained unutilised. Such small grants (Rs. 20,000 to Rs. 30,000) are wholly inadequate for a large province like the U.P. It is idle to hope for useful results with such paltry amount and even such paltry amounts are not utilised at all! Is it any wonder that results are so poor?

(8) *The Co-operative movement* has done much to popularise the cottage industries in another way by organising *co-operative exhibitions* along with its annual co-operative conferences. These exhibitions are organised from year to year at different centres and they give great encouragement and publicity to the cottage industries. The Government sometimes granted small grants to meet the cost of prizes at such exhibitions. The Kumbh Mela exhibition at Allahabad, which attracted millions of pilgrims, greatly helped by useful propaganda and publicity. Next cold weather, the U.P. Government is organising a big provincial exhibition at Lucknow. It will enable us to take stock of the progress made by cottage industries in the province since 1911 when the last

great exhibition was held. It will be a good test if progress is made in a quarter of a century.

(9) In 1933, the U.P. Government appointed a Committee to suggest and draw up a list of cottage industries suitable for development in the hydro-electric grid area. A provisional list was drawn up and it is expected that the rapid development of hydro-electric works in U.P. will lead to a substantial development of cottage industries through the distribution of cheap power within the grid area.

REMEDIES SUGGESTED.

Strenuous and continued attempts are needed to organise cottage industries in order to achieve substantial results. During the last few decades, spasmodic efforts have been made from time to time for a purpose but such intermittent and isolated efforts involve lack of continuity and loss of energy and they seldom lead to tangible results. The Industrial surveys—carried out by the U.P. Government nearly 20 years ago in all our districts—recommended a large number of cottage industries for development but so far the results of such surveys have not been fully utilised. In order that needless waste of money and energy might be avoided, a few selected industries should be taken up at first—preferably those where the workers are already familiar with some forms of co-operative organisation. It is no use overloading the ship with more cargo than it can safely carry. That way lies shipwreck.

(1) The provision of cheap and adequate capital through loans and grants at moderate rates of interest is the first condition of success. If the Government wants to see a vigorous development of cottage industries in the province it must provide more generously for financial advances to such industries on cheaper and easier terms. The loans have to be granted quickly without too rigid and excessive formalities and restrictions as in the case of *takavi* loans. Unnecessary delays and restrictions add to the net cost and therefore to the burden of the loan. The industrial *takavi*—as these loans might properly be called—must be liberalised like the agricultural *takavi* to be of real use to the people. In other provinces State-Aid to Industries Acts have recently been passed to provide cheap loans to small industrialists but in some cases the rules framed under these Acts regarding the grant of loans are too rigid and exacting to be of real help to the small cottage worker. His difficulties remain in spite of these Acts because, after all, the Government is not the best agency to judge and finance such industrial loans.

(2) Further, it is not enough to grant loans. It is equally necessary to provide the poor cottage industrialist with liberal assistance in the shape of expert technical advice. It is manifestly beyond their means

to obtain and pay for such expert assistance and guidance. It is the clear duty of the Government to provide for it. With such expert guidance, it would be possible to ensure proper control and healthy development along sound and safe lines. Demonstrations in improved methods of production, equipment and technique should be provided through central co-operative banks and close supervision—for some time at least—is necessary to ensure that improvements might be lasting. This needs the closest co-operation between the Departments of Co-operation and Industries. The Director of Industries in U.P. in his report for 1929-30 pointed out how the Department was greatly handicapped for want of a suitable staff able to help cottage workers and small industrialists. The situation, no doubt, has improved since then but there is yet room for considerable progress along these lines. It is also necessary to infuse a real co-operative spirit in the workers so as to prepare the ground adequately for success. It is over the co-operative rails alone that our cottage industries will safely and quickly move to strength and success.

(3) But more important than all the rest, the most important of all the remedies is the provision of adequate *marketing facilities* for the cottage industries. Merely providing cheap credit is not enough. We must also provide an efficient marketing organization to enable the cottage industries to get the best price for their products. This is the greatest drawback that they suffer from. The cottage industries need improvement in finance, technique and marketing. Any one of them is not enough. Even any two of them would be inadequate. It is only an equilateral improvement in all the three—taken together—that can really solve our problems. Our real problem is one of creating sufficient demand for the products. There should be some direct link between the producers and consumers so that production can be suited to the exact taste or demand in the market. Production has to be standardized and the cottage industries must be capable of adapting and assimilating changes in fashions and tastes in their production. They have suffered so long because they sought to produce blindfold without looking into the exact character of demand in the market. An industry which is irresponsive to changes in demand can hardly hold the market for a long time. The cottage industry practically does not produce for the market—it produces for the middleman who finances and this has led to a steady deterioration in quality and design. New and more efficient methods of sale, better arrangements for publicity, greater and wider advertisement of the goods produced, more effective methods of propaganda and canvassing—all these are urgently needed to rehabilitate our cottage industries. It is satisfactory to note that the Department of Industries have recently made arrangements for the establishment of subsidized shops and chain

stores for selling the products of cottage industries. The Industrial Finance Committee found that the only agency for promoting, developing and marketing the products of artistic industries in the province at present is the Arts and Crafts Emporium at Lucknow. The Government subsidises it to the extent of Rs. 20,000 a year, but its average annual sale is insignificant.

Local Rs. 21,000 ; Rest of India, Rs. 20,000 and Abroad, Rs. 3,000.

The total business done is so insignificant when we consider the vast area and population of the province which the sales cover. The percentage of total expenditure to total turnover varies between 40 and 80 per cent. and in some years it even reached 120 per cent. Thus the Emporium does not meet the real needs of the situation. Our cottage industries need a really efficient organization to serve as the connecting link between the actual producer on the one hand and his market on the other. It is only then that quality and design will respond to changes in demand. The improvement that will follow in output will lead to improvement in demand and, therefore, to greater stabilization of cottage industries.

The U.P. Industrial Finance Committee (1935) has recommended the formation of a separate organisation to be called the *U.P. Products Financing and Marketing Co., Ltd.*, with a capital of Rs. 5 lakhs divided into shares of Rs. 50 each. No dividend would be guaranteed by the Government. The Marketing Company would take over the stocks, liabilities and assets of the Emporium and pay the proceeds to the Government in fully-paid up shares of the Company. Government is asked to subsidise it by an annual grant of Rs. 25,000—in lieu of Rs. 20,000 that it now grants to the Emporium—for a period of 5 years with an option to continue it for a further period of 5 years if the Company proves useful. The business of the Company shall cover the following items :—

(a) to buy cottage industry output from the producers and manufacturers themselves for sale at mutually accepted prices ;

(b) or to get such products for sale on account of the producers and manufacturers ;

(c) to open shops, show-rooms, agencies and branches at different centres and to appoint sale agents and commercial travellers in and out of the province ;

(d) to supply raw materials to the producers ;

(e) to make advances against raw materials and manufactured products ;

(f) to make advances to artisans directly or through Co-operative Societies ;

(g) to open advisory bureaus and to instruct, demonstrate and suggest improvement in quality and design ;

(h) to carry on propaganda by advertisements, catalogues, bulletins, exhibitions, travelling shows, etc. ;

(i) to take over the products of Co-operative Societies and cottage workers made according to accepted standards ;

(j) and lastly, to educate the artisans as to the exact nature of demand in the market and to supply them with ideas, designs and necessary implements and machinery on the hire-purchase system.

The Company is also expected to arrange with existing stores throughout India to allot a specified space for exhibiting and selling U.P. products only. The scheme is now under the consideration of the Government and it is expected that the Government's decision on it will be shortly announced.

A *Village Industry's Section* has also been recently started by the U. P. Government under the *Rural Development Scheme* for marketing the products of cottage industries. A show-room has been opened recently in Abbott Road, Lucknow, where samples of cottage industries have been collected for display. Subsidised shops are being started at district headquarters for the same purpose.

To avoid mistakes, which may well plunge small craftsmen into still deeper difficulties than now, it is very necessary that a systematic enquiry should be made by Government or some other agency into the economic conditions of any industry that may be taken up, and the organiser should have grasped the details and difficulties of the business and have a practicable scheme to propose before asking the people to accept it.

—The MacLagan Committee on Co-operation.

AN EXPERIMENT IN INDUSTRIAL CO-OPERATION IN THE UNITED PROVINCES

By

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Co-operation, as it is generally known in India, is of the credit type. Societies are usually formed with the main purpose of arranging loans for the members. But 'industrial co-operation', which by means of co-operative methods during the various operations, might reduce the cost of production and secure better profits for the workers, is rarely found in this country.

It might be interesting and instructive to note a few details in respect of an experiment of these methods which was recently made with the tanners of Amroha, in the district of Moradabad. A co-operative society was registered in January 1935, primarily with 12 members, though the number gradually increased to 22. A sum of Rs. 200 was advanced by the Co-operative Department, as a loan without interest, for the construction of the building. Working capital was arranged from the Co-operative Bank, Moradabad, and in view of the poor condition of the members, who possess very little in the shape of landed property, their 'maximum credit' could not be fixed beyond Rs. 1,000 for the first year of their working.

The system of work was that the members were advanced loans separately. They purchased hides locally as well as in the neighbouring villages by combining in groups, though on individual accounts. Tanning operations were carried on jointly with the material purchased in large quantities and resold to the members. The whole stock was kept under the care of the society and thus it served as a security for the investment of the Bank.

Ultimately, when the goods were 'finished', they were sold in proper markets on the individual accounts of the members but in combined lots of sufficient magnitude. The profits, after paying up the loan, interest, as well as, the price of the materials, were kept by the members concerned, and a small contribution, fixed according to the number of hides treated by each member, was made towards the common 'tannery fund'.

By working on this system the constituent members have obtained cheap credit due to joint responsibility, better sales and purchases, and

economised consumption of tanning materials caused by joint production. They have further benefited by adopting the right line of manufacture and introducing such improvements in their technical processes as would suit their peculiar needs, besides approaching profitable markets for their transactions. All these co-operative activities have been carried on, while the members' individual interest has been retained in the work which is indeed so very necessary for stimulating their active participation.

The annual returns show that, inspite of cautious and restricted production, needed for a new venture of this type, the total output amounted approximately to Rs. 3,000 and the members' individual profits, according to their own calculations, were Rs. 365, though actually they must have been in the neighbourhood of Rs. 500. Contribution to the 'tannery fund' was Rs. 145 and net profit to the society amounted to Rs. 114. These figures, together with the fact that the investment is reasonably secure, go to prove that if industrial societies were organized for productive purposes, they could run profitably and successfully.

The indigenous tanning industry which gives employment to about a lakh of men in the United Provinces alone, is in a bad state and, like any other cottage industry, it can be stabilized only by the introduction of 'co-operative' methods. It is time that efforts should be made to organize it on proper lines.

Never expect harmony in industry so long as the worker has no assurance of a livelihood and no assurance that the harder he works the greater will be his share in the progress he makes.

—Philip Snowden.

CO-OPERATION AND COTTAGE INDUSTRIES IN THE PUNJAB

By

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COTTAGE INDUSTRIES IN THE PUNJAB.

The Punjab is not a large manufacturing province, the total number of factories last year being only 712, the majority of which are cotton ginning and pressing factories. Blankets and woollen rugs are produced in considerable quantities and the carpets of Amritsar are famous. Silk weaving is also carried on in many places. Artificial silk and mercerised cotton goods, pure and spun silk saris and doppatas and tussa are generally manufactured at Jullundur and Ludhiana on fly-shuttle. Lungis are prepared at Pind Dadan Khan and Khushab on pit-looms. Kheses (bed-spreads) are made at Leiah, Jalalpore Pirwala, Khushab, Shahpur, Bhera and Chiniot. Dhoties are made in Majitha and Sultanwind in Amritsar District. Khaddar is prepared in every district. Floor durries are made at Karnal and Ambala and bed durries at Ambala, Ludhiana, Sialkot and Ghakar. The workers in gold, silver, brass, copper and earthenware are fairly numerous. Ivory carving is carried on extensively at Amritsar and Leiah. Mineral oil is being extracted and refined in the Attock and Rawalpindi Districts and cement factory is established at Wah near Hasan Abdal. There is also a metal factory at Shahdara and a factory for the hydrogenation and refining of oils at Lyallpur. A number of sugar factories have recently been established in some places.

COTTAGE INDUSTRIES ON CO-OPERATIVE BASIS.

"The development of village industries", wrote the Royal Commission on Agriculture, "on a co-operative basis is essential if they are to survive increasing competition. We believe that development on these lines is essential if the artisans are to reap a reasonable profit from their labour. We, therefore, suggest that the question of organising village artisans on a co-operative basis for purposes of credit, of purchase of raw material and of marketing should receive the attention of the Departments of co-operation and industries in all provinces."

The difficulty of providing sufficient capital at reasonable rates of interest for carrying on village industries can be met only by the organisation of co-operative societies for the purpose. In the case of skilled

artisans, the bulk of the profit earned by the sale of their products is apt to go at present into the pockets of middlemen who supply them, at a very high rate of interest, the capital required, and who as a rule also insist upon the finished products being sold through themselves.

INDUSTRIAL CO-OPERATIVE SOCIETIES.

In the Punjab, as in other provinces in India, an attempt has been made to organise and revive cottage industries through co-operation. And for this purpose industrial co-operative societies have been formed in different parts of the province for cottage workers.

SOCIETY FOR ARTISAN PRODUCERS.

The predominant form of Co-operative Industrial Society in this Province is the society of Artisan Producers whose business is more concerned with the supply of raw material for the members' craft and with the sale of their finished goods than with the lending of money in cash. Societies of non-agriculturists, including artisans, which lend cash on credit, are classed as non-agricultural but not as industrial; and since men of low economic status as well as of limited understanding frequently fail in the duty of punctual repayment, their co-operative organisation is in increasing degree taking the form of association for production and sale. The majority of the small weavers, leather-workers, dyers and cotton printers in towns are comparatively free from cash debt to money-lenders but become involved in a vicious circle of credit supply, in which they borrow raw material from their financing trader at his own fancy rates on condition that they deliver him the product in payment at his own modest prices, and having thus no cash return for their labour can again only provide themselves with material from the same source. From this description, which is generally applicable to the artisan classes in question in the cities and towns, must be distinguished many of the substantial artisans, the black-smiths, the carpenters, goldsmiths, and all those humble but contented village menials who receive their yarn or leather, wood or iron, from the zamindar and work for a wage paid in money or kind.

SYSTEM OF WORK.

Workers engaged in cottage industries may be divided into three classes:—(i) those working on their own account and selling their finished articles themselves; (ii) those working in their own home on behalf of some merchant or dealer, receiving wages on the piece work system for the work done by them; and (iii) those working in small *karkhanas* or factories under an employee, generally known as the *karkhanadar* and

receiving wages on the time scale, somewhat on the lines of the workers employed in large scale industries. A large number of artisans are still carrying on their trade on their own account and these are wholly in the hands of the money-lenders and middlemen who charge exorbitant rates of interest. They also supply raw materials and purchase the finished articles at prices dictated by themselves. These transactions leave little margin to the worker, who having a running debt with the merchants is obliged to deal with them without being able to resort to the competitive markets.

KINDS OF CO-OPERATIVE INDUSTRIAL SOCIETIES.

The majority of industrial co-operative societies are of handloom weavers, but they are no longer confined to them and include societies of dyers, leather workers, tailors, wood-workers, ironsmiths, coppersmiths, goldsmiths, potters, carpet-makers, and oil-pressers. Every class is entitled to the benefits of co-operation, but the co-operative staff does not want to encourage either extravagance or the pawnbroking trade. Floor durries can now be supplied by certain societies particularly in Ambala and Karnal and police uniforms by a group of Ludhiana societies. A metal-workers' society in Jullundur is composed of former employees of a private factory, and exhibits an interesting parallel to the co-operative societies of producers in Europe which sprung up in the middle of the last century. The statement given below shows the number of industrial societies community-wise:—

Community.	Number of Societies.	Members.
1. Weavers ..	177	3,099
2. Shoemakers including Tanners ..	59	960
3. Carpenters including Furniture makers ..	23	436
4. Oilmen ..	9	120
5. Smiths, including gold-smiths, iron-smiths, brass and Kanshi workers ..	13	191
6. Others, which include Potters, Glu makers, Hosiery makers, Dyers, Tailors, etc ..	18	259
Total ..	299	5,065

DEVELOPMENT OF SOCIETIES.

Mr. Wace, the Registrar, remarks in his Report for 1935, "The revival of the activity and business of the Industrial Societies, of which the first clear signs appeared last year, have been unmistakable during the year under report. The Industrial societies have had the best year of their history and are to be congratulated on a remarkable revival." This

is apparent from the following table which illustrates their development during the last five years:—

Year	1931	1932	1933	1934	1935
Societies	341	308	300	291	302
Members	5,721	5,648	5,243	4,948	5,065
Average Membership	18	18	17	17	17
	Rs.	Rs.	Rs.	Rs.	Rs.
	Lakhs.	Lakhs.			
Working Capital	6.72	6.21	5,88,217	5,35,053	5,73,711
Owned Capital	2.03	2.04	2,52,409	2,55,303	2,72,333
Cash Advances to Members	1,11,879	..	94,892	77,971	1,39,980
Advances in Raw Material	1,10,000	76,298	1,05,745	87,922	1,84,512
Sale of Finished Goods	1,11,000	81,000	48,000	71,215	1,39,242
Recovery	..	..	1,23,644	1,00,836	1,37,814
Percentage of Recovery of the total amount on loan	..	..	23.42%	20.76%	33.2%
Deposits of Members	..	29,000	45,195	28,227	29,112
Indebtedness	5,78,733	5,27,927	4,85,534	4,16,963	4,16,067
Shares	..	..	9,744	92,443	92,031
Reserve	..	..	1,03,598	1,26,579	1,41,362
Borrowings	..	..	62,927	58,800	1,05,699
Repayments	..	..	87,895	76,663	82,898
Stock Purchased	..	..	1,17,716	82,730	2,87,623

(... Figures not available.)

STAFF.

There is one Industrial Assistant Registrar, 6 Inspectors, 15 Sub-inspectors, 4 Auditors and 6 Supervisors. Out of 6 Supervisors, three, at Jullundur, Hoshiarpur and Multan, are paid by the Government, while three, at Ludhiana, Behram, and Khushab, are paid by the Industrial Bank, Amritsar.

The staff was made permanent in 1935. The staff has been very keen during the past two years to learn the technique of the different industries and have been remarkably successful in equipping themselves with the practical knowledge of the technical side of the work. With their knowledge they have infused new life and energy in the industrial societies, which is evident from the progress made during the last year. Every one of the Inspectors now carries with him the samples of his articles and secures orders for his societies, by showing the sample on occasions and places, even in the railway carriages. With their hard work they have been successful in reviving many dead and moribund societies by securing orders and providing work.

EXHIBITIONS.

A few local bodies give grants to the industrial societies for participating in Exhibitions and Fairs and most of them exempt all goods on

exhibition from Terminal and Octroi Tax. The industrial shows are now very popular. Exhibitions and Fairs have helped in popularising the articles manufactured by the industrial societies and introducing them to the public. They have led to the demand for their goods and consequent increase in the work of members. The Industrial Societies participated in the All-India Exhibition, Lahore held in 1935 and sold goods worth Rs. 7,006 as against Rs. 7,622 of the last year. A silver medal was awarded for Textiles. The societies also exhibited their goods at the Silver Jubilee Show and sold material worth Rs. 753.

HANDBLOOM INDUSTRY.

Weaving is, one of the most important industries in the Province; 3,41,337 persons are dependent on it. It is still of great importance in the national economy and has, upto the present, shown remarkable vitality in the face of competition with factory products.

As already stated, the majority of industrial societies are of weavers. There are 177 societies with a membership of 3099. 8 societies in Amritsar, 3 in Gujrat and 3 in Hoshiarpur, 14 societies in all, with 300 members, are engaged in the preparation of mosquito nets. These nets were first manufactured in connection with the anti-malaria campaign launched by the Commissioner, Rural Reconstruction, the Punjab. The original mosquito net prepared by the societies was sold for Rs. 1-8. Better qualities were prepared in 1935, costing Rs. 1-10, 1-12, 2-8 and Rs. 3. The net costing Rs. 1-8 was exempted by the Government from Octroi and terminal taxes. This net has become popular in the Punjab and also in other Provinces and States in India. The manufacturing of the mosquito net has led to the revival of the business of the societies in these days of depression. 21691 nets were supplied by the societies in 1935.

As a result of this revival several members have given up applying for insolvency, earnings have become increasingly regular and capacity for repayment has increased.

THE TANNING INDUSTRY.

According to the last Census Report, the number of tanners and shoe-makers in the Punjab is over 2,00,000. This province exports approximately 360,000 hides and skins a year, but it is a matter of pity that the bulk of this export trade consists of hides and skins in the raw state. Only 8 per cent of the total number of hides and skins exported from the province are tanned, and this in spite of the fact that the Punjab possesses almost all the requisite tanning materials—babul and myrobalams. There is a large selection of excellent tanning material available here. The Punjab hides are considered to be particularly well suited for the

manufacture of heavy leather goods, such as harness, belting, saddlery and suit cases. The Punjab is reputed to be the chief goat-skin exporting centre in India and has practically the monopoly for the export of lamb skins, but all this trade consists of raw skins, which are primarily sent to other countries and which, after tanning, are either received back in India or are sent to other countries at three or four times the price of the primary object.

The poverty of the workers, their prejudices against the adoption of new improved methods, the competition of imported goods, and the lack of organization are the main factors which are responsible for the decline of the industry and the pitiable condition of the workers. The Department of Industries is trying to impart technical knowledge by means of demonstration parties and other methods.

One of the schemes that is to be financed out of the Government of India Grant of Rs. 8½ lakhs is the development of the tanning industry in the Punjab, with particular regard for the hereditary leather workers, and a sum of Rs. 75,920 has been assigned for this purpose.

The Government have arranged to provide educational facilities for the training of tanners who are spread all over the province and also for a limited number of educated persons in the upto date methods of tanning. This training will be provided by means of a Central Training Institute, which has been established at Jullundur, and Travelling Demonstration parties. Two such parties have been sanctioned with a view to demonstrating on the spot the improved and up-to-date methods of tanning in the important rural centres of the Punjab.

The report of Industrial Commission pointed out that the principal difficulty at present in the hide and leather industry was the lack of organisation and expert skill. But even with the adoption of improved methods the lot of tanner cannot be bettered unless the financial aspects of the industry are improved and markets are found for the disposal of finished goods. At present they have to depend upon middlemen for the supply of capital, who charge exorbitant rates of interest and compel them to deliver their finished goods to them at their own fancy prices. To remove these difficulties co-operative societies are needed. The few societies, which are already in existence, are doing useful service.

SHOE-MAKERS.

Shoe-makers number 1,33,788 in this province. They are finding it difficult to make both ends meet. The reason for this is the change of taste and fashion. The demand for the country shoe is declining every day; boots are taking their place. The consumer is ready to pay more for boots than country shoes, because they are considered more fashionable.

ble and comfortable and "cooler in summer and warmer in winter." An enquiry conducted into the financial position of shoe-makers in certain places showed that only 19 per cent. of the families were free from debt and the average debt per family was Rs. 232.

The shoe-makers in some towns however, are making a decent living. There are 2,000 shoe-makers in Multan, a thousand in Lahore, 400 at Amritsar and 100 each at Ludhiana and Hoshiarpur. Hoshiarpur is famous for its artistic shoes and exports shoes of the value of about Rs. 30,000 every year. The shoe-makers of that place, known as Siraj, are fairly well off. An expert worker there earns from Re. 1 to Rs. 1-8 per day, but these figures include the wages of his women folk, who help him very materially in embroidering and otherwise finishing his goods. But he is thriftless and therefore not prosperous.

There are 59 societies of shoe-makers with 960 members. The majority of these are in the villages. They prepare country shoes for the villagers and receive payment in cash or kind. Their average daily earning ranges from 8 to 10 annas. The town shoe-makers, who make fancy shoes, earn from 8 to 12 annas a day.

Societies in villages are in a better condition than those in towns. The consumption of their goods is regular, though on account of economic depression and abnormal fall in the prices of agricultural commodities, their wages have gone down. There is a tendency to discard country shoes in towns and this is standing in the way of the societies preparing them. The societies producing boots cannot compete successfully with established firms dealing in these goods. Therefore if these societies do not wish to die a natural death they must adapt themselves to modern conditions and specialise in Chaplis, Sandals, Slippers, and other leather goods, like suit and attache cases, hold-alls, etc.

THE SPORTS GEAR INDUSTRY OF SIALKOT.

Sialkot is famous for its Sports Gear industry. The industry continues to make good progress as the years go by. There is a good local demand and the preference given by the Empire countries under the Ottawa Agreements has resulted in a considerable increase in the export demand. The total value of exports last year was estimated at Rs. 3 lakhs.

There are three district agencies engaged in the manufacture of sports in Sialkot:—(1) Manufacturers and dealers (2) Middlemen and (3) Skilled Workers.

(1) *Manufacturers and Dealers*.—These consist of firms manufacturing goods and dealing directly with the public. There are 28 such

firms most of whom have specialized in one or two branches such as tennis rackets, hockey sticks, football covers, cricket balls, polo sticks, tennis gut, etc.

(2) *Middle-men*.—Middle-men form a very important factor in the trade of sports goods. They do not make anything themselves and only a few of them stock goods. They generally secure orders by travelling and advertisement and execute them through the makers.

(3) *Skilled Workers*.—This is the most important class and is the pivot of the trade. Their number is over 400, which is increasing very fast. Each of them employs several apprentices to help him. They work in their own houses or rented buildings and manufacture goods themselves and supply them to the middle-men. Their initial investment consists only of implements and tools, which do not cost much. Their working capital consists of raw material purchased according to needs. They feel great difficulty in obtaining even their modest capital and the fruits of their labour are taken away by the middle-men. This class badly needs the help of Co-operation. An attempt has been made to form industrial co-operative societies for them with success.

PERSIAN WHEELS.

The manufacturing of Persian Wheels is in the hands of the workers themselves. They get their raw material from wholesale dealer on credit. The manufactured goods are generally sold to the neighbouring agriculturists. A society in Lahore District was registered in December 1934 for the preparation of Persian Wheels, country carts, with ten members. Since then ten more have joined the society, the total membership stands at 20. Upto the end of 1935, the society did the following business:—

Share collection	.. Rs. 173.
Members' Deposits	.. Rs. 1,482.
Sale of Goods	.. Rs. 4,360.
Purchase of raw material	.. Rs. 3,439.
Investments	.. Rs. 40.

The turn-over has been to the extent of Rs. 12,133. The owned capital of the society, comprising only of shares and profits, is kept as a deposit in the Co-operative Industrial Bank, Amritsar. The aim is to invest it in Government Securities. The members repay all their loans on the sale of finished goods and then borrow for their needs. The purchase of raw material is collective and in bulk. The society, though yet in its infancy, is performing useful service to the members.

OIL AND OIL CAKES.

There are 34,945 Oilmen in the Province. An immense quantity of oil is manufactured by them by more or less crude processes. Village oil mills worked by bullocks and presses worked by hand exist in all parts of the Punjab and supply most of the demand for oil. There has also been increase in recent years in the number of oil mills worked by steam or other mechanical power. These crush all the commoner oil seeds and development has been especially marked in the case of mustard oil, castor oil and groundnut oil. In spite of all this, there has been a perceptible diminution in the export of oil from this province and an increase in the export of oil seeds in recent years.

There are 9 co-operative industrial societies for oilmen with a membership of 120. These are generally in rural areas. They have to contend against many obstacles. The demand for oil and oil cakes has considerably gone down. There are several reasons for it. Oil is now rarely used for burning purposes; it has been replaced by kerosene oil. As a diet cheap vegetable ghee has turned it out of the market. The oilman earns 6 to 8 annas a day but his income is going down with the decrease in his industry.

THE CO-OPERATIVE INDUSTRIAL BANK, AMRITSAR.

The Co-operative Industrial Bank, Amritsar, was registered in October 1917 as a Store. It was changed into a Bank in January 1926.

Objects.—Its objects are to facilitate the operations of registered co-operative societies for artisans and small industrialists by: (1) carrying on of banking and credit business; (2) the purchase and sale of raw material for the benefit of the affiliated societies; (3) the purchase and sale for common account of the finished products of members of affiliated societies; (4) the provision of implement of the craft; (5) the supervision and audit of the registered and affiliated societies; (6) the provision of educational assistance to the members of such societies; (7) other measures designed to improve the work and extend the usefulness of such societies.

Membership.—Its membership consists of: (1) registered industrial co-operative societies in the Punjab; (2) the Registrar, Co-operative Societies, or a person generally or specially nominated by him; (3) not more than three individuals who are able to assist the Movement by influence or their commercial knowledge.

At present the number of members is 305. Out of this three are non-shareholder individual members.

Shares.—Every society member must hold at least one full share of the value of Rs. 100. No member can hold shares whose nominal value exceeds Rs. 500 or one-fifth of the share capital actually subscribed.

Liability.—The liability of each member is limited to double the nominal value of his shares.

Managing Committee.—The Managing Committee shall consist of not less than 5 persons besides the three nominated members in addition to the President; at least 2/3rd of the members shall be weavers. The Committee is entitled to decide the terms on, and the rates at which, the finished product is to be bought and sold and also at which the implements of the craft are to be supplied.

Profits.—The profits shall be applied as follows: (1) not less than one-quarter to the reserve fund; (2) for each future year after the completion of five years from the date of registration the payment of dividend on the share not exceeding 6 per cent. per annum; (3) any of the following purposes:—

(a) the formation of a sinking fund, depreciation fund or building fund; (b) a rebate on the purchases from the society members; (c) a bounty on sales to the society by members; (d) the reduction of interest on advances to societies; (e) the maintenance of officials for the supervision and audit of the affiliated co-operative societies or for spreading knowledge of benefits of co-operation or for the instruction of members of affiliated co-operative societies in methods of the craft; (f) the provision of educational assistance to members of affiliated co-operative societies. There shall be no distribution of profits for at least five years from the date of registration.

All industrial societies in the province are affiliated to the Industrial Bank, which finances them and also helps them in the purchase of raw material. The indents from the societies are received by the Bank which arranges for the purchase of requirements from Amritsar itself—the most important commercial centre in the Punjab—or from Ahmedabad or Bombay.

Working Capital.—The working capital of the Bank now is Rs. 5,07,635. Its owned capital is Rs. 80,638. The share capital amounts to Rs. 29,080 and reserve fund Rs. 37,121. It has deposits of Rs. 2,90,338 from members. Its fluid resources amount to Rs. 77,772. The market value of its Government Securities is Rs. 1,04,468.

In 1935 it advanced 460 loans of Rs. 1,01,384 to 108 societies as against 218 of Rs. 40,417 in 1934. The bank has reflected general improvement and done considerably better than last year. In spite of cautious finance,

the advances increased due to new societies and expansion of business. Rs. 1,63,283 are due from D class and under liquidated societies. 189 societies did not borrow last year as compared with 207 in 1934 and 204 in 1933. Rs. 80,377 in principal and Rs. 18,876 in interest were recovered in 1935 as compared with Rs. 54,278 and Rs. 21,661 respectively, in 1934. The bank earned a profit of Rs. 9,517 in 1935 as against Rs. 6,530 in 1934 and Rs. 135 only in 1933. All this shows that the bank is making slow and steady progress on sound lines.

THE CO-OPERATIVE INDUSTRIAL SOCIETIES SALES DEPOT, LAHORE.

The Co-operative Industrial Bank had a shop at Amritsar. The shop purchased raw materials and sold finished goods of the societies. Commission at the rate of 1 anna per rupee was charged on the sale of finished goods and 6 pies on purchase of raw material. The shop stocked raw material as well as finished goods.

In 1929 the shop was transferred into a Sales Depot at Lahore. The Manager of the Bank was paid by the Government. His pay was transferred to the Business Manager of the Sales Depot and the Bank began to pay its own manager. The Business Manager was given one Assistant. Upto 1930, the Depot purchased the furnished goods from societies and, after adding its commission, sold it to the public. Besides daily routine sales, orders were also secured from different Government Departments and of other institutions. The Sales Depot was on the list of contractors of the Indian Stores Department, Government of India and Police Department of the Punjab. In 1931 the policy was changed. The purchasing of finished goods from the societies was given up. Instead goods were received on deposit-system. Goods actually saleable were sent and anything left unsold for 3 months was returned. The salesman, besides pay, was given 50 per cent. of the commission earned. He was given an assistant. The Depot is now working on this system and is performing useful services in the cause of industrial co-operation and its development.

EFFECTS OF INDUSTRIAL CO-OPERATIVE SOCIETIES.

The two main objects of Industrial Co-operative Societies are to give the worker his raw material at the cheapest possible rate and to sell his finished products at the highest possible price. The first is not difficult and when achieved results in a saving to members of 15 to 20 per cent. on middle-men's charges. But the second has so far proved beyond the capacity of most societies owing to the great difficulty in selling hand-made products in markets which are dominated by the mills. However, inspite of this obstacle, attempts have been made by societies with

surprising results. The societies are becoming popular and their existence is proving useful. Actual workers alone are admitted in the societies, whether old or new, because the original provision of enlisting some non-industrialists proved very harmful to the societies.

There is no difficulty about finance. As a result of depression the members are now more careful in taking loans and hesitate to borrow for non-industrial needs. Some years ago the success of this branch was considered doubtful. But now it has established itself on sound lines and is progressing slowly and steadily.

Members now get work to busy themselves which was not possible before. Their earnings have become regular. The credit of members has increased. The societies have learnt to keep a close watch over the market and to concentrate on the manufacture of those articles which may be quickly disposed of. New lines, in which there is little competition, have been adopted in societies. In Amritsar sugar bag cloth and hemp bags for straining sugar in the process of making sugar, have been prepared. As sugar industry is developing, there is great scope for these bags. The societies in Batala have produced a fine coating cloth, which has become popular in Lahore and Amritsar and has created a demand for itself.

There is considerable demand for dusters and honeycomb towels and some societies are specializing in these articles. Tussar shirting is very popular and has no competition in the market. Durries and kheses have a brisk sale without any competition. As a result of the adoption of new lines by the societies, a demand has been created for their goods and their business has developed. This has encouraged the workers and has created true co-operative spirit in them. "The system of co-operative production," writes Mr. Strickland, "secures the following advantages: "A part of any excess price charged by the society to the member on his yarn is returned to him when rebate is paid: if too low a price is assessed on his product, he recovers at least a share of it in the form of bonus. Every member has a voice in the general meeting which elects and can dismiss the officers and the Managing Committee, and his objections can be heard by the community whose interests coincide with his own. Above all, the co-operator is encouraged and trained to practise thrift and punctuality, and to settle his disputes with his fellows by means of the Panchayat. It is also a function and a duty of the Committee, at present imperfectly fulfilled, to observe and condemn all slovenly or dishonest work."

The members of Nur Mahal Society set a remarkable example of co-operative spirit and loyalty by levying contribution of Rs. 500 in 1925 to make good a loss sustained by the society through theft. The Said

Kabir Society in Jullundur once penalized absence from any fortnightly meeting by a fine of annas 4 or by being made to stand for five minutes in the next meeting. The rule, though amusing, reflects the healthy spirit of the members.

On 19-4-'35, one society in Lahore District passed the following resolutions in its general meeting: (1) Every member must mortgage his house in favour of the society, before he can get any loan; (2) every member must wash his clothes once every week; (3) every member must keep his place of work clean; (4) every member must have ventilators in his house and (5) every member must use mosquito nets. These resolutions are being acted upon.

RELIEF.

The following methods of affording relief have been adopted:—

(1) Instalments of loans have been fixed on the basis of the earning of members, so that they may be in a position to pay every day, week or month; (2) every possible effort is made to provide work to the poor members and societies; (3) societies and honest members are provided finance though their old loans may be heavy and they may have exhausted their maximum credit limit. To meet their industrial needs every facility is given to them; (4) the payment of shares and compulsory deposits has been deferred in societies where the paying capacity of the members has gone low; (5) every help is given to the societies and members for the purchase of raw materials collectively; (6) on the responsibility of the field staff, special loans are given to the members for the execution of order or work on their own account. These facilities have gone a long way to encourage the members.

DIFFICULTIES.

The main difficulties to be surmounted are: (1) Indebtedness of the artisans; (2) paucity of capital; (3) lack of organization among workers; (4) want of suitable arrangements for the supply of raw material; (5) want of proper instruction for improving the quality of production so as to suit the changing tastes of the public; (6) want of suitable agency for the profitable marketing of the finished products and (7) lack of proper supervision.

Much of the greatest difficulty is the sale of goods. The majority of the industrial societies are of weavers. For them the everlasting difficulty is the competition with mill-made goods. For some societies this has proved too much, and a number of them have given up weaving in despair, while others have relegated it to the position of a subsidiary

occupation, and in view of the history and present trend of manufactures, one cannot blame the ordinary handloom weaver for feeling like one who should try to keep back the tide. Some have adopted another form of enterprise, and have altered the style of their products, in the hope of keeping more in line with present tastes or of making something with which the machines cannot yet compete.

There is lack of patronage of these societies by the Government Departments. The aims of these co-operative industrial societies are clear and honest dealings; hence they are unable to compete with the ordinary contractors in securing orders by negotiations with the subordinate staff of Government Departments.

In 1924 the Controller of the North-Western Railway Stores Department very sympathetically placed an order of 60,000 Bastas and 50,000 Lungis costing about Rs. 1,25,000. The Indian Stores Department ordered gold lungis and kamarbands worth Rs. 15,000 for Skinners' Horse at Ferozepore. The order was completed in time and goods were approved by the Inspector of the Stores Department. But when they reached their destination, the consignee refused to accept them as not being according to specification. In spite of all this, the sympathies of officers can do a lot of good. Fair treatment is required, not favours, protection against objectionable practices and just as much interest as will lead to sympathetic consideration of a case on its merits. The Government issued a circular a few years back, with a list of articles prepared by the industrial societies, that next to Jail and Shahdara manufacture, articles be purchased from the industrial societies if they compete in the market.

There is very little support for these hand-made industries forthcoming from non-official bodies and not very much from individuals. If a few of those who talk so much about aiding indigenous industries would only render a little practical assistance, there would be a possibility of placing these ancient callings on a sound basis again. At present non-official help is conspicuously absent; even interest and sympathy is hard to find. The spirit of the workers is good; they are as keen as ever on their profession; they are developing a brotherly feeling and take keen interest in the doings of their societies. They are always ready to grasp and follow new ideas with intelligence and good sense.

The industrial societies are by no means an easy charge. It is impossible to feel really confident about financing them because a change in prices, or in methods of production or in fashion, may leave a group of workers high and dry with no means of livelihood. The industrial societies finance men who, whatever their intentions, are found to be less reliable customers in the long run than agriculturists.

In many cases we find ourselves supporting dying and dead industries and trying to recover money from men who have not only no income but also no assets. This is conspicuously the case in Multan. The members have no security except the profits of their trade and these disappear when prices fall owing to a glut in the market or a change in the fashion.

SUGGESTION FOR TRANSFERRING CO-OPERATIVE INDUSTRIAL SOCIETIES TO THE DEPARTMENT OF INDUSTRIES.

The suggestion has often emanated from interested quarters that the co-operative industrial societies should be placed under the control of the Department of Industries.

The Registrar in his Report for 1935 remarks that "suggestions have again been made during the year to transfer this work to the Department of Industries. While in no way wishing to decry the work done by this department, this appears inadvisable. The success of our industrial societies, even of the industry in some places, depends upon their finance first, and then upon questions of manufacture and marketing. The only method of maintaining and improving the finance of these small groups is by keeping it parallel with the work being done in the co-operative credit societies. What is not realized is that co-operative credit is never stationary and needs differ in countries and provinces. As research work is being carried on in industry by the Department of Industries, so it is being done over village credit among credit societies. It is better that these industrial societies of actual workers should remain co-operative and receive what technical advice the Industrial Department can give rather than the other way round. Their finance at present is more complicated than their work. Great assistance can be given by the Department of Industries and efforts have been continued to co-ordinate the work of the two departments." It is hoped that after this convincing and conclusive reply this oft-repeated question will not be revived again and this unnecessary controversy will now be set at rest, as it is detrimental to the vital interests of the co-operative industrial societies and cottage workers.

Agriculture is a rather skittish calling which sometimes leaves those who practise it in the lurch, with an empty barn or a half-filled pail.... In the practice of no calling is the value of a possible second string to one's bow more clearly marked than in agriculture.

—H. W. Wolff.

CO-OPERATION AND THE PUNJAB HANDLOOM INDUSTRY

By

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Handloom industry is the most important and widespread business activity in the Punjab. Every village or town has a population of weavers. According to the census of 1931 the population of weavers has been classified thus :

	Principal Occupation		Working Dependents		Subsidiary occupation	
	Males	Females	Males	Females	Males	Females
Cotton	269,212	27,645	9,842	20,713	8,762	1,652
Wool	2,468	424	37	103	60	6
Silk	928	151	8	21	3	2
Total	2,72,608	28,220	9,887	20,857	8,825	1,660

In "Principal Occupation" males outnumber the females, while in "Working Dependents" the position is just the reverse.

The industry as a whole is in a disorganized condition. Two groups mutually dependent and yet in opposition to each other have emerged from the arena of conflicting economic interests. There are the Dealers on one side and the Producers on the other. Neither can do without the other. For raw-material, as well as for the sale of finished goods, the weaver has to depend on the dealer. Since weavers, as a class, have not very long purses, they cannot purchase yarn for cash. Even if once it is done, the delay in the sale of finished goods necessitates borrowing.

When a dealer advances yarn on credit he attaches certain conditions. Apart from interest that is charged, the weaver is required to sell his finished goods to the very dealer who advanced the yarn. This restriction benefits only the dealers, while the workers hardly get even their wages.

This position leads him to adopt means by which he is able to economise in quality. This takes the following forms: (1) Saving of warp ends in the Reed; (2) Loose-weave, but enough of sizing to conceal the defect; (3) Shortage in Width; (4) Fewer warp threads per inch in the middle as compared with the number on the sides; (5) Use of fugitive colours.

No industry can flourish long if the above defects are not removed. The Handloom industry must eradicate the evil before it can come out of the slough.

The common system has to be replaced by one, which while steering clear of the defects, has more attractive and useful points in it. The remedy has been found in Industrial Co-operation.

In the Punjab Co-operative Movement among weavers is now practically 23 years old. The progress has been slow in the beginning but more rapid later on. There have been ups and downs. At present the number of societies stands at 177 with 3,099 members. During the year ending 31st July, 1935, these societies advanced raw material to their members of the value of Rs. 2,05,501. The sale of finished goods has been in the neighbourhood of Rs. 1,10,213. The societies exhibited their goods for sale at various shows and exhibitions and secured good business. The publicity and propaganda value has been immense.

Coming down to one weavers' society, we find the following remarkable figures:—

Purchases of Raw Material	.. Rs. 12,533
Sale of Finished Goods	.. Rs. 6,036

One society in Amritsar has 45 members and has a working capital of Rs. 13,723. Another with 29 members purchased raw material worth Rs. 622 and sold goods worth Rs. 2,757. It has a working capital of Rs. 10,166.

It is not the figures alone that reflect what co-operation has done. The practical improvements in the actual work, and their effect upon the industry as a whole, are well worth a detailed mention.

FINANCE.

The Co-operative Industrial societies of weavers arrange for capital like all other Co-operative Credit societies.

PURCHASE AND SELECTION OF RAW MATERIAL.

The societies purchase in bulk co-operatively. Wholesale prices are paid and they are naturally lower than the retail ones. The members get comparatively cheaper yarn from the society, than they get if they make individual purchases.

In matters of selection of yarn, the society plays an important part. It is not often that a weaver knows what combinations of yarn are the best. The society advises him to use good yarn in warp but inferior

yarn in weft to save in the cost or production. Inferior weft does not lower the quality of the cloth as would be the case of inferior warp. If the same count of yarn is to be used as warp and weft, then an inferior brand of the same yarn is used as weft. This practice keeps low the cost.

DESIGNS AND COLOURS.

Popular designs are made to suit the taste of the public. Old designs have been given up. For this a study of public tastes becomes necessary and the weavers have at long last begun to see what is required in the market.

Fast dyes have taken the place of defective fugitive colours with the result that customers can now feel confident that a mere wash will not bleed the colours. The societies now fully realize the importance of using good dyes.

APPLIANCES.

The old Pit-loom retains its place so far as pure silk or very superior counts of cloth are concerned. Even in case of artificial silk, to an extent, pit-loom comes in. For other cloths of broader widths the Fly-shuttle looms have been introduced by the societies. This loom ensures greater speed of work and broader width.

The famous 'Punjab Mosquito Net' cloth is woven on these looms and a further improvement in this loom has been made to weave a still superior net cloth.

For making of Warp, the old system of nails and reed-sticks is given up and 'Charkha' (Wheel) is used for making warp. There is much saving in time and greater length can be prepared.

WIDTH.

The societies insist that the width of any cloth must be exactly the same as given out officially by them. There should be no economy in this respect.

STANDARDISATION.

It is not easy to have machine-like standardisation in goods made on hand-looms. The societies have attempted and succeeded to a very large extent in evolving a plan of work which is the nearest approach to standardisation. They have stipulated that first of all goods must be exactly according to the sample and specifications. Now this is possible when the number of warp threads per inch and the number of picks per inch are equal to the number of a given sample. Secondly, the weave must be the same and so must be the texture. In this way the societies

have achieved a measure of success which would not have been possible otherwise. Given two pieces woven by two different weavers, it is not possible to mark out any difference between the two. This improvement has made the goods of the societies passable everywhere, not to speak of popularity.

CHANGE OF LINE.

The societies have taught the members the necessity of changing with the times. Under this wholesome and sensible course, khaddar makers have taken up Dosuti Bed-spreads, Durries, Dusters, Sugar-bags, Table-cloths, Shirtings, Coatings, etc. Pure-silk weavers, finding Daryai unsaleable, have taken to Pugrees and Patkas and so has been the case with artificial silk weavers. Change of line gives them new work and since that is according to the needs of the market, sale is easy. Many old khaddar makers are now making up-to-date shirtings and coatings.

FINISH.

Though the societies have no arrangement of their own for calendering their goods, yet they take advantage of such plants if within reach. The cost of calendering is not much and it gives a very good finish to the cloth.

COST OF PRODUCTION.

In any business cost of production is the basis for determining what should be the sale-price. The societies' chief aim is to keep the cost as low as possible and they always act on the well-recognised principle of low profits and more sales. That is the reason why on every occasion the societies are able to sell their goods. Their quality is good and price is lower than in the market. The article comes straight from the loom into the hands of the consumer. There is no middle-man or agency to live at the cost of both.

Competition with mill-made and imported goods is there. The societies do not manufacture goods in which there is keen competition. Besides this there are many lines where competition is very mild or does not exist, e.g., check bed-spread, Flour and Bed Durries, Dusters, Cheap Bed-sheets, Sugar-bags, Cheap Shirtings and Coatings, Lungies, Pugrees, etc.

With quality and low price, the societies are competing in the open market in things that admit of no keen competition. There are lines which are exclusively taken up by the handloom. The handloom industry in the Punjab has been revolutionised by Co-operation. There is scope for more expansion.

INDUSTRIAL CO-OPERATION AND THE SURVIVAL OF SMALL UNITS IN INDUSTRY

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CO-OPERATIVE PRODUCTION IN THE WEST—AIMS AND ACHIEVEMENTS.

Ever since the inauguration of the modern co-operative movement several attempts have been made to organise industrial production on co-operative lines, by which the workers or consumers or both were to participate in the management and profits of enterprise. Associations of producers were more prolific than associations of consumers, though the latter have in the long run succeeded more than the former in organising the production of a variety of articles in addition to distribution. Indeed the Rochdale Pioneers, revered as the founders of consumers' co-operation, had among their plans 'the manufacture of such articles as the society may determine upon, for the employment of such members as may be without employment, or who may be suffering in consequence of repeated reductions in their wages'. T. W. Mercer says: "Shop-keeping was only incidental to their major plan. Accident, multiplied by success, identified them with the consumers' movement. Their own aim was co-operative production and a free partnership of labour." But in this aim of theirs, success has not been conspicuous and is by no means comparable to the achievements in distribution. "Co-operative production has not kept pace with co-operative distribution. The trumpets blow; but the battalions do not advance." The co-operative stores are still largely distributors of private makers' goods and they do not offer employment

1. J. J. Worley in *British Co-operation To-day*, p. 176.

According to the latest Peoples' Year Book (1936) the distributive societies of Great Britain had at the end of 1934 a little more than 7 million members and had effected sales in 1934 to the extent of £ 207 millions. The total number of employees in the Movement including Wholesales were only 284,545, of whom about half were engaged in production and the other half in distribution. The productive works of the Wholesales turned out goods to the value of only £37 millions in the 195 factories and workshops run by them. There were 92 other productive societies which were members of the Co-operative Productive Federation. Some of them were owned by groups of retail societies; some by workers and other shareholders. These produced in all goods to the extent of £ 6 millions. What retail societies produced independently is not known. If it be estimated at £31 millions (as it was by J. J. Worley) the total production in the movement would amount to £ 74 millions which is a little more than 35 per cent. of the total sales.

for more than a small fraction of the total number of members. The conditions of work in the concerns of distributive societies are not much better than in private concerns. Nor is provision made for "the practical collaboration and participation of workers in results of administration" as is done in the 44 societies affiliated to the Co-operative Productive Federation.

It was in the middle of the last century that a large number of Associations of Producers were organised in Europe, notably in France and England, with the definite object of giving the workers the ultimate control of industry and the entire profits after payment of a fixed interest on capital. Unlike in the case of the stores, the leaders of this movement were intellectuals who were prepared to sacrifice their time, energy and money in the cause of the workers. The Christian Socialists of England were inspired by the vision of a Co-operative Commonwealth, the nucleus of which were the self-governing workshops which they helped to establish. This type of co-operation elicited the admiration, among others, of John Stuart Mill who wrote: "The form of association which, if mankind continue to improve, must be expected in end to predominate, is not that which can exist between a capitalist as chief and work people without a voice in the management, but the association of labourers themselves on terms of equality collectively owning the capital with which they carry on their operation and working under managers elected and removable by themselves".² A battle royal has been waged between the champions of consumers and those of producers, each evolving a philosophy of their own, which is highly interesting if not wholly convincing. A rapprochement between the two sides seems to have taken place, the stores agreeing to buy from producers' societies and the latter offering a share of the profits to consumers. There is, however, no doubt that the achievements of producers' societies are insignificant by the side of the transactions of the consumers' societies. According to Webbs, "Every generation sees its crop of such little associations of producers, notably in France. But ninety years of experience (now 100) of literally thousands of attempts in half-a-dozen countries in almost every industry has demonstrated pretty conclusively that the self-governing workshop is not a practicable form of industrial organisation."³ Failure was ascribed to the workers' conservatism, lack of capital equipment, want of discipline and of guaranteed market for wares.

France, the original home of Producers' Societies, was reputed to have the largest number of them flourishing in the last decade. Printers,

workers in textiles, leather and metal workers constituted the largest number of societies; the most famous was that of the makers of instruments of precision in Paris. All workers were said to receive equal pay and elect their directors; yet the discipline maintained was excellent. Members had a high degree of intelligence, loyalty and self-respect. The reason given for the unique success of the French workers' societies was that the French workman was more intelligent and had 'a considerably higher level of civilisation than his compeers in England'.⁴ Whether all this superiority holds good at present we do not know. But even before the Depression, the French societies were receiving the special patronage of the State and the municipalities in the shape of initial subventions, cheap finance, acceptance of their tenders on easier terms, more frequent payment for work, which were not given to private firms. The enjoyment of these privileges might be said to detract from their co-operative character.

Be it noted here that Industrial Co-operation in the West was not specifically meant for the small industrial units and home industries, though the scale on which most co-operators operated was small and no big industry needing large capital was ever tried. In India, however, industrial co-operation has always meant co-operation for cottage industries.

EARLY HOPES OF CO-OPERATION FOR COTTAGE INDUSTRIES IN INDIA.

The Co-operative Credit Societies Act of 1904 provided only for persons of limited means and the aim was "furtherance of agricultural rather industrial credit". For in the view of the Government of India "the agricultural problem is more serious and far more difficult to deal with than the industrial problem, and it is necessary that effort should be concentrated". The 1912 Act provided for non-credit as well as credit societies for artisans. The earliest and the most numerous among such societies were organised for weavers for the purchase of yarn, dyes, etc., and for the sale of woven goods as well for the supply of credit when needed. These societies received the special blessing of the MacLagan Committee, who in their anxiety to help the poor weavers and artisans over-estimated the character and repaying capacity of these men:

"By far the most valuable and hopeful form of urban credit societies is in our opinion that which confines its operations to poor castes, weavers, etc. In their early stages, they need constant help and guidance, which can best be supplied by some philanthropic industrial or social

2. *Principles of Political Economy* (Edited by W. J. Ashley), pp. 772-3.

3. S. & B. Webb, *The Consumers' Co-operative Movement*, p. 447.

4. Otto Rothfeld, *Co-operation in France and Italy*, p. 78.

agency. The work well repays its originator for as a rule these classes show themselves amenable to co-operative ideas and anxious to learn. To their credit it must also be said that they are generally most punctual and honest repayers."⁵

This estimate has been completely falsified by events in the last 20 years. So far as Madras is concerned, the Townsend Committee on Co-operation summarised the position in 1928 thus: "The help given by the co-operative movement to weavers so far is negligible. Most of the weavers' societies are doing little if any work". The Committee recommended the appointment of a Textile Expert with a view to organise new societies, and help the existing ones by not merely arranging for the supply of yarn, but also for studying demand and disposing of the woven goods. The help of large Stores like the T. U. C. S. was invoked to help the sale of goods, though the consumers' movement was too poorly developed even in Southern India to be of much avail."

A FRANK ANALYSIS OF WEAVER'S SOCIETIES IN MADRAS.

The Report of the Madras Banking Enquiry Committee of 1929-30 contained a full and frank analysis of the position of weavers' societies and incidentally examined the economic condition of weavers. The gist of it was as follows: While the Industries Department strove in vain to improve the weaving industry, the Co-operative Department strove in several ways to improve the economic condition of the weavers; but the results were by no means commensurate with the repeated efforts. The greatest obstacle to progress was the extremely poor and ill-nourished state of the weaver who borrowed and drank as much as he could, his low wages and irregular employment allowing no other alternative. The underlying cause was the growing competition of mill-made cloth under a regime of protection. It was necessary to reduce the cost of production of hand-woven goods; this was done by the master-weavers by cutting the wages of the ever-indebted weavers who were supplied yarn, etc., and also by tampering with the texture. While on the one hand the societies had to face the continuous opposition of master-weavers and merchants, neither the simple rustic nor the educated patriot patronised the better but slightly costlier goods turned out by society members.⁷

The extra zeal and sacrifice of leaders like the late Mr. Ramachandra Sastry of Conjeevaram might prolong the life of a society as even the

generous enthusiasm of Mrs. Todd, the wife of a Collector of Salem, has brought a great deal of official and non-official aid to the Salem Weavers' Society. But it is neither economic nor co-operative for a society to have to rely on such adventitious aid throughout. Unless the rank and file of weavers, and of other artisans are imbued with a new spirit, with a will to live better even within their limited means and continue to be loyal to the society through thick and thin co-operation cannot save them. The societies have not been, in general, fortunate in their leadership. Often the exploiting elements themselves got into the managing bodies and took for themselves the bulk of the loans, or the major portion of the raw materials for their own employees leaving the poor weavers to shift for themselves, while they would not take a much larger number of shares and help increase the borrowing capacity and transactions of societies. In the light of past experience, one is surprised at the pathetic faith still placed in the richer weavers taking larger share capital and supplying the initiative and business capacity and releasing the poor bonded weavers employed by them to work in the society in lieu of reasonable dividend guaranteed to them! This is possible where weavers all belong to one caste like the Sourashtras of Madura among whom the communal tie is still fairly strong. But even their Purchase and Sale Society attracted only 15% of the weaving population of Madura.⁸ There are perhaps at present not more than 10 weavers' societies working efficiently in the Madras Presidency, though there are on the rolls thrice that number registered exclusively for weavers.

WEAVERS' SOCIETIES IN THE REST OF INDIA.

More or less the same sad story was repeated of co-operative societies for weavers in the other British Provinces and the chief Indian States at the Sixth Industrial Conference held at Simla in July 1934, where help to handloom industry was the main subject discussed. Bombay and Mysore which had 50 and 70 societies catering for 2,000 and 3,000 weavers respectively were about the best, though deterioration had set in since the Depression. Bengal boasted of 350 societies and the Punjab 240 with 6,000 and 3,000 members on the rolls, but most of them had little transactions. The products of handlooms of society members in both Provinces were condemned as inferior in design, colour, and texture and in artistic merit. The one relieving feature in the Punjab was the vigorous manufacture of cheap mosquito nets, which were sold at Rs. 1-8-0 per

5. Report of the Committee on Co-operation in India, p. 12.

6. pp. 55-6.

7. The Madras Provincial Banking Enquiry Committee Report, pp. 133-7.

8. K. S. Venkata Raman, *The Hand-loom Industry in South India*, Chap. X. (Supplement to the Journal of the Madras University, July 1935).

net and were patronised by Government Departments and by the Army in the anti-malaria campaign. Bitter was the experience of Bihar and Orissa and of Central and United Provinces in the financing of weavers' societies and yarn stores.

It has, however, to be remembered that the Conference was largely attended by Ministers and Directors of Industries, several of whom could have a go at Co-operation, which would have been difficult if co-operative officials had been also present. Some of them would have nothing to do with co-operation and would prefer contractors or master-weavers as the agency to deal with weavers or would deal directly with them. An official of the Indian Stores Department of the Government of India stated frankly "They had not purchased large quantities (of hand-woven goods) from co-operative societies. Their experience was that it was more difficult to deal with co-operative organisations than with middlemen. They had been unable to get deliveries in time; and when the supplies were received, they were neither uniform in quality nor in accordance with specifications." The Chairman of the Conference, Sir Frank Noyce, summed up by saying that the discussion showed that co-operation had been so far distinctly disappointing, though conditions varied in different Provinces.⁹

A new stimulus to the movement has been offered by the grant given by the Government of India of Rs. 5 lakhs per annum for a period of 5 years from out of the proceeds of new import duty on yarn. Many suggestions were put forth by several Provinces, but there was unanimity of opinion on the need for a central organisation in each Province, for the better organisation of marketing as well as finance and supply of raw materials for all the weavers' societies and for the improvement of designs and the machine preparation of warps and finishing of goods. The idea was not altogether new, at any rate in Madras, though for obvious reasons it could not be given effect to. A Provincial Society has been constituted in Madras (as in some other Provinces), and as it has been working only for the last 6 months, it is too soon to judge of its benefits to weavers co-operatively organised. But the response so far has been poor from weavers and their sympathisers. Competition of Indian as well as Japanese mills has grown more severe than ever in several lines. Even Indian mills could not come to an agreement as regards weaving of cloths of certain counts. Neither the store societies nor the public evince any enthusiasm for hand-woven goods. The prospect is not very rosy.

9. *Proceedings of the Sixth Industries Conference*, pp. 101-10.

SOCIETIES FOR OTHER WORKERS.

Weavers' societies have been studied at some length, because weavers constitute the largest class among cottage workers in the country as in most other agricultural countries, and their difficulties may be said to be typical of those experienced by all workers. The next most important class of industrial societies were those organised for leather workers especially in the United Provinces and the Punjab; they have not fared much better, they are most of them in a moribund state, due to the shrinkage of markets in the face of competition of cheap modern shoes. Metal workers had been organised in a few co-operative societies in Orissa, the United Provinces and Mysore. Almost all of them have ceased to work, those in Orissa sustaining a heavy loss. Co-operative sugar factories have been established at Biswan in the United Provinces and Vuyyur and a few other centres in Madras and they are all promising at present. But they are *pucca* large-scale factories, the anathema of the champions of cottage industries.

Mr. Otto Rothfeld, former Registrar of Co-operative Societies in Bombay, organised Industrial Producers' Societies in that Province on the French pattern over which he lavished enormous praise. There were a dozen of such societies with 600 members, but most of them instead of being joint productive concerns in particular lines have now become mere sales agencies for the products, work being done by the members individually at home. A similar experiment was tried for a while at the Conjeevaram Weavers' Society, but with no better results. Lovers of independent handicrafts would not perhaps feel sorry for such failure.

DEFECTS SUMMED UP.

To sum up, Co-operative Societies for workers in cottage industries have almost everywhere in India failed miserably. Those that survive have transactions insignificant by the side of private industry; they have within their fold only a minute fraction of the total number of workers. Many of the members are disloyal more by force of circumstances than by design and any amount of co-operative propaganda is not likely to inspire them to greater loyalty. Their economic conditions do not permit them to be regular in repayment and the temptations offered by the master craftsmen and other middlemen are too great for the moment to be resisted. The goodwill of the latter has been sought time and again in vain. Lay sympathisers have most of them not had the leisure or the capacity to learn the technique of industry and trade. Managers lent by Government have some of them worked hard, but several have simply carried on leaving little impress behind. The members have as

ever remained unredeemed and uninstructed. The Central Banks : specially organised Industrial Banks have been liberal enough in the circumstances, though latterly they have reacted too much to the effects of the depression and reduced, if not stopped, lending to such societies. Little sustained effort was made to introduce improved tools and implements, nor new designs to suit changing demand. Less thought was given to the adoption of machinery for preparatory or finishing processes which would reduce cost of production. We hear occasionally of improvements leading to over-production which only emphasises the lack of marketing organisation. Though these defects have been sought to be set right in the new provincial schemes for helping handloom industry, we cannot be very optimistic of the future of such small handicrafts or of co-operation for them.

MISGIVINGS ABOUT THE FUTURE OF COTTAGE INDUSTRIES.

Serious doubts have been entertained as to the prospects of cottage industries in general, whether they are co-operatively organised or not, even while the imperative need has been felt for some by-occupation for partially employed agriculturists and some main occupation for those who have been crowded out of land. Thus reported the Royal Commission on Agriculture in India :

"Even with the aid of new ideas and assistance in training and marketing, the contribution which rural industries can make in reducing the heavy pressure on land is infinitesimal, and in the nature of things they cannot, as a rule, hope for ever to survive the increasing competition of organised industry. In some cases we are afraid that an altogether exaggerated importance is attached to their development, whereas sound reflection would show that their possible expansion is strictly limited."¹⁰

After suggesting a number of spare-time occupations mostly allied to agriculture, they laid down "that the chief solution of the problems of the cultivator is intensification or diversification of agriculture."

The Chairman of the Commission, the Marquess of Linlithgow, has been even more emphatic on this subject when he wrote :

"The whole world over, men of goodwill have deplored the decay of craftsmanship, of independence, and of contentment associated with the more primitive type of community. In many countries steps have been attempted designed to check, and, if possible, to reverse the process. Here and there a village industry is recreated and may survive for a time under the stimulus of enthusiastic direction and often of extraneous

10. p. 575.

financial assistance, direct or indirect. But the rising tide is not to be held back by minor obstacles thrown across its path. The progress of material civilisation is invariably accompanied by an ever-growing specialisation of industrial function. Without such specialisation it is not possible to produce enough or cheaply enough to make available to the mass of mankind the fruits of man's invention and of his ever-growing control over his physical environment."¹¹

The Madras Banking Enquiry Committee realised the need for cottage industries in the dry districts in particular, but stated "the difficulty is to find a profitable industry which can be carried on in the villages with little capital and taken up or dropped according to the season. Weaving is of course the hardy perennial prescription of many philanthropists, but when the large weaving community is itself looking for subsidiary occupation and is unable to sell what it could produce, it appears idle to suggest that production should be again augmented by turning the ryot on to add to the efforts of the weaver."¹² Almost identical was the objection pointed out by the Bihar and Orissa Banking Committee to the fostering of weaving as a by-occupation for agriculturists ; for that would mean further competition for the professional weavers "who are in no such sound an economic state as to bear additional competition over and above the subsidised competition of the mills."¹³

Miss E. M. Hough, a close American student of the Movement in India, failed to see anything but a palliative in industrial co-operation. "Co-operation can mitigate the rigours of the situation until the rest of the independent producers bow to the inevitable and join the ranks of factory labour or turn to the over-crowded land ; it may even postpone for many the inevitable capitulation, but there is no miracle in nature and more cannot be expected of it."¹⁴ Sir M. Visvesvaraya in his recent book, *Planned Economy in India*, suggests a number of small-scale and cottage industries which, as in Japan and Germany, might well be pursued by the people of India as part-time or full-time occupations. But he is characteristically downright in his view that up-to-date tools, machinery and power should be used to the fullest possible extent and that human labour should not be used when machinery can do the same work at a much lower cost—even though this might mean temporary

11. *The Indian Peasant*, p. 16. (Criterion miscellany, No. 40, Faber & Faber).

12. pp. 140-1.

13. Report, p. 93.

14. *The Co-operative Movement in India*, p. 178.

displacement of labour.¹⁵ Pandit Jawaharlal Nehru, who is perhaps poles apart in his politics from Sir Visvesvaraya, is even more emphatic on the need for rapid industrialisation of the country on modern lines. He has no faith in *khadi* and village industries except as 'temporary expedients of a transition stage'; they are no 'solutions of our vital problems.'¹⁶

ANTI-SOCIAL FEATURES OF HOME INDUSTRIES AND WORKSHOPS.

Home industries, except where they were really objects of art of a high degree catering to a special market willing to pay for skill or where machinery has not been invented, have been condemned on social as well as on purely economic grounds. Even when machinery and better technical processes were available, home industries were often continued because of the easiness with which they could be run as 'sweat shops' by employers while workers were paid low wages, worked long hours in insanitary conditions, which would not be tolerated in factories. Persons too old and young for factories could eke out something for their subsistence. But society ultimately had to bear the cost of physical and moral deterioration resulting from such exploitation. Legislation and inspection designed to improve the wages and conditions of home work have not been effective owing to difficulties of administration, though they have been tried for 40 years now. "Most of the evils of home work are inherent in that type of work. If these evils are to be abolished, then home work itself must be abolished."¹⁷

The Home industries of Germany, often held up as the model for us, have received the rebuke of economists for their low remuneration and extremely monotonous work." "The home is the workshop, labour a poison which eats away the last traces of home and family life."¹⁸ Likewise the pleasant picture drawn of the small unit in industry needs to be toned down by the revelation of facts relating to the exploitation of children, the toil and drudgery of men and women in insanitary conditions, the high death rate, the low level of consumption, the frequent friction with small masters and greedy middlemen—characteristic of many an industry, plied in small workshops. The Royal Commission on Labour in India have instanced the cases of *bidi* workers in Madras and carpet weavers in the Punjab and pointed out "it is here (small workshops which are 'airless boxes') that grave problems mainly arise," and

15. pp. 244-5.

16. Presidential Address at the 49th Session of the Indian National Congress, 1936.

17. *Encyclopaedia of the Social Sciences*, Vol. VII. pp. 445-8.

18. Prof. Sombhart quoted by W. H. Dawson in his *Industrial Germany*, p. 238.

recommended regulation of places of this kind to be gradually enforced, though they were alive to the difficulties inherent in such regulation.¹⁹

INDUSTRIES UNSUITED TO CO-OPERATIVE ORGANISATION.

There are a great number of tiny undertakings, rural and urban, all of which together employ a large number of workers and in which machinery has made little or no inroad and standardisation of production is impossible. But they do not invite co-operative organisation; either because the supply of raw materials is not a problem as they are found cheap in the neighbourhood or the demand for goods is of such a variety, only a small number of each pattern being wanted that the question of bulking and centralising sales does not arise. In most cases the individual needs of consumers vary so much that things are usually made to order. Again the workmen specialising in high class objects of art are generally little amenable to discipline; their individuality is their weakness as well as their strength. As Wolff used to reiterate, co-operators would do well to confine themselves to staple articles.²⁰

RELIEF OF AGRICULTURAL UNEMPLOYMENT: DIVERSIFY AGRICULTURE.

We are for the moment most concerned with the growing unemployment resulting from mechanisation, not to speak of rationalisation in industry. The increase of our population is an aggravating factor in this technological unemployment. How shall we employ the displaced industrial workers when agricultural land is itself overcrowded? How shall we engage the cultivators in the spare time available to them, especially with the increased subdivision of holdings? These are our pressing problems to-day. There is much to be said for the intensification and diversification of cultivation on garden lands with water and drainage facilities as one solution for under-employment. Horticulture, the raising of fruits, flowers and vegetables, of which we have by no means a plentiful supply, and dairying, for milk, butter and ghee for which the demand far exceeds the supply, would engage per acre a large number of persons than the raising of staple field crops. The breeding of poultry, pisciculture on ponds and channels and bee-keeping and sericulture, where climatic conditions permit, would be quite congenial to cultivators. Food processing and preserving industries could likewise be recommended for them. Employment in seasonal factories like cotton ginning, groundnut decorticating and sugarcane crushing need not be eschewed. In fact there is ample scope for the development of agricultural producers' co-operation in all these lines, and success has been as phenomenal here as failure has been among small industrial producers.

19. Report, pp. 96-9.

20. *Rural Reconstruction*, pp. 295-6.

INDUSTRIAL UNEMPLOYMENT : WORKSHOPS WITH POWER.

As for hereditary handicraftsmen, displaced or threatened to be displaced from their old avocations, experts seem to agree that the future for most of them is not bright unless they come together in small workshops and utilise the best tools and implements available and also make use of cheap electric power wherever it can be had.²¹ An individual handicraftsman can seldom have the resources for putting up a number of looms or other such capital equipment as would provide the minimum economic unit even if cheap power were available for him ; for power is not the only necessary factor. The solitary weaver plying his single loom at home even with the help of his family has already felt the effect of small workshops each with a number of power looms, set up in certain cities and towns in the Mysore State, where cheap electric power has been rendered available.²² Where resources permit and the number of members in the family or apprentices are large enough, the home itself may become the workshop, though the evils associated with the system of unregulated workshops will have to be guarded against. Large machinery may have to be utilised by a number of workshops in common for certain preparatory and finishing processes to facilitate increased output at each small workshop. Central sales agencies may likewise have to be set up jointly by a number of workshops.

THE EXAMPLE OF JAPAN : ADAPTABILITY AND CO-OPERATION.

It is more or less on these lines the Japanese small industry has been moving. The factories often do the preparatory and finishing processes ; but they also entrust the small shops either with the preparation of parts, which are later assembled in the factories, or the finishing process which cannot be so well done by the big machine. Low overhead charges and cheap electric power have reduced costs and maintained their competitive power. But the wages and conditions that obtain in the small shops are on a lower level than in factories.²³ Being similarly situated ourselves, we have to appreciate the fact that a high degree of adaptability to changing conditions of supply and demand and a readiness to co-operate with larger factories and make use of co-operative organisation at various stages have been responsible for the prodigious progress that Japanese industries in the small workshops, as well as factories, have been making in the last few years.²⁴ The extent to which India can follow the example of Japan in such a reorientation of her small industries is well worth an independent investigation.

21. L. B. Green's Evidence before the Madras Electricity Enquiry Committee.

22. *Report of Co-operative Societies in Mysore, 1934-35.* p. 9.

23. Stein, Ghenther, *Made in Japan*, gives interesting details of some industries.

24. G. E. Hubbard, *Eastern Industrialisation* pp. 125-8.

REVIEWS

THE PEOPLE'S YEAR BOOK, 1936 : By C. W. S., Manchester. 2/6.

This indispensable annual, largely devoted to the consumers' movement in the world in general and Great Britain in particular, presents all the features which have been recorded in our review last year. It records the chief events in the co-operative world in the year that has passed and looks forward to the possible happenings in the current year. We have ample statistics of the retail societies and the wholesales of Great Britain in the spheres of distribution and production. The activities of the Co-operative Party, the various guilds and the Trade Unions are briefly reviewed. A statistical survey is given of the progress in agriculture, industries and trade and also in housing, unemployment relief, thrift, etc. Authoritative articles on important aspects of social organisation deal with past events and give a lead to the future : on housing, on State medical service and on wages and prices. Some economic problems that agitate the minds of Britishers—in connection with the agricultural marketing schemes—are discussed by well-known writers : G. D. H. Cole and G. Walworth. The fear of the typical consumer is well expressed by Cole when he points to the tendency to 'producers' monopoly' in the working of the Acts—"against the consumers' interests and against the ideas of internationalism and against the full use of the productive resources of every country." Dr. M. Bonow deals lucidly with the agricultural policy of Sweden, which has enabled that country to recover from the world depression better than most of the other countries in Europe. Bright and popular reviews of the Tendencies in Drama, the Best Films of 1935, the Best Books of the Year and Scientific achievements and several splendid photographs add greatly to the interest of the publication, rightly called the People's Year Book.

What is likely to be even more useful for reference is the section dealing briefly with the co-operative organisations throughout the world. Attention, however, is largely confined to the consumers' movement, comparatively little being said about the prodigious progress that agricultural producers' co-operation has made in the rest of the world, if not in Britain. India occupies in this section a little more than a page, in which some amusing errors have crept in. The Government is said to be organising Co-operative Credit Societies "to which loans are made by special Government banks." The T. U. C. S. is called "The Triplicane Urban District Society" and credited with having been very successful, even providing "a house-to-house delivery of milk." This is evidently a confusion for the Madras Milk Supply Union. "Women's societies,"

we are told "are playing a great part in the emancipation of Indian women"—in what part of India we are not aware of.

The Bibliography is not the best that could be suggested. In the co-operative press, the *Madras Journal of Co-operation*, which is the oldest and the best provincial monthly and is the official organ of the Madras Provincial Co-operative Union does not find a place. Probably the compiler thought it has been superseded by the *Madras Co-operator*—published in three languages! We wish those responsible for the publication of the Year Book put themselves in touch with some authoritative organisation in India.

K. C. R.

CO-OPERATION AND THE NEW AGRICULTURAL POLICY.—Horace Plunkett Foundation. P. S. King & Son, London, 1935, 5sh. net.

"Co-operators like Horace Plunkett sought to bring order into agricultural business by voluntary association. Now in almost every country the State is stepping into control, subsidise and regiment. In Great Britain the new policy has at least a democratic basis. Does this satisfy those who believe in voluntary organisation? Whether or not Marketing Boards are a new name for co-operation, can they be judged successful by economic standards? Are they likely to be permanent and how are they affecting the different classes of the agricultural community—farmers, smallholders, labourers, landlords as well as the co-operators and the consumers' co-operative movement? In *Co-operation and the New Agricultural Policy* an attempt is made to survey the existing evidence, most of it unpublished, and to draw from it answers to the foregoing questions."

The book is divided into four sections. The first describes the historical and legal background of the British agricultural revolution. The second contains a classification of Agricultural Planning in 1935 and an assessment of results. The third deals with the new policy and Overseas Producers. The final section contains Summary and Conclusions. It is pointed out in the 'Conclusions' that "the new agricultural policy has, for the time at least, improved the position of the farmer and the landlord. It has stabilised the position of the agricultural labourer and given him his opportunity to press for improvements." But whether these effects will be permanent or not, only the future can tell.

The fundamental issues agitating the minds of co-operators are well summed up in the following quotation—"Co-operators in general have

hitherto laid an almost priggish stress on self-help, and have pointed to the moral (and ultimately the economic) value of voluntary associates learning to manage their own affairs; the movement, wherever it has succeeded, has been frugal, patient, persevering, intelligent; it has taken pride in its ability to beat the private trader at his own game. While condemning competition, it has been the most successful of competitors. There are plants which flourish in the anarchy of nature but lose their good habits in an ordered garden. Co-operation, looking into the future, sees the economic jungle of which it has been a happy if disapproving member, threatened by the reformer's axe, the garden it distrusts. There is a school of Socialist thought which, in a sense, endorses this view, since it regards co-operation as no more than a transitory and palliative expedient which will be scrapped as soon as a full socialist system can be articulated. To co-operators the dilemma is more subtle and more interesting. The logical fulfilment of co-operative theory is the clearance of the jungle. With a practical experience that few Socialists have enjoyed, co-operators recognise the wastage, the injustice, even in large issues the crude incapacity of the competitive system; but they also recognise that in certain directions, and especially in technical matters, the stress and tension of conflicting interests have made for efficiency. The great question of planned economy is whether conscious thought or some new form of tension can, while eliminating waste and injustice, secure an equal or greater technical and social efficiency. One method is to recreate a more disinterested form of tension by assigning a legitimate place in the plan to as many self-governing groups as there are socially valuable interests engaged. It is in this direction that co-operative opinion would seem, tentatively enough, to be moving."

Bashir.

THE SIND CO-OPERATOR.—Published monthly in English and Sindi under the auspices of the Sind Divisional Co-operative Institute, Hyderabad, in collaboration with Co-operative, Agricultural and Veterinary Departments and assisted by the Sind Provincial Co-operative Bank, Karachi. Annual Subscription, Rs. 2-8.

Now that Sind has been constituted into a separate province, it is well that it has its own co-operative magazine. *The Sind Co-operator* was first published in January 1936, and so far four issues have been published. It is an illustrated magazine.

The magazine is divided into two parts. One contains articles in English and the other in Sindhi. Besides articles on the various aspects of the co-operative movement, it publishes articles on agricultural and veterinary subjects. Thus it really helps in bringing about co-ordination between the three beneficent departments of Development.

The Sind Co-operator has appeared at a very opportune time and it is the duty of all interested in the progress of Sind to support it.

Bashir.

CO-OPERATIVE SOCIETIES AT WORK IN INDIA

MADRAS

Extracts from the Report of the Registrar, Mr. T. Austin, I.C.S., for the year ending 30th June, 1935.

PART I. GENERAL SUMMARY

The seasonal conditions in the Presidency were not on the whole good. The economic depression continued and the general position of the agricultural classes has not materially improved, though owing to a slight rise in the principal food-crop—paddy—and in other commodities it was a shade better in some districts. This latter circumstance, coupled with the concessions which I induced the Central Banks and societies to continue in the reduction of rates of interest charged on loans to members and the complete waiver of penal interest, was some relief to the agriculturist members of societies.

The policy of reforming and consolidating existing societies was continued. New societies are now registered only with great care after full and detailed enquiries into the prospects of their working. These factors account for the small number of societies registered in the year. In pursuance of the policy of weeding out bad societies, the registration of 281 societies was cancelled during the year as against 462 societies in the previous year and this decrease is due to the fact that liquidation is resorted to after exhausting other less drastic methods of reformation, viz., supersession of committees of societies under section 43 of the Madras Co-operative Societies Act and the appointment of agents for the management of societies under by-law 62 of the model by-laws of primary credit societies. Model by-law 62 provides for the appointment of either members or non-members as agents of societies. In actual enforcement of the provisions of this by-law, it is seen that societies which are kept under persons other than members, viz., supervisors of unions or Central Bank inspectors, etc., are making steady progress and liquidation which at one time appeared inevitable in the case of these societies has to a large degree been prevented. The point is that the non-member agents take strong action against defaulters without regard to local considerations and this arrangement is getting popular in some of the districts. There were at the end of the year 13,453 societies of all classes as against 13,634 societies in 1933-34 and 13,956 in 1932-33.

Resources. The statement given below shows the resources of the various classes of societies on the 30th June 1935:—

Type of societies.	Percentage of total working capital derived from						
	Total working capital.	Share capital.	Deposits.	Loans from other societies.	Government.	Reserve fund.	Other funds.
	Rs.						
	(in lakhs.)						
Madras Prov. Co-op. Bank ..	186.78	3.53	48.40	37.61	..	7.76	2.70
Dt. Central Banks ..	511.13	10.67	53.55	25.12	..	5.92	4.74
Central Land Mortgage Bank ..	55.76	4.28	91.34	3.35	..	0.79	0.24
Agricultural Societies ..	547.01	12.39	7.91	62.69	1.33	13.09	2.59
Non-agri. Societies ..	371.16	25.85	50.88	6.68	4.05	9.52	3.02

The total working capital of all societies increased from Rs. 1,632.05 lakhs to Rs. 1,671.84 lakhs. The total working capital employed in the movement exclusive of the investments of one society in another amounted to Rs. 1,048.19 lakhs as against Rs. 1,011.97 lakhs in the previous year; and it is made up of—

	Rs.
	(IN LAKHS.)
Paid-up share capital	227.18
Reserve Fund	152.18
Deposits of individuals and institutions	646.53
Loans from Government	22.30
Total	1,048.19

The owned capital in the movement is Rs. 379.36 lakhs (i.e., 36.19 per cent of the net working capital).

PART II.—DETAILED WORKING OF SOCIETIES

The Madras Provincial Co-operative Bank continued to make steady progress as may be seen from the following comparative statement for the last three years:—

	1932-33.	1933-34.	1934-35.
Number of individual members	184	184	184
Number of society members	59	59	58
	Rs.	Rs.	Rs.
	(in lakhs.)	(in lakhs.)	(in lakhs.)
Share capital paid-up	6.59	6.59	6.59
Deposits and other borrowings including overdrafts	211.42	170.51	160.65
Working capital	231.51	190.96	186.78
Net profits	1.40	2.31	2.04
Reserve fund after audit	13.85	14.44	15.01

The deposits of individuals fell from Rs. 53.27 lakhs to Rs. 52.87 lakhs, and those from local boards, municipal and jail contractors, etc., also fell from Rs. 15.83 lakhs to Rs. 15.73 lakhs, while there was an increase in the deposits made by Joint Stock Banks and other institutions from Rs. 9.33 lakhs to Rs. 10.63 lakhs. The bank has invested Rs. 142.35 lakhs in Government securities.

The financial position of the Provincial Bank is indeed very strong. With its established reputation in the money market it has been able to attract deposits at cheap rates of interest and most of its funds are invested in Government securities. By virtue of its position, it has secured the direction of co-operative finance in the province with the support of Central Banks and Central Banks can at any time look to it for help. Its true function is that of a balancing centre and the stronger its position is the better for the movement. The bank earned a net divisible profit of Rs. 2.04 lakhs as against Rs. 2.31 lakhs in the previous year.

Loans. There was a greater demand for loans from the Central Banks than in the previous two years. The Provincial Bank issued loans to the extent of Rs. 7.52 lakhs as compared with Rs. 15,414 disbursed in 1933-34 and Rs. 5.66 lakhs in 1932-33. Besides, the bank disbursed a loan of Rs. 6.61 lakhs to the Vuyyur Co-operative Industrial and Credit Society in the Kistna district. There was a fall in the loans advanced to individuals on the security of their deposits from Rs. 31.57 lakhs to Rs. 17.32 lakhs. At the close of the year, a sum of Rs. 8.74 lakhs was outstanding against Central Banks. Of this, Rs. 3.42 lakhs were on long term and Rs. 5.32 lakhs on short term.

The Madras Co-operative Central Land Mortgage Bank recorded yet one more year of all-round progress and increased activity. That there has been a steady growth in its transactions is evident from the following statement:—

	1929-30.	1931-32.	1933-34.	1934-35.
	Rs.	Rs.	Rs.	Rs.
Number of members—				
Individuals	124	168	190	190
Primary Land Mortgage Banks	19	35	63	71
Share capital	70,400	1,07,000	1,94,300	2,38,400
Borrowings—				
Debentures	..	10,78,900	34,55,800	50,92,700
Advance deposits	63,000	1,39,350	51,700	..
Overdraft	..	..	..	1,56,648
Loans outstanding against primary banks	42,200	11,31,004	33,82,135	51,04,426
Investments in Government promissory notes, etc.	..	..	3,11,806	4,58,516
Overdues	..	109	..	..
Net profits	1,358	18,920	41,111	69,327
Reserve fund after audit	340	6,873	23,953	61,660
Dividend	..	7%	6%	Not yet declared.

Owing to the easy condition of the money market and to the growing popularity of its debentures, the Central Land Mortgage Bank secured all the funds it required at cheap rates of interest. The systematic conversion of high interest-bearing de-

bentures started last year was continued with satisfactory results. As usual, the benefit of the reduction of interest on the debentures has been passed on to the ultimate borrowers in primary banks. Funds are at the time of writing made available to them at 6 per cent.

The debentures of the bank are getting popular among the investing public as is evident from the Stock Exchange Weekly quotations in Madras. Some inconvenience might have been caused to the long-term investors on account of the recent conversion operations. But to protect them against such redemptions in future, provision is now made in the trust deeds making the debentures irredeemable for a period of ten years from the date of their issue except to the extent of the annual collections from the loans issued under the relative series. The Government have enhanced during the year the maximum limit of Provident Fund collections of local bodies that may be invested in the debentures of the bank from one-sixth to one-fourth of the total amounts to the credit of the accounts and have also permitted the investment of one-sixth of their Railway Cess funds in the debentures. Again, the Government have permitted since the close of the year the Provincial and the Co-operative Central Banks to invest their general funds in the debentures of the Central Land Mortgage Bank and also to reckon the debentures for the purpose of fluid resource up to a limit of one-third of the standard required to be maintained by them, the debentures being taken at 80 per cent of their market value. Since the issue of these orders, the demand from local bodies and Central Banks for the 3½ per cent debentures has been encouraging. The debentures of the bank, are being taken up lately by Insurance Companies also. During the year, the Government were pleased to declare the bank a "Provincial Co-operative Bank" under section 2 of the Reserve Bank of India Act. In virtue of this, the bank is entitled to the privileges of a scheduled bank under the Act.

Central Banks. The number of Central Banks remained the same as in the previous year, viz., 32.

Resources of Central Banks.

	1932-33	1933-34	1934-35
	Rs.	Rs.	Rs.
	(in lakhs.)	(in lakhs.)	(in lakhs.)
Paid-up share capital	56.10	55.05	54.53
Deposits and overdrafts	505.25	451.00	402.10
Working capital	588.74	553.21	511.13
Net divisible profits	6.05	4.43	4.21
Reserve fund	28.90	30.10	31.33

All the Central Banks except the Madras Christian Central Bank worked at a profit. The total net profits, however, fell from Rs. 4.43 lakhs to 4.21 lakhs. The fall in the net profits of Central Banks is partly due to the continuance of the policy followed in recent years of making adequate provision for bad and doubtful debts. The banks were advised to declare a dividend not exceeding 5 per cent in view of the low money-rates prevailing in the market, and to carry whatever remained, after paying such dividend, to the Reserve Fund or the Bad Debt Reserve. Most of the Central Banks have complied with this advice but two or three are still reluctant to forego their high dividends.

Though most of the Central Banks have increased their short-term business, large sums of money were advanced by ten banks for long-term purposes in the

year. The banks have been advised to reduce their long-term business—as this is more the province of the Land Mortgage Banks.

The Madras Provincial Co-operative Union. The Provincial Co-operative Union continued to do useful work. On the 30th June 1935, it had 417 members on its rolls as against 470 on the 30th June 1934. There were also 20 honorary individual members. The union continued the publication of the *Madras Journal of Co-operation* in English. A number of books were added to the library, and the reading room run by it continued to be popular. The Union received a grant of Rs. 200 from the Government for the purchase of books for its library. The President and some other members of the Executive Committee carried on general propaganda on non-credit work, co-operative insurance and rural reconstruction. Lectures were delivered with the aid of magic lanterns on rural reconstruction. In six centres rural reconstruction work was also continued this year.

Supervision. The primary societies were grouped for the purposes of supervision under different agencies as follows:—

Affiliated to local supervising unions	9,014
Affiliated to district federations directly	51
Affiliated to Central Banks for supervision	686
Under the Fisheries Department	49
Under the Special Police Officers for Kallars	249

It may be observed that the majority of the primary societies were under the supervision of local co-operative unions of which there were 360 at the beginning of the year. During the year most of the unions were reorganized and regrouped with a view to economy and efficiency, and consequently fifty-nine bad or moribund unions were disregistered as against 18 in the previous year. There were thus 301 supervising unions on the 30th June 1935. The Government have generally accepted my suggestion that the supervision of societies should be undertaken by Central Banks assisted by local co-operative unions, which should have the powers of appointment, punishment or discipline of supervisors and that the officers of the Department should keep themselves in personal touch with the unions and stimulate them to exercise vigorous supervision. The unions maintained 593 supervisors. The expenditure incurred by them was Rs. 4.80 lakhs while their income from supervision fund, grants from Central Banks and District Federations amounted to Rs. 1.87 lakhs, Rs. 1.90 lakhs, and Rs. 0.23 lakhs respectively.

The local co-operative unions were doing good work in the past and though their present working cannot in all cases be said to be satisfactory, they cannot be dispensed with for the simple reason that they cannot be replaced by any suitable organization which can possess local knowledge of societies and can have influence over them. The effective supervision of societies should, in my opinion, be arranged by Central Banks assisted by local co-operative unions. In other words, the control and direction of the arrangements should be with Central Banks and unions should attend to the actual work of supervision with a certain degree of freedom and initiative. In furtherance of this all bad unions are being cancelled, their societies being divided among the surviving good unions. It would be absurd to say that in most districts there are not sufficient educated and intelligent men prepared to run a sufficient number of unions. Needless to say, only trained men should be selected as supervisors and should be confined to their legitimate work.

Training institutes and co-operative education. The Government ordered the starting of a Central Co-operative Institute at Madras for the training of candidates for departmental requirements and two mofussil peripatetic classes for imparting instruction to men intended for employment in non-official co-operative institutions. The Central Institute began its first session in October 1934. The Government have sanctioned the continuance of the institute for a further period of one year and the second session is now running. The first peripatetic class for the Tamil districts was held at Vellore. The second class is now running at Tanjore. The peripatetic classes for the Telugu districts were not held during the year. Classes for training the panchayatdars of village societies and supervisors in the principles and practice of co-operation were held by some District Federations and Central Banks in 55 centres and 228 members of 49 societies attended them.

Agricultural Societies. At the end of the year there were 11,647 societies composed of 76 primary land mortgage banks, 11,143 ordinary credit societies, 79 purchase and sale societies and 349 other types of societies. The membership of these societies fell from 5,97,606 to 5,84,201 including 1,349 society members.

These societies disbursed Rs. 127.73 lakhs as loans to their members as against Rs. 92.16 lakhs in the previous year. Of the total amount disbursed, Rs. 70.40 lakhs were on long term and Rs. 54.33 lakhs on short term. This increase in the long-term business is due to the inclusion in this class of an appreciable amount of long-term loans given by Primary Land Mortgage Banks. The proportion of long-term loans outstanding against members is still high being 74 per cent. of the entire amount outstanding. The amount of loans due by agricultural societies to Central Banks was Rs. 343.48 lakhs, of which Rs. 74.75 lakhs were on short term and Rs. 268.73 lakhs on long-term. This includes long-term loans of Rs. 51.69 lakhs outstanding against Primary Land Mortgage Banks. The amount due by members to these societies was Rs. 424.76 lakhs of which 313.97 lakhs were on long-term. It is encouraging to find an increase in the figures of loans disbursed. Co-operators as a whole were getting discouraged and there was a danger of the movement tending towards inanition: the Central Banks were afraid to issue loans. The Department throughout the year encouraged the disbursement of loans in fitting cases.

Primary Land Mortgage Banks' Transactions. A comparative statement of the transactions of these banks is given below:—

	1931-32.	1932-33.	1933-34.	1934-35.
Number of banks	38	57	64	76
Number of members	5,270	7,211	11,305	16,086
	Rs.	Rs.	Rs.	Rs.
Share Capital	2,99,132	2,99,250	3,76,280	4,92,973
Borrowings—				
(a) Loans from the C. L. M.				
Bank	11,31,004	20,49,740	33,82,135	51,04,225
(b) Deposits	80,990	65,330	3,32,654	47,000
(c) Debentures—				
Public	5,90,400	5,79,450	3,01,450	5,58,000
Government	2,30,400	2,09,600	1,40,600	74,800
Reserve fund	19,343	24,428	30,612	34,935
Other funds	..	..	..	16,539
Working capital	22,81,289	32,27,798	45,63,731	63,28,472

38 banks made a profit of Rs. 32,942 and 34 banks incurred a loss of Rs. 17,067.

Out of the loans obtained from the Central Land Mortgage Bank, a sum of Rs. 51,04,225 was outstanding on 30th June 1935. An amount of Rs. 2,77,810 under principal and Rs. 2,41,128 under interest fell due during the year. The land mortgage banks paid the whole amount during the year.

Demand, Collection and Balance. They collected Rs. 2.70 lakhs under principal and Rs. 3.59 lakhs under interest, leaving a balance of Rs. 1.58 lakhs under principal and Rs. 0.25 lakhs under interest. The percentage of arrears under principal and interest at the end of the year were 36.89 and 6.51 as against 47.68 and 12.84 respectively at the end of the previous year.

The bulk of the overdues is in the old banks which were started before the Central Land Mortgage Bank was formed. Most of the overdue loans were granted before the economic depression set in and with the fall in the price of agricultural produce, the borrowers could not meet their obligations to their banks. There is already some improvement in the recovery of overdues and if the prices of agricultural produce rise, a definite improvement will follow. Banks have been permitted to re-open loans which were closed owing to default provided that the defaulters pay the whole overdues and the banks obtained the previous approval of the President of the Central Land Mortgage Bank and of the Registrar in each case. Most of the banks have not taken advantage of this provision.

The maximum amount that could be borrowed by an individual member from a bank was all along only Rs. 5,000 but since the close of the year the Government have permitted the enhancement of the maximum amount to Rs. 10,000 by Land Mortgage Banks in select areas. This permission will be granted very carefully.

During the year under report applications sent up by primary banks for loans amounting to Rs. 28,52,225 were considered by the Executive Committee of the Central Land Mortgage Bank out of which those for Rs. 1,89,150 only were rejected for various reasons, such as want of repaying capacity and insufficient security. The loans which the Central Land Mortgage Bank may have to reject are bound to become less as the directors of primary Land Mortgage Banks gain more experience and exercise care in the selection and scrutiny of loan applications. The Executive Committee of the Central Land Mortgage Bank scrutinizes the applications one by one and now gives a reason for each case of rejection.

The utility of Land Mortgage Banks for the redemption of prior debts is being increasingly realized by the agricultural population and the demand for banks throughout the Presidency is increasing. There are banks now in all districts except South Kanara, Malabar, Chittoor and the Nilgiris. Investigations for the organization of land mortgage banks in some districts are progressing. The existing banks cover a total area of 6,975 villages and loans have already been granted in 1,548 of these villages. These banks issued 2,782 loans amounting to Rs. 51,06,051 up to 30th June 1934 and during the year under report 1,099 loans amounting to Rs. 20,57,037 were granted. Out of 1,055 loans for Rs. 19,99,960 issued during the year out of the funds borrowed from the Central Land Mortgage Bank, 622 loans for 5,49,965 were for amounts below Rs. 2,000 and the effect of the recent amendment to the Agriculturists Loans Act, on this portion of the banks business, will be watched.

It may be interesting to mention here that some of the land mortgage banks are already taking steps to compound informally the debts of their members with their creditors. Information is scrappy but the few particulars which have been

gathered indicate that in 143 cases where the original debts of the members amounted to Rs. 3,68,889, the creditors were persuaded to write off an amount of Rs. 38,191 before the banks discharged the debts completely. It remains to be seen how far the banks will be in a position to take over the debts which may be compounded by the Debt Conciliation Boards proposed to be set up if and when the Debt Conciliation Bill now before the Legislative Council becomes law.

Credit Societies. The number of agricultural credit societies fell from 11,284 at the beginning of the year to 11,143 at the close of the year. Of the total number of societies, 17 were on the basis of limited liability, namely, 9 grain banks, 3 seed licensees' society. The working of some of these societies is given below:—

Members. The total membership fell from 5,51,236 to 5,32,346. The following particulars show the financial position of credit societies:—

	1933-34.	1934-35.
	Rs.	Rs.
	(in lakhs.)	(in lakhs.)
Paid-up share capital	64.19	58.33
Deposits by members	10.59	9.37
Do. by non-members	20.65	20.44
Loans from financing banks and other societies	298.09	281.04
Loans from Government	4.39	4.66
Reserve fund	66.87	70.31
Other Funds	..	13.52
Total working capital	464.78	457.67
Net profit	8.70	9.30
Loss	24.38	23.48

Profits. The total divisible profits earned by some agricultural credit societies rose from Rs. 8.70 lakhs to Rs. 9.30 lakhs, while the total loss not yet recouped by the remaining societies was Rs. 23.48 lakhs on the last day of the year. 47 per cent. of the agricultural credit societies account for this loss, all the districts contributing.

Under long-term loans, the arrears were above 45 per cent in all districts. The arrears under short-term were heavy—above 60 per cent.—in 12 districts. The arrears were below 40 per cent in the districts of Coimbatore, Madura, Tinnevely and Trichinopoly, whose percentages were 36.35, 33.26, 38.98, and 35.86 respectively.

Purchase and Sale Societies. The number at the end of the year was 79. These societies are classified as follows:—

1. Loan and sale societies	..	64
2. Stores and trading unions	..	10
3. Agricultural improvement societies	..	2
4. Milk-supply union	..	1
5. Miscellaneous	..	2
		—
Total	..	79
		—

The purchases made by these societies amounted to Rs. 3,69,444 and the sales to Rs. 17,03,884. The following societies contributed to the bulk of the sales:—

1. Tiruppur Cotton Sale Society	..	4,04,067
2. Koilpatti Cotton Sale Society	..	2,95,789
3. South Arcot Central Groundnut Sale Society	..	2,29,061
4. Anakapalle Loan and Sale Society	..	1,55,975
5. Madras Milk Supply Union	..	1,35,664
6. Dharmavaram Loan and Sale Society	..	66,628

The South Arcot Central Groundnut Loan and Sale Society continued to undertake the marketing of groundnut in Cuddalore, Vriddhachalam, Tirukkoyilur and Kallakuruchi taluks. During the year, the jurisdiction of the society was extended to the Udayarpalayam taluk of the Trichinopoly district. The three warehouses at Cuddalore, Tirukkoyilur and Vriddhachalam showed good progress in marketing the produce in the year. The Agricultural Demonstrators and the Co-operative Inspector did intensive propaganda in the area explaining to the ryots the objects and advantages of the marketing scheme and under their supervision, the Central Bank advanced short term loans to credit societies which financed the groundnut cultivation of the members and watched that the loans were properly utilized. It was obligatory on the part of the borrowers to sell their produce through the warehouses.

The ryots had the benefit of fair weights and good price by selling through the warehouses. The three warehouses together sold 8,190 candies of groundnut for Rs. 2,29,061 as against 2,866 candies for Rs. 57,660 in the previous year. The saving to the ryots is estimated to range from Rs. 1-8-0 to Rs. 2-4-0 per candy. With an improvement in the price of groundnut the society may prove to be of immense help to the ryots.

The Tiruppur Loan and Sale Society transacted large business in cotton in the year. Loans to the extent of Rs. 95,927 were advanced to members. The society sold its members' produce to the extent of Rs. 4.04 lakhs and held stock for Rs. 11,686. It made a profit of Rs. 3,502 on the year's business.

The Rasipuram Trading Society in the Salem District was revived in the year. The Salem District Bank helped the society with a grant of Rs. 200 for the purchase of a weighing machine and for meeting a portion of its establishment charges. The bank also allowed an overdraft of Rs. 10,000 on the security of produce in the custody of the society. A departmental Senior Inspector and the Union staff went round the villages in the area and carried on propaganda. Consequently, the ryot members brought to the society 1,717 pothies of cotton and the society sold in weekly auctions 1,526 pothies of cotton for Rs. 52,739, earning a commission of Rs. 768. It is estimated that the savings effected to ryots by this arrangement were Rs. 7,630.

The Anakapalle Loan and Sale Society undertook the sale of 109,600 maunds of jaggery valued at Rs. 1,24,000 in the year. The Tadpatri Loan and Sale Society in the Anantapur district sold 10,466 lbs. of cotton kappas at a premium of Rs. 5 per bale over the local produce.

One of the difficulties in the way of the successful working of loan and sale societies is the lack of suitable godowns and this was brought to the notice of

Government. Government have since the close of the year issued orders. They consider that some direct help to these societies is necessary and that the question whether any Government assistance is desirable and necessary and what form it should take may be decided with reference to the circumstances of each society. I have instructed the Deputy Registrars to examine and report the case of deserving societies for financial aid.

Production and sale. There were at the end of the year 13 societies composed of 10 milk-supply societies, 2 agricultural and industrial societies and one salt licensees society. The working of some of these societies is given below :—

Milk-supply Societies. At the beginning of the year, there were 9 societies (7 in Chingleput classed as agricultural and 2 in Madras City classed as non-agricultural). During the year, three new societies (classed as agricultural) were registered in Chingleput district and one society in Madras was cancelled. Thus, there were 11 societies including one society in Madras City (classed as non-agricultural), at the end of the year. They had a membership of 430 with a paid-up share capital of Rs. 2,240. These societies supplied milk to the Madras Milk-Supply Union to the value of Rs. 1,04,237 during the year as against Rs. 75,553 in the previous year.

The Madras Milk-Supply Union. The Union is making steady progress. It realized Rs. 1,35,664 by the sale of milk and milk products and earned a net profit of Rs. 4,667. There was an increase of Rs. 23,683 in the sales over that of the preceding year. There were 21 depots for the sale of milk in the city. The Union received about 876 measures of milk (659 from the city and 217 from the villages) on an average per day and supplied 374 measures daily to two State Hospitals. The average daily sales to the public were 419 measures as against 254 in the previous year. The contract secured by the Union for the supply of milk to the Mental and the Women and Children Hospitals was continued by Government in the year. Steps are being taken to secure a suitable plot for the installation of the plant for pasteurizing milk. The pasteurizing of milk will go a long way to strengthening the working of the society. Milk will become available at all hours of the day and losses now incurred on account of "Spoilt milk" can be avoided and the public of Madras City can procure much more healthy milk.

The Udipi Agricultural and Industrial Co-operative Society at Kalyanpur is in the centre of an extensive sugarcane growing area. It put up a new bigger-sized sugarcane crushing mill with the help of a loan from the South Kanara Central Bank. The society crushed sugarcane to the value of Rs. 12,160 and produced 6,079 maunds of jaggery; it hulled paddy and extracted oil from coconuts and gingelly seeds. The total loss sustained by the society till the 30th June last was Rs. 6,880.

Agricultural Demonstration Societies. There were eight societies of this type at the close of the year with a membership of 337. The only society that did some useful work in the year is the Lalgudi Sivagnanam Agricultural Society. It cultivated 17 acres of land for the first and second Kuruva (paddy) crops on improved methods and made a profit of Rs. 127. It sold manures to the value of Rs. 1,25,710. During the year, the society opened a loan and sale section with a view to advance moneys to its members on the pledge of produce and to undertake the marketing of their produce. On this security a sum of Rs. 4,945 was outstanding against members on the last day of the year.

Non-agricultural Credit Societies.

	1933-34.	1934-35.
Number of societies	.. 1,069	1,067
Number of members	.. 248,750	257,428
	Rs. (in lakhs.)	Rs. (in lakhs.)
Paid-up share capital	.. 77.62	82.63
Reserve fund	.. 28.50	30.93
Deposits by members	.. 85.55	89.75
Deposits from non-members	.. 96.33	95.29
Loans from Government	.. 0.21	0.16
Loans from Central Banks and other societies	.. 20.65	19.01
Other funds		9.78
Total working capital	.. 308.86	327.55
Divisible profits	.. 10.37	10.48
Arrears.	Percentage.	
Principal	.. 22.50	22.26
Interest	.. 33.68	34.71

These 1,067 societies can be classified as follows :—

Government servants	.. 217
Municipal, Local Board, Railway Employees, etc., Superior	.. 75
Municipal, Local Board, Railway Employees, etc., Inferior	.. 48
Factory employees	.. 16
Thrift societies	.. 9
Others	.. 702
Total	.. 1,067

Loans. During the year these societies disbursed loans amounting to Rs. 235.32 lakhs, of which Rs. 66.21 lakhs were on short-term. Most of the societies kept up their obligations to the depositors and the financing banks, the percentage of over-dues in the presidency being 5.75 under long-term, 1.81 under short-term and 3.83 under interest.

Financially these urban banks are strong and are so popular as to attract a good deal of public money into the movement. Most of these banks are working with their owned capital and deposits of members and non-members. These banks have successfully withstood the effects of the economic depression unlike the village credit societies.

Societies for purchase, purchase and sale and production. The number of societies at the end of the year remained the same, namely, 200. The classification of these societies is given below :—

Stores	..	65
School and college societies	..	81
Weavers' societies	..	29
Coir workers' societies	..	2
Fishermen societies	..	8
Milk-supply society in Madras	..	1
Industrial and credit societies	..	2
Miscellaneous	..	12
		—
Total	..	200
		—

Stores. They sold goods worth Rs. 19,83,615 leaving at the end of the year stock valued at Rs. 2,72,252 on hand. The profits earned by some of these societies amounted to Rs. 48,433 as against Rs. 37,017 in the previous year, while the loss sustained by the rest amounted to Rs. 29,945 as against Rs. 35,746 in the previous year.

The Triplicane Urban Co-operative Society with its 25 branches in the Madras City and 5,600 members with a paid-up share capital of Rs. 94,960 still leads. It purchased goods to the value of Rs. 8.38 lakhs and sold goods for Rs. 9.20 lakhs. It earned a net profit of Rs. 16,329 as against Rs. 7,208 in the previous year.

Weavers' Societies. There were at the end of the year 29 societies exclusively for weavers. Of these, 15 societies remained dormant. The others purchased raw materials to the value of Rs. 18,537 and finished products from members worth Rs. 44,807. The value of finished products sold to the public was Rs. 49,340. The total working capital of all these societies was Rs. 99,770. The profits earned by some of the societies amounted to Rs. 924, while the loss incurred by some others was Rs. 4,075.

The Coimbatore Devanga Weavers' Society purchased raw materials worth Rs. 12,090 and finished products of members to the value of Rs. 27,327 and sold them to the public for Rs. 28,198.

The Salem Weavers' Co-operative Society has done another year of good work and proved to be of service to the weaving community of Salem. Its sales during the year amounted to Rs. 17,079 as against Rs. 41,450 in the previous year. The fall in the sales is reported to be due to the general depression. It continues to supply goods mainly to co-operative institutions and other leading firms in the City.

Generally speaking, these societies cannot make appreciable progress as they find it too difficult to compete with mill products.

It was recognized that the absence of a central institution to co-ordinate the activities of the several primary weavers' societies in this Presidency accounted for the non-development of these societies. The Government of India have also announced a contribution of Rs. 59,500 for the year for the improvement of cotton hand-loom industry of this province. To achieve this object a Provincial Hand-loom Weavers' Society was started in Madras on 12th August 1935. The strength of the Board of Directors of this society is 15, of whom the Director of Industries, the Principal, Government Textile Institute and myself are the ex-officio members. Its main objects are :—(i) to arrange for the purchase of raw material and appli-

ances required by affiliated societies and for their sale on reasonable terms ; (ii) to arrange for the sale of the finished products of the affiliated societies ; and (iii) to give financial and other help to the societies. The society has appointed one marketing officer and seven supervisors to carry out its objects. It is hoped that the society will help in the organization of hand-loom industry on a commercial basis.

Industrial and credit societies. The Vuyyur Society (Kistna district) started in February 1934 for the manufacture of sugar had on its rolls 530 members with a paid-up share capital of Rs. 97,878 at the end of the year. Out of the loan of Rs. 10 lakhs sanctioned by the Madras Provincial Co-operative Bank, the society received during the year Rs. 6.48 lakhs, and utilised Rs. 5.69 lakhs towards the purchase of plant and machinery.

The South India Co-operative Insurance Society, Madras. This is the fourth year of the working of this society. At the end of the year under review, there were 2,226 members on the rolls composed of 2,190 individuals and 36 societies. Its paid-up share capital amounted to Rs. 44,664 and of this, the societies held Rs. 37,000. The total life business in the books of the society at the end of the year amounted to Rs. 21,62,700 in respect of 2,520 policies as against 1,453 policies for an assured sum of Rs. 13,00,350 at the close of the previous year. Premia of Rs. 83,947 were collected in the year as against Rs. 47,119 in the previous year. The society has introduced new plans of assurance, such as, Legacy Policy for Children, Children's Educational Annuity, Pension Annuity, etc. The 39 Local Boards, constituted in several centres, continued to canvass business in the year.

Election Disputes. Before I conclude I must refer to a growing tendency on the part of members of societies to prefer petty and frivolous disputes regarding the election of directors and office-bearers and to introduce politics into the movement. The time and energy of departmental officers are wasted in enquiring into these disputes to the detriment of their more important work. It is the duty of all co-operators to see that this tendency is checked. As in other democratic institutions, co-operators should take their failure in elections in a sportsman-like spirit and should join hands with those elected in a common endeavour to work the societies for the good of all concerned.

Conclusion. I have every hope that, if the present sustained efforts on the part of non-official co-operators and the official staff are continued, the movement can be revived. Progress lies in the harmonious co-ordination of the activities of the several co-operative institutions working in the Presidency, that is to say, the credit societies have to be linked up with Land Mortgage Banks, Co-operative Sale Societies and Better Living Societies. While the Credit Societies and the Land Mortgage Banks tackle the problem of rural credit, the Sale Societies should assist the ryot in the marketing and sale of his produce and get him a reasonable return for his produce and the Better Living Societies should reform social habits. All the several societies working together may bring about a socio-economic reconstruction. The aim of the movement should be to make the members of Co-operative Societies "Better men, better cultivators and better citizens." What is required is rural leadership. It may be impossible to expect a "Raiffeisen" in every village, but it is not impossible to expect three or four honest and keen men in every village who can take up co-operative work enthusiastically and make it a success.

MYSORE

Review by the Government of Mysore of the Report on the working of the Co-operative Societies in Mysore, during the year ending June, 1935.

Progress during the year.—The following table shows the position of the co-operative movement during the year as compared with the previous year:—

	1933-34	1934-35.
Number of Societies	2,088	1,998
Number of Members	146,557	144,848
Working Capital	Rs. 217.60 lakhs	Rs. 231.05 lakhs
Paid-up Share Capital	" 49.42 "	" 51.64 "
Reserve Fund	" 27.74 "	" 29.73 "
Deposits received	" 121.24 "	" 125.30 "
Deposits withdrawn	" 122.94 "	" 126.01 "
Loans issued	" 100.87 "	" 108.01 "
Turnover	" 722.83 "	" 758.73 "
Profits	" 4.28 "	" 3.70 "
Amount of loans to be recovered	" 155.98 "	" 169.30 "
Amount of loans collected	" 100.84 "	" 105.34 "
Balance	" 55.13 "	" 63.97 "

While the number of societies and of members has decreased, there has been an increase in capital, reserve fund, deposits and total turnover. The collections also show a slight improvement. Taking into consideration the economic depression which continued to prevail during the year, the position may be considered fairly satisfactory.

Central Institutions.—The number of central institutions decreased from 14 to 13 as a result of the cancellation of a Federal Banking Union. Their total membership increased from 2,813 to 2,827 and their share capital from Rs. 6.13 lakhs to Rs. 6.31 lakhs. But the deposits fell from Rs. 55.25 to Rs. 52.76 lakhs, the working capital from Rs. 67.82 to Rs. 65.48 lakhs and the net profits from Rs. 56,060 to Rs. 30,290. The fall in deposits was due however to restraint in the acceptance of investments owing to large amounts on hand remaining idle.

(a) *Apex Bank.*—The number of individual members fell from 285 to 256 and the number of society members rose from 39 to 40. The amount loaned out during the year was Rs. 97,789 out of about Rs. 12 lakhs available for the purpose. The recoveries during the year showed some improvement but the arrears still continue to be heavy, a sum of 10.01 lakhs being overdue out of a total of Rs. 23.17 lakhs which was outstanding at the close of the year. The net profits fell from Rs. 20,885 to Rs. 14,546 and the reserve fund increased from Rs. 1.42 lakhs to Rs. 1.54 lakhs.

(b) *Central Co-operative Bank.*—The bank now functions only as a primary society though, according to its original constitution, it has still a membership of 39 societies as against 40 in the previous year. These societies are proposed to be removed from membership as soon as their accounts are completely adjusted. The debts due from them stood at Rs. 1.61 lakhs. Individual membership rose from 894 to 920. The collections were poor in comparison with the demand being as low

as Rs. 1.71 lakhs as against a demand of Rs. 9.58 lakhs. The share capital stood at Rs. 2.91 lakhs, deposits at Rs. 16.33 lakhs and reserve fund at Rs. 2.17 lakhs. The bank has also other funds amounting to Rs. 1.52 lakhs.

(c) *District Central Banks and Federal Banking Unions.*—The accounts of one Federal Banking Union were fully adjusted during the year and its registration was cancelled. Practically no business was done by the District Banks. An official liquidator has been appointed to wind up the affairs of the societies indebted to these banks so that the banks may be abolished altogether eventually.

Primary Societies.—(i) *Agricultural Societies.*—The number of these societies fell from 1,629 to 1,545 and their membership from 71,951 to 66,138; but there were increases in share capital, deposits and other items, the total working capital being Rs. 56.56 lakhs as against Rs. 54.22 lakhs at the end of the previous year. Out of 1,545 agricultural societies, 1,455 were credit institutions, 42 were grain banks, 27 agricultural supply societies, 7 marketing societies and the rest were miscellaneous institutions. The membership of the credit institutions was 63,701 and their working capital Rs. 55.45 lakhs. The working of the grain banks continues to be unsatisfactory and it is proposed to wind them up in course of time. The working capital of the supply societies rose from Rs. 65,276 to Rs. 74,021, but their sales amounted to only Rs. 4,751. Of the seven marketing societies, two were for the sale of cardamom, three for areca and two for cotton. The three areca societies had no transactions during the year and only one out of the two cotton societies did some work, the sale realisations being Rs. 17,108. The two cardamom societies collected 434 maunds of cardamom and sold 418 maunds realising Rs. 11,137, but their transactions ended in a net loss of Rs. 945.

(ii) *Non-Agricultural Societies.*—The number of non-agricultural societies stood at 440. Of these, 279 were credit institutions, 84 consumers' societies, 75 industrial societies and 2 miscellaneous. They had a total membership of 75,883, paid-up share capital of Rs. 48.14 lakhs, deposits of Rs. 50.43 lakhs, total working capital of Rs. 109.00 lakhs and a reserve fund of Rs. 13.96 lakhs.

The credit institutions showed an improvement in all directions, but they had heavy outstandings at the end of the year to the extent of Rs. 69.86 lakhs, of which nearly 33 per cent was overdue. The 84 consumers' societies are reported to have shown an increase in membership and working capital, but no figures are furnished in respect of purchases, sales and profits made by this class of societies during the year.

Industrial Co-operation.—Of the industrial societies those for weavers form the largest class numbering 66 as against 67 in the previous year. The membership of these societies fell from 2,144 to 2,056, share capital from Rs. 58,533 to Rs. 47,303 and deposits from Rs. 7,514 to Rs. 7,428. Their working requires improvement and a detailed scheme is said to be under consideration.

The number of sericultural societies remained at 20 as in the previous year. Their main work was the supply of disease-free eggs to their members. Their transactions are reported to have doubled during the year but in spite of this the societies are said to be in a languishing condition.

Of the other industrial societies the two Gudigars' societies at Sagar and Sorab and a Cobblers' society at Malvalli as well as the Gota manufacturers' society in Bangalore City are reported to be doing fairly good work.

House Building Societies.—There were 25 such societies with a total membership of 2,838 and a working capital of Rs. 5.46 lakhs. The Bangalore City Housing Society which is the biggest of these societies has been granted a loan of Rs. 1½ lakhs by Government at 5 per cent interest and has undertaken the formation of a co-operative colony obtaining a block of 50 house-building sites for the purpose from the municipality. Of the other house-building societies, the one at Mandya is reported to have shown the greatest activity.

Depressed Classes Societies.—There were 227 such societies during the year, of which 208 were credit societies, 16 weavers' societies, 2 cobblers' societies and 1 colony. As the working of these societies as separate institutions had not been successful, Government directed that action should be taken to amalgamate them with the local credit societies as far as possible. 18 such societies were accordingly wound up or amalgamated with local credit institutions during the year. It is however reported that the 16 weavers' societies located in the Mandya Taluk have proved useful to the depressed class weavers.

Co-operation in the Malnad.—There were 357 societies in the Malnad inclusive of 15 land mortgage societies having a total membership of 20,933 and paid-up share capital of Rs. 6,36,692. The Shimoga Co-operative Bank continues to be the principal society in the Malnad and has shown all round improvement during the year. The next biggest credit society in the Malnad was the Sagar Ganapathi Co-operative Society which has also made a visible advance in all directions. There are land mortgage societies in the Malnad which have obtained loans to the extent of Rs. 1,43,890 from the Land Mortgage Bank and relieved in full the debts of 102 of their members.

(i) **Land Mortgage Bank.**—Land mortgage bank operations were extended to 5 more taluks during the year, bringing the total to 25 taluks. Out of 103 applications for loans that came up for disposal, 48 cases involving Rs. 75,450 were sanctioned and 29 cases rejected. 4 applications which had been previously rejected were re-considered and a sum of Rs. 6,500 was sanctioned. The bank has so far sanctioned loans to the total extent of Rs. 4,71,895 and actually disbursed out of it a sum of Rs. 3,08,500. The total demand for the year was Rs. 38,783-11-4 and total recoveries amounted to Rs. 18,262-3-5. The poor recoveries are said to be due to economic depression.

(ii) **Land Mortgage Societies.**—The number of land mortgage societies affiliated to the bank was 19 at the end of the year, having a membership of 2,023 and a paid-up share capital of Rs. 49,923. The societies dealt with 243 loan applications, of which 24 were rejected and 73 were sent up for sanction to the land mortgage bank.

Finance.—The expenditure of the Department was Rs. 1,18,329 as against Rs. 1,30,569 in the previous year. The societies spent Rs. 1,95,763 for their management as against Rs. 1,94,868 in the previous year.

General.—The construction of the Co-operators' Home at Mysore was started and the ground floor is said to be nearing completion. The Mysore Co-operative Societies Regulation was amended with a view to better working of land mortgage and other co-operative institutions.

The thanks of Government are due to all non-official workers who have in various ways contributed to the successful working of the co-operative institutions in Mysore. Since the close of the year of report, Government have appointed a

Committee with *Rajadharmapravina Diwan Bahadur K. S. Chandrasekhara Aiyar*, B.A., B.L., retired Chief Judge of the High Court of Mysore as Chairman, for conducting an enquiry into the present state of the co-operative movement in the State and to make recommendations in regard to the future lines of its development.

TRAVANCORE

Review by the Government of Travancore of the Report on the Working of Co-operative Societies in Travancore during the year ending June 1934:—

The General Progress of the movement.—As a result of the policy of consolidation and rectification, which was continued during 1109 also, it is stated that dormant societies were steadily weeded out of the movement and fresh registrations were not ordinarily encouraged. Government have however to reiterate the remarks made by them on the review of the report of the Department for 1107 that consolidation and rectification should proceed along with expansion of the movement on correct lines. They also note that the Department and the non-officials have recognised that expansion consistent with the safety of the Movement is essential to the economic welfare of the State. The total number of societies decreased from 1,786 in 1106 to 1,782 in 1109. During the year under review, only 10 societies, as against 14 in the previous year, were registered, and the number cancelled was 14, against 38. Of the total number of 1,782 societies, 20 had not started work, and 1,671 societies did purely credit work. Government are constrained to note again with regret that the progress of the Movement along non-credit lines has been very little as in the previous years. The propaganda work done by the Inspector in charge of the non-credit societies appears to have borne no fruit, as, it is stated, the prevailing financial stringency stood in the way of organising fresh societies on non-credit lines.

Expansion of share capital, working capital, reserve fund and deposits.—The working of all the societies together arose from Rs. 85,21,518 to Rs. 89,74,936 the increase being Rs. 4,53,418 as against an increase of Rs. 7,82,885 in the previous year. The total share capital in the movement rose from Rs. 35,95,356 to Rs. 36,18,722 the increase being Rs. 23,366 giving an average per society of Rs. 2,103 as against Rs. 2,068 and per member of Rs. 15.7 against 15 in 1108. The total receipts and disbursements under Deposits were Rs. 25,88,879 as against Rs. 27,52,030 and Rs. 23,20,247 as against Rs. 22,56,725 respectively. The total reserve fund of all the societies rose from Rs. 9,41,891 to Rs. 9,66,500. The total turnover of all societies aggregated Rs. 1,63,84,419 as against Rs. 1,80,32,769 in 1108, the decrease being Rs. 16,48,350 as against an increase of Rs. 25,94,104 in the previous year. The average per member also decreased from Rs. 76 to 71.

Profit and Loss.—During 1106, the Registrar issued a Circular No. 157 laying down the correct mode of calculating divisible net profits of societies to make the audit here to correspond to that in the British Indian Provinces and other Indian States. The Circular was not fully given effect to in the year, but in auditing the accounts of societies in the year under report the principle of the circular that only revenue actually collected should be taken into account in arriving at net profits, was rigorously applied. As a natural effect of this, a large number of societies had to show losses.

The Central Bank, the Central Institute, the Central Weaving Society and the Supervising Unions excluded, there were 1734 societies working at the end of the year. Of these 16 societies were not audited. The total loss sustained by the societies amounted to Rs. 4,12,278.

Loans.—Both in the number and amount of loans granted, the Central Bank and the Primary Societies have deteriorated considerably. This was no doubt due to the economic hardship of the ryots. Loans granted for the discharge of prior debts form the bulk of the loans granted. Next in importance come loans for trade, and loans for agricultural purposes rank third in order. The Registrar has once again stressed the vital necessity of fixing periods for the repayment of loans according to their purposes and to the members' repaying capacity, and states that such an approximation would inevitably help the societies to draw a line of distinction between long term, medium and short term loans. The Supervising Unions should scrutinize the loan transactions of societies and rectify the defects in the light of the Registrar's observation.

Demand, collection and balance.—The aggregate overdues under principal increased from Rs. 29,77,484 to Rs. 33,66,399 giving a percentage of 62·6 against 57·8 in 1108 and under interest from Rs. 6,56,248 to Rs. 8,55,132 giving a percentage of 62·6 as against 65·8 in 1108. The increase in the overdues is unsatisfactory. It is hoped that the Registrar, with the co-operation of the societies and Unions would do his best to initiate a systematic and comprehensive re-examination of loans, and bring down that overdues as early as possible.

Supervision.—The number of Supervising Unions remained the same as in the previous year.

Co-ordination.—As usual, the Department continued to work in close co-operation with the officers of other Development Departments in the State. It is stated that the relationship between the Department and the public was also cordial on the whole. Government desire to thank those non-officials and officials who have rendered support and co-operation to the progress of the movement.

NORTH-WEST FRONTIER PROVINCE.

Review by the Government of the North-West Frontier Province (Ministry of Transferred Department) on the Report of the Working of the Co-operative Societies in the North-West Frontier Province for the year 1934-35.

It is gratifying to observe that the progress reported last year has been well maintained. Co-operative Credit Societies now number 470 against 408 last year, while their membership has risen from 9,579 to 11,241. There have also been small increases in the number of Consolidation of Holdings, Thrift, and Better Living Societies. This steady improvement is the more welcome when it is realised how carefully applications for registration from prospective societies are scrutinized.

The progress made by the three Central Banks is no less satisfactory. The year's working has shown a substantial profit and the Hazara Bank has declared a dividend. It is too early to expect a dividend from the Mardan and Dera Ismail Khan Banks, as being new, their first duty must be to build up reserves. The sound position of these banks is evidenced by Hazara and Mardan reducing by one per cent. their lending rates, and the fact that during the year in no instance has a loan been refused which the society's financial position warranted.

Last year's expectation that sales societies would play an increasingly important and useful part in the co-operative movement does not show signs of realisation. Although one society, which had the active support of the Director of Agriculture, successfully marked a large quantity of grapes, others have not been so fortunate. In one case a full wagon of barley has been rejected by the buyer, and, even if it should be disposed of in the open market, the extra profit accruing by sale through the society will not be more than two annas a maund; in another case a substantial loss has been incurred. The movement of prices makes co-operative marketing an extremely delicate and complicated operation, which, if it is to succeed, requires more supervision than the co-operative staff can afford to give without detriment to their own real co-operative work.

The consolidation work is gradually spreading. Three new societies were registered during the year and an area of 6,732 acres re-partitioned. The cost per acre has dropped in the Northern Circle from Rs. 1-14 to Rs. 1-5; in the Southern Circle it is higher, being as much as Rs. 3-1 but this is because the work there is still in its infancy. An example of the very real benefit that these societies are giving their members comes from Bannu District. In the village of Kotla Allah Dad Khan and Hassan Khel, 84 blocks have been reduced to 4, and the average size of a block increased from 3 kanals 6 marlas to 69 kanals. It is unfortunate that consolidation work cannot be accelerated and extended to wider areas, but in view of the variety and number of obstacles which have to be overcome, present progress is satisfactory.

Only one new case of dishonesty has occurred during the year. The culprit, who was treasurer of a Consolidation of Holding Society, was convicted of embezzlement and the full sum recovered.

Government joins with the Registrar in thanking officers and others outside the Department for their valuable assistance and co-operation. Government also desires to thank the Registrar for his interesting report and for his supervision of the Department in this Province.

CO-OPERATIVE CONFERENCES AND MEETINGS

THE 18TH B. & O. CO-OPERATIVE FEDERATION CONGRESS,
JAMSHEDPUR, 20TH & 21ST DEC., 1935.

Extracts from the Welcome Address of Mr. A. M. Hayman, O.B.E.

It has been the practice at some of the previous sessions of the Congress for the President of the Reception Committee to speak of the grandeur or ancient history of the city at which the Congress was held. We propose to do something different on this occasion. It is our intention to let you see instead of hear. We propose to take you round the Works of the Tata Iron and Steel Company and later to show you a film "The Tata Film" which features the processes of the manufacture of steel. We are indebted to the Steel Company for placing this film at our disposal and to Mr. R. P. Patel, one of the members of the Reception Committee, for permitting us to show it at the Regal Cinema free of cost.

We have also arranged a poster exhibition of the co-operative movement. This is something that is both unique and instructive. We owe much to Mr. S. K. Basu, the General Secretary of the Reception Committee, who thought out the plan for this exhibition and with the assistance of Mr. S. K. Roy, has worked out all the details.

He referred at some length naturally to the co-operative societies in Jamshedpur. The co-operative movement among the employees of the Tata Iron and Steel Company, Ltd., started at Jamshedpur in 1919. The Board of Directors of the Tata Iron and Steel Company, Ltd., were largely responsible for the inauguration of the movement. One co-operative store and several co-operative credit societies were established within a short space of time. Today in Jamshedpur and Golmuri there are 28 co-operative credit societies. There are 10,322 members of these societies. The total capital is made up of Rs. 8½ lakhs of share capital, Rs. 133 lakhs of reserve and other funds and about Rs. 5 lakhs of borrowed capital. The total membership is about two-thirds of the total number of permanent employees in the Steel and Tinplate Companies. The membership includes clerical establishment and the labourers in large numbers. Nine of these societies have savings bank: otherwise the business of the societies is confined to granting loans to members.

There is no doubt that the credit societies serve a useful purpose in providing the means for their members obtaining temporary accommodation on suitable terms as regards repayment and at reasonable rates of interest but instances are not wanting to prove that the easiness with which loans can be obtained from these credit societies leads to less effort on the part of some individuals to keep out of debt. At the present moment about 75 per cent of the members of the Jamshedpur credit societies are in debt to the societies.

This is not satisfactory, and measures must be taken to bring about improvement. Once more one is thrown back on the necessity of a campaign for thrift and for co-operative action of a more positive character. The latter should, in my view, and in the opinion of others who have considered the subject for sometime past, find expression in the establishment of a co-operative milk society, a housing society, a co-operative stores and a co-operative society to run the Work Restaurants.

An expert must be employed to collect all the necessary data and frame the prospectus. I am authorised to say that the Steel Company would be prepared if

there is a serious desire on the part of some of the employees at least to start a co-operative milk society to pay for the cost of engaging the services of an expert.

The Tata Iron and Steel Company, Limited, has a proud record of its achievements in the matter of provision of quarters for its employees and in assisting those who desire to build quarters of their own. But there is a shortage of house accommodation in Jamshedpur and the Company cannot be expected to undertake the obligation of building a residence for every one of its labourers. Private enterprise will not come forward sufficiently to fill the gap as the return on the capital invested will not be sufficiently attractive. The men themselves must help themselves to solve the problem. They should form a co-operative housing society. Here again I have authority for saying that the Steel Company will give substantial assistance to a movement of this character. The assistance would take the form of paying for the services of an expert who would advise on the principles and details of the scheme and the necessary land will be made available on easy terms. The Company might also be prepared to consider granting loans to the employees or to the society at low rates of interest.

Any such scheme to be a success must provide residence with suitable accommodation at low rents. The habits of those who will occupy the residences must be carefully considered. Nothing would be worse than to construct residences which would not be occupied. Residences constructed by such a society should not be located too far from the works or if due to practical difficulties the location has to be at some distance from the works, suitable transport arrangements should exist between the residential area and the works. An employee should have the option of occupying a quarter purely as a monthly tenant or as a long lease occupant or on terms which will make him the owner of the quarter after a reasonable period. House building societies founded on such lines are in existence elsewhere. They are doing immense good. A society of the character I have suggested will serve the best interests of several thousands of labourers at Jamshedpur and no time should be lost in taking active steps to examine the possibility of putting the proposals into practical application.

A co-operative stores is one of the principal evidences of the prevalence of the true co-operative spirit among individuals living together in one place. Such a stores should be able to guarantee the supply of unadulterated food at cheap prices. Rice, dal, ghee and vegetables of good quality should be available in sufficient quantity at all seasons of the year to the members of the society. The stores should stock other articles for which there is a general demand. This need not be on a large scale and there should be no attempt to cut out the local traders altogether. But the arrangements should be on a scale that will ensure the existence of an effective price regulator and a guarantee that all supplies are of good quality.

The Steel Company have already shown its concern in this matter. Sanction was conveyed as far back as 1929 by the Board of Directors of the Steel Company for the Agents of the Company to open negotiations with Government for the opening of a certain number of co-operative stores at different centres at Jamshedpur with a view to reducing the cost of living there. The Steel Company were then prepared to lend a sum of Rs. 25,000 at four per cent interest to the proposed co-operative stores, furnish necessary buildings on rent for the housing of the stores which were estimated to cost about Rs. 27,000 and also make provision for a sum of Rs. 3,000 per annum for expenditure on staff for a period of three years. The intention was that the control of the organisation was to be entirely with the Government Co-operative Department of Bihar and Orissa.

The Works Restaurants are now managed departmentally. A co-operative society with the workmen as members should be able to run such an organisation successfully and more to the taste of the members.

I should like to emphasize once more the pressing necessity for thrift, particularly among the residents of cities. It is needed as much in Jamshedpur as anywhere else. Thrift is engaged in a perpetual battle with extravagance and improvidence. The call to thrift by all those engaged in the co-operative movement should be clear and insistent, "for if the trumpet gives an uncertain sound who shall prepare himself to the battle?"

Extracts from the Presidential Address of Rai Bahadur Shyam Nandan Sahai, B.A., M.L.C.

The Co-operative Societies Act of 1904 was expected to bring about a rehabilitation in the condition of the rural agricultural population of such a magnitude as nothing else could. If it has fallen short of the expectation, it is through no fault of the Act or the pioneers of the movement, but it is due to those pitfalls that every experiment, however tried, has to come across when introduced in new environments.

Although successfully worked in predominantly agricultural countries like Denmark and Ireland, it is indeed a surprise why that success could not be achieved here so far. The reason is not far to seek. The vastness of this country and the proportions are so different that the system of supervision which was possible in a concentrated area became unavailing in such vastness. In the first enthusiasm, societies were opened anywhere and everywhere and the cardinal point of concentrating upon a particular area was not given the importance it deserved. But even with all that, is there room for disappointment? It took Denmark 45 years to raise the average of milk from $4\frac{1}{2}$ to 9 seers and if in the course of 20 years—for this work in this province really began after 1912, the year of its separation from Bengal—we have succeeded in bringing down the rate of interest for agricultural loans from $37\frac{1}{2}$ per cent per annum to 12 per cent, can we dub the movement as having failed? If in 20 years we have approached 9,000 out of 84,000 villages in this province with the cry of halt ringing into our ears for the last decade and with very meagre funds at our disposal, will it be fair, I ask, to call this movement a failure? We would have been happier if we had done more. But are the results such as to justify a wholesale condemnation of our activities? I think not. I am speaking in this strain as I hear words of disappointment even from fellow co-operators.

May I ask what systematic and exhaustive methods have been tried to bring the entire province into the fold of co-operation? The scheme propounded by Mr. N. K. Roy, one of our oldest co-operators, although vetted to be sound for comprehensiveness, was declared to be wanting on financial grounds. The Committee on Co-operation proposed a second method in April 1932. Was that method tried? In the absence of these, all that we see today is the result of sporadic attempts at development mostly by non-official workers and at times by such of the officials who had a faith in the movement.

I feel sure in my mind that if these very existing societies were concentrated if we had a rule of expansion within a limited radius of 5 to 10 miles, the history of co-operation would have been written differently today. But that was not to be. The societies were organised at different and distant places, supervision and control became difficult—well-nigh impossible, the demon of disunity, born of our state of slavery for thousands of years, although thwarted for a time, got the better of the

goddess of co-operation, and we have come to a stage when even the best amongst us is losing hope. We cannot, we should not and we shall not lose hope.

Now the majority of the non-agricultural societies have worked well, the best examples of which are the Tisco societies. The village welfare societies have also worked well. The urban societies have not fared too badly in view of the economic depression. There have been certain cases of neglect and consequent misappropriations but that happens even in the best administered institutions and we trust the authorities will bring the delinquents to book.

The artisan societies by themselves have done fairly well but their chief difficulty has been the securing of a market for their products and competition with machine made goods. It is here that State aid is required and it is here again that we have to face a business Government which will weigh every rupee spent and consider the return it is to bring not to the society and its constituents but to the State.

The only class of society and I admit that class is predominately large, to which our critics point their fingers, is the agricultural societies. May I enquire of you all, who are co-operators of experience, what is the defect in this class? Perhaps you will all point to one thing and one alone, viz., overdue principal, overdue interest and non-realisation. I would again ask you both official and non-official co-operators to ponder a while and say if it is any fault of the co-operative movement or any fault of the members of the societies that such heavy overdues have accumulated and realisations are scanty. I say without any fear of contradiction that it is none of their fault. It is the circumstances that compel them to act as they are acting. Will not every representative of the central banks and societies who are here today support me when I say that the member is quite willing to give his land in sale or usufructuary mortgage to the society in satisfaction of the dues against him? Is he not prepared to part with his cattle to meet the central bank's demands? But what can he do if he can't find a buyer? You take out an award, liquidate a society and knowing as the members do that they cannot get cash money, they are reconciled to what they consider as inevitable. Gentlemen, when mighty powers like England, Germany, Austria, Russia and France were unable to meet their war liabilities and had to submit to this state, on account of the world-wide depression, is it any wonder that the poor cultivator of a poverty stricken country like India is unable to meet his? The difference yet remains that the honest cultivator is anxious with all he has to meet his commitments, whereas others much better placed are not even willing to recognise them.

During a course of twenty years, these very societies and central banks have built up a Reserve Fund, Bad Debt Fund, etc., etc., of Rs. 55 lakhs and their apex bank has got a Reserve Fund of Rs. 6 lakhs and all by transactions from primary societies. Is it, I will ask any honest critic, a mean achievement?

In 1930 the Provincial Banking Enquiry Committee, after extensive enquiries extending over a period of six months came to the conclusion that "the co-operative movement in this province has made an appreciable inroad into the province of rural credit and viewed as a banking agency is generally in a sound condition. Its defects are remediable and there is no reason why it should not occupy a very prominent position in this sphere before many years have passed."

We are in the throes of depression which is going to continue, and my view is that it is ruinous to call the present time abnormal or in thinking that the financial crisis will be soon over for that only gives us the hope that things may be better in time

and on that account we are not able to undertake tasks which we would if we knew that this was going to be the normal feature. If we look at our efforts in the past both at retrenchment and amelioration it will be clear to even a casual observer that we have not done what we should. We have to adjust all our expenditure to our income, however low we may have to go.

EXPANSION AND ITS METHODS

We must have a definite policy of expansion with two safeguards. Firstly, that we should organise societies only in concentrated areas where there may be societies from before, say within a radius of five miles, and secondly that every member admitted into the society must be well educated in the principles of co-operation and must be told in no ambiguous terms his liabilities and his duties if he is to be a member of a co-operative society. Such an expansion will not only bring new life and energy into the movement but will also infuse fresh life into old and dying societies. Regarding the speed and rate at which this expansion must proceed, one has to look to finance and if the State comes to our aid the expansion can be as rapid as desired. If this work is, however, left to the co-operators alone and the funds they can themselves fork out then the expansion will be slow. The new staff which our Local Government are appointing might well be employed for this work in addition to their other duties.

CREDIT AND NON-CREDIT SIDES OF THE MOVEMENT

There is no denying the fact that philanthropy and moral principles do not appeal to a hungry person, and if you wish him to learn the ethics and principles of morality, you must arrange for a square meal first. Dispensation divine is always for the good of the people and the fact that credit was taken up first and has gone so far is also in my opinion a divine dispensation. But for the financial backing which the movement can now give to non-credit work, who would have ever thought of such activities. We have, however, come to a stage where the non-credit side of the movement should receive as much if not greater attention than the credit side.

SHORT, MEDIUM AND LONG-TERM LOANS

Debtors as well as creditors are ill at ease when they know that the debtor has to deal with many creditors. The Minority Report of the Central Banking Enquiry Committee while dealing with this very subject at page 90 notes: "A banker would prefer his client to deal with himself and would desire to give that client everything that he wants provided he is satisfied about the solvency of the client and the security behind the loan." The trend of the movement in this province has also been on these lines. In fact we have a circular from the Registrar which lays down clearly that as soon as a member is admitted to a society his debts should be paid and the outside mahajan eliminated. The circular further suggests taking the same course with regard to existing members.

Although co-operation is not mahajani and the man counts more than his money, yet as long as credit is one of the chief activities and as long as rural indebtedness is not brought under control and rural credit sufficiently established, we cannot ignore the elementary principles of banking nor can we ignore the weakness of human beings. To try to cure a disease without proper diagnosis and proper safeguards for usual complications is risky indeed and therefore to provide against the weaknesses of human beings even though it may result temporarily in sinning against the doctrines of co-operation should not be a penal offence. Knowing as

we do now the ignorant member is brought under the ever spreading net of the village mahajans and sometimes even of the Zamindars, it will not be safe from credit considerations to allow him short and medium term loans on personal credit through the co-operative movement and to permit him to mortgage his properties to a mahajan for his long term needs. The result in such a case would be disastrous and I feel sure in my mind that if according to previous decisions we had not eliminated the outside mahajan and secured our loans, perhaps we would not have been meeting today to discuss co-operation. It is the result of that wise policy that although our assets have become frozen, the movement is yet sound on the best of authorities and its defects are remediable. Experiences vary according to circumstances and Madras has a different policy perhaps because it has a land mortgage bank to which all the long term business could be transferred and the agriculturist relieved of a heavy burden of interest through a sister agency with the same aims and objects as ours.

I am, therefore, definitely of opinion that as long as some other organisation to meet the long term demands of the members is not set up and the date appears to be yet distant, we should endeavour to meet all the requirements of the members both short term and long term though we may keep the accounts separately and fix the kists separately. My suggestion, however, has the underlying condition that long term loan can be advanced only when long-term finance can be secured. I am not under the present conditions in favour of having three kinds of loans, viz., short, medium and long term as it will involve a lot of complications in accounting and the illiterate member will not be able to differentiate between them. The two kinds of loans, viz., one recoverable during the year and the other spread over ten to twenty years suggested above should be ample for our purposes.

FEDERATION—DEVELOPMENT AND TRAINING

One of the most outstanding problems of this session is the Federation. As you know the Federation of late has evoked a great deal of discussion and a greater deal of controversy. Theoretically almost all are agreed that a co-ordinating agency like the Federation is a necessity for the co-operative movement. Almost all expert committees have testified to this and both official and non-official workers in this province have done the same. The fact that almost all provinces have similar organisations support the contention that theoretically it is a sound proposition. Some, however, demur to its practical utility, some others think that its utility is not commensurate with the expenditure incurred on it, and many do not look upon it with favour on the ground of the movement's financial incapacity to shoulder this burden. A careful observer will at once admit the force of the view points enumerated above. The Federation would have had much better backing today if the non-credit side of the movement had gone much farther ahead than what it has done. With the credit side of the movement the Federation has not much to do except realising the contributions. Ever since 1918-19 when the Federation was founded it has been attempting to do its best to improve the non-credit side of the movement, to inculcate the principles of co-operation and to spread co-operative education generally. The results, however, have not been very appreciable. The reason here again is the vastness of the problem, the vastness of the country and the insufficiency of men and money. There were in the beginning ten propaganda and assistant propaganda officers. They were supposed to work in all the divisions of the province. Is it possible to do with this staff any tangible work in such a vast country steeped in darkness and ignorance? But there was one way out of the impasse. The Federation could have selected a Gurgaon and shown that Bihar

could do as well as the Punjab. I suggested this as long ago as 1930 in my welcome address to that year's session of the Congress. However that could not be done and there is no use crying over spilt milk. It has greatly shocked me to see that there is no provision this year in your Budget for propaganda, development and training. I cannot conceive of a co-operative movement without its development and training sides.

Apart from the question of the existence or non-existence of the Federation, the training and development sections are indivisible parts of the movement. As such if it is your desire and that of the powers that be, that the co-operative movement may be run without these two branches, it would be as well if not much better to hand over the existing loans borrowed and advanced to the Takavi Loan Department of the Government. The rate of interest may be lower and the cost of management smaller and from the merely credit point of view a sounder proposition. But that was not what the Act of 1904 contemplated that was not again what the Act of 1912 wanted and last though not the least that is not what the Act of 1935 by any means suggests. The raising of the social, educational and economic status of the rural population was one of the chief, if not the chief object of the movement and if that is not to be, you might as well scrap the whole movement. At a time when the Government of India are allotting fifteen lakhs of rupees for co-operative training and education of which about a lakh and a quarter is likely to be the share of this province, it will be a great tragedy if we close the only institution in this province which is carrying on that work.

The big question is, however, of finance. From your figures I find that even in 1934 the societies have paid as much as Rs. 20,537 towards development contribution and Rs. 14,000 towards training contribution. I am alive to the fact that there are heavy arrears and these collections represent at best about 65 per cent of the demand. This, however, shows quite clearly that the non-official side of the movement is supporting you not only with what might be termed as advice gratis but with good money which has become so scarce. There will be nothing wrong, therefore, if you look up to the Governments and the Provincial Bank for carrying you through these troublous times. My advice to you, therefore, will be to carry on these works and move Government for a grant. It will be futile, however, to ask Government to bear all the cost. You must make a definite enquiry from the Central Banks to give you an approximate idea of how much they are likely to pay out of their contributions and after ascertaining that you must move Government for a grant. Whether the Local Government will give a grant from the Provincial Revenues or from the Government of India's funds will be for them to decide. In any event, we shall exert our most and if the Government fails us, the responsibility will be theirs. There cannot be any fear that these branches of our activities will be neglected for the Government of India's grant has to be spent on co-operative training and education. The only question is whether the Local Government will trust the non-officials or they will carry out this work through themselves. I see no justification for distrusting an organisation which at considerable risk of unpopularity that follows in the wake of every taxation however laudable the object, levied a fee, realised it and carried aloft the banner of co-operative education for many years now.

DUTIES OF STATE TO CO-OPERATION

It ought to be one of the primary duties of the State to raise money at cheaper rate which only they are capable of doing on account of their credit and lend it to the agriculturist, with a nominal margin of profit only enough to meet the adminis-

trative expenses, so that he may improve his land, buy better seeds and better cattle and ultimately contribute to the well being of the State and the nation, for, after all they constitute the nation. If the co-operative movement has taken up this work which is more properly the sphere of the Government it did so to supplement the work of the Government and Government owe a deep debt of gratitude to the movement for this. Instead of this we find there is a misconception in the minds of the Government and they sometimes think that they are bestowing favours on the movement by making grants. I think it was time that every Government realised that this was not so. The condition of the agricultural population is becoming such that unless prompt action is taken there is no wonder that they will play into the hands of those who at least promise them a land flowing with milk and honey.

In my experience as an humble worker in the movement I have found that Government feel very uncomfortable in spending the tax-payers' money on the co-operative movement. Here again is a misconception. There could not be, in my humble opinion, a more proper channel of expenditure of the tax-payers' money than this movement. For after all, who are the tax-payers? The agriculturist in this country, and the co-operative movement is perhaps the only organisation solely devoted to ameliorate the condition of the agriculturist.

If you look to the schemes for expenditure out of the Government of India's rural uplift grant, you will notice that Bombay, Bengal, United Provinces, the Punjab, Burma and the Central Provinces have also devoted a part of the grant for village uplift works like (1) improvement of the breed of cattle and milk, (2) pressing and tanning of hide, (3) poultry farming and sheep development, (4) supply and demonstration of better seeds, (5) coir spinning and weaving, (6) agricultural schemes to promote the spirit of self-help, (7) consolidation of holdings, (8) fruit-growing, and (9) establishment of rural development centres, etc., etc. Unfortunately we in this province have not yet been able to think out anything better than roads and wells excepting irrigation which of course will be very beneficial.

It is indeed disappointing that the entire non-official co-operative movement was ignored and not consulted at all about the preparation of these schemes for rural uplift.

HOW TO MEET THE NEED FOR LONG-TERM CAPITAL

On all authorities it is undisputed that the only difficulty which the co-operative movement is having to face to-day is the non-realisation of its dues. If our collections improve to-day, if the Central Banks begin to make profits and declare dividends, all the criticism against us will evaporate. Now what is the cause of non-realisation? I have explained before at some length why the ryots' repaying capacity has gone down. What has happened is that our assets have become frozen. With short-term money we made long-term investments and even our short-term investments have become long-term ones on account of the fall in prices. There is only one way to meet this difficulty and I do not claim any novelty for the remedy I propose. The way is to raise long-term capital at a low rate of interest. I will assert from experience that the society members are yet honest and if we can make it possible for them to repay, they will gladly do so.

Taking the figures from the Government report of 1934, one finds that the total investment to members comes to Rs. 173 lakhs in round figures. Out of this sum the money of the societies themselves comes to Rs. 56 lakhs made up of Rs. 15½ lakhs of share capital, Rs. 6½ lakhs of members' deposits and Rs. 34¼ lakhs of Reserve Fund. We have the Central Banks' share capital amounting to Rs. 22 lakhs which

brings us to a figure of about Rs. 78 lakhs. This we can easily convert to long-term, but we are yet faced with a figure of Rs. 95 lakhs which we have to arrange. I have two proposals to make with regard to this. My first request will be to our depositors and we will request them in the best interests of the country to convert 25 per cent of their deposits to long-term deposits at the same rate of interest as the loan we are getting from Government. I have every hope the depositors will listen to our request which is as much in their interest as in ours. These deposits amount to Rs. 1,25,00,000, twenty-five per cent of which comes to about 31 lakhs of Rupees. After having this further accommodation to the extent of say thirty lakhs, we have yet to provide for 65 lakhs and I find I cannot but look up to the Government for this. They have very kindly arranged for Rs. 20 lakhs and if a further sum of Rs. 45 lakhs is arranged as long-term credit we can tide over the present difficulties and be sure of a sure footing for the movement from the credit point of view. This they can do by either lending themselves or backing our debentures. The other important point is the question of interest. The present rate of interest for Government loan is 4 per cent. per annum and we hope the further loan could be got at cheaper rates. It is essential that the interest rate should be reduced to 3 per cent. per annum. But even taking it at 4 per cent. I hope we shall be able to pass it on to the member at 5 per cent. It will appear unworkable at first but I hope I will substantiate the case. Out of a total long-term investment of Rs. 173 lakhs our borrowed capital will amount to 65 plus 30=95 lakhs only and we have our own capital on which we can at best keep a working cost of 1½ per cent., which when totalled with the rest will give us sufficient margin to invest the money to the members at 5 per cent. We shall also request the Provincial Bank to pass on the money to Central Banks without any additional charge as a special case in view of the difficult position of the Movement.

There is one more question and that is, should the present stagnation in our lending business continue? Certainly not. If not where is the money for daily business and expansion of business to come from? We have erred before but have gained experience. We have yet the confidence of the people and we are getting deposits. If the overdues of the Provincial Bank is even partially paid, we can always look up to our apex Bank for meeting our normal requirements. Then again I have not taken into consideration our Reserve Fund, our investments, and the cash in hand. They all amount to about Rs. 33 lakhs and we are not converting them to long-term capital. These sources of supply should be able to meet our daily demands.

THE LANDLORD'S RESPONSIBILITY

As one amongst Zamindars it is my duty to point out to them that the day is not far distant when they will not be able to get any collection for rent. The yielding capacity of the land has definitely gone down, the price of country crop is at a very low ebb and it is only human that the ryot will feed himself and his family before thinking of rent. A wise Zamindar is he who supplements the income of his tenants by improved methods of agriculture and by encouraging paying crops. No one can carry on for long on past achievements. The landlord community, I can say with pride, were a very useful part of the nation and even to-day some of our big public and charitable institutions owe their existence to them. But what are they doing now will be the question asked? They have either to reform themselves or the day is not long distant when the cry for their elimination will catch a momentum which no force will be able to resist. Their reformation lies in only one direction and that is they must materially assist in the uplift of their tenantry which they can do no better than by joining the fold of co-operation and helping the Movement with money and active work.

OTHER PROBLEMS FOR SOLUTION

The one thing which is imperative and will brook no delay is the reduction in the rate of interest. It is almost criminal to charge 12% and 15% now. We should by any means reduce it to 9 per cent. for the member. If Central Provinces can charge 8 per cent., Bengal 9 per cent., Madras 7½ per cent., it is a great pity that we should yet be in the vicinity of 12 per cent. per annum. I would therefore suggest that we should henceforth charge 9 per cent. and make a special concession to 8 per cent. for all those who pay up overdue interest. The penal interest should also be written off in the case of those who pay up the entire dues relating to interest.

The question of realisation of the dues is the most important question confronting us to-day and this matter has to be solved in a scientific manner. To secure many awards and to leave them to take their own course is worse than not taking out awards at all. I would suggest that in each bank an enthusiastic Director should be made responsible for the successful execution of selected awards in various localities and this will create, I trust, good results.

I am not afraid of uninformed criticism. I however feel the ground from below my feet cut away when I see that even co-operators are depressed and have not the same enthusiasm which in olden times was responsible for raising the Movement to a status of pride. I consider this aspect more serious than the economic depression. I admit that you have grounds to be depressed. You are noticing a disintegration in the camp. You find that the different units in the movement are pulling in different directions. You see that Government are starting their own institutions to do a work which was legitimately your sphere like marketing boards, and opening of weavers' societies, etc. But that is all the more the reason that you should be up and doing and rise to the heights that the occasion demands. Although one feels exceedingly happy to see old faces, the eyes yearn to see new blood in the movement. You will admit that we are now in dearth of honorary workers. I would ask you to shake off this pessimistic attitude and would advise every bank to chalk out a programme and plan of work according to the needs of the area and to work up to it. To work without a programme does not take us anywhere.

Resolutions

This Congress expresses its disappointment at the Local Government not having consulted and taken the Federation in its confidence in the matter of distribution of the Government of India grants for rural uplift and for training.

This Congress considers that the two sections of Development and Training are the very life of the Federation, and expresses the opinion that every thing possible should be done to place the Federation in sufficient funds to carry out a bold programme of expansion, development (rural uplift) and training and in pursuance thereof recommends—

That the sum of Rs. 50,000 placed at the disposal of the Minister of Education by the Legislative Council for rural uplift be spent through the Federation for running its Development and Training sections.

That the Government of India grant for training be spent through the Federation.

This Congress requests the Local Government not to launch a scheme for Co-operative Education or training without consulting the Federation and giving it an opportunity of expressing its opinion.

Suitable number of village welfare societies be organised at least round one rural reconstruction centre in each division, and when this centre has been properly developed the same activities may be carried on to another centre thus gradually extending the activities over the whole division.

In view of the facts that the general trade depression has lasted for a longer period than was expected, and that there has been consecutive failure of crops owing either to draught or floods or other natural calamities, it has become virtually impossible for members of primary societies to repay their debts within the stipulated period which generally does not exceed five years, this Congress is emphatically of opinion that the outstanding loans of members of societies should be converted into long-term loans repayable in 20 to 25 years at a rate of interest not exceeding 6½ per cent. if long-term capital be available at Rs. 3 to 3½ per cent. per annum.

The Local Government is requested to place sufficient funds at the disposal of the Provincial Bank to enable the latter to lend it to Central Banks at a rate not higher than 3 per cent. per annum, whereby the societies may get the loan at 4 per cent. in order to enable them to reduce their lending rate to 6¼ per cent.

The rate of interest on the loan of Rs. 20 lakhs advanced to the Provincial Bank by Government be reduced to 3 per cent. or to the rate at which the Local Government have borrowed.

In view of the fact that the conditions imposed by the Government regarding the advancing of loans to Central Banks out of the Government loan of Rs. 20 lakhs are so stringent as to make it impossible for the loan to be fully availed of, this Congress urges upon the Government forthwith to relax the conditions very considerably in order to make these workable.

This Congress requests the Registrar to issue a Circular for reduction of the rate of interest on loans to members of those agricultural societies which are working with their own capital to 6¼ per cent. per annum, and recommends to the societies to convert the existing loans to loans repayable in 20 to 25 years wherever necessary.

The Government be requested to bear the cost of audit of rural societies with working capital of less than Rs. 20,000 as also village welfare societies and if Government agree to this request such societies be exempted from payment of audit contribution.

This Congress greatly deplores the wrong impression sought to be conveyed by the Kisan Sabha to the effect that the Co-operative Movement has caused immense harm to the ignorant cultivators and has led to their harassment at the hands of bank officials; and expresses its firm conviction that it is almost entirely through co-operative societies that the amelioration of the conditions of the tenantry can be secured.

This Congress recommends to the Provincial Government to amend the Bihar and Orissa Co-operative Societies Act of 1935, clause 23, so as to give priority of payment to the dues of co-operative societies out of the assets realised in an insolvency proceeding when a member of any society is declared an insolvent.

The Registrar be requested to move Government to so amend the Co-operative Societies Act as to secure the loans advanced by co-operative societies to members against subsequent creditors and all other unsecured debts.

In addition to the usual proclamation in rent and certificate sales Government may be pleased to provide for publication of one copy of the sale proclamation at the Central Bank within the area of whose operation the judgment-debtor resides.

The Local Government be moved to exempt from income-tax the interest earned by co-operative societies on funds invested in Government securities or other securities approved by the Registrar in accordance with any requirements of the Act, rules or Registrar's circulars.

In the opinion of the Congress it is necessary to grant all such financial assistance by way of fresh loans, extension of kists, reduction in the rates of interest and remission of accumulated and penal interest to societies and individual members as is possible, consistent with the financial safety of the lending society and repaying capacity of the borrowing society or individual member.

In order to remove stagnation and help societies to increase their income and to reduce the incidence of their overhead charges, it is necessary to organise fresh credit societies, due regard being had for the proper education of the members and for their real needs and repaying capacity. That for such organisation the financing banks should grant loans to new societies on the principle that such loans shall be earmarked for the purpose and the recoveries from the societies shall all go towards repayment of the loans after deducting a certain percentage for overhead charges.

The co-operative societies should not confine themselves to advancing only short-term loans, particularly in areas where lands are transferable inasmuch as the present problem of inherited indebtedness cannot be solved without having long-term credit available at a very low rate of interest.

The Government be approached to enact a legislation for establishing Debt Conciliation Boards on the lines of the Central and the United Provinces.

Inasmuch as most of the banks have reduced their staff as a measure of economy it is found very difficult in actual practice to depute a clerk every two months to attend to two-monthly audit; this Congress is therefore of opinion that the audit should not be held more than twice a year.

While the Congress is grateful to the Government for providing a Section in Act VI of 1935, whereby awards can now be executed through Certificate Courts, it respectfully urges that the execution of awards and contribution orders should be exempted from Court and process fees, as otherwise the utility of the new provision in the Act cannot be fully availed of by the societies concerned.

The Local Government be approached to move the Central Government to consider the necessity to exempt rice from export duty and to impose duty upon foreign rice.

THE VIII TRAVANCORE CO-OPERATIVE CONFERENCE TRIVANDRUM 14th TO 17th JAN. 1936

Extracts from the Welcome Address of Rao Bahadur K. Narayanan Pandalay, President, The Trivandrum Central Co-operative Bank Ltd.

After welcoming the President of the Conference, Mr. V. Ramadas Pantulu, and co-operators assembled from all parts of Travancore, Mr. Pandalay said in the course of his address: Here in Travancore, Co-operation has now arrived at a critical stage when we are faced with problems of far-reaching consequence. Drastic changes in the law are on the anvil—changes concerning which there is wide divergence of view, and it is our earnest desire to seek the advice of one who will bring to bear upon them not only expert knowledge but also a dis-

passionate judgment, by no means coloured by pre-conceived notions influenced by local currents of thought. Hence it is that we have thought fit to trouble Mr. Pantulu to preside a second time over an All Travancore Conference.

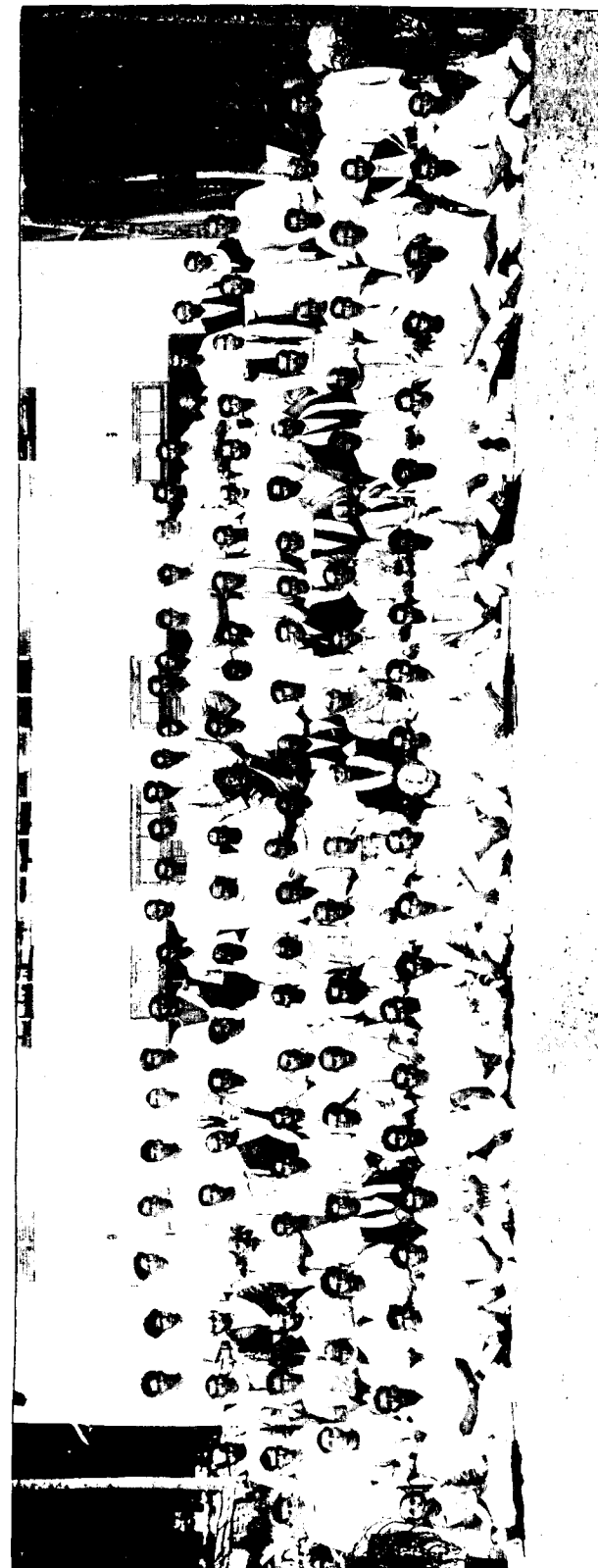
This Conference meets under the shadow of a great grief caused by the loss of Mr. G. K. Devadhar, M.A., C.I.E., whose practical wisdom and varied experience would, if he had been spared, have been available to us to-day in discussing the important suggestions contained in his valuable report. Some people seem to think that those societies which do not shape their activities in accordance with the recommendations of the Co-operative Enquiry Committee are guilty of heinous sin and stand condemned before God and man. They forget that, whatever be the intrinsic merits or demerits of those recommendations, they have as yet no binding force, which they will acquire only if and when they emerge as law.

Co-operation has been at work in this State for the past nearly 20 years under the aegis of Regulation X of 1089, which owed its place in the statute-book of Travancore to the sagacity and foresight of that brilliant statesman, the late Sir P. Rajagopalachari. The movement has had a steady growth since, and to-day we have in our midst, about 2,000 Co-operative Societies,—most of them functioning as credit institutions. The Committee appointed three years ago by His Highness the Maharaja's Government has taken stock of the progress of the movement, and told us in unmistakable terms that the anticipated beneficent results have not ensued, because its growth has not been on the right lines at all points.

There is a general belief that those who would not otherwise have run into debt have under the blessings of Co-operation become chronic debtors. This, perhaps, is an exaggerated view. But there is the fact, pointing to injudicious borrowing and improvident expenditure. This cannot be remedied except by educating the masses in the fundamentals of Co-operation. The Devadhar Committee has rightly laid stress on the need for co-operative education and propaganda. The scheme the Committee has suggested well deserves consideration, but it lacks the essential emphasis on moral training. It is not so much the intellect as the heart that requires treatment. What is essential is that self-discipline which will call forth the nobler impulses of the human breast, much more than a knowledge of the technique of Co-operation.

Connected with indiscriminate loaning is the question of overdues which has become a pressing problem with co-operative societies here and elsewhere. This, of course, is a natural result of the loaning system in vogue, but it has been accentuated beyond expectation by the acute economic depression, which for over six years now has put almost every business activity out of gear. Recognising the doleful condition of the producers—agriculturists and artisans, credit societies have been allowing extensions of time, remitting penalty, &c. But these have accorded practically little relief, and until and unless the unprecedented fall in the prices of agricultural products gives place to improved market conditions, no solution of overdues appears possible. The primary societies, whose members are mostly agriculturists are the foundation and backbone of co-operation, and their severely enfeebled condition has vitally affected the whole movement.

The question of agricultural debt redemption has assumed serious proportions, and every where experiments are under trial for removing, or at least minimising this stumbling block, before any constructive economic scheme could be successfully implemented. Both the Devadhar Committee and the Agricultural Debt Redemption Committee have in their reports suggested the formation of Conciliation Boards for settlement and clearance of agriculturists' debts, on agreed conditions



THE EIGHTH TRAVANCORE CO-OPERATIVE CONFERENCE, JANUARY 1936.



Mr. V. Ramadas Pantulu, President,
Travancore Co-operative
Conference.



Rao Bahadur
K. Narayanan Pandalai,
Chairman, Reception Committee,
Travancore Co-operative
Conference.



Mr. E. Subramania Iyer,
Director, Trivandrum
Central Co-operative
Bank, Ltd.



Mr. K. Velayudhan Pillai, Secretary,
Trivandrum Central Co-operative
Bank, Ltd.

wherever possible. So far as co-operative debts are concerned, they may be viewed from two stand-points. Co-operative Societies are essentially debtors—rather than creditors. The monies they have loaned out are not theirs; but others' held in trust. Their obligations have to be fulfilled, and this would not be possible under any form of coercion as regards monies due to them. Again, the transactions of societies are exclusively with their members, as between members of a family, bound together by ties of common interest, among whom external compulsion cannot under any circumstances be thought of, as being opposed to the very conditions of their corporate existence. In the case of such members, measures of amelioration must come from within and not from without. The Executive Committee of the Central Co-operative Bank has resolved, subject to the approval of the Board, to reduce the rate of interest on loans to 6 per cent. from the beginning of the current co-operative year, to remit penalties, and to grant extensions of time for repayment wherever necessary. If other financing societies also decide upon similar measures of relief, they will go a long way in mitigating the rigour of the present depression. In the circumstances, co-operative societies have to be exempted from any compulsory adjustment of debts which might be contemplated.

It is gratifying to note that our educated sisters have lately begun to recognise their place and duty in co-operative activities, and let us hope that, with the lofty example and under the patriotic lead of Her Highness Maha Rani Sethu Parvathi Bai, whose rare culture and practical wisdom have already earned for Her Highness a conspicuous place among the enlightened women of modern times, our sisters in Travancore will show in the future a progressive spirit of enterprise and organisation in the realm of co-operation.

The Devadhar Committee has pointed out in its report that "exclusiveness of membership is repugnant to the spirit and principles of co-operation," and it exhorts the Department to "set its face resolutely against this unwholesome tendency." There is no objection, however, to societies being organised for the benefit of the poorer classes living in isolated villages, such as the coast fisher folk or Pulaya or Cheramer colonies. But the point to be remembered is that admission should not be denied to members of other communities, should any such come forward and seek admission. To members of the depressed classes who are yet ill-equipped to efficiently manage the business of societies, it will be an advantage in every way to have a few members of other communities to serve as Presidents, Secretaries, &c., for sometime to come. This may serve further to dispel the notion of social inferiority, if any, prevalent among the depressed classes, as to produce better understanding as between the communities themselves—a result quite in harmony with co-operative ideals.

On the subject of audit, it is noteworthy that the Government propose to take power, under the Bill, to levy an audit fee. Under the present law, audit is free and it seems to me that it will be unwise to tax societies for audit work. It is well to remember that co-operation is social service rendered by honorary workers and it will be passing strange that, while their work is free, that done by the Governmental agency should be paid for. And what is still more strange is that this liability to payment is not said to be dependent on the existence of divisible profits. There is, however, exemption in the case of a society which can get its accounts audited by a Certified Auditor. But this is qualified by the condition that the Auditor engaged should be one approved by the Registrar. This restriction in regard to the choice of an Auditor is meaningless and altogether unnecessary, because a Certified Auditor is one whose competency for the purpose is approved

and certified by the Government. It is to be hoped that the valued concession now enjoyed by the societies will not be withdrawn.

There are one or two other matters also vitally affecting Co-operation, on which the recommendations of the Devadhar Committee require some close examination. One such is contained in Section 47 of the Bill now before the Legislative Assembly, which gives power to the Registrar to supersede the Managing Body of a co-operative society, if in his opinion, it is not functioning properly. I can conceive of no provision more antagonistic to the basic principles of Co-operation. Under the law, the General Body is the sole and ultimate authority in all matters relating to a society, and this extraordinary power ignores that authority, nay flouts its voice, and sets up one-man rule causing additional expenditure to the society. The nominated person may misuse the society's funds, and the Society is left without a remedy because the controlling authority is the Registrar himself. Practically the society ceases to exist, but its funds will have to meet such charges as manager's remuneration, &c., over which it will have no control whatever. It will be far better to cancel the society instead of placing its affairs in the hands of a single individual and still calling the institution a society. An amazing feature of this provision is that the power granted is full and free, for no specification is given of the conditions under which the power may be exercised. If only a vague suspicion crosses the mind of the Registrar, he could straight away dismiss the Managing Body and provide for a needy aspirant. Co-operators cannot therefore too strongly protest against this provision.

A very obnoxious provision is the jurisdiction sought to be given to the Registrar to interfere in the internal management and day-to-day work of societies. Section 56 of the Bill enacts that every dispute touching the business of a society shall be referred to the Registrar and the term "business" is given an explanation so wide, that it includes every conceivable dispute except one relating to disciplinary action taken against a paid servant. One has only to glance at the language to discover that there is a distinction contemplated between "dispute touching the business of a society" and "dispute touching a society." If it were the intention of the Legislature to give the Registrar such a large and all-inclusive jurisdiction as is proposed in the Bill, it could have been easily achieved by simply using the words "dispute touching a society" and omitting the words "the business of" in the first line. It is clear then that the object of the Legislature was to give the Registrar only a limited jurisdiction. The normal daily work of a society will be greatly impeded and the position of the Managing Body rendered intolerable, if every question relating to appointment, promotion, leave, distribution of work, &c., should be the subject of a reference to and enquiry by the Registrar. The term business has therefore to be given a restricted meaning so as to include only the object of a society as specified in its bye-laws.

An equally obnoxious innovation which the Committee wants to effect is contained in Section 54 of the Bill, which empowers the Registrar to order payment of compensation for misappropriation, fraud, or breach of trust by any past or present officer of a society. One astonishing peculiarity of this provision is that the Registrar could himself be the detective, the prosecutor and the judge. No greater travesty of justice could be imagined. The offences referred to are highly technical, and the idea of investing one executive officer, often unacquainted with the rules and procedure of judicial enquiry, with power to deal with such cases is to endanger the liberty of the subject and to deprive him of the ordinary right of defence according to law. It is noteworthy that no appeal lies from the Registrar's order. The only redress provided to the aggrieved party is that it is open

to him to file a suit in the District Court to set aside the order of the Registrar. It is indeed poor relief to drive a person to Court and subject him to all the trouble and expense incidental to civil litigation for honorary work done by him as the member of a co-operative society. In cases of actual misappropriation, fraud or breach of trust, the proper procedure is to allow the general law to have its course as at present.

Curiously enough, the Committee has recommended the reduction of the contribution to Reserve Fund out of the net profits, as also its utilisation in business with the sanction of the Registrar. The Committee says that "the object in the formation of the Reserve Fund is to obtain better terms in borrowing for the society and to secure it from the loss which the default of any member or any unforeseen loss in the course of the society might bring about. The existence of the Reserve Fund is above all one of the main sources of the financial stability for a society." Then comes the anti-climax. "It is permitted to use the same in the business of the society, and to draw the same for purposes sanctioned by the Registrar, as construction of building, &c." Under the existing law, the Reserve Fund has to grow from year to year in proportion to the profits of a society, and it "shall belong to the society as a whole and is intended to meet unforeseen losses." It is thus in the eye of the law the palladium of a society's financial stability, which ensures public confidence. To let it be dissipated as now proposed will be a retrograde and dangerous step.

One more far-reaching suggestion of the Committee has to be noticed. It has made up a financial chain which to my mind is sound in theory and attractive in form. The Central Co-operative Bank should function as an Apex Bank. In other words, this Bank and the Taluk Banks should not have individual members who must be served only by primary societies. Let us examine the present position of this Bank and the Taluk Banks. So far as the Central Bank is concerned, out of the paid up share capital of Rs. 1,53,630, societies hold shares only to the value of Rs. 43,060. The case of the Taluk Banks is not different. The Neyyattinkara Taluk Bank, one of the best societies of its kind, has paid up share capital of Rs. 87,265, of which the value of the shares held by primary societies is only Rs. 5,540, the balance of Rs. 81,725 being the value of the shares held by individuals. The activities of the primary societies have not grown to the stage at which they could oust individuals from Taluk Banks and the latter are therefore unable to take sufficient shares in the Central Co-operative Bank. In fact, the latter Bank has been holding in reserve 1,500 shares for societies, but there have been but very few applications. Though the Central Bank has been freely giving loans to individuals, it has still an idle surplus fund of about eight lakhs of rupees. It is therefore clear that individuals could be eliminated only when the Taluk Banks are sufficiently developed and brought to a position in which they could enable the Central Bank to give up the individuals by taking up the shares so released. In the existing conditions, to seek to implement the suggestion will spell disaster to the Central Bank unless the Government can come to the rescue and guarantee the discharge of the liabilities of individuals, should the Taluk Banks be unable to do so. The example of Madras can be no sure guide. The Apex Bank functioning in Madras serves the whole Province having an area of over 25 times that of Travancore. The Central Banks affiliated to it are each of the size of the Trivandrum Central Co-operative Bank, some even bigger. They are working in District Headquarters where there is plenty of capital available. The investments in some of these Banks are much greater than that in the Central Co-operative Bank here. The Devadhar Committee recommends that the function of the

Taluk Banks here should correspond to that of the Central Banks in Madras, forgetting the fact that the former will cease to exist if deprived of the share capital held by individuals. The question therefore is a very serious one and admits of no tinkering. A calm practical consideration of all its aspects leaves no doubt in my mind that the time is not come, and may not arrive in the near future, for giving effect to this financial scheme.

There are many more important provisions of the Bill which require careful consideration by the Subjects Committee. A perusal of the whole Report and the Bill based on it will disclose that the underlying aim has been to enlarge the powers of the Registrar to the utter disregard of the essential character of voluntary associations. There is no analogy between co-operative societies and Municipal Councils, which latter perform functions delegated by the Government. These bodies levy taxes in return for services rendered. The case is entirely different with co-operative societies which are combinations of a few persons for mutual benefit, the funds required being found by their voluntary contributions. It is absolutely wrong to ignore this vital distinction. In fact the scheme of the Committee's Bill, though professing to follow the Bombay Act, appears to have been to piece together such provisions in that Act and in the Madras Act as are calculated to enlarge the Registrar's jurisdiction and control, so much so that the natural and inevitable result will be to stifle all initiative and freedom of action of co-operative societies. So far as the Bombay and the Madras Acts are concerned, one should not forget the social background which gave them birth. The Bombay Act was of the year 1925 and the Madras Act of the year 1932. In the Western Countries, the War and after resulted in a new orientation of Society. Faith in democracy has been destroyed, regimentation, expert administration and dictatorship followed. War neurosis had hardly passed off before the advent of the paralysing economic depression. Traditional ideals were given the go-by. No wonder the Madras Act and the Bombay Act, to some extent, exhibit the impress of these conditions. The value of these measures as a guide to us in Travancore is therefore at a discount.

To summarise the extensive powers sought to be given to the Registrar—he can refuse to register a society, he can disapprove of amendments to bye-laws, he can dismiss the Managing Body of a Society and manage its business at its expense through a subordinate, he can interfere in almost every detail of a Society's day-to-day work, he can inspect a Society or can direct an enquiry into its affairs at any time, he can for such purposes and in the course of audit, summon the honorary workers to be in attendance ever so long and ever so often, he can refuse permission to distribute profits, he can refuse sanction to a criminal prosecution or a civil suit, and if, when the constant interference and consequent humiliation are past bearing, an honorary worker retires from such self-imposed social service, the Registrar can pursue and punish him by imposing a penalty for alleged misappropriation, or breach of trust. To crown all, an aggrieved member is denied the right even to approach a court of justice. If the object of the Devadhar Committee and of the framers of the Bill is to scare and drive away self-respecting persons of standing and experience from the field of Co-operation, they could not have devised a better plan. The Devadhar Committee has emphasised the need for proper men to guide and lead the movement—men capable, enthusiastic and public-spirited, who join the movement with the sole object of service. And yet the Bill is loaded with provisions which may in actual application prove vexatious and humiliating to the honorary workers. It is to be hoped therefore that the innovations contemplated in the Bill will receive serious and anxious consideration in both the Legislative Chambers, and that, in order that the co-operators' view in relation to every one of the far-reaching provi-

sions of the Bill may be fully available to the members of the Legislature, Government may be pleased to co-opt two experienced non-official co-operators in each House when the Bill comes up for discussion, so that the new Regulation may impart fresh vigour to the movement and enable it to produce results that will make for the economic uplift of the country.

Extracts from the Presidential Address of Mr. V. Ramadas Pantulu.

THE TRAVANCORE COMMITTEE REPORT

The appointment of the Devadhar Committee is an epoch-making event in the history of the Co-operative Movement of the State which was inaugurated about 20 years ago and an enquiry into the working of which has been long overdue. The able and informing report of the Committee not only embodies results of a thorough investigation into the conditions of the Movement in Travancore, but also discusses the economic position of some types of agriculture and of industries in this State. It is indeed a sort of general treatise on Co-operation which gives up-to-date information on the Movement not only in Travancore but the rest of India with which comparisons are frequently made. The Committee has made nearly 300 recommendations which cover the entire ground of the reform of the Co-operative Movement. Among the main reforms recommended by the Committee are the conversion of the Trivandrum Central Bank into an apex bank for the State, the transfer of long term loans from primary societies and taluq banks to the land mortgage banks, the splitting up into smaller units of societies with over 200 members, the rigorous collection of supervision fund, extension of sales to non-members in the stores societies, the revival of the co-operative produce society with financial aid and the loan of officers by the State, the creation of a separate bank to deal with depressed class societies, the grant of agricultural loans by the State through the Central Bank and the rehabilitation of the Co-operative Insurance Society. A definite lead has been given on some matters of importance to the Movement, such as that no communal societies should be started hereafter, that expansion is as important as consolidation of societies, that Co-operation should be introduced as a subject in high schools and that there should be a general reduction in the rate of interest on loans to members. I am, however, somewhat disappointed at the chapter on co-operative marketing, which is rather thin and meagre. On the subject of debt-redemption, I find less discussion of the state of affairs in Travancore than of legislation and its effects in other parts of India. The recommendations that the Central Bank should "conduct a detailed examination of loans in the primary societies" and that the Co-operative Department should "make an intensive survey of the economic conditions of cultivators" seem to me to be mere pious hopes. I am unable to understand how co-operative banks and insurance societies can be compelled to invest their reserve funds and premia respectively in long term debentures of land mortgage banks. The recommendations about the function of your Central Institute in regard to co-operative training and education are halting and unprogressive. It is obviously not possible for me to deal with all these matters in this address. Many of these will be coming up for discussion during our deliberations and I shall then have opportunities to express my own views on them. I must for the present confine myself to an examination of a few outstanding matters of general interest.

THE CO-OPERATIVE LAW—OFFICIAL CONTROL—GROWTH OF THE MOVEMENT

The Bill to consolidate and amend the law relating to Co-operative Societies in Travancore which was recently introduced into your legislature closely follows

the draft prepared by your Enquiry Committee, as the Statement of Objects and Reasons attached to the Bill itself says. I am constrained to say that the draft of your Committee has given the go-by to many of the progressive principles and ideals of the India Act II of 1912. The local Acts of Madras, Bombay and other provinces of the post-reform period are far less progressive than the India Act of 1912; and it looks to me that in many respects your Bill is more retrograde than even these Provincial Acts. All these Acts profess to be measures to facilitate the formation of societies for the promotion of thrift and self-help among agriculturists, artisans and persons of limited means with common economic needs and so forth. Your Bill, copying Bombay from which the Chairman of your Committee came, added to the preamble a more ambitious aim, namely, bringing about better living, better business and better methods of production—the Irish formula. I feel that there is nothing in any of these Acts or your Bill to justify these claims. These aims and sentiments occur no where in the body of these measures, which are purely and patently efforts to provide for registration, audit and liquidation of co-operative societies of all kinds and to define the extent and nature of other forms of official control over them, partly by express enumeration of the Registrar's powers and partly by rule-making powers to be exercised by the executive. These powers of the Registrar are the same in regard to all the societies without any differentiation between the societies, whatever may be their nature and functions—be it an apex bank, a taluq bank, a primary society, a land mortgage bank, a propaganda institute, a training school, a production society, a consolidation society, a consumers' store or a better living society. The societies are essentially known by their numbers on the Registrar's roll, just as the convicts in a prison or the units in a regiment are, for what matters for the purpose of the Co-operative Law is their subjection to common discipline and drill. In other words, the Co-operative Societies Acts in British India and the Indian States are drawn up with the Registrar as the centre of the picture and not the Society. This idea naturally dominates all proposals for the curing of the defects in the working of the societies or reforming the Movement, and the annual reports on the working of co-operative societies in almost all the provinces, therefore, show a family likeness in this respect. Wherever the Registrar finds that the institutions failed to function properly, he asks for more powers to deal with them and for an increase of his staff to cope with his additional work, resulting from such enlarged control.

If on the other hand our Co-operative Law has been framed on the basis that Co-operation is a movement of the people and not merely a department of the administration, one should have expected to find in these annual reports on the working of the Movement helpful recommendations for further encouragement and promotion of non-official initiation and enterprise and for strengthening the various kinds of co-operative institutions in diverse ways. The policy of spoon-feeding and more and more departmental control which is the main plank of the official programme will not in the least help the Movement. It will make it weaker and more sick. Your Enquiry Committee quoting Mr. Harold Butler of the International Labour Office say that "free institutions are not incompatible with strong executive action," and add as their own gloss to that statement that powers of control yielded to the Government are not only not inconsistent with the spirit of democracy, but create greater confidence and a feeling of safety in the public mind. Frankly speaking, I am unable to follow this philosophy or logic as applied to the Co-operative Movement. No one objects to the statutory powers of registration, audit and liquidation of the Registrar. But beyond that all powers of departmental interference with and control over co-operative institutions are in my opinion not in

the least degree conducive to the healthy growth of the Movement and that co-operation as a factor in the reconstruction of our rural and urban economy can make no real progress so long as it is thus administered and controlled. If co-operation is to occupy its legitimate place in our nation-building activities, the co-operative law of the country has to be entirely rewritten from an angle of vision and a standpoint radically different from that on which it now rests.

CO-OPERATIVE FINANCE—CREDIT ORGANISATION

CENTRALISATION OF FINANCIAL POLICIES.

Co-operative Finance in Travancore, as elsewhere, is somewhat out of focus. Appreciably large proportions of the working capital raised by the co-operative banks are being invested outside the Co-operative Movement, while for the satisfaction of the major portion of their credit needs, the members of the co-operative societies are resorting to credit agencies outside the Movement. Your Banking Enquiry Committee estimated in 1930 that your credit societies supplied no more than 8.5 per cent. of the total credit needs of the rural population. This percentage is perhaps less to-day. The Devadhar Committee said that at the end of 1108 (1932) about Rs. 8 lakhs out of the total working capital of Rs. 20 lakhs of your central bank was idle. It is said that about 50 per cent. of your societies did not borrow and that of the 670 societies affiliated to your central bank, only some 30 took loans from it in 1108 (1932). The Committee sum up the position thus: "At present though the reservoir (central bank) is full of money and the fields (members of societies) are parching and crying for finance, there is something clogging the channels (societies) which prevents the flow of the money." To me it appears that it is not entirely a case of the channels being clogged. The reservoir, the channels and the fields may all be in good repair but if the levels are not properly adjusted, there will be no flow.

Again, as regards the method of ensuring the due irrigation of the fields in future, I feel that mere structural realignments, by making your taluq banks federations of primaries and your apex or central bank a federation of the taluq banks, may not establish the necessary flow, without centralised regulation and functional readjustments. What I have never been able to understand in the co-operative credit organisation in India is the claim for autonomy by its several parts and resistance to centralisation of financial policies and programmes. No irrigation system can ever work if the men severally in charge of the reservoir, the channels and the fields commanded by them refuse to submit themselves to centralised regulation and claim the right to act independently of each other. That is precisely what is happening in the co-operative financial system to-day. There are many non-official co-operators who maintain that autonomy of the several institutions is the very breath of the Movement and the idea of a drive from the centre is opposed to the spirit of democracy which is the main attribute of co-operation. I feel that this notion is fundamentally wrong. In all federal systems the powers which the centre enjoys are those which the federating units voluntarily cede and which they can take back if misused and the arrangement is one which is broadbased on true and genuine ultimate democratic control. So, I unhesitatingly urge that in the scheme of reorganisation of your credit institutions, your apex bank, taluq banks and primaries must be made to function as integral parts of a single credit machinery and that the powers of regulation of all financial policies and programmes should be centralised in the apex bank. This is an essential reform which no Provincial Bank in British India has yet attempted. Why not Travancore give a lead to the rest of India in this matter?

ADEQUATE AND PROMPT FINANCE, THE NEED OF THE MOVEMENT.

In every system of irrigation, the requirements of the fields to be irrigated obviously constitute the principal factor to be kept in view; the construction of the reservoir and the channels has naturally to be planned in relation to the nature and extent of those requirements. The fields (which in the simile used in your Committee's report represent the members of the societies) are said to be parched and crying for finance. I understand the Committee to mean by "finance" cheap, facile, and productive credit, for usurious and unhealthy outside credit in whose coils our members are daily enmeshed, is available in abundance. Who is responsible for this state of affairs? Have we in planning the construction of our monetary reservoir and the channels through which the money has to flow, kept in view all the requirements of the fields (the members)? I think not. We cannot say that our finance has been either sufficient or prompt so as to help our members to turn away from the grabbing *mahajan*. Nor has the co-operative bank been much more humane in the long run than the exacting moneylender. Co-operative banks cannot claim to be efficient and fruitful sources of credit supply, unless and until they procure timely and adequate loans for their members for purchase of means of production, making improvements to their lands, holding up their produce for a favourable market and allied purposes. There is nothing new in this suggestion; but powers of organisation, sympathy and determination are needed to carry it out.

URBAN BANKS.

Your Committee has drawn pointed attention to the fact that compared with the Urban Banks of other States and provinces, those in Travancore are very much weaker in transactions, finance, wider outlook and service and say that there is need for special propaganda and organisation in towns of industrial and commercial importance and to take steps to encourage banking habit and cheque system among the urban population. The importance of this form of credit to develop your subsidiary occupations and small scale cottage industries cannot be exaggerated and I hope an earnest effort will be made to develop your urban banking.

STATE LAND MORTGAGE BANK VS. CENTRAL CO-OPERATIVE LAND MORTGAGE BANK—
IS MADRAS SYSTEM SUITABLE?

The recommendations of your Enquiry Committee on the subject of land mortgage banks are elaborate and far-reaching. In effect, after recommending the adoption by your State of the Madras system, they proceed to say that after a dozen primary land mortgage banks are organised a central land mortgage bank on the Madras model should be organised to take over the business of your existing State Land Mortgage Bank and that a new State Land Mortgage Bank should be organised to grant loans exceeding Rs. 10,000 to individuals or agricultural corporations. I am of opinion that these recommendations require further examination. The Madras system has many difficult and peculiar features about it and I have found that many other provinces and States are unable to adopt it. A more thorough investigation into the conditions obtaining in your State will, therefore, be necessary before you decide to copy Madras. In the ryotwari parts of Madras Presidency, the system of landholding and record of rights is the greatest asset of our land mortgage system. The zamindari areas which roughly cover about a third of the province are found not quite so suitable for the introduction of the land mortgage banking system. The Provincial Government has guaranteed in full the principal and interest of the land mortgage debentures and the

tent of such guarantee has already reached nearly the limit of Rupees one crore, approved by the Legislature, and will soon have to be further increased very substantially—to several crores, if the system is not to break down half way and is deal effectively with liquidation of rural debt. Special legislation has been passed vesting the mortgage banks with summary powers of recovery of debts and sale of the mortgaged properties without resorting to courts, so as to ensure the fluidity and ready marketability of the debentures. To ensure the steady flow of cheap money and to eliminate the possibility of putting competing issues on the market, debenture-issue is concentrated in the central institution. In order to attain these ends, we have consciously sacrificed many distinctive features of rural co-operative banking; put a ban on our primary land mortgage banks from collecting surplus rural wealth; and the bulk of our long term capital is derived from capitalist sources which command large resources, namely, urban investors and commercial or quasi public concerns. These arrangements do not materially differ from a State-aided land mortgage banking system, which is more commercial than co-operative. What attitude the Provincial Legislature and the Provincial Executive will take in future in regard to further increase of the limit of guarantee and the continuance of free services of departmental staff, it is difficult to say. When the guarantee limit was recently extended from Rs. 50 lakhs to Rs. 100 lakhs, it was not done without some opposition from certain quarters within the legislature and outside it. The Finance Department is already putting forward its claims to be reimbursed out of the profits of the Central Land Mortgage Bank the cost of the services now given free. These and many other considerations have to be carefully weighed before you and your Government decide to instal the Madras system. Some of the Provincial Banking Enquiry Committees, like the Bihar and Orissa Committee, who approached the problem with an insight into all these aspects of it, favoured the formation of land mortgage banks by the Provincial Governments, with capital initially supplied by the Governments. With this view, the Indian Central Banking Enquiry Committee expressed their general concurrence (vide page 179 of the Report). I shall indicate a little later the type of State-aided agricultural credit bank which in my opinion will suit Travancore better than the type recommended by your Committee.

THE BANKING SYSTEM OF THE COUNTRY AND THE CO-OPERATIVE
BANKS IN INDIAN STATES

The Reserve Bank Act contains some provisions for the purchase, sale or rediscount by the Reserve Bank of certain kinds of paper drawn or issued for financing seasonal agricultural operations or marketing of crops and bearing the signature of a Provincial Co-operative Bank, or promissory notes of Provincial Co-operative Banks supported by documents of title to goods. The Act also contemplates the setting up in future of a special Agricultural Credit Department of the Reserve Bank. But the Co-operative Banks of Indian States are excluded from the scope of the Act. As the Reserve Bank Act now stands, the only way in which the Reserve Bank can help an Indian State financially is by the Central Board of the Bank recommending to the Governor-General that the securities, the principal of and interest on which are fully guaranteed by the State, are eligible for purchase and sale by the Reserve Bank. This is not enough to help the Co-operative Movement, for it may not always be possible for a State to raise funds in that manner to finance agricultural industry. So, the All-India Associations of the Provincial Co-operative Banks and Institutes urged on the Government of India and the Select Committees of the Central Legislature which dealt with the Bills of 1927-28 and 1933-34 the necessity to bring the co-operative credit organi-

sations in Indian States also within the scope of the Act, but in vain. There has not been apparently sufficient evidence before the Government of India of a desire either on the part of the Indian States or of the co-operators in the States for the linking up of their co-operative banking system with the Reserve Bank. So, if there is to be any change in the Act in this respect, the demand for it must come primarily from the States concerned.

I am not very sanguine about the prospects of the co-operative banks in the Indian States being linked financially with the rest of India through an Agricultural Credit Department of the Reserve Bank. Moreover, the prospects of the establishment of an Agricultural Credit Department of the Reserve Bank which is likely to benefit agricultural industry and co-operation are very gloomy, even in regard to British India. The report of Mr. M. L. Darling, I.C.S., the special officer, appointed by the Government of India to make enquiries into and report on the subject has not been made available so far to the public or even to the Provincial Co-operative Banks. There is a general impression that the report is disappointing and not helpful to the interests concerned. The least that co-operators may legitimately expect the Government of India to do is not to come to any final decisions on that report until the Provincial Co-operative Banks have had an opportunity to express their views on Mr. Darling's recommendations and the action proposed to be taken on them.

In view of the difficulties of linking the co-operative banking organisations of Indian States with the banking system of British India and its crown, the Reserve Bank, I think the larger Indian States will do well to establish their own State Banks to help agricultural industry somewhat on the lines of the Agricultural Credit Bank of Sweden which is a joint organisation for the co-operative agricultural banks. According to a Swedish Royal Decree of 1930, the functions of that bank are "to borrow sums of money and to lend to the central banks (corresponding to your taluq banks) which utilise them for their activities, this apart from sums which may fall into them from their own deposits;.....in addition the bank acts as promoter of agricultural banks and in general to develop the movement." In 1933 all the audit of agricultural banks, central as well as local, has been centralised in a special section established for the purpose at the agricultural credit bank; this section has also advisory functions and supervises the work of the co-operative banks, central and local. This system will, in my opinion, suit better the requirements of the agriculturists of Indian States, which stand isolated from the Banking system of the country as a whole, than the establishment of Central Co-operative Land Mortgage Banks on the Madras model.

NON-CREDIT CO-OPERATION

It is well known that co-operative enterprises other than credit are put in official reports into two broad groups—agricultural non-credit and non-agricultural non-credit—according as to whether they have an intimate connection or not with the main occupation of the people—agriculture. This is not a scientific or logical classification, for there are enterprises which partake of the character of both. The most important among those of the first category with which your Committee has dealt are "Production, Purchase and Sale" societies. The Committee has rightly drawn attention to the great importance of the cocoanut industry in your State and to the part which the co-operative movement can play in organising both the *copra* and *coir* industries at the stage of their production and marketing. In view of the vital position which this industry occupies in this State, I have no doubt that your Government will give their favourable consideration to the recommendation

of your Committee in regard to State-aid in the shape of appointment of special staff and liberal financial aid. Of the non-agricultural non-credit societies (i) weavers' societies, (ii) distributive societies and (iii) the Co-operative Insurance Society have received special treatment at the hands of your Committee. I am in general agreement with your Committee's recommendations in respect of the former two. But in regard to your Co-operative Insurance Society, I am not satisfied with the solution suggested by your Committee and I propose to deal with the subject at some length, having regard to the growing importance of co-operative insurance in various parts of India and its great potentialities as a factor for promoting thrift and improving the economic condition of our members.

CO-OPERATIVE INSURANCE

As in the case of the provinces of Bengal, Bombay and Madras, co-operators in some of the Indian States like Travancore, Hyderabad and Indore are also interesting themselves in Co-operative Insurance and the problem is now really one of all-India concern, for the area of operation of some of these co-operative insurance societies extends over the whole of India. While, however, in British India the Government has confined its activities to schemes of life assurance of certain classes of their employees, the Governments of some of the Indian States are throwing open their insurance schemes to the general public, as in Mysore and Travancore for instance. State enterprise in such cases is bound to come into conflict with and eventually suppress the co-operative enterprise. The State which has its organised public services can run their insurance business with little additional expenditure on securing business. The argument that is sometimes advanced, namely, that there is no reason why co-operative insurance societies operating in a State should not, if well managed, flourish in competition with State insurance, equally well with the joint stock concerns, operating in the same area, is to my mind, based on a fundamental misconception. These joint stock concerns, with a wide field of operation and with the aid of the huge resources at their disposal are able to set up efficient organisation for securing business in competition with the State and do not depend for such organisation merely on the income which they derive from that particular local area. A Co-operative Insurance Society, whose operations are confined to a single state, can never build up a similar organisation or spend as much as commercial concerns with an all-India field to operate, can do for securing business.

Two questions arise in connection with schemes of Co-operative Insurance in Indian States: one is whether there is scope for the State as well as Co-operative organisations to engage themselves in the general business of life assurance; and the other is whether it is desirable or expedient to have local co-operative insurance societies for the different Indian States. The first question is really part of the larger controversial problem whether intervention of public authorities in insurance business is necessary or justified. International co-operative opinion, as expressed by the Insurance Committee of the International Co-operative Alliance, is that while social insurance (sickness, accidents of labour, unemployment and pensions) may be practised by the public authorities, there is no necessity or justification for the intervention of the State in the field of commercial insurance (life, fire, accident, theft, etc.). The reason is this. In social insurance there is generally compulsion; it applies to the whole community; its risks are covered not only by the payments made by the beneficiaries but also, as a general rule, by the contributions of the employers and the public authorities. So, the management of such business is a legitimate function of the State. In regard to commercial insurance,

the State must stand out, except perhaps to a very limited extent to benefit certain branches of its public services. Is this field then to be left to the joint stock concerns? We, as co-operators, cannot of course accept that position. We maintain, and rightly too, that Insurance on co-operative basis has a claim to displace the joint stock ventures.

The guiding principles of co-operative insurance are (a) depriving capital of its controlling voice and making the voice of the policyholder the decisive factor; (b) low and limited rate of interest on capital, the volume of which will be restricted to the minimum necessary; (c) low cost of the policy to be assured; (d) the establishment of a reserve fund; (e) the distribution of the surplus amongst the assured persons or to works of social character; and (f) the investment of the funds for the benefit of the community, that is to say, making them available for the use of the classes from whom they are derived. To the extent that joint stock concerns adopt these principles, they approach the co-operative ideal and emulate the co-operative spirit and principles. We welcome it, for our purpose is to co-operativise the insurance world and to make every insurance concern a public service organisation, which is animated by social and economic aims which promote national prosperity.

I envisage the future of co-operative insurance in India somewhat as follows. Regional co-operative insurance societies may be started in the British Indian provinces and in the larger Indian States, provided their areas of operations are fairly large and are likely to yield sufficient business. Such localised enterprise may have some initial advantages. Business relations may be established between these regional societies *inter se* by re-insurance and other methods of business contact on a reciprocal or other suitable basis. In course of time these small regional insurance societies will, however, attain a stage when they will find that further development would be difficult, for obvious reasons. So, ultimately the regional co-operative insurance organisations must be amalgamated into one or more large co-operative insurance societies with operations over the whole of India, the federating units functioning as branches of the central organisation. Arrangement may, however, be made for the utilisation of the funds of each of such branches for the benefit of the community in its area; and indeed the Central Society may, necessary, supplement the resources of the smaller branches from the central reservoir.

Your Enquiry Committee which was strongly in favour of rehabilitating your Co-operative Insurance Society, suggested that your Government should confine its business in the public branch to policies of over Rs. 1,000 and leave the small business of Rs. 1,000 and below to your Society, and also recommended that financial help should be given to your Society by way of an overdraft and a contribution towards cost of running the Society. I do not know what has happened since then but assuming that these recommendations are accepted, they do not help you much. My experience of Co-operative Insurance in Madras has convinced me that we cannot depend, for our development on the voluntary help of co-operative institutions. The business is too exacting to be done by honorary workers. Such of the co-operators, either connected with co-operative institutions or are in the service of the department, as are business-minded, have in many instances, vested interests in commercial insurance concerns, and will naturally not give up business which pays and which they have in hand for the love of co-operation. They may in some cases, even use their position and influence in the Co-operative Movement or in the official sphere in favour of the enterprise to which they are attached. So co-operative insurance society must rely primarily on the strength of its own

organisation. While we may and ought to eschew unhealthy competitive methods and flashy and expensive advertisement in quest of big business so as to reduce the cost to the assured we must have effective and efficient services of our own to withstand competition and make headway. This cannot be achieved if even within the confines of your state, you are restricted to small scale business as recommended by your Committee. So, the correct solution of the problem, to my mind, is that the Government of the Indian States should confine their insurance schemes to certain classes of their own employees as the Government of India does and leave the rest of the field to co-operative insurance concerns.

INSPECTION, SUPERVISION AND AUDIT

Following the main line of thought of the Townsend Committee on the subject, the Devadhar Committee make inspection not merely the right but also the duty of the financing banks, supervision the function of the supervising unions and recommend that audit which is the function of the Registrar should be made to conform more closely to the statutory requirements. It is on the whole desirable to distinguish between these functions though they overlap in actual practice, specially in a primary society. In the absence of a better solution we may accept this arrangement for the present. I say so notwithstanding my experience of the work of the unions in Madras, which on the whole cannot be said to be a success. If your Unions are to work satisfactorily three things are necessary—adequate supervision fund, competent and honest supervisors and vigilance and personal interest on the part of the members of the committees of the unions. You must establish close and healthy relations between your central co-operative institute and the unions and the former must give helpful guidance to the latter. I am glad to find that your Enquiry Committee have recommended that no audit fee should be levied from the unlimited liability societies and the smaller limited liability societies. Even in the case of those urban banks and non-credit societies which are liable to pay an audit fee, I hope your Government will take a generous attitude for most of them are badly hit by the economic depression and the general decadent condition of the movement.

CO-OPERATIVE EDUCATION AND TRAINING

The opinion recorded by your Enquiry Committee about the equipment of the staff of the department and the employees of the non-official agencies to discharge their duties is anything but complimentary. As regards the former the Committee say "We are constrained to observe that several among the members of the existing staff of the department have not been given efficient and adequate training to carry on satisfactorily the duties entrusted to them." They say that the members of the staff employed by some of the non-official agencies are ignorant of even the fundamentals of co-operation. It may be no consolation to you if I say that conditions in your neighbouring British province are not much better, but it will serve to show that Travancore is not behind the rest of India in this respect and in the effort to set right the position you may succeed sooner than we in Madras expect to do.

How shall we set about the task of educating our members and training our staff? I am convinced that the official agency is singularly unsuited to impart co-operative education and training. I beg to invite your attention to the opinion of leading co-operators in India on the subject which I have collected in the third issue of the *Indian Co-operative Review* for 1935. After a full discussion on the

subject, the following resolution was passed by the All-India Co-operative Institutes' Association, at its Patna meeting held in September last:

"This Conference regrets to notice a tendency on the part of the Provincial Governments to officialise the agencies for the imparting of co-operative education and is emphatically of opinion that such a step will prove highly detrimental to the Movement. The Conference, therefore, urges on the Government of India and the Provincial Governments the need to arrange for co-operative education being imparted through non-official co-operative organisations and for making financial grants to these institutions for carrying out the programme of co-operative education."

In view of this accredited non-official opinion, whose weight and authority cannot be questioned, I am unable to agree with the recommendation of the Devadhar Committee that a Central Co-operative Training School should be started at Trivandrum under the control of official agency and that it should be in charge of an Assistant Registrar. It is somewhat unfortunate that your Enquiry Committee should have turned to Madras for inspiration in regard to the organisation of co-operative education, for the official outlook in regard to co-operative education in Madras is extremely conservative and out of date. In my opinion, the whole question of co-operative education and training in this State requires re-examination in the light of Indian non-official co-operative opinion. The functions of co-operative education and training should be entrusted to your Institute.

ECONOMIC PLANNING—RURAL REMEDIES

Economic planning is the slogan of the day. In your neighbouring British Province of Madras, there is at present a great deal of committee activity and drafting effort to produce ten-year and five-year plans. Co-operators of Madras await with interest the publication of these plans, and I have no doubt that the co-operators of Travancore will also be eagerly watching the developments in Madras. Having regard to its topical interest, economic planning had naturally engaged the attention of your enquiry committee also. They say, "we are positive in the belief that unless some fresh avenues of economic development are explored and the mobilisation of human strength secured under a *definite and settled plan of action*, the Co-operative Movement, will not be able to render any substantial help to the poor ryots." They say that each village must be made self-sufficient and self-contained unit of administrative life with facilities for carrying on the rural reconstruction work; one thrift society, one better living society and one primary credit society must be organised in each village. These plans read well on paper. But I am somewhat sceptical about their practicability. I do not think that there is a real necessity for so many different institutions in each village to deal with the villager's life; nor is it easy to organise and conduct so many of them for the human material available in the villages for the purpose must be very limited. I am further of opinion that without a sound system of statutory village panchayat boards, the villages cannot be made self-contained units of administrative life and when efficient statutory panchayat boards are set up they can take over many functions of village organisation. The Government must leave at least two annas in the rupee of the land revenue for village organisation and administration by Statutory Panchayats.

AGRICULTURAL COLONISATION.

Your Committee recommends the establishment of colonisation societies in select areas. This agricultural colonisation, according to the Committee, would

aim at the material, moral and intellectual betterment of the members. The ideas underlying the scheme are said to be intensive cultivation of land on a co-operative basis, collection and sale of articles on co-operative principles, conduct of self-contained industrial colony where the members are subjected to common discipline and the uplift of the depressed classes by admitting them as members of the colony on equal terms with the higher castes. Your Committee call this scheme, which is attempted by the Vasumathy Agricultural Society, a laudable but an ambitious one and advise the promoters to confine their attention to one item of work and strain every nerve to make it a success before they contemplate the extension of their activities to other items. There is certainly much that is attractive in this scheme. I am, however, doubtful whether items of rural reconstruction programmes can thus be isolated and tackled individually, for the life of the villager and its problems must be taken as a whole. A few days ago, I received a copy of an elaborate appeal issued by the Rural Reconstruction Association of Poona under the signature of a number of distinguished economists, legislators and businessmen embodying a scheme for the formation of "colonies for rural uplift and education." The authors of the scheme estimate the cost of establishing a colony of 50 families at Rs. 25,000 or Rs. 500 a family and propose to raise the requisite funds by issue of shares on which interest at 3 to 6 per cent. may be paid. The scheme is of special interest to co-operators, for the proposed colony which is conceived both as an educative venture and a self-sufficient unit, will be run entirely on a co-operative basis.

DEBT RELIEF.

The question of debt relief naturally occupies a very prominent place in all suggestions of rural remedies, for chronic indebtedness results in loss of agricultural efficiency, and impedes agricultural progress. In your State, the question was examined not only by the Devadhar Committee but also by another special Committee appointed later. The most important of the recommendations of the latter Committee is the establishment of debt conciliation boards. There is bound to be considerable difference of opinion on the constitution and functions of these boards because a variety of interests are affected by their operations. Without attempting to examine the *pros* and *cons* of the question, I am content to say that unless a certain element of compulsion is introduced into these schemes, both in regard to bringing up the matters before the boards for decision and in regard to enforcement of awards given by the boards, liquidation of rural debt on an appreciably large scale cannot be effected by the working of these boards, though some fraction of it may be conciliated on voluntary basis and the scheme may be beneficial to that extent to some debtors. On the question whether these boards should work on rules which are elastic so as to leave scope for the exercise of discretion in each case by the board or on rigid rules which leave no such scope, I am in favour of the former solution, for a variety of equities enter into these decisions for all of which it is difficult to provide. In any case the ability of the debtor to pay must be an element for consideration and it cannot be ascertained on any mechanical basis.

It is now generally conceded that the problem of rural debt cannot be solved merely by creating agencies to reduce the volume of existing debt or to lighten the present burden on the debtors. The real solution of the problem can only be found in removing the main causes of indebtedness and in improving the economic strength and the income of the agriculturists by appropriate State action based on a progressive agrarian policy. In dealing with the problem of owners of Encum-

bered Estates, a former Governor of Madras said in the Legislative Council in the course of the debate on the Court of Wards Bill that the remedial measures fell under three heads, *therapeutic, prophylactic and hygienic*; in other words, it was not only necessary to treat the malady in its acute stage, but it was equally necessary, if there should be no relapse, to guard against the disease during convalescence and also to create a healthy atmosphere and environment in which the disease would not be normally contracted. The position in regard to the ordinary debtor in rural India is much the same. So, while we require measures of a transitory character to cure the malady of indebtedness in its present acute stage, we also want permanent measures to remove its causes and to prevent its recurrence as far as possible.

RURAL RECONSTRUCTION AND NATIONAL OUTLOOK.

There are so many schemes of rural reconstruction in the field—Indian and foreign—and it is difficult to make a choice. It is for your Government and for you to examine the several schemes and to evolve one that suits your local conditions best. It is now well recognised by all authorities that plans for rural reconstruction must generally include (a) Technical improvements in agriculture; (b) Spread of co-operative ideals; (c) Adult Education; (d) Reorganisation of Village Community Administration; (e) Re-establishment of Cottage Industries; and (f) Revision of the land tenure system.* It is gratifying to note that your Government is not only fully alive to the vital importance of the problem but has already taken definite action in regard to agricultural development in the State on a five-year plan. The Chenganacheri experiment for opening poultry farms, apiaries and vegetable cultivation under expert supervision will, I hope, prove successful so as to justify its extension to other localities.

To me it seems that the question of rural reconstruction is in its essence largely a problem of mental reconstruction of the people as well as the Governments concerned. All schemes of rural reconstruction will involve the process of bringing about a change in the standard of living and outlook on life among the masses by rousing them from the depths of the placid, pathetic contentment with their present plight, to which they have now resigned themselves. This process will naturally tend to create in the minds of the people a sense of dissatisfaction with the existing socio-economic order. No Government should, however, be afraid of the results of preaching to the peasant and the worker that discontent with his conditions of life, which is necessary for their betterment. It must, on the other hand, welcome it and help to create the atmosphere necessary to develop self-reliance and self-help and to foster an active desire for economic independence in its subjects. The State must look upon Co-operation and allied activities not merely as parts of its modern paraphernalia and administrative adornment, but must have a living faith in their potentialities as instruments at their disposal for the economic rehabilitation of its subjects. Unless there is a genuine sense of identity of political and economic interests between the people and the rulers, the economic reorganisation of the masses, involving promotion of Swadeshi, development of village industries and creation of rural leadership, without which no programme of rural reconstruction will be fruitful, can be accomplished. When the conditions for such joint efforts of the people and the Government at national reconstruction are forthcoming, the problem of finance, the creation of rural bias in our workers and allied problems will find an easy solution.

*Vide Indian Peasant—N. Gangulee.

Resolutions

IV. This Conference resolves that the following be substituted for Section 47 of the Bill:—

(1) If, in the opinion of the Registrar the Committee of any registered Society is not functioning properly, he may after giving an opportunity to the Committee to state its objections, if any, and if after considering the objections raised they are found unsatisfactory, call upon the members of the society to appoint a new Committee in such time as may be fixed by him, but not less than one month. If the Committee so appointed is, after trial for six months, found wanting and the Registrar is of opinion that, in the circumstances of the case, it is undesirable to order the cancellation of registration of the society, he may, by order in writing, dissolve the Committee and appoint a suitable Committee consisting of members of that society to manage the affairs of the society for a specific period not exceeding one year. The period specified in such order may, at the discretion of the Registrar, be extended from time to time, provided that such order shall not remain in force for more than two years in the aggregate.

(2) The Committee so appointed shall have all the powers, rights and responsibilities that any other Committee has according to the Bye-laws of the Society.

(3) The Committee so appointed shall at the expiry of the period of its appointment arrange for the constitution of a new Committee in accordance with the bye-laws of the society.

(4) Before taking action under sub-section (1) in respect of any society, the Registrar shall consult the Union that has jurisdiction over that area and the financing bank to which the society is indebted, if any, regarding such action and the provision to be made for the management of the affairs of the Society, provided that, in the case of a Union, the Travancore Co-operative Institute is consulted previously and in the case of the Institute and the Central Bank, necessary Government sanction is obtained.

(5) Nothing in this section shall be deemed to affect the powers of the Registrar to cancel the registration of the society under any section.

V. *Surcharge* (Section 54). This Conference is of opinion that the power given under Section 54 is undesirable and that Section 54 be deleted from the Bill.

VI. *Reserve Fund* (Section 39). This Conference resolves that the rules under the existing Regulation relating to Reserve Fund should be maintained and that out of the Reserve Fund, a loan may be given to a society for a specific purpose like the construction of a building or the acquisition of real property, with the approval of the Registrar. Such buildings and properties shall not be charged or encumbered except for such loans. The interest charged on such loans shall not exceed one per cent above the rate of interest paid on the Reserve Fund by the financing bank.

VII. *Arbitration* (Section 56). This Conference is of opinion that the explanation to section 56 is likely to give rise to some legal difficulties by extending the meaning of the expression "disputes touching the business of the society" to matters not contemplated by the Legislature, such as matters arising in internal administration and the relations between the society and its employees, but not strictly

touching the business of the society, and therefore requests the Legislature to so amend the clause as to exclude from its scope such matters.

VIII. *Arbitration (Section 56)*. (a) Resolved that sub-clause 5 of section 56 be so amended as to make it obligatory on the Registrar to receive and hear an appeal preferred by an aggrieved person on the lines of Section 56 of the Bombay Act.

(b) Resolved that provision similar to that in section 54 of the Bombay Act be made in the Bill for the appointment of three Arbitrators, one nominated by the Registrar and one each by the parties when either party so desires.

(c) Resolved that a proviso be added to section 56 of the Bill similar to the proviso to section 54 of the Bombay Act, but curtailing the period of suspension of the proceedings to three months.

IX. *Audit (Section 22)*. (a) This Conference is of opinion that no change shall be made in the law in regard to the audit of societies free of charge and urges on the Legislature to add to section 22 the following clause which now exists in section 17 of the Regulation:—

"No charge shall be made in respect of any audit made under this Section."

(b) Provision shall be made in the Bill to make the auditors liable for loss caused by fraud or neglect in the discharge of their duties as auditors.

(c) Sub-clause 4(1) of Section 22 shall be confined to power to summon only the paid employees of the societies.

(d) In Sub-clause (ii) add the words "at the office of the society or its branch if any."

X. *Constitution of Rural Societies (Section 4)*. This Conference is of opinion that there is no necessity to place a statutory limitation on the freedom of agriculturists to form societies with limited liability and resolves that section 4 of the Bill be suitably amended to secure such freedom.

XI. *Division of Profit (Section 40)*. This Conference is of opinion that it is not necessary to require societies to obtain the Registrar's sanction for division of the net profits when the provisions of the Act and the rules are complied with and that the provision in section 40 of the Bill requiring such sanction be deleted.

XII. *Land Mortgage Banks*. This Conference requests the Government to expand the business of the State Land Mortgage Bank and to help the agriculturists by arranging for grant of loans on a more liberal scale.

XIII. *Co-operative Education*. This Conference regrets to note a tendency on the part of the Government to entrust the function of imparting Co-operative education and training to official agency and is emphatically of opinion that such a step will be highly detrimental to the Movement and urges on the Government the need to arrange for imparting co-operative education and training through non-official co-operative organisations and agencies and for making adequate financial grants to such organisations and agencies.

XIV. *Cottage Industries and Productive Societies*. This Conference exhorts co-operators to organise co-operative societies to promote cottage industries and to encourage the formation of productive societies.

XV. *"One man one vote."* (Section 18). This Conference resolves (a) That section 13(2) of the existing Regulation should be substituted for section 18(1) of the Bill.

(b) That in secondary societies, whose membership consists of individuals as well as societies, the representative of a society shall have as many votes as the number of shares which the society holds and that an individual member shall have only one vote, irrespective of the number of shares held by him.

XVI. *Subsidies to Unions and the Institute by the Central Bank*. This Conference recommends to the Central Co-operative Bank that 2½ per cent of its net profits be set apart to subsidise the Unions and the Co-operative Institute.

XVII. *Penal Interest*. (a) This Conference resolves that penal interest should be abolished.

(b) *Reduction of rates of Interest*. This Conference resolves that the rates of interest on loans to societies and to the individual members should be reduced.

XVIII. *Co-operative Education in Schools*. This Conference resolves that "Co-operation" should be introduced into the curricula of studies in schools.

XIX. This Conference resolves that Recommendations Nos. 199, 201, 202, 207, 208 and 209 of the Devadhar Committee be fully and carefully examined by the Unions and that they should send up their proposals in regard to those recommendations to the Institute for necessary action.

XX. This Conference appeals to the authorities concerned that the Secretaries of Harijan Co-operative Societies be given monetary aid from the Co-operative Department and that Co-operative Colonies be organised in the State so as to help towards their better living.

XXI. *Co-operative Insurance*. (a) In view of the expansion of the business of the Travancore Co-operative Insurance Society, Ltd., No. 1957, and in accordance with the recommendation of the Devadhar Committee, this Conference requests the Travancore Government to confine its Life Insurance operations to its own servants and thus avoid competition with the Co-operative Insurance Society.

(b) This Conference appeals to all co-operative societies in the State to encourage the Travancore Co-operative Insurance Society by taking shares and stimulating interest in its progress.

PROCEEDINGS OF THE JOINT SESSION OF THE STANDING COMMITTEES OF THE INDIAN PROVINCIAL CO-OPERATIVE BANKS' ASSOCIATION AND ALL-INDIA CO-OPERATIVE INSTITUTES' ASSOCIATION.

FYZABAD, 11TH & 12TH APRIL, 1936.

A joint session of the Standing Committees of the Indian Provincial Co-operative Bank's Association and the All-India Co-operative Institutes' Association met on the 11th April 1936 at 12 noon in the premises of the Fyzabad Museum, Fyzabad under the presidency of Mr. V. Ramadas Pantulu, President of both the Associations. The session was attended by members from many of the provinces and some of the Indian States. Members of the Board of Management of the U. P. Co-operative Union as well as some prominent co-operators of the United Provinces were also present.

Welcome Address

RAJA SYED MOHAMMAD MEHDI, M.L.C. of Pirpur and Director, District Co-operative Bank, Ltd., Fyzabad, while welcoming the delegates, said :—

1. On behalf of the members of the Reception Committee, I offer you a most hearty welcome. We feel proud that our provinces should be the venue of the seventh meeting of the Standing Committees of the two premier Co-operative Institutions such as the Indian Provincial Banks' Association and the All-India Co-operative Institutes' Association. In the matter of amenities and conveniences Fyzabad is nothing like Bombay, Calcutta, Hyderabad (Deccan), Amraoti, Simla and Patna where you have held your meetings in the past. In U.P. itself, Fyzabad is not half as important as Lucknow. Even so, it is not unworthy of your visit. It has a very rich historical background. Fyzabad is the suburb of Ajodhia—the birth place of none other than Sri Ramchandra, whose filial piety and purity of life have formed the inspiring theme of bards and poets of all ages. Fyzabad was the seat of Government of the Nawab of Oudh until its transfer to Lucknow, and the mausoleums of Bahu Begam and Gulab-Bari give some idea of its old grandeur.

2. In common with other provinces, we have suffered on account of depression and slump. The repaying capacity of members has been seriously affected and overdues have accumulated. Thanks to the measures of relief granted by banks and societies at the instance of the Department, the worst has, however, passed, and except in a few cases, the heavy clouds are lifting. Arrears have decreased steadily since 1931-32 and now amount to nearly 53% of the outstandings. Between provincialised and non-provincialised banks, the former have done distinctly better. The decrease is all the more gratifying when it is borne in mind that unlike other provinces, our agriculturists have no rights of transfer over their land and what we have to capitalise is not property but honesty.

3. Speaking generally, we are faced with a somewhat tragic situation. On the one hand diminished investments in societies have increased the glut of idle balances in central banks; on the other the recent debt legislation has contracted rural credit and agriculturists are suffering for want of funds. The co-operators and the Department have put their heads together to find a way out. Societies are being formed with care, preferably in compact areas so as to ensure closer supervision. Wherever possible, credit organisations are preceded by better living societies so that principles of Co-operation may strike root before financial responsibility is undertaken. A better living society serves yet another purpose. It enables a credit society to embrace a large population of the village within its fold. Mortgage credit is being gradually introduced. Government rules are being suitably amended to reduce the glut of idle balances. Provision has been made for a central bank to advance money to members against tangible security, e.g., produce, ornaments, gold or silver, Government paper or deposit receipts. Provision has also been made to enable a bank to discount bills or present them for re-discount or to collect bills with or without documentary titles.

4. Of our recent activities mention may be made of the formation of cane supply societies on an extensive scale. During the current year these societies have contracted to supply 40 to 50 lakhs maunds of cane to the various mills. The societies get commission usually at the rate of 1 pice per maund and a part of the profits is payable to cane growers as bonus on their supplies. Sugar cane is one of the few cash crops, and having regard to the fact that U. P. has not only the largest acreage under cane but the largest number of mills working in the country, the scope for expansion is immense. Only last year, mills in U. P. and Behar between themselves paid Rs. 5 crores to the growers on their purchase of cane. A full-fledged

Co-operative Sugar Factory with a crushing capacity of 300 tons has been working at Biswan for the last three years. It is proposed to extend the capacity to 800 tons. As members of the Factory, the cane growers are not only entitled to dividend and bonus but also to a price which shall be at least 1 pice per maund more than the minimum fixed by Government. Societies for sale of ghee have made considerable headway in the Agra district and work is in progress in the adjoining district of Etawah with prospects of very early extension to Mainpuri. Rab making and cotton sale societies have opened up a new vista of profitable endeavour.

5. The formation of societies for cottage industrialists has not been neglected. We are not oblivious of the importance of marketing without which no labour can be properly remunerative. While on the one hand steps are afoot to organise a chain of stores out of the grant received from the Govt. of India for the development of the hand-loom weaving industry, funds have been made available out of the Rural Development grant for organising Rural Industries Stores. It is expected that altogether twelve stores will be formed at selected centres before long. In this connection I cannot help making a passing reference to the recommendations of the Industrial Finance Committee about the formation of a big Marketing Organisation for the products of cottage industries. The scheme will benefit cottage industrialists in general and members of co-operative societies in particular. We hope and trust the scheme will materialise early.

6. We have been going ahead for some time in the organisation of better living cum better farming societies. The ignorant is always suspicious of any change, however mild, useful or reasonable, yet constant insistence on clean and sanitary surroundings on the use of improved seed and implements has produced its effect. Even in the matter of ceremonial expenses, the rural vision is undergoing a change. Women's societies for better living and thrift are full of great potentialities, though success in this direction must be necessarily slow as supervision over such societies presents peculiar difficulties. Consolidation of holding has been undertaken in three or four districts and the idea has caught on. To expedite the pace, voluntary persuasion will have to give place to legislation before long.

7. We are far behind other provinces in the matter of land mortgage societies. Saidpur—the oldest—has done very well; Orai has launched before itself an ambitious scheme and the recent organisations have barely started work. The question of long term finance can only be satisfactorily solved by the issue of debentures, which again can be floated with success only by a central organisation such as a Central Land Mortgage Institute. In view of the provisions of the Reserve Bank of India Act, the proposal to have a *Provincial Co-operative Bank* has, I understand, crystallised into a definite scheme, and it is proposed to have a separate department therein for land mortgage work until a Central Land Mortgage Bank has been formed.

8. A number of important questions figure on your agenda and the resolutions of the Committee will carry a weight and authority all their own. Most of the difficulties are common, and the importance of the lead which you will give us cannot be sufficiently emphasised.

Minister's Message

The following message from the HON'BLE NAWAB SIR MOHAMMAD YUSUF, Minister in charge of Co-operation, U.P., was then read to the meeting by Mr. Vishnu Sahay, I.C.S., Registrar of Co-operative Societies, U.P.

"Please convey to the joint meeting of the Standing Committees of the Provincial Banks' and All-India Co-operative Institutes' Association my sincere regret

and disappointment at my inability to attend the Conference owing to previous engagements. I offer my most cordial welcome to the distinguished All-India elders of the Co-operative Movement who are meeting at Fyzabad. I hope and pray that the results of the deliberations will be conducive to the steady growth and development of the Movement, which stands to serve the teeming millions engaged in agriculture and cottage industries, and which is the tried friend of the poor, the broken, and the weak.

Short term credit will not lead us far, and the question of long term finance is rightly claiming your earnest attention. The prevailing depression and slump have given a rude setback and while they have brought to the fore the question of rehabilitating societies and banks whose assets have frozen, they have emphasised the need for debt reconciliation schemes and measures for increasing the repaying capacity of members. Better farming, consolidation of holding and proper marketing can no longer be neglected. Better living is as much necessary to make the cultivator an efficient producer of wealth as to check the preventable mortality that is going on in villages on account of unhygienic habits and insanitary surroundings. Co-operative education among members alone can lead to co-operative honesty and co-operative loyalty, and the weakest link in the chain has to be strengthened. In a pervasive movement of this character, you cannot leave the womenfolk out of account. They are the chancellors of the domestic ex-chequer. Rope them in if you want to succeed in your campaign against ceremonial extravagance and popularise thrift.

I will not detain you longer. As Co-operators, your goal is Rural Recovery. You could have espoused no nobler cause. I heartily wish you God-speed."

Presidential Address

Replying to the welcome address, Mr. V. RAMADAS PANTULU, President of the Banks' and Institutes' Associations, said :—

"Allow me to thank you on behalf of the members of the Standing Committees of the two Associations, who have assembled here, for the generous and hearty welcome that you have extended to us. We have heard a great deal about the historical importance of your city and other associations of interest which we greatly appreciate.

I do not know whether you expect me to speak on the problems which will come up for discussion before this Conference or which confront the Movement in general. The address of the Chairman of the Reception Committee and the communication which the Minister of Co-operation has sent are full of references to almost all the important problems of co-operation with which we are confronted, and these two messages disclose that the people and the Government in your province are fully alive to the great potentialities of the movement and that they are taking care to see that the movement is fostered on healthy lines. I may have to say something more on these problems in the course of our deliberations. It is a matter for congratulation that we shall shortly have as Viceroy of India Lord Linlithgow who has a very intimate knowledge of the agricultural problems of the country. I need hardly point out that the success of co-operation depends entirely on the prosperity and well-being of the agriculturists. The report of the Royal Agricultural Commission over which His Excellency presided had made many suggestions for the development of agriculture through co-operation and I hope that his Lordship when he settles down to business will see that the recommendations of that Commission are given effect to and the Provinces are encouraged to vigorously prosecute policies aiming at the amelioration of the condition of agriculturists.

A reference is made in the speech of the Chairman of the Reception Committee to the prospects of a Provincial Co-operative Bank being started for the United Provinces. The Provincial Banks' Association has deliberately chosen for its seventh sitting a province which does not possess a Provincial Bank. I hope the fact that the Provincial Banks' Association is meeting in this province will prove a sufficiently strong inducement, if any further inducement is needed to form a Provincial Bank in U. P. I am fully alive to the many difficulties of forming a Provincial Bank on successful lines. If it has not been done so far, it is not due to any indifference on your part or want of considered and careful thought on the subject. I know you have to face several difficulties but I think you must face them with courage and speed. I feel that the existence of a Provincial Bank is in itself a source of strength to the various co-operative credit organisations of the province. It will centralise and regulate their policies and give an impetus to the centralised co-operative credit life of the province. Some friends have asked me whether it would be possible for the Provincial Bank to find an outlet for its funds. It is said that as most of the central banks in U. P. possess enough funds, the Provincial Bank will not be able to find investment. Where can it profitably invest its money? The experience of other provinces shows that if you have some surplus you will be able to develop co-operative activities in fresh channels and find investments for yourself. In Madras the Provincial Bank had large surpluses and we invested Rs. 15 lakhs in a single co-operative enterprise, viz. in a co-operative sugar factory organised on purely co-operative lines. It has been going on for a year and this year's crushing season has proved a success on the whole. We are getting our interest paid regularly and we expect to get back the first instalment of our principal money from the factory soon. We find from experience that the agriculturists greatly appreciate it, and they alone are the members of the sugar factory. I am glad to hear that you have also started a sugar factory on co-operative lines and I am also glad to hear that you are trying to develop it into an 800 ton factory. There is a reference in your Chairman's speech to the necessity for developing cottage industries. I think there is real scope for a widespread development of cottage industries and so far as my information goes the Central Government seem to sympathise with schemes for the development of cottage industries. I do not think there will be any want of encouragement either from the Government or the people if we, co-operators, are earnest and mean business. Your Provincial Bank, when established, will be an additional source of encouragement to such schemes. If any industry is started in a particular locality, the local central or district bank will be in a position to finance it. If you have to go to the money market, you will be in a better position to find the long term funds necessary for finance with a Provincial Bank than without it. The suggestion that you are going to start a Provincial Bank is, I think, a very welcome one.

There is another reason for starting a Provincial Bank in the U.P. The Reserve Bank of India Act provides for finance to co-operative institutions through Provincial Banks where they exist on the same footing as scheduled banks. We are on a better footing, for while scheduled banks are to keep a certain percentage of their demand liabilities and also of their fixed deposits free of interest with the Reserve Bank, which means considerable loss of interest, the Provincial Banks are exempted from that obligation. Furthermore, if there is any Director of the Provincial Bank or co-operative banks here who wishes to be a Director of the Reserve Bank, the Reserve Bank Act enables him to be one, while the Directors of Commercial Banks cannot be directors of the Reserve Bank. There are many other advantages which you will derive by having a Provincial Bank. Besides co-operative industrial concerns, there are fields also in which you can invest your surplus funds. For instance,

you can finance the construction of godowns and ware-houses and develop loans on produce stored therein and create good documents of title on which you can raise cheap credit from the Reserve Bank and other large joint stock banks. In Madras we are much benefitted by being linked up with the Reserve Bank, and the Madras Provincial Bank is given an overdraft for a considerable amount on the same footing as the scheduled banks. As this overdraft is given at the Reserve Bank rate of 3 p.c. we have been able to lend to central banks at 4 p.c. The Central Banks and societies have in their turn reduced their rates to members. The central banks lend to societies at 5 p.c. and the societies to the ultimate borrowers at 6 p.c. All this we are able to achieve by means of the good position of the Provincial Bank in the money market. At the time of the framing of the Reserve Bank Act when I gave evidence before the Joint Select Committee, I remembered the case of U.P. which had no Provincial Bank, very particularly and I said that till a Provincial Bank was formed, select central banks should be permitted to deal directly with the Reserve Bank, and I am glad to say that provision has been incorporated in the Reserve Bank Act. The Finance Member at that time said that it was to be a temporary measure but in view of the strong case we could make out, we succeeded. You should not, however, take advantage of the provision in the Reserve Bank Act but have a Provincial Bank not only to derive the maximum benefit out of the Reserve Bank Act but also various other advantages which you are sure to have by establishing a Provincial Bank.

I am glad to find that your legislature and the co-operators here are taking very keen interest in regard to the well being of the agriculturists. We in other Provinces are keenly watching the effects of the working of the measures of relief which your provincial legislature is enacting. Unless co-operation contributes its own quota to the relief of the agriculturists, none of these measures is likely to produce lasting and beneficial results. From my experience no measure of relief advocated to relieve the agriculturists can be successful unless State action is more effective and linked up with the Co-operative Movement. Debt Conciliation Boards or Land Mortgage or Co-operative Banks—none of these are adequate in themselves to relieve the distress of the agriculturists. I think there must be a definite plan and a co-ordination in the activities of the various agencies. The Government Co-operative Banks, Debt Conciliation Boards and Land Mortgage Banks must all combine to deal with the problems confronting the agriculturists and relieve them; otherwise it is futile to expect to do anything substantial for them.

The general programme of co-operative organisations in all provinces I think must be placed on a more comprehensive basis and a new orientation given to it. Unless the Co-operative Movement in each province attempts to tackle all problems affecting agriculturists, much cannot be done. First of all we must provide the agriculturist with capital and credit to purchase the means of production. You must relieve him from outside exploitation by capitalists. I do not agree with those people who argue that facile and cheap credit is likely to ruin agriculture. Agriculture is an industry which does not pay unless the capital carries a very low rate of interest. Therefore the cheaper the capital that you provide for agriculture, the better for the agriculturist. The second need is that he must be able to sell his produce profitably by organisation of markets. Unless investments are made to result in an increase in the income from the produce there will be no incentive to spend more on production or to produce more. There are 3 ways in which we can help the agriculturist: (1) provide him with occupation in spare time by subsidiary industry, (2) add to his agricultural income by increased yield, and (3) organisation to profitably market his produce. I think these three items are inter-related and

many provinces are realising the need for attempting them together. If we can do these things, I think, there is a bright future for the Co-operative Movement.

The co-operators in England and other countries are well organised but we in India are lacking in organisation. Many of you who have travelled in England and other western countries would have noticed many parallel socio-economic currents, all tending toward the same goal, the more equitable readjustment of our socio-economic structure arising by unequal distribution of wealth and the exploitation of the weak by the strong. You must have noticed the tendency for the growth of co-operative principles in capitalistic organisations. Capitalism has recognised the advantages of co-operative principles and they are becoming more co-operative every day. In some capitalistic organisations 40 p.c. of profits go as bonus to the workers. Insurance companies give away most of their profits as bonus to policy holders. In commercial concerns provision is made for bonus to labourers from profits. They are thus trying to emulate co-operators by paying necessary attention to principles of co-operation in their business organisation. Socialism in Europe is tending in the same direction. Co-operation is attempting to harmonise the conflicting interests of Capital, Labour and the Consumer by assuring a reasonable return for capital, a just wage to the labourer and by preventing the exploitation of the consumer by the capitalists and labourers as well. Capitalism, socialism and co-operation all of them are trying to solve the social problem in their own particular way. Things are moving rapidly and we co-operators are attempting to contribute very substantially to the solution of the social problems. What form the ultimate solution will take, it is difficult to predict. The principles of self-help and self-reliance have made a great impression on the western peoples but we have still to make a great headway in that direction.

There is sympathy for Indian co-operation in other countries. The organisers of the Parliamentary Party of the House of Commons have written to me asking our Association to be in communication with them and to bring before them any problems which we wish them to tackle. They propose to put questions in the House of Commons on matters in which we want them to interest themselves particularly, and have asked me to inform the Provincial Banks and prominent co-operators of India, that their communications will receive due consideration. If we want any help from them, they will put us in touch with the Parliamentary Party but, I think, we can derive little help from that source. We have our own Central and Provincial Governments in India which can deal with our problem if they have the inclination to do it; and we should approach them to take interest and if officials and non-officials co-operate, we can achieve something. If we co-operate with each other and secure necessary support from the Government, I think we can do a good deal for the improvement of co-operation in this country.

As regards co-operative education the Government of India has made liberal grants for each Province. A sum of Rs. 15 lakhs was set apart for Madras. I do not, however, know what has become of that money. A member of the Legislative Council of Madras put a question to the Minister-in-charge of Co-operation as to how that money was proposed to be spent but could elicit no satisfactory reply. I hope that in regard to the utilisation of this money, the provincial organisations will be consulted by the Registrars and the Provincial Governments and the money will be spent usefully for the education of the members of Primary Societies for which it must have been meant. The training of Panchayats of societies is extremely important and the money should not be wasted in creating posts carrying high salaries. The largest portion of money should be devoted to the education of Panchayats and of co-operative workers instead of in the establishment of costly institutes and creation of new appointments.

I thank the Reception Committee once more for the excellent and generous welcome they have extended to us and the Chairman of the Reception Committee for his very helpful address.

RESOLUTIONS.

I. This meeting places on record its deep sense of sorrow at the sad demise of His Majesty King George V and begs to offer its most respectful condolences and its heartfelt sympathy to Her Majesty Queen Mary and the Royal House in their irreparable loss.

II. This meeting offers its most dutiful homage and loyal devotion to His Majesty King Edward VIII on his accession to the throne.

III. This meeting places on record its deep sense of sorrow at the sad demise of Mr. G. K. Devadhar, M.A., C. I. E., which took place on 17th November 1935, and places on record its appreciation of the great services which he rendered to the co-operative movement.

IV. (a) The Committee approves the idea of starting a Central Institution for research and higher studies in Co-operation and resolves that a scheme be drawn up by the President; and the Government of India, the Agricultural Research Council and the Provincial Organisations be addressed for financial help for the Institution.

(b) The Committee is of opinion that higher studies in Co-operation in the provinces may more usefully be provided through the University courses and that the various Universities be addressed to give prominence to 'Co-operation' and make it a special subject for degree courses both in Arts, Commerce and also in Agricultural and Technological schools and institutions.

(c) The Committee reiterates the resolution on co-operative education passed at Patna in September last and urges on the Provincial Governments that the conduct of the Training Institutes should be entrusted to the Provincial Institutes. Special arrangement for the training and education of women co-operators may be made wherever necessary.

V. (a) This Committee is of opinion that, in order to encourage cottage industries through co-operation, central societies for financing and sale of the products of Producers' Societies should be started in each province.

(b) As such societies cannot be self-supporting in their early stages and as there is generally an element of risk and financial loss in their working, this Committee is of opinion that if any substantial results are to follow, the Local Government should subsidise these organisations and also give a guarantee against losses up to certain prescribed limits until such time as these societies are able to build up adequate reserves.

(c) The Committee is also of opinion that committees or syndicates may usefully be formed in each province to investigate into the condition of cottage industries and to explore the possibilities of organising them on co-operative basis.

(d) The Committee urges on the local Governments to obtain such of their supplies as can be obtained from the Co-operative Producers' Societies and to help them by the supply of raw materials, affording technical advice and popularising the products of these industries.

VI. In provinces, where no portion of the Rural Development Grant is spent for economic uplift, or the agency of the co-operative organisations is not utilised

for the purpose, this committee urges upon the Provincial Governments the necessity of allotting adequate funds for the economic uplift of the rural population and to place them at the disposal of the co-operative organisations for being spent for such purpose.

VII. (a) This Committee, while reiterating resolution No. 4 passed at the meeting of the Standing Committee held at Calcutta in December 1934 urges upon the Government the extreme undesirability of interfering with the appointment and control of the staff of non-official organisations and the internal management of the societies, and is of opinion that the Registrars should help to secure the good management of the society by the exercise of the power of supervision and ultimate control vested in them and by offering general advice and guidance.

(b) This Committee is of opinion that the Travancore Co-operative Societies Bill tends to unduly officialise the Movement and that it should be so amended as to make it consistent with the ideals of Co-operation as a popular Movement.

VIII. This Committee is of opinion that it is desirable in the interests of the Co-operative Movement that the three co-operative insurance societies of Bengal, Bombay and South India should consider the possibility of either amalgamating into a single society or to take other necessary steps to avoid competition with each other.

IX. This Committee agrees with the following resolution passed at the Registrars' Conference held in January 1934 and recommends that necessary legislation be passed by the Government of India as early as possible to give effect to it.

"This Conference is of opinion that it is not desirable to exclude members of Co-operative societies from the provisions of the Insolvency Acts but is of opinion that the Insolvency Acts should be so amended that an order of discharge passed by an Insolvency Court shall not release an insolvent member of a society with unlimited liability from the liability for any debt due to the society."

X. The Committee recommends the formation of compulsory co-operative education societies to facilitate the working of compulsory education Acts where they are in force and to bring about compulsory education where there are no Acts in force.

XI. The Committee recommends to the Provincial Co-operative Institutes to extend the usefulness of the Co-operative Press by making useful extracts from International Journals available to co-operators.

The Committee also urges the necessity of a larger output of co-operative pamphlets explaining the aims and objects of the movement and dealing with the defects in its working and their remedies and of arranging for the dissemination of such literature among the people. The Co-operative Organisations may take advantage of the facilities that exist for broadcasting and arrange for periodical lectures on Co-operation.

XII. This Committee urges on the Government of India and the Reserve Bank of India that the Provincial Co-operative Banks and other Provincial Organisations should be consulted before any action is taken on the recommendations of Mr. M. L. Darling in regard to the constitution of the Agricultural Credit Department of the Reserve Bank of India.

XIII. The Committee is of opinion that the formation and working of loan and sale societies on a commission basis should be encouraged in all provinces.

XIV. The authorities of the Reserve Bank of India may be requested to extend the benefit of rule No. 9* of their regulations to co-operative banks at an early date, with a view to facilitate remittances and also to restore and continue the facility for the transmission of funds through the treasuries allowed by the Controller of Currency to the co-operative banks before the establishment of the Reserve Bank of India.

XV. The Committee is of opinion that where land mortgage banks are not started, the central co-operative banks, with the aid of the Provincial Co-operative Banks where they exist, or independently, where there are no Provincial Banks, should as far as possible meet the long-term requirements of their member-societies, obtaining the requisite long-term capital by the issue of debentures, if necessary, with or without Government guarantee (keeping their long and short-term business separate).

XVI. The Committee appoints the following gentlemen with Mr. V. Ramadas Pantulu as leader to wait in deputation on His Excellency the Viceroy and represent the needs of the Co-operative Movement and also the urgency for giving effect to such of the recommendations of the Agricultural Commission and the Indian Central Banking Enquiry Committee as have not been carried out:—

1. Mr. V. Ramadas Pantulu, President,
 - (a) *Madras Provincial Co-operative Bank, Ltd.*
 - (b) *Indian Provincial Co-operative Banks' Association.*
 - (c) *All-India Provincial Co-operative Institutes' Association.*
2. Mr. V. L. Mehta, Managing Director.
Bombay Provincial Co-operative Bank, Ltd.
3. Rai Bahadur Durga Prasad, Managing Director.
Bihar and Orissa Provincial Co-operative Bank, Ltd.
4. Rao Bahadur M. G. Deshpande, Managing Director,
C. P. and Berar Provincial Co-operative Bank, Ltd.

* RULE NO. 9 OF THE RESERVE BANK REGULATIONS

(1) A scheduled bank shall, with effect from the date applicable to it under regulation 4 be entitled to remit money by mail or telegraphic transfers between the accounts kept by it offices, branches, sub-offices at an office, branch or agency of the Reserve Bank in British India as follows:—

- (a) an amount of Rs. 10,000 or a multiple thereof, between its accounts at the office and branches of the Reserve Bank, free of charge;
- (b) once a week an amount of Rs. 5,000 or a multiple thereof to the account which maintains with the principal office of the Reserve Bank from any place at which it has an office, branch, sub-office, or pay office, and at which there is an agency of the Reserve Bank, free of charge;
- (c) other remittances to its account at the principal office of the Reserve Bank, subject to a charge of 1/64 per cent., and also subject to a minimum charge of Re. 1; and
- (d) other remittances through the Reserve Bank or its agencies, subject to a charge of 1/16 per cent. for amounts less than Rs. 5,000 and of 1/32 per cent. for amounts of Rs. 5,000 and above, subject to a minimum charge of Re. 1.

(2) If remittances under sub-regulation (1) are made by telegram a further amount shall be paid to the Reserve Bank to cover the cost of the telegram and its acknowledgment.

5. The Hon'ble Rai Bahadur M. P. Mehrotra,
Member, Council of State.
6. Diwan Bahadur S. Aravamudu Aiyangar,
Chairman, Dominion Co-operative Bank, Ltd., Hyderabad, Deccan.
7. Diwan Bahadur T. A. Ramalingam Chettiar,
Director, Madras Provincial Co-operative Bank.
8. Khan Saheb Ghulam Hassan Khan,
Director, Punjab Provincial Co-operative Union.
9. Mr. S. K. Lahiri,
Secretary, Bengal Co-operative Organisation Society.

Mr. Khan Md. Bashir Ahmed Khan as Secretary.

and with power to Mr. V. Ramadas Pantulu to co-opt and substitute other members, if necessary.

EXTRACTS

THE INTERNATIONAL CO-OPERATIVE ALLIANCE—DECLARATION ON SIGNIFICANCE OF CO-OPERATIVE ECONOMY.

The International Co-operative Alliance, in the midst of an era of world-wide economic depression and abundant evidences of political and constitutional ferment, the outcome of which cannot yet be foreseen, deems it necessary and desirable that the Principles and Practices upon which the Co-operative Movement is founded and is built up should be restated and reaffirmed in a declaration addressed to the People, no less than to the Government, of every land.

The International Co-operative Alliance is a Union of the National Co-operative Movements of 40 States, comprising the Unions or Federations of Consumers' Societies, Agricultural and Industrial Producers' Societies, Agricultural Credit Societies, and Co-operative Banks. So large is its representation of the population that it is the greatest Organisation of Consumers in the world, and the only one which stands between the interests of the community as Consumers and the exploitation of capitalist profit-making enterprise. Over 100,000,000 individuals, mainly heads of families, are enrolled in its ranks.

On the continents of Asia, Africa, South America, and Australia, considerable progress has been made in the creation of similar Movements to those that form the membership of the International Co-operative Alliance. There exists in these embryonic Movements in other continents a huge potential membership which—with the return of the world to something like stable economic conditions, and the establishment of collective security—should be easily recruited to our International Co-operative Family.

It is with its mind centred upon the great possibilities of benefit to the human race which the mobilisation of this vast Peace Army can produce, when organised upon the basic Principle of "Each for All and All for Each," that the International Co-operative Alliance proclaims to the world, and especially to those who are at present outside its ranks, *the principles upon which the Co-operative Movement is founded; the possibilities of its peculiar economic basis; and the right which the Co-operative Movement has to, at least, an equal place with any other form of economic enterprise within the polity of any and every state.*

The essential Principles of the Co-operative Movement are:—

I. *Open and Voluntary Membership*, which provides that the membership of a Society shall be open to all without "limitation of colour, race, or creed," and that the right of every citizen shall be freedom to remain outside or to enter the ranks of its adherents according to the dictates of their own free will.

II. *Democratic Control*, which provides for the complete autonomy of the Societies in relation to the national economic life and freedom of development, which is only limited by State or legislative provisions which are common to, and in the interests of, the whole community. The basic element of democratic government—"One Man One Vote"—is the foundation of the Co-operative Constitution and is exercised without discrimination of sex.

III. *Dividend on Purchase*, which is the method by which the profit-making motive in commerce and industry, and, indeed, profit itself, is eliminated, and when

generalised into "Distribution of the Surplus resulting from the transactions of the Society with its members" it becomes not merely the Basis of Co-operative Economy but the practice which distinguishes it from the existing competitive system of capitalist economy.

In these Three Principles lies the whole philosophy of the Co-operative Movement which has grown out of the Pioneer efforts of working men and women in half a dozen countries crystallising around the plans of the Rochdale Weavers of 1844 into a new system of economy. The further Principle of a *strictly limited interest on capital* is a corollary to the elimination of individual profit-making through the method of dividing the surplus in proportion to the contribution of the members to its production, and an attempt to establish a "just price" for the sale of the necessities of life, and the limitation of the profits of capital.

The initial aim of the Pioneers to establish their Economic Freedom and their Social Independence compelled their further provision that the Co-operative Society should observe *Political and Religious Neutrality* towards all applicants for membership, and in the discussions and transactions of the Society—a provision which, so far from eliminating thought and action in these vital matters, preserves the independence of the individual and of the collectivity, while broadening its appeal whenever it is used in the legitimate interests of the economic organism.

It is on this basis that the National Co-operative Movements affiliated to the International Co-operative Alliance, supported in principle by huge organisations of co-operative enterprise not yet affiliated and embryonic Movements in a number of countries, have built up "States within the States," and a League of the Peoples which demonstrates in its practice the efficacy of a new economic order, capable of replacing the existing capitalist or individual profit-making system; of restoring the world to an equilibrium in economic matters which can be maintained by its principles of association; and, when applied universally, of furnishing the surest guarantee for *World Peace*.

An examination of the Co-operative Principles already stated, but especially of their practical application, manifests that *Co-operative Economy* differs from *Capitalist Economy* in that:—

I. It substitutes the service of the community for the profit of the individual; establishes a genuine interdependence between its numbers throughout the world and a means, through international association, of achieving equilibrium in the economic sphere between the needs of the people and world resources.

II. It dethrones capital from the dictatorship of economic life and puts in its place the *Association of Mankind* on the basis of mutual and active participation in the enterprise.

III. It provides in its economic device of "Dividend on Purchase" an immediate financial benefit, and an access of independence to the Wage-Earning Consumer.

IV. It secures to the Agricultural Producer, among other benefits, relief from exploitation in the purchase of the machinery and materials of his industry, and also markets for his produce which yield him a reasonable return without exploiting the consumer.

V. It confers direct benefits upon a very large section of the community irrespective of their social condition.

VI. It provides a solution of the problems of employment, wages, and general conditions of labour on the highest plane of advantage to the employees which economic conditions permit.

New forms of Government and new orientations of economy are the subjects of experiment in many lands to such an extent that the social order generally may be said to be in a state of ferment. This fermentation has varying manifestations, all of which, however, tend to regard the development of our co-operative economic system with disfavour, and, moreover, at the bidding of organised capitalist enterprise, to put stumbling blocks in the way of its advance—in some cases, definitely to plan the suppression of free, voluntary and independent co-operation.

In resisting these tendencies the International Co-operative Alliance desires to draw the attention of the community and of Governments, and all lovers of fair play, to the manifest unfairness and injustice of the attitude of organised private capitalist enterprise towards the Co-operative Movement. These capitalist forces obviously take their stand on the monstrous conception of economic life that accord to private trade a "vested interest" in the exploitation of the needs of the whole population. Co-operators seek, by association and mutuality, to equalise the burdens, responsibilities and rewards of economic enterprise over the whole body of the citizens, and to establish the free democracy of non-profit-making associates, which is the only genuine form of New Society.

The International Co-operative Alliance claims for the World Co-operative Movement the recognition of the place which its forty constituent States have achieved for themselves in the Realm of Co-operation in the creation of a League of the peoples as broadly based as humanity itself.

It Demands for the National Co-operative Movements—(i) Complete freedom to develop on equal terms with every other economic enterprise which is permitted by the laws of the respective States. (ii) Legal protection by all the forces of the State in the exercise of their inalienable rights as citizens. (iii) A special place, appropriate to their distinctive economic characteristics and where they will have reasonable opportunity of self-determination, within the framework of any system of State or Planned Economy that may be set up.

The International Co-operative Alliance, in launching this declaration before the world, is convinced that the general body of the people who are not yet Co-operators will recognise the Idealism and the Economic Justice which are inherent in its Principles, and also the reasonableness of its demands for the Free and Independent Development of the Co-operative System throughout the World, not only for the immediate benefits that it confers upon such a large majority of the Human Race but also in order that its efficacy as a New and Better System of World Economy may be given full opportunity to prove itself.

The International Co-operative Alliance calls upon all its affiliated members and the National Co-operative Organisations in every land to pursue with energy the extension and strengthening of their respective movements; to concentrate upon the great task of building up their societies on the genuine principles of Co-operation; and to use all their powers to secure from the State and all public authorities the full recognition of the claims set out in this declaration of the significance of Co-operative Economy.

—Review of International Co-operation, January, 1936.

CO-OPERATIVE BUILDING EXTENSIONS IN 1935—U. S. A.

The extensive building activities, totalling a million dollars in value, carried out by various co-operative organisations last year are a proof of the prosperity and increasing development of the Movement in contrast to the reigning depression. The following is a list of the new buildings erected or purchased and extensions made to existing premises:—In February the extension to the feed-mill belonging to the Eastern States Farmers' Exchange was completed at a cost of \$300,000; in April the Central Co-operative Wholesale Society of Superior, Wisconsin, moved into a new \$100,000 building; in May the Grange Co-operative Wholesale Society of Seattle, Washington, moved into its new headquarters erected at a cost of \$30,000. The Society also purchased from a private firm a flour-mill costing \$76,000. In July the new headquarters of the Nebraska Farmers' Union State Exchange were completed at a cost of \$150,000. This Society was also completing almost at the same time its new \$80,000 warehouse and oil blending plant at St. Paul. In August the Consumers' Co-operative Association of North Kansas City, Missouri, moved into premises built by a private concern at a cost of \$250,000. The concern in question had refused co-operative business in 1929 as being too small to be worth handling.

—I. C. A. Co-operative News Service, 20th Jan. 1936.

NEW DEVELOPMENTS OF CONSUMERS' CO-OPERATIVE ASSOCIATION U. S. A.

Consumers' Co-operative Association of North Kansas City, Missouri, has commenced several new lines of activity this year. Two new departments, one for farm machinery and the other for rural electrification were established last month. The farm machinery department will handle sales of "Co-op" tractors twine and other equipment to Co-operative Oil Companies. The manager of the electricity department is visiting Indiana and Ohio to study the Co-operative Electricity Associations in those States. Consumers' Co-operative Association has also installed equipment for the manufacture of house and barn paints for sale by local retail Societies. The co-operatively manufactured paint, the formula of which is to be published on the labels, will be produced with a view to supplying a high-quality article at a reasonable price.

—I. C. A. Co-operative News Service, 22nd Feb. 1936.

TAXATION EXEMPTION FOR PRODUCERS' CO-OPERATIVE SOCIETIES— U. S. S. R.

A number of important tax exemptions have been granted to the various types of Producers' Co-operative Societies by the Council of People's Commissars, with a view to stimulating production of consumption goods. Articles made from new kinds of raw materials are exempt from turnover and budget taxes for two years, and the profits from their sale are exempt from income tax. New classes of goods produced by the Societies may also be exempted from the budget taxes, and the turnover tax on them may be decreased to 1 per cent while the Societies are mastering the processes of manufacture. The Co-operative Productive Societies are already producing a great variety of goods, including sewing machines, textiles, leather goods, knitted articles, woodwork, and food products. Directors of all state industrial enterprises are instructed to sell such materials as scrap metal, fur, flax, jute, and by-products of various kinds to the Societies without restriction. The out put plan of these Societies for the coming year makes provision for considerable

increases. It also provides for the further development of a net work of repair shops. The Societies are to develop their own purchasing departments to the greatest possible extent and endeavour to utilise local raw materials. In order to increase the interest of the members in the results of the Societies' activity, the managements have the right to distribute up to 20 per cent of the net profits as bonuses.

—I. C. A. Co-operative News Service, 9th March 1936.

CO-OPERATIVE EDUCATION AND NON-OFFICIAL AGENCY

The co-operators of this province (Madras) at their last Provincial Conference protested strongly against the Government of India not having asked the Local Governments to consult non-official organisations in formulating a scheme for co-operative education, for which purpose the Government of India have made a special grant to Local Governments. We observe that a similar protest was made by the co-operators of Bengal at their last provincial conference which was presided over by Dr. Pramathanath Banerjea, President of the Bengal Co-operative Organisation Society. In addition to the President's strong pronouncement on the subject, Mr. S. K. Lahiri, Secretary of the Organisation Society, made a weighty statement in the course of which he pointed out:—

"A proper development of co-operative societies can never be brought about by Departmental control and guidance. It is this consideration which has led promoters of the co-operative movement in Western countries to entrust bodies like the Bengal Co-operative Organisation Society, with such functions as education, publicity, organisation, etc. Government in this country had so far acknowledged the wisdom of such a course. And this policy had the support of various Commissions and Committees that had conducted enquiries into the working of the co-operative movement and suggested lines of reform and progress. If the co-operative movement is to be successful it must be based on popular support and the application of the principles of autonomy and self-help."

Hitherto the Bengal Government were seeking the co-operation of the Organisation Society and giving it a grant for propaganda purposes. Why should there be a change in the policy? What is particularly regrettable is that the same change of policy is to be observed in several provinces at the same time, so that one is led to infer that it is inspired from a common source. We have heard some officials argue that Government money should be spent only through Government agencies. If this is accepted as a policy, it leads to inefficiency and waste in many cases. Whatever is the best agency for the particular purpose in view should be the one chosen. The co-operative movement being a people's movement depending for its efficiency upon the degree of enthusiasm that is created for it in the members of societies, it is best promoted by non-officials who move freely among the people and who can understand the difficulties of the people better than the officials. We hope the Central and Local Governments will therefore revert to the more sensible former policy.

—The Madras Journal of Co-operation, March, 1936.

RADIO AND RURAL UPLIFT

The development of village life and particularly the improvement of the economic position of the peasant have of late been the burning topics discussed in the press and the platform and several methods of propaganda and publicity are now being preached and practised with a view to achieve the object in view. Of these

rural broadcasting has been very strongly recommended as affording far greater possibilities for benefitting the illiterate masses living in the villages by such people as Lieut. Colonel H. R. Hardinge of the Indian Village Welfare Association and, in fact, the recommendation has been adopted by the Government of the North-West Frontier Province and the Punjab is also devoting a sum of Rs. 58,614 out of the grants received from the Central revenues towards the promotion of a rural broadcasting scheme on a small scale as an experimental measure. There can possibly be no doubt about the importance and possibilities of radio rural broadcast in the villages for the uplift of the countryside, and in the opinion of Mr. F. L. Brayne broadcasting can do more in a few years in the general spread of knowledge than all other methods of education put together can do in a life time, and as the value of so much knowledge depends on its rapid dissemination and as the Indian village has so much leeway to make up broadcasting is an instrument which those who wish the welfare of village India cannot afford to neglect. But the question arises as to whether it is feasible in view of certain practical difficulties involved and already the note issued by the Punjab Government states, "it yet remains to be seen whether it will be possible to hold a village audience after the novelty has worn off and whether they will take any notice of what they hear and not regard it as something in the nature of a passing phase unconnected with their daily life." There is also the fact that generally speaking one vernacular will not meet the needs of several outlying rural districts, nay, the provinces and it may be necessary to broadcast in several different dialects with an ever-increasing expenditure which the peasant can hardly afford to meet or subsidise in the present state of his poverty. That there is a tremendous gulf between the outlook and standard of living of the urban and the rural populations of India is well known. No such sharp line of distinction between these two sections of the population exists in the West and consequently it is not there necessary to cater specially and separately for each. In India the programmes broadcast from a station situated in a large and important area must needs cater principally for that section of the public from which the greater part of its revenue is derived, that is to say, the urban section and only a small portion of the total programme time is likely to be devoted to strictly rural programmes consisting of simple and homely talks upon the fundamentals of health, co-operation, agriculture, veterinary and the like which will be objected to as uninteresting by the urban populations. Also, there is the strong conservatism of the average villager to be reckoned with; he is not disposed to listen to and take advice from those whom he does not know. He is further not inclined to believe all he hears; he is more inclined to believe what he sees. The contrast between co-operation and isolation, good agriculture and bad, clean villages and dirty villages are well demonstrated by the cinema, the loud speaker and the lantern lectures, etc. with the help of a cheap and well trained staff which builds up programmes suitable for rural people and builds them in such a way that they will not only entertain but will instruct and instruct without boring the people. It, therefore, seems to be desirable that cinema, loud speakers and the lantern lectures should continue as the best forms of propaganda and publicity for the present and the use of radio as a lever for village uplift should be made only when the experiments in the Punjab and Frontier Province have proved successful beyond any doubt with a maximum of efficiency and minimum of cost as compared with other forms of propaganda mentioned above.

—B. & O. Co-operative Journal, Feb. 1936.

CO-OPERATIVE NEWS

CENTRAL BANKS' CONFERENCE, MADRAS

A Conference of the Co-operative Central Banks in the Madras Presidency was held at Madras on the 21st and 22nd March 1936 under the presidency of Dewan Bahadur T. A. Ramalingam Chettiar. The Conference examined Mr. Satyanathan's report on Agricultural Indebtedness in Madras and the Amendment to Section 43 of the Madras Co-operative Societies Act recently passed by the Council in regard to supersession of committees of management of Central Banks by the Registrar. Detailed proceedings with our comments will be published in the next issue of the Review.

DEWAN BAHADUR K. DEIVASIKHAMANI MUDALIAR

Dewan Bahadur K. Deivasikhamani Mudaliar, Joint Registrar of Co-operative Societies, Madras, has retired from Government service last March. He joined the Co-operative Department in 1905, i.e. soon after it was organised, as an Inspector. Mr. Mudaliar, by his sympathy, tact and intimate knowledge of Co-operation and accounts, soon won the affection of officials; and step by step he rose to be Chief Inspector, Assistant Registrar, Personal Assistant to the Registrar and Joint Registrar, and also acted as Registrar on two occasions. He has been taking keen interest in the Madras Milk Supply Union—a co-operative society for the supply of milk in the City—and has made it a success against heavy odds. Mr. M. Giriappa, the senior Deputy Registrar, has taken his place as Joint Registrar.

During the absence on leave of Mr. T. Austin, I.C.S., for a period of six months. Mr. M. Giriappa has been appointed to act as Registrar.

LOAN AND SALE SOCIETIES' CONFERENCE, MADRAS.

A Conference of select Deputy Registrars and a few prominent non-official co-operators interested in co-operative marketing was held in the office of the Registrar of Co-operative Societies, Madras on 23rd March 1936 under the presidency of Mr. M. Giriappa, Joint Registrar of Co-operative Societies. The Conference was of opinion that want of proper godown facilities in suitable centres was a great handicap to the ryot in marketing his produce and generally to the progress of the loan and sale societies. The Conference passed a resolution requesting the Government to construct godowns at suitable centres at their own cost and let them out to loan and sale societies at reasonably low rents. The Conference was also of opinion that where sufficient business was forthcoming, the loan and sale societies or central banks might themselves erect their own godowns, taking Government loan at 3½ per cent if necessary. The organisation of a Provincial Central Marketing Society at Madras to co-ordinate the activities not only of the various loan and sale societies, but also of the co-operative stores in the province, also engaged the attention of the Conference. A Committee consisting of Messrs V. Ramadas Pantulu, Dewan Bahadur T. A. Ramalingam Chettiar and T. Adinarayana Chettiar was also appointed to see to the establishment of the Society at an early date. The Madras Provincial Co-operative Bank in its budget for the year 1936-37, has set apart a decent amount for development of loan and sale societies.

PROVINCIAL CO-OPERATIVE BANK FOR ORISSA.

Consequent on the formation of the new Orissa Province, the Orissa Government are contemplating the formation of a Provincial Co-operative Bank for Orissa to finance the movement in that province. With this object in view, a Conference is being convened by the Orissa Government in Puri, to which Mr. Ramadas Pantulu, Chairman of the Madras Provincial Co-operative Bank, and the Registrars of Co-operative Societies of Madras and of Bihar and Orissa are invited for discussion. The proceedings of the Conference are awaited with interest.

DEPUTATION TO HIS EXCELLENCY THE VICEROY

In accordance with a resolution passed by the joint session of the Standing Committees of the Indian Provincial Co-operative Banks' Association and the All-India Co-operative Institutes' Association at Fyzabad, arrangements are being made to send a deputation, Mr. V. Ramadas Pantulu leading, to wait on His Excellency the Viceroy in order to represent to him the needs of the Co-operative Movement and also the necessity for giving effect to such of the recommendations of the Agricultural Commission and the Indian Central Banking Enquiry Committee as have not been carried out.

THE LATE SIR M. RAMACHANDRA RAO

We regret to announce the death of Sir M. Ramachandra Rao, President of the Madras Co-operative Central Land Mortgage Bank, Member of the Central Board of the Reserve Bank of India, and Member of the Standing Committee of the Indian Provincial Co-operative Banks' Association on 17th May 1936.

ACKNOWLEDGMENTS

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Scientific Agriculture, Ottawa.
Consumers' Co-operation—U.S.A.
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The Co-operative Review, Manchester.
The Madras Journal of Co-operation.
The Bombay Co-operative Quarterly.
The Bengal Co-operative Journal.
The United Provinces Co-operative Journal.
The B & O. Co-operative Journal.
Journal of the Annamalai University.
Indian Review.
Journal of the Madras Geographical Association.
Indian Journal of Economics.
The Nagpur Agricultural College Magazine.
Indian Finance.

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