Indian

co-operative

Review

1937- January- March

VOL- 3, NO-1

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THE INDIAN CO-OPERATIVE REVIEW

VOL. III. JANUARY—MARCH, 1937 No. 1

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EDITORIAL NOTES

OURSELVES

With this issue the *Indian Co-operative Review* enters on the third year of its career. It has been so far well received by the public and supported by official as well as non-official co-operators, by academic economists as well as day-to-day administrators. A variety of topics relating to the movement in India have been dealt with by well-known local contributors, some of them exhaustively and from every point of view, while others have left scope for further development. The salient features in the progress of co-opration in other countries have been delineated by a few distinguished writers, and we have published extracts, that ought to be of interest to readers from the leading foreign journals on co-operation.

We are not, however, self-complacent. We are aware of the disparity in standards between Indian and some of the foreign periodicals; but we see unmistakable signs of improvement in quality in the contributions of our writers and we are doing our best to develop the other features of the journal. We are far from satisfied with the response in respect of subscriptions to the Review. Many individual co-operators and co-operative institutions who could afford to subscribe for this all India journal have not chosen to enlist themselves as subscribers; and our expectations of universities and first-grade colleges, teaching economics and co-operation, subscribing to the Review have not been fulfilled either.

We regret the delay in the publication of this issue. This has been partly due to the preoccupations of many co-operators, including ourselves, in the elections to the legislatures in the country. But it is also due to the lack of readiness on the part of several provincial leaders to write on the ticklish problems of administration, supervision and legislation. Officialisation seems to be proceeding apace in almost all Provinces and in the reaction against the universal increase in overdues and mismanagement in several societies any official inroad on internal administration seems to be tolerated. At any rate, free expression of opinion on increasing officialisation is not to be expected. This is a great pity.

THE RESERVE BANK AND AGRICULTURAL CREDIT

What is called a 'preliminary report' has been published by the Reserve Bank of India, which, under Section 55 of the Act constituting it, the Bank was required to submit for "the improvement of the machinery for dealing with agricultural finance and methods for effecting a closer connection between agricultural enterprise and operations of the Bank." This weighty document of 40 pages purposes to set out the main principles of agricultural credit and the canons of sound banking, which have to be observed by the great commercial banks and the central bank of the country, before any help could be extended to the poor little co-operative societies and other inexpert financing agencies. We have no hesitation in saying that it shatters the high hopes entertained by the legislators and co-operators. The special privileges conferred on the Bank would seem to serve the interests of big industry and capitalistic commerce much more than the millions of peasantry and their nascent co-operative organisations.

The report is said to be based on the confidential notes of the Special Officer, Mr. M. L. Darling—even extracts from which have not been placed before the public—and on the reports of Commissions and Committees of enquiry on agricultural credit and kindred topics. We find, however, the outlook of Reserve Bank authorities to be very different from that of others cited, so far at any rate as the co-operative movement is concerned. We have no desire to indulge in quotations which might appear trite. But the significant remark of Mr. Darling himself, made recently at the U. P. Co-operative Conference, in the course of his presidential address—published elsewhere in this issue, should set the authorities of the Bank thinking on the injustice they have done to the movement and their misunderstanding of its principles. "Some of us may think that the report makes no great attempt to discriminate between the areas where the movement is sound and those where it is unsound; and that it does not make sufficient allowance for the features that distinguish co-operation from ordinary commercial banking." This is as far as any ex-officer of the Bank could go to characterise the trend of the report.

The limitations imposed by the very nature of agriculture in respect of credit facilities that could be granted, especially by commercial banks, are dealt with in text-book style. But the special efforts made by almost all countries abroad to deviate from the beaten track of joint stock banks with a view to go to the rescue of the distressed agriculturist, especially after the depression, receive little or no attention.

The very need for long-term credit seems to be questioned, not to speak of the soundness of meeting it by any bank. We are gravely told that in a sound banking system the loan should be for "a rapidly self-liquidating enterprise." If all long-term credit is a deviation from the straight path, the control of it by borrowers and not lenders—as it strikes them to be the case in India—is vicious. We do not know on what authority it is stated "the theoretical pre-requisite of co-operation is that *some* in the group (in land mortgage banks) should be lenders and others borrowers." They are, however, gratified that the existing central land mortgage banks are "mostly of a quasi co-operative character without any preponderance of voice to the borrowers in their management," and so "can be usefully utilised as agencies for dispensing long-term credit to agriculturists." What a travesty indeed of co-operation all this is! While they are pleased to recommend the debentures of central land mortgage banks to insurance companies, they do not promise any material aid themselves, by way of investment in or advances on debentures. They say "we reserve our opinion until we have gained more experience of their working"; "we shall study their working and give them the benefit of banking advice." We can only add "study also the aid given by the State and the Central Bank in other countries to the agriculturists organised in co-operative societies."

On the subject of short-term credit, more preposterous notions seem to be entertained of the working of the co-operative movement in this country. Starting with the idea that it is difficult to finance small scale agricultural production, and it is needless to finance the producer in respect of marketing his crops, as these are invariably sold or pledged to the dealers in the village or market centre, an elaborate defence is set up of the attitude of commercial banks towards the financing of agriculturists. The banks are not to blame, they are neither "conservative nor indifferent." It is the market conditions with their diversification and vagueness that hinder their helping the farmer. We do not know how market conditions improve when advances are made to merchants on the pledge of produce, which is still ungraded or unstandardized. The authors of the report have frankly no faith in co-operative marketing, even in the holding up of produce for a better price after the harvest, as too much risk and expense are involved in storage, outweighing any possible rise in price. It is assumed throughout that co-operators at the helm of affairs are lacking in intricate knowledge of markets and technical skill and presumably could not acquire those qualities in which the uneducated merchants excel! They go on to argue "if they employ experts, it would almost amount to the same thing in the end as paying for the services of middlemen." What toll the multiplicity of middlemen might be extorting has not been enquired into. They, however, approve of loan and sale societies with warehouses as useful links between dealers and commercial banks. What an enviable role for co-operation!

The climax of ignorant criticism of the co-operative movement is reached when they deal with the Provincial Co-operative Banks. "If these institutions appear to be too one-sidedly representative of the debtor, they will not carry confidence when they wish to borrow." Again, "a bill issued by a primary and discounted by an apex bank will have very little added to its value by the intervention of the apex bank, if the latter is merely a combination of the various primaries and is in the same boat with them." It is high time the Reserve Bank knew something of the resources of the Co-operative Provincial, Central and even Urban Banks which are all embarrassed by the plethora of funds the public have been depositing with them in spite of the low rates of interest offered and the so-called dominance of the borrowing elements. The Joint Session of the Standing Committees of the All-India Co-operative Institutes' Association and the Indian Provincial Co-operative Banks' Association was indeed very mild in its criticism of the report which described it as disappointing. The concrete suggestions of the Conference in regard to the immediate help which the Reserve Bank may render to the co-operative credit movement are found in resolution No. 2 of the Conference published elsewhere in this issue.

If co-operators have greater confidence in themselves and begin earnestly to set their house in order, there is little aid that they need ask for from the Reserve Bank in the near future.

MR. M. L. DARLING'S ADDRESS AT THE U. P. CO-OPERATIVE CONFERENCE

The Presidential Address of Mr. M. L. Darling at the United Provinces Co-operative Conference held in January last is a notable pronouncement on the present position and the future prospects of the Co-operative Movement in more than one Province in India. We invite the attention of the readers to the extracts published elsewhere in this issue. The address is, in many respects, in refreshing contrast to the pessimistic pictures drawn of the movement by interested or ill-informed critics. As he rightly said, "Co-operation is more than an economic movement; it touches the things of the spirit and when the spirit is touched the most surprising things may happen"—of which he gave concrete illustrations from the Punjab. He did not himself hesitate to admit the failures, "the wreckage of error and storm." He pointed out the scope for the promotion of thrift and for better living, for consolidation of holdings and for marketing. He was not for official control in all cases but for "a system of control (of societies) carefully graduated according to development."

Mr. Darling was quite candid in his criticism of the appointment of untrained officers as Registrars. "Too often in the past—and there are few Provinces that can show a white sheet in this respect—men have been appointed Registrars after a few weeks' training and some times with no training at all . . . To put an untrained man at the head of the movement, with not even a banking expert to advise him, has always seemed to me dangerous, and in Provinces where lakhs of members and crores of rupees are involved, it is almost suicidal." Will at least our future Governments refrain from this folly?

While we demur to the extension of his generalisation, from the Punjab to the other Provinces, that "most cultivators borrow as much because they can as because they must" we agree with him on the need to drill into the minds of all cultivators the difference between productive and unproductive expenditure. Neither Mr. Darling nor ourselves will go the whole hog with the Reserve Bank which would strictly limit all loans to cultivation finance and many authorities, including Mr. Calvert, are against this rigid limitation.

Mr. Darling is of the firm view that "Co-operation is the best single means for reconditioning the village." He is convinced that "those who scorn shop window effects and wish their schemes to be for the real good of the peasant will more and more find themselves obliged to invoke the co-operative principle."

REPORT OF THE COMMITTEE ON CO-OPERATION IN COCHIN

Elsewhere in this issue will be found a summary of the recommendations of the Report of the Co-operative Enquiry Committee in Cochin, which has been recently published by the Government of Cochin. It is in a sense a posthumous product of the late Mr. G. K. Devadhar of the Servants of India Society, into whose sole hands was entrusted as early as December 1934 the task of enquiring into the condition of the movement in the State and recommending definite lines of action. He had not the usual help of a number of colleagues, as are found in a Committee; he had still in his hands the work of the Travancore Enquiry Committee over which he presided; his health was failing which necessitated long absence from Cochin and he succumbed finally without drafting the report. But he had collected a lot of data from far and near by correspondence, he had inspected a number of societies and addressed gatherings and left his impressions in the form of notes. The task of compiling the report fell to the lot of Mr. K. Narayana Menon, the present Registrar of Co-operative Societies, who had then been appointed the Secretary to Mr. Devadhar for the purpose of the Enquiry. The report has been compiled with great care and scrupulous regard for the expressed views of the late Mr. Devadhar.

A succinct history of the past, a critical account of the present and a vista of possibilities for the future, all find a proper place in this report. Only there appears to be little that is strikingly original. The report of the Travancore Enquiry Committee has been closely followed. Several of the statements are platitudes and call for little remark. Some of the recommendations strike us as too rigid, e.g., the maximum number of members a village credit society may have, the compulsory deposits in all societies, the prohibition of membership in a committee of any one for longer than one year, the fixation of a particular percentage of dues in all cases of debt reconciliation, the qualification of experience of the European co-operative movement insisted on in the appointment of a Registrar, though he is allowed to pick up a knowledge of local economic conditions later on.

What is positively disheartening is the tale of failure of several types of societies, particularly of the non-credit variety—some of them conceived but aborted, some still-born, and others dying as infants. Even as regards credit societies, apart from the increase of overdues—a common malady—Cochin seems to have had more than the usual share of factions, indiscipline, and defiance of orders, especially in societies where educated men are dominant. Indeed the poor show of co-operation in Cochin, as well as in Travancore—States which claim to have the highest proportion of educated men and women in India—is a commentary on the system and quality of education imparted to our young men and women.

A trenchant note by Mr. T. K. Sankara Menon, Superintendent of Economic Survey, published as an Appendix to the Report conveys an idea of the present condition of the Movement and of the leeway still to be made up, for Cochin to be compared with advanced co-operative countries. The long list of types of societies recommended in the Report appears too embracing and far more than what the most energetic department and enthusiastic co-operators could organise and run in more favourable conditions. We would prefer a precise formulation of a practical co-operative programme to be carried out within a definite period of time to the elaborate aspirations for all sorts of societies in imitation of those in Western countries with dissimilar economic and social conditions. We wish all success to the Registrar who has had

to take upon himself the entire responsibility for the final form of suggestions, which unfortunately include some extraordinary powers which his confreres in British Provinces have armed themselves with.

DELHI SESSION OF THE ALL-INDIA CO-OPERATIVE STANDING COMMITTEES

Elsewhere are published the proceedings of the Joint Session of the Standing Committees of the All-India Co-operative Institutes' Association and the Indian Provincial Co-operative Banks' Association held at Delhi on the 27th and 28th March—just on the eve of the inauguration of the much advertised constitutional reforms introducing Provincial Autonomy. Whether the substance of Swaraj was granted or not, the reforms did contemplate a radical change in the administration, from bureaucratic to popular control, of co-operative and other departments—different indeed from the regime under Montford reforms when Co-operation was no doubt a Transferred subject, but was kept under control by strong Finance members on the Reserved side. The outlook of the Government was none too sympathetic to the Co-operative Movement; it was a patronising attitude of affording a small measure of relief to the downtrodden peasants. It was not based on the need to raise the peasantry and the workers, manual and intellectual, materially and politically into positions of influence and make them the real masters of the land. Unless the whole outlook of the Government and the apathy of the people are changed there is no hope of co-operative progress. We are yearning for such a change, and our disappointment is very great at the turn political affairs have taken since the Joint Session was held—the refusal of the Congress majorities in some provinces to take up office due to the failure of the Governors to give the assurance that they would not resort to the exercise of extraordinary powers as long as the activities of the ministers were constitutional. It is a great pity that the gulf between the two sides has not yet been bridged. We hope, however, there will be a quick reconciliation.

Our Presidential Address at the Joint Session was devoted mostly to the fundamental reforms that popular ministries would have to carry out, to give the Co-operative Movement the best chance of survival, if not of development. We pleaded for a substantial reduction of the present rates of land revenue, the imposition of basic rates at a low level on all lands and making up the loss of revenue caused thereby by the imposition of a graduated tax on agricultural incomes of Rs. 2,000 and above on all classes of landholders, temporarily or permanently settled. Cultivators again need protection from rack-renting, as well as freedom from eviction—without which co-operative credit could be of little avail due to the insecurity of the holdings and their low economic value.

Again, the revival of Village Panchayats as actively functioning organisations would, in our view, be impossible without the definite assignment of a portion of the land-revenue, as experience has proved the fugitive character of the other sources—the customary fees and the niggardly doles of Local Governments.

These views of ours were endorsed by the Standing Committees as the resolutions passed and published elsewhere will show. They also confirmed our strong view on the need to revise the Co-operative Acts passed in recent years in some of the Provinces, by which the Registrar occupies the centre of the picture and not the co-operative society. Indeed every co-operative institution has become an antechamber to the Registrar's office, and every non-official co-operator his unpaid subordinate. This is not a position in which any self-respecting co-operator would like to place himself or remain long. The first and the most important duty of a popular ministry would be to restore the Movement to its original character, and attract to its fold intelligent workers and independent leaders.

TWELFTH REGISTRARS' CONFERENCE

The Twelfth Conference of Registrars of Co-operative Societies, as announced in our last issue, was held at New Delhi on the 8th and 9th December 1936. The proceedings of the Conference are unfortunately not yet published and therefore, we are obliged to refrain from commenting on them, which we hope to do in our next issue.

The subjects discussed at the Conference related to the credit facilities which the Reserve Bank of India could grant to the co-operative societies, land mortgage banking, marketing, the role of co-operation in village uplift, co-operative education and law.

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We invite contributions to the next issue on the comparatively non-controversial subject of the Role of Co-operation in Rural Reconstruction and hope to have better response than we had on the central topic of this issue.

CO-OPERATIVE EDUCATION

BY

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Co-operative education has, broadly speaking, three aspects: the education of the public in the ideals and achievements of co-operation, the education of the members in co-operative conduct, and education of the officials in co-operative technique. All these shade into one another; for ideals, conduct, technique and achievements are mutually dependent. Without education of the public not only is the extension of the movement and the increase of its membership made difficult, but it is liable to operate in an indifferent or hostile atmosphere and in a democratic country to lose that support in matters of legislation and administration which may have an important effect upon its development. Without education of the members, no genuinely democratic organisation can survive in a state of efficiency. Co-operative conduct does not come wholly by nature or wholly by circumstances. It is a product of intelligent thinking, and though some may be self-taught, it is usually idle to expect the diverse individuals of a large membership to acquire it without study or training. Education of the official has been made necessary by the increased scale of the movement. Co-operative business has grown too complicated to be entrusted to well-intentioned amateurs, and, further, the supply of such amateurs—always limited—is no longer equal to the demand. On the other hand, the experience conferred by private business alone is not adequate for the conduct of affairs on co-operative lines. Two other forms of co-operative education may perhaps be distinguished, the education of children and education which, though carried on by co-operative societies, is general in character.

It would probably be found on examination that it was this last type of co-operative education which came first historically, though in most countries to-day the progress of public education has made it of minor importance. The Rochdale Pioneers very early in their career established a newspaper reading room and library and the promotion of general education was among the objects set out in their first rules. Gradually the spread of elementary education, university extension lectures and public libraries have made this sort of service unnecessary in England, though many consumers' societies still arrange classes in economics, industrial history and occasionally foreign languages, for their members. Popular education, however, is still carried on by co-operative societies in certain countries, as for instance among the illiterate fishermen of Spain and Russia. Moreover, in many countries, strictly agricultural education—use of machinery and fertilisers, new methods of husbandry, introduction of new crops—owes an incalculable debt to the movement.

Probably the form of co-operative education on which to-day co-operative societies themselves expend most energy and money, is the training of their own employees and officials. Many countries have permanent co-operative high schools or colleges. The Co-operative College, Manchester, was founded in 1918. It offers an annual course of three terms intended mainly for those qualifying for positions in the consumers' co-operative movement of Great Britain, but it also accepts students from many other countries and branches of the movement. In Germany both the consumers and the agricultural movements maintained schools for many years. The School of Agricultural Co-operation was founded in 1904 with the special object of training auditors. The students are young employees who attend the school during the six winter months and receive a training in economics, co-operation (including the legal aspect) and business methods. A special co-operative society for savings and purchase is established each year among the students who carry through the whole business from registration to liquidation.

In Czechoslovakia there is also a Co-operative High School, founded in 1919. It is supported by the co-operative organisations with a subsidy from the State, and its directors consist of nine co-operators, one representative of the Council of Agriculture and three of the Ministry of Agriculture. The course lasts for one year. Students must either have completed a course at the middle school or have had two years' practical co-operative experience. Their number is limited to 30. The instructors are all engaged in practical work in the co-operative movement. The course covers general economics; statistics; national credit and finance, with their bearings on the co-operative movement; agriculture and agricultural business; grain exchanges; co-operative history, law and practice; accountancy, commercial correspondence, auditing. An examination is held at the close of the course. A system has also been worked out whereby young employees serve a species of apprenticeship in well-conducted societies.

In France, a central teaching institution was provided in 1920 by the creation, by Government, of a section for agricultural credit and

mutual organisation in the National Agronomic Institute in Paris. It was intended for the training of co-operative officials, but was at first only open to agronomic and agricultural engineers. Later, other students were admitted. The section is directed and in part financed by the National Agricultural Credit Bank. Instruction is free and several scholarships are provided. The session lasts from October to February and includes two-and-a-half months' theory followed by one month's practice in a credit or other co-operative society. The theoretical training includes co-operative history; the management of different types of society; legal provisions; co-operative book-keeping. The last week of the course is devoted to revision and may be attended by co-operative officials and others who have not taken the full course. Certificates are given after an examination. Since 1923 the number of students has risen from 9 to 46.

In Roumania a school of higher co-operative studies has been established at Bukarest, with the support of the National Office of Co-operation. It is held at the Commercial Academy, and in 1929 provided for 40 students, of whom half held scholarships. From time to time, qualifying examinations are held for the higher posts in the movement, for which all students of the school are allowed to compete.

The Icelandic Co-operative Federation (a predominantly agricultural body) has founded a co-operative school on the lines of a Folk High School. It receives from 40 to 50 students for an annual course of two terms carried on during the winter. Some of the students enter the co-operative service. Others return to their parents' farms.

In many Russian cities co-operative schools exist which take students for courses of three years or even longer. Such students are chosen from among the salesmen and women in rural co-operative stores and are given a good deal of general education besides training in co-operative technique. Their expenses are all paid out of the surplus on co-operative trade allocated for educational purposes.

In Finland, one of the two main Co-operative Unions established a co-operative school in 1919 which offers a course in general commercial and co-operativs subjects. Pupils must have been employed in co-operative stores and are re-employed after their course is complete. In Sweden there is a well established co-operative school serving the consumers' movement, but nothing analogous has so far been evolved by or for the Swedish agricultural movement. In some countries, notably Poland and Great Britain, there exists a co-operative research institution which does not teach, but supplies the material on which teaching may be based.

In none of these countries is the central co-operative school with its resident students the sole method of training co-operative workers. There is also the short course which lasts from a single day to two or three weeks and is usually held at some provincial centre; it is a favourite way of providing more academic or more specialised training for those workers in the movement who are unable to give up a whole year to pure study or whose co-operative employers cannot spare them for such a period. Such courses are frequently open also to honorary and part time workers. In addition to the countries already named, Austria, Poland, Belgium, Hungary, Switzerland, Yugoslavia, Japan and some provinces in India have been particularly active in this type of work.

To a considerable extent the classes are specialised. In Finland, for instance, in a recent year, there were ten courses of one month for store managers, dealing with the handling of agricultural requirements, four courses for drivers of tractors, motors and threshers, one and two-day schools for managers and subordinate employees (attended by over 500 students) summer schools and tours. In Poland there are special courses for auditors lasting eight days, three day courses in dairying, the handling of eggs, etc. In Transylvania, three-week courses in accountancy are supplemented by three-day courses for honorary workers such as teachers, priests and village mayors, designed to familiarise them with the principles of the movement. In many countries the short intensive course alternates with the small local class held perhaps on one night a week for a year or more, and with the correspondence course for individuals.

This system of practical work supplemented by a course of theory or specialised technique has been evolved spontaneously in a large number of countries. It has proved highly successful and is probably unique, since it is a skilful combination of the old industrial and commercial system of apprenticeship and the more modern idea of vocational training preceding practical participation in a trade or calling.

In several countries, however, co-operative societies have not been left to carry out alone their schemes for the training of employees. In Germany at least up till a few years ago, no less than nine universities and technical high schools provided courses in co-operation, some especially adapted to the training of practical co-operators. A Chair of co-operation has been established at Halle and a special department of co-operative studies at Frankfurt. In Hungary again the Budapest University for National Economy was founded with the financial assistance of Hangya, the great rural consumers' organisation, and includes a Chair of co-operation. For many years the veteran Charles Gide held the Chair of Co-operation at the College de France. His bias was towards consumers' co-operation and it was the philosophy of co-operation rather than its commercial details that he taught, but his influence extended over a wide circle of disciples, past and present, both Frenchmen and foreigners. In Poland the University of Cracow provides a course of one year in co-operation, and other universities and commercial high schools give similar facilities. The School of Rural Economy provides technical training as well as theoretical instruction in co-operative legislation, commercial practice, etc. Dairy and agricultural schools take boys from the elementary schools and train them in co-operation during courses lasting from six months to one year. In some agricultural schools co-operative auditors act as instructors. In Posen, co-operation occupies two hours weekly in the time-table of agricultural schools. In Latvia, the law and economics faculty of the University has a co-operative section with two professors and two assistants. The faculty of Agriculture has a Chair of social agronomics and co-operation, with obligatory co-operative courses, and similar provision is made in some of the commercial institutes. In Greece a co-operative school was opened in 1930 as a branch of the Agricultural High School of Athens. Instruction is free. A one year course is given in accountancy, general commercial, agricultural and co-operative subjects, economics and law. In China the University of Nanking has done much for co-operation both in theoretical and practical training, the University being one of the principal foci of co-operative activity. A course of co-operative agricultural economics is offered by the University of Perth, Western Australia. In Wales, the Agricultural Economics Department of the University College, Aberystwyth, has worked out, in conjunction with the Welsh Agricultural Organisation Society, an unusually close system of collaboration in co-operative research and advice, but the direct training of co-operative officials for local societies does not take so prominent a place in the scheme of work.

Much of the work recorded in the last paragraph might also be included under the heading "instruction of the public in co-operative principles", since university courses in co-operation are often attended by those who do not intend to take up permanent employment in the movement. The co-operative seminar provided by the Faculty of Economics in the University of Budapest, for example, is compulsory for all those taking agricultural, diplomatic or administrative courses. But before discussing this aspect of the subject, it may be better to return to the education provided by co-operative societies for their own members as distinct from their employees and officials.

It is obvious at once that in educating the members, the society need not inculcate the niceties of commercial practice or explain the mysterious workings of finance. What is important is that the member should feel a certin personal warmth for his society, that he should forego in its favour both carping criticism and the petty deceits in which he may have been trained by private trade, and that at the same time he should take an intelligent and in due season a critical interest in its proceedings. For all this it is necessary in the first place to arouse the members' interest. Mental laziness is common; members are frequently middle-aged and preoccupied. They cannot, like the young student, be driven to classrooms by penalties or lured there by the hope of a job. Hence, the sugar coating on the pill must be fairly thick and the methods of propaganda range, in degrees of complexity, from the simple meeting, welcome enough in isolated country places, where diversions are few, through the meeting plus a concert or a modest feast, to the sight-seeing excursion, which may extend itself to a foreign tour, the co-operative film show and the co-operative broadcast, while accompanying all these is the co-operative family newspaper, issued weekly or monthly, with its women's page and childrens' page and the local history, the pamphlet and the broadsheet. Some of this propaganda borders on advertisement. It is in fact the reply of co-operation to the intensive and often very skilful advertisement of private trade.

Every country so far mentioned carries on education of this type. The Czech Union provides 15 journals in six languages, wireless, films and books. The Canadian Wheat Pools, at one time at least, were in the habit of issuing their circulars not only in English but also in French, German, Ukrainian, Hungarian and Roumanian. They made a speciality of "co-operative institutes" or summer schools, at which the people from isolated farms could be gathered for education and social intercourse. The well-known Boerenbond of Belgium publishes journals and handbooks, makes use of the film and the humbler magic lantern, encourages the formation of local libraries and of co-operative exhibitions at local fairs. Hungary sets not only co-operative propaganda but the raising of rural civilisation in the forefront of its program In Malaya, special co-operative films were prepared by local actors.

A distinct and generally successful branch of activity is the formation, in connection with a local society, of a permanent social and educational club, generally of women or children who would otherwise have less opportunity of playing a direct part in the life of a society. The history of women's guilds is too long to be told in the last paragraph of an article, but they exist in 20 or more countries, in many of which they have their own national organisations. An International Guild unites all the most progressive. They have existed for many years and have accomplished work of immense value in keeping alive the ideals

of the movement among the membership and in providing a counterpoise to the official element which, however carefully trained, may easily become immersed in commerce and finance and indifferent or even faintly cynical as concerns the wider objects of the movement.

The co-operative education of children may be an adaptation of the education of adults and children's circle may listen to a simple co-operative talk before turning to games or music. A much more interesting and probably more valuable form is the children's co-operative society, often called the "school co-operative society" because it is more frequently a product of the primary school under the sympathetic guidance of the State than an independent venture of the co-operative movement. We have seen how the students of the German Co-operative College founded, operated and liquidated a model society as part of their year's course. The same thing on simpler lines is carried through in many rural elementary schools in Europe, America and perhaps other countries. The society may be a savings bank receiving the children's pocket money or trifling earnings and usually re-investing them in the local (adult) society. It may be a supply society issuing pencils, copybooks and sweets, or even a marketing society where there are school gardens, rabbits, or the opportunity to gather berries or mushrooms, which the adult marketing society can turn to good account. In all such societies the full program of general meetings, elections, committee meetings, book-keeping and auditing is correctly carried out. Such societies are specially favoured in Poland, France, Latvia, Belgium, Hungary and Brazil, but at least 20 countries have tried them, at least on a limited scale and with apparent success. In addition, co-operation is taught as a subject in the schools of many agricultural countries, sometimes, as in Latvia, "as an alternative subject to history, geography or mathematics in the highest class".

The educaton of the public is a kind of unearned increment on all these systems of co-operative instruction. The economic or agricultural student at the university receives a measure, even if an inadequate measure of co-operative information; the wireless listener may be sufficiently interested not to switch off the co-operative broadcast; the elementary school child can only switch off his attention and will probably find it switched back again unless he is usually discreet. How far is such instruction adequate? The answer depends largely on the importance of co-operation in national economy. In those countries which are predominantly agricultural and which have moved away from *laissez faire* without advancing to the full practice of economic totalitarianism, co-operation is obviously of great importance and it is in such countries, and in those where general economic and technical knowledge is elementary, that the co-operative education of the public has been pushed furthest. For all countries in a similar position and for many which have hitherto under-rated either the co-operative movement or its social significance, their example and experience are alike valuable.

Present position of the movement in Denmark.—The total turnover of all branches of the Danish Co-operative Movement in 1936 is estimated at Kr. 1,882 million, the highest recorded since 1930, and an increase of 9 per cent. over the previous year's total. The rise is mainly attributed to the increased prices realised for the exports of the Agricultural Marketing Organisations, since inland wholesale prices were lower than in 1935. Taking the various groups of Societies separately, the Consumers' Societies made an estimated turnover of Kr. 305 million, an increase of 8 per cent. The turnover of the Marketing and Agricultural Supply Organisations rose altogether by 10 per cent., to which the Dairies, with an increase from Kr. 505 million to Kr. 570 million as a result of the larger quantity of milk handled, contributed most. Egg and Livestock Exporting Societies also showed substantially increased turnovers.

The report recently published by the Danish Co-operative Union (Andelsudvalget) on the Co-operative Movement in 1935 shows that the total number of Co-operative Societies in the country is 7,055, with 46 Central Organisations and 1,750,944 members. Of this total, Consumers' Societies represented 1,850 with 358.000 members; Producers' Marketing Societies 2,287 with 441,962 members; Agricultural Purchasing Societies 2,918 with 593,433 members; and other societies, mainly insurance societies, numbered 6, with 799,987 members. An idea of the importance of the Agricultural Movement is given by the fact that in 1935 the Dairies handled 91 per cent. of the total milk supplies, the Butter Export Societies carried out 50 per cent of the total exports of butter, the Pig Slaughtering Societies carried out 84 per cent. of all slaughtering for export, and the Egg Exporting Societies carried out 25 per cent of all egg exports. On the supply side, the Fodder Societies were responsible for 44 per cent. of total fodder sales, and the Fertiliser Societies for 37.2 per cent. of total fertiliser sales.

—*I. C. A. Co-operative News*, 26th January 1937.

IMPRESSIONS OF SOME CO-OPERATIVE INSTITUTIONS IN EUROPE

BY

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While on leave last year, I visited a few co-operative institutions in Europe and this article contains my rough impressions. The accuracy of any facts mentioned is not guaranteed although I have no reason to believe that anything I write is based on incorrect information.

Hungary. Hungary is almost entirely an agricultural country and co-operatively is covered by two big Farmers' Co-operative Associations, one for the larger and the other for the smaller men. The former association is flourishing while the latter is only slowly recovering from the agricultural crisis of 1931. The former is run on a very big scale and deals with up to 80 per cent. of Hungary's exports. Members number over 6,500 and own roughly 2,000,000 acres. This Association procures from abroad every kind of agricultural material, implement and machinery and markets every agricultural produce for its members. A live-stock department exports and imports animals for breeding, carries out the total Hungarian export trade of fattened cattle and also exports horses, sheep and pigs. The wine department supplies the Hungarian market and exports Hungarian wines. I saw in Budapest a wine store, the largest in Hungary. Some wines are kept for 20 years. There is a huge staff for advice, blending, storing, sale, etc: farmers send in their wine by train, in special cars, to be sold on commission, or otherwise. There are also a grain department, a seed department and an affiliated limited liability company, which imports all non-ferrous metals, e.g., English copper, Dutch tin, Austrian lead, etc., and by barter transactions exports the association's agricultural produce.

At the time of the financial crisis in 1931, the association had much money outstanding, by way of loans to farmers: as the farmers were unable to repay, Government came to the rescue, cancelled part of the loans given to the association, gave a new loan free of interest and granted by legislation some moratorium on farmers' debts, reducing the rate of interest (which now varies from 4% to 5%). Subsequently, due to the rise in world prices and trade agreements with other countries, the farmers were again able to buy, and the association has been doing well in 1935-36 on a strictly cash basis. Incidentally, I saw also in Budapest an establishment for fattening pigs: there were 10,000 in the place and many were refused for want of room. There is no breeding. They are fed on Indian corn, sometimes supplied by the farmers. The Hungarian pigs give most lard; the others are mixed with Berkshire; these are for export.

The other great Hungarian society is the Union of Hungarian Mutual Credit Associations. This was founded by law in 1898 and much aided by Government with funds and other assistance. After the War, a law of 1920 framed its present constitution. The Union attempts to raise funds to satisfy the small agriculturists' credit requirements. In addition to its share capital and reserves, the Union has placed its own bonds in foreign money markets, e.g., in 1927, it placed 3 million dollars nominal value of bonds on the New York Stock Exchange. Thus it was able to advance out of foreign sources, more than 17 million Pengos at favourable terms to Hungarian small landowners through the rural co-operative credit societies. The Union supervises and controls rural co-operative credit societies, does much propaganda in order to popularise co-operation and does some socio-political work.

There is a chair of Co-operation in the University of Economics and Technology. I met Prof. Ihrig on the agricultural side; he advises the big central society for marketing with its branches. Hungarian Central Societies embrace the whole State. I was told that Communism was weakening in Hungary even among the workmen. The Hungarian co-operators generally *intend* to fulfil their obligations.

Austria. Co-operation in Austria has passed through crisis after crisis and the growth of the movement has been difficult and stormy, from the establishment of the first societies (credit societies) in 1869. One political party favoured the co-operative movement and at one time, the aims of both seemed to be the emancipation of the working classes: hence the movement was continually being brought into the political arena. With the collapse of the old State after the War, the co-operative movement also collapsed. Since then, the co-operators have had to work hard to adapt their institutions to new conditions and to re-organise the movement. In every town there is one co-operative society with branches that it can easily supervise. In each branch there is a Committee, generally formed of equal numbers of men and women, who carry on propaganda and educational work. Much emphasis is laid on the importance of women workers. They regularly visit houses, enrol new members, arrange social functions, etc. These societies are members of the Co-operative Wholesale Society. Credit Co-operative Societies exist as sub-organisations of the Workers' Bank, which, with the Co-operative Wholesale Society, functioned originally as the two Central Societies of the Austrian workmen.

Similarly, societies now exist for farmers, potato-growers, vine-growers, etc., affiliated to Unions. I visited, near Vienna, the store of one agricultural society, containing a silo and a mill. This collects the wheat and other products and sends them to the Union for sale to the public. This society has 1,600 members; each must take one share and is liable up to 20 shares. By law, all surplus goes to reserve, with this the silo and mill were built. Over 90% of the peasants in the village belong, and they are very loyal to the society. There are only 56 such stores in Lower Austria but the societies are improving the position of the peasants who are very poor. The society buys goods for the peasants—I saw fertilisers and concrete. The store is run by a Manager, a trained man, appointed by the Union under the theoretical control of a Board of six peasant members; differences between the Manager and the Board are referred to the Union for decision. The silo and mill are very up todate, with an excellent air system.

I visited the Vienna City Milk Supply Union. The members are co-operative societies which send in milk in their own cans by train nightly. The Union cleans, pasteurises bottles and distributes the milk to its many branches in the City and returns the cans thoroughly cleaned. Pasteurisation is required by law: it kills the bad bacteria in the milk and makes the milk safe for transport over a big city. The best and latest machine is English. Butter and cream are also made and sold. The filling and stoppering of the bottles is done entirely by machinery. Each society pays a membership fee per cow. Milk is sold to the public. Special milk is prepared for children who all get a small bottle daily at school. In the Union laboratory, the milk is carefully tested and analysed. The Union sends its officers regularly to inspect and advise in members' villages. Government Veterinary Officers inspect the cows that supply the children's milk.

The Vienna Municipality has constructed huge comfortable blocks of flats for working-men; there are also house building co-operative societies. I visited one of the latter. The land belongs to the Municipality who lend money to the society free of interest. Members must put in so many hours of work on the construction and pay rent; the society looks after repairs. If not bought by the member, the house reverts to the Municipality, after 30 or so years. I saw excellent houses occupied by tram drivers, etc., paying a rent of one-sixth of their pay and able to spend money on good furniture, gardens and pets. In the same district, I saw a very clean, businesslike branch of the Consumers' Society. There are no separate Women's Societies in Austria.

Holland. The co-operative movement in Holland is said to have reached its summit, and to be no longer expanding. There is no Government interference whatever. Farmers understand co-operative principles and members of a society have been found to subsist on dry bread in order to pay their dues. The Dutch are very honest people. Besides seeing an agricultural milk factory at Bomschoota (which makes milk powder for export to England), I visited the Utrecht Central Bank. There are only two Central Banks in Holland, one being Catholic and that in Utrecht neutral. The Central Bank finances all societies, advises and audits them; in practice utilises, in liquid ways, the moneys of societies, and finances very few. Neither a Central Bank nor a society is allowed by its constitution to divide its profits unless its capital has reached a very high and exceptional figure. The Central Bank has a staff of lawyers who advise societies on juridical and other matters. Societies pay a yearly sum as a kind of insurance. A very few societies are also engaged in purchasing, but the combination is discouraged. Interest is levied round about 4½%. There are no moneylenders now outside the towns. The farmers can get cheap money only from co-operative societies. All borrowers must be members. Consumers' Societies exist in the towns and are spreading to the villages. The Central Bank has two trained Managers and a Directorate (Executive Committee) of three who meet weekly. The Board meets once a quarter. Societies are kept in the straight path by moral suasion. Length of loan and any concessions depend on individual cases. Directors get only small sitting fees.

Belgium. The guiding and controlling co-operative force in Belgium is Le Boerenbond Belge (or League of Peasants) with its headquarters at Louvain. This was founded in 1890 and from small beginnings and after the usual vicissitudes due to the world economic crisis, has now spread its activities throughout the country.

It is the aim of the Le Boerenbond Belge to form in each village or group of villages a co-operative guild dealing with every activity of the peasant. The village priest is generally the head of the guild, as it deals not only with the peasant's work but with his religion and his morals; it is both a professional and social institution. Each guild has a women's branch and a youths' branch, with mainly social and educational ideals.

It has an economic branch, which enables members to buy and sell at the best price, and a credit branch based on the unlimited liability of

the members and the Raiffeisen creed. Then, according to the needs of each locality, a co-operative society for cattle breeding or for rearing poultry, sheep etc., or for milk supply, or for cattle and horse insurance or for vegetable growing etc., is generally formed. Thus, the guild centralises the social and economic needs of the peasants and all members of their families, old and young, find a place in the guild. All the guilds are controlled, supervised and aided by the Central organisation, Le Boerenbond Belge, in Louvain. From 1895 to 1929 the number of guilds has risen from 200 to 1,218 and of members from 10,275 to 128,788: membership is confined to heads of families, but the whole family is considered to be affiliated.

I visited Louvain and met some of the Directors of the Boerenbond Belge. The Secretariate-General looks after all social questions, the organisation of the guilds, and the moral, social and professional education of members; it is prepared to defend their interests. It publishes weekly and monthly papers, technical and otherwise, organises lectures and courses of study. It founds village libraries, organises exhibitions, trains instructors. It employs specialists to advise on rural economy, agriculture and horticulture. It controls and advises the Women's and Youths' leagues.

The branch for purchase and sale aims at rescuing the peasant from the middleman. Through this, the branch attached to any local guild may get seeds, machinery, cattle, food etc., for its members, and may sell their products. It finds markets for members and informs them what is needed by consumers. The credit branch (Apex Bank) accepts deposits and grants loans.

The insurance branch insures members against fire and accidents and also deals in life insurance. Members get specially low rates, rebates, etc.

Another branch has as its objects the popularisation and spread of electricity, the improvement and construction of rural buildings, the improvement of irrigation and of the general condition of agricultural holdings.

Finally, the inspection branch includes about 50 Inspectors, who co-ordinate the activities of the central and local bodies: to this branch are attached experts and advisers on all matters concerning the welfare of the peasant.

As the branch dealing with the commercial activities of the Boerenbond Belge is not only the most spectacular but may be the most useful to us, I give some more particulars of its activities. From 1901 to 1929 the actual turnover increased from Fcs. 2,467,000 to Fcs. 671,222,000. There has been a steady increase, especially since the War, in the consumption of chemical fertilizers, in poultry-keeping and the co-operative selling of eggs, in the sale of butter, fruits, potatoes and vegetables, etc. The branch has a plant-rearing station for improving agricultural and garden plants, a pedigree poultry breeding farm, seed farms, potato farms, animal and pig breeding stations, butter factories equipped with modern machinery, milk factories, poultry and cattle feed mills elevators for linseed and linseed cake, offices for buying raw materials, 180 or more warehouses, etc. The society exports to foreign countries and ascribes its success both at home and abroad to these facts: (1) it can supply regularly everything grown in Belgium: (2) its products are most carefully tested and selected: (3) weight and quality can be relied on (4) packing is done carefully, safely and cleanly.

British Isles. In London I went to the headquarters of the Horace Plunkett Foundation at 10, Doughty Street, W.C. 1. The Secretary, Miss Digby, is always ready to help and advise co-operators and is in touch with the movement throughout the world. Keen co-operators visiting London are advised to call at 10, Doughty Street(it is almost opposite to No. 48, where Charles Dickens wrote several of his books: No. 48 is now preserved as a museum, with some personal relics). I had a talk here with Professor Fay, the President of the Horace Plunkett Foundation. I was glad to find him by no means bound by strict co-operative principles but prepared to agree that they should be modified so as to move with the times. This was apropos of the agricultural marketing schemes now in force in England. I had some talk with men concerned with the Milk and Potato Marketing Boards and in the Ministry of Agriculture. In England, two-thirds of the total agricultural produce is now marketed under the control of producers' boards, which are in effect co-operative bodies but an entire departure from the Rochdale type of co-operation. These large marketing boards which came into being after the passing of the Agricultural Marketing Act of 1931, are an entirely new development. Generally speaking, if two-thirds of the producers of a commodity desire to be governed by the Act, an approved scheme is mandatory on all producers of the product. The marketing of the product is then governed by the scheme and the liberty of the few is curtailed in the wider interests of the many. These schemes, so far as they have gone, appear to be succeeding in England, But until the present marketing investigations have been completed in India, it is impossible to say whether they are capable of application, either wholly or in part, to this country. The English schemes differ

in detail for different products and this is not the place to describe them: they involve the comprehensive organisation of all producers, with arrangements as to prices, marketing, pooling etc.

I saw some co-operative societies in the Island of Skye. The crofters or farmers of Skye were in a very bad way, for the usual reasons, and Government had to come to their help. Loans are advanced at low interest for building, improvements to land etc., on no security, but the recommendation of the local officer of the Agricultural Department. Most of the best land (not belonging to the big clans, McLeods or McDonalds) was bought up by Government: most of this is divided into holdings or leased to tenants: some is sold at 80 years' purchase. Government also bought up flocks of sheep and sold them to Sheep Stock Club Co-operative Credit Societies which exist all over the Island. Membership is small. I saw the balance-sheets of Clubs of only 7 members; the best Club has 18 members. Revenue comes from the sale of sheep and wool. Some clubs employ shepherds and the members do a lot of the work; expenditure goes also on dipping, wintering, etc. The Agricultural Department advises and has certain powers of suspension. Annual audit is required. Dividends are paid to members from profits.

Development of the Co-operators' Club in Austria.—Delegates to the number of 34 from Vienna and 9 from the provinces attended the 2nd Annual Meeting of the Austrian Leisure Organisation, the Co-operators' Club, on the 10th January, when Dr. Strobl, President of the Wholesale Society GOC, gave the opening address. The Club now comprises 81 Sections, which are engaged in all kinds of sport, music, singing and other cultural work, including the organisation of co-operative lectures. It is emphasised that the organisation does not aim solely at entertainment, but also at co-operative education. A number of delegates expressed the wish that the Club work should receive more attention and support from the Co-operative Societies, and declared that a closer connection would stimulate the activities of both.

—*I. C. A. Co-operative News*, 26th January 1937.

STATE INTERFERENCE IN CO-OPERATIVE ORGANISATION

By

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The disputes concerning the usefulness of state interference in the co-operative organization are still fresh, but one can already affirm that the help of the State to the movement in many countries is very useful as regards agricultural co-operation and is even indispensable in some States.

It is a different question how the state offers its help. In Tzarist Russia there existed a so-called benevolent guardianship on the part of the Ministry of Finance, which, through the office of small credit, founded and audited the credit co-operative societies. In such conditions, although such guardianship gave ground for complaints, the free development of co-operation was seldom interfered with.

Under the Soviet regime co-operation, especially consumers co-operation, was transformed into a state institution, quasi-obligatory for everybody and under communistic management. Co-operation lost its autonomy although the communists consider their guardianship as benevolent.

We have another type of state help in France in regard to credit and in general to agricultural co-operation. In France the government, or more exactly the Bank of France, gives subsidies for the organisation of peasants, without any of their rights being taken away. The government is entirely in the hands of the co-operative societies and there is no control whatsoever. A third kind of state help can be seen in India. The British Government appointed there specialists on rural credit co-operation chosen not only amongst the British, but also amongst Indians for the auditing of co-operative societies; but this state-auditing is regarded as temporary.

A quite different phenomenon can be seen lately in Italy and Germany where, following the Bolshevik example, the State at the beginning rudely mixed in the affairs of co-operation. It is true that at first the Italian Fascist persecuted the co-operative societies not because they were co-operatives, but because their leaders were Socialists, or Catholics. When the leadership of the political parties was removed together with the parties themselves, then the Italian Fascist, especial-

ly thanks to Moussolini, not only began to look benevolently upon co-operation, but assembled the societies in one general Union.

The example of Italy was followed by the German National Socialists, who forced the two unions of consumers co-operative societies to merge into one Union only. Unfortunately, as a result of this operation, nearly all of the old leaders of co-operation were dismissed and this had a very bad effect on the work of co-operation.

The same road was followed by Bulgaria where the government not only amalgamated the two state co-operative banks, which is entirely reasonable, but is contemplating to unite forcibly the present autonomous unions.

The interference of the government can be approved in case of frauds; as was the case in Soviet Russia and France.

The Co-operative Bank of France in Paris went bankrupt recently, because the manager secretly credited private cinemas and aviation, which failed in the crisis; and nevertheless the French government did not interfere and left the co-operators to clear this business themselves.

Generally one can say that in the last year there was a tendency to nationalise in such cases where it was possible, and also in cases when such state control would bring only harm. It is in the interest of the State that the economic life of the country be organized by the population itself, *i.e.*, be co-operated. This would cost nothing to the government or in any case less than what is spent on the numerous state employees, often lazy and with big salaries. Private initiative, in the form of co-operation cannot be suppressed and with it cannot vanish the liberty necessary for the normal development of the people.

The extent of the National Co-operative Movement in Sweden.—According to the latest report published by the State Statistical Bureau, the total number of Co-operative Societies in Sweden at the end of 1934 was 18,293. Of these, 12,723 came under the heading of Consumer Co-operation. These comprised 1,443 Retail Distributive Societies; 82 Co-operative Restaurants and Cafés; 2,761 Housing and 3,461 other Building Societies; 1,837 Electricity Societies; 28 Central Unions; and 3,111 Miscellaneous Societies. Societies classified under the heading of Producer Co-operation numbered 5,570, and they included 1,627 Societies for the Purchase of Raw Materials; 399 Machinery Purchasing Societies; 844 Co-operative Dairies; 222 Egg Marketing; 491 Stock-Rearing; 730 Rural Credit; 48 Central Unions; 201 Workers' Productive; and 105 Printing Societies.

—*I. C. A. Co-operative News*, 26th January 1937.

RESERVE BANK AND AGRICULTURAL CREDIT

BY

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According to Section 55 of the Reserve Bank Act the Agricultural Credit Department has to report to the Governor-General in Council within three years from the date of its actual working the state of agricultural finance and make recommendations concerning (a) the extension of provisions of the Reserve Bank Act to persons and individuals engaged in banking business in British India and (b) the effecting of a closer connection between the agricultural enterprise and the operations of the Reserve Bank. Full three years have not yet elapsed. But to secure a thorough discussion by competent parties, a preliminary survey of the existing agricultural financial methods with some suggestions for their improvement has been recently published. It is the first statutory Report issued by the Agricultural Credit Department of the Reserve Bank.

A categorical summary of the main conclusions has been published by the daily newspapers of the country. It behoves us to examine them in detail. They fall under four headings: Commercial banks, Short-term credits, Co-operative societies, and the Village *Banias.*

Commercial Banks. On commercial banks and agricultural finance there are several suggestions. They deal with short-term, intermediate and long-term debts raised by the agriculturists. India's total agricultural debt has been reassessed at Rs. 1,800 crores, almost double the 1930 estimate made by the Central Banking Enquiry Committee. As a result of the tragic and catastrophic fall in prices of agricultural commodities the debt burden has been almost doubled. This ought to goad all reasonable people to take sensible remedial as well as preventive action. That commercial banks should take more important part in the financing of crop-marketing is its first suggestion. Orderly and organised marketing there should be, in place of disorderly and erratic marketing. But the remoteness of the commercial banks, the lack of proper storing agencies such as warehouses or godowns, the absence of standardised and well-graded products, the intervention of too many individuals in the marketing chain connecting the village to the city markets, the absence of uniform standardised weights, the lack of co-

operation on the part of the rural producer in marketing his small lots of goods, the standing indebtedness of the village producers to the village *bania,* the lack of a monetary reserve to fall back upon till the time when a proper sale of agricultural goods can take place, the necessity to pay outstanding charges such as rent to the landlords or *kist* to the Government stand in the way of introducing immediate changes, however desirable they might be, in the direction of agricultural marketing. A simultaneous attack of these manifold evils is essential, so that success might attend the reformer's steps. There should be licensed warehouses and bills backed by warehouse receipts, before the village *bania* or the money-lender can endorse the same and get them discounted at the hands of scheduled banks or other commercial banks. Such bills can be declared as eligible bills for the Reserve Bank's portfolio and be rediscounted by it. This is the only safe method of undertaking crop-marketing finance. An alternative is to allow big merchants to draw bills on the commercial banks and get them discounted in the money markets to secure finance. These should buy the produce from the storehouses and market the same in the city or district or national markets. The next suggestion is to the effect that Provincial Governments should increase the subsidiary industries so that a second string to the agriculturists' bow is furnished.

A reduction of the debt amount is essential in all cases of heavily overgrown debt. Conciliation Boards aided directly or indirectly by the Government should lower it to an amount within the reasonable capacity of the debtor to pay. This has been the cardinal principle on which Debt Conciliation Boards are working in different places. The Government is to offer some simple legal procedure to recover the reduced amount in instalments. This is indeed a very tame suggestion. The creditors should be immediately offered the payment of the settled amount and the mortgage banks should supplant them in case of long-term debts payable by instalments running over several years. The offer of simple and cheap legal procedure is of no use or consolation to the aggrieved creditor, who is smarting already under the discomfiture of reduced capital or interest amounts. Prompt payment of the reduced debt is needed. Without this arrangement the Debt Conciliation schemes whether voluntary or enforced will not be liked by the parties. It is a pity the Reserve Bank does not emphasise this aspect of conciliation business, though a recommendation is made for the provision of regular machinery for collecting the long-term debts in a series of instalments, payments to be enhanced if any windfall were to help the agriculturist or if a good season were to confer a higher surplus on the agriculturist.

The next suggestion is that hereditary debt is to be given separate treatment and a hereditary debt weighing heavily on the agriculturists' shoulders for full three decades ought to be treated preferentially. Recourse to insolvency is recommended in those cases of irrecoverable debts, which cannot be reduced in any way. But the fact of the existence of insolvency acts is either not known to the agriculturists or they feel reluctant to resort to this method, for their future credit standing would be greatly prejudiced thereby.

The education of rural borrowers in thrift is strongly recommended. The avoidance of unnecessary debt, the avoidance of unproductive debt and the strict confining of the borrowed amount or debt to the legitimate purpose for which it is contracted are essential on the part of the borrowers. On the creditors' side there should be the enforcement of the rule that the amount lent is within the capacity of the borrower to repay.

It is suggested that borrowing from more than one source is to be stopped. But unless there is registration of all debts this suggestion cannot easily be carried out. A creditor should lend only after the securing of a clear certificate that there is no encumbrance on the assets on property of the borrowing agriculturist. A lot of informal lending on mere promissory notes is taking place. This is usually limited to small amounts of money. But the borrowers are sometimes so unscrupulous and dishonest as to raise money from several sources, the cumulative result of which is the resort to bankruptcy. It is in such cases that the rate of interest is usually very high, to compensate for the risk involved in the process of unsecured lending. Unless there is one lending agency for the whole rural area or regional tract it is impossible to carry out this suggestion. Or there should be legislation to the effect that no unregistered loan can be recovered through the help of the courts.

There is another suggestion that creditors and money-lending institutions should be helped to undertake mortgage of land for a sufficiently long period so as to secure repayment of the long-term loans advanced by them. The final suggestion is that the apex land mortgage banks should be run on purely commercial lines, so that the business might show surplus benefit, which might be utilised for helping the borrowers.

It is a pity that the Reserve Bank does not mean lending any further help than the granting of mere banking advice to the existing land mortgage banks of the different provinces.

Short-term Credits. The formation of co-operative godown and sale societies is recommended so that commercial banks can easily lend on the collective security of produce of these societies. The correct grading of the staple produce is needed before it can be thought of as a fit object of security for commercial bank loans. The wider the market for the standardised product the narrower would be the margin. Commercial banks can rarely lend small amounts to a large number of small-scale agriculturists. But these short-term advances are for helping organised marketing of the staple products.

The apex provincial co-operative banks can easily tap the Central Reservoir of credit lying in the hands of the Reserve Bank. The suggestion that they should limit the amount of credit which can be allotted to a particular crop is nothing new. But multiple lending agencies exist so that there is sometimes overlending. If the borrowers can borrow from one source alone the enforcement of this suggestion would be quite an easy one. Otherwise it tends to be a mere cry in the wilderness.

Bills of exchange should be encouraged so that the financing of crop-marketing can be done smoothly. The co-operative sale society can draw a bill on the co-operative godown society. With the help of money-lender's acceptance or endorsement it can be easily discounted at the district co-operative bank or commercial banks. With their signature tacked on they can be rediscounted at the Reserve Bank. In order to increase the number of agricultural bills drawn the stamp duty is to be reduced to two annas per thousand rupees on bills maturing within a period of one year. Agricultural bills of nine months' duration can be rediscounted by the Reserve Bank. With the increase of bills the provincial coffers will not be adversely affected.

The Co-operative Credit Movement. The outstanding menace to the solvency of the co-operative credit societies has been the existence of overdues which have tended to become long-term loans. In some cases they tend to become bad loans. This dead-weight of long-term loans is indeed becoming a heavy one and is tending to endanger the position of the co-operative credit society. The report recommends that even co-operative societies should consent to the procedure of Debt Conciliation Boards and their proceedings. There would be a reduction of either capital or interest or both according to the nature of the case. These drastic cuts would mean losses. But it is not suggested who is to bear the losses ensuing out of this debt reduction business. If the reserves of the co-operative societies are strong enough to bear such a loss it can be undertaken; otherwise not. The formation of such reserves is strongly recommended so that they can act as a buffer between the society's capital and the financial losses created by unfavourable seasons.

The report makes out that the co-operative credit movement would stand to gain by the inclusion of practical bankers to guide the lending business, to secure closer nexus between commercial and co-operative banking, to provide for the depositor's representation on the boards of provincial and central banks, to restrict within safe limits the business which the co-operative credit societies can undertake, to eschew all loans which cannot be repaid within the maximum period of one year and to lend only for strict cultivation purposes.

Village banias. The business of these has to be modernised by sheer force of public opinion or legislation. The licensing and registration of the moneylenders must be secured so that interest rates can be adequately controlled. Proper business-like accounting methods will have to be adopted by the modernised *banias*. They can be recognised and included in the bill-discounting process. They can be one of the two parties in the paper going through the scheduled banks for discounting business at the Reserve Bank. In this connection it must be understood that it is not the same thing as including them in the Scheduled Bankers' list. It is this latter suggestion that is recommended by all publicists. It is only a modernised indigenous banker who can claim the privilege of being included in the Scheduled Bankers' list.

For a speedy execution of minor money suits the village Panchayat Court ought to be established. It would also be advantageous if the services of lawyers were dispensed with in the matter of proceedings of these Panchayat Courts. Such a thing has been provided for in the Debt Conciliation Courts' procedure of Bengal.

The suggestions made are nothing new. They have been in the air in a somewhat nebulous manner. Some precision has been attached to them by the preliminary statutory report. Chimerical schemes like an All-India Agricultural Credit Corporation, a mortgage Department of the Reserve Bank to make long-term loans on the model of the New Zealand Central Bank and the undertaking of loaning business by a properly equipped Agricultural Credit Department on the lines of the Rural Credit Department of the Australian Commonwealth Bank have all been left in the cold.

Co-operative banks are tending to become commercial banks in all places where the latter are not to be had. In an ideal banking system

where each unit is specialising in a particular aspect of credit business both co-operative as well as commercial banks will find a proper place for them in the banking system. They are 'complementary bodies working for mutual elevation and should not be competitive organisations' each working for the downfall of the other rival. If this is the meaning of the Reserve Bank's suggestion there is nothing to quarrel about. But if it is meant that the tendency of the co-operative banks undertaking commercial banking business should be curbed, the least that can be said is that it is not practical politics.

More business talent is to be utilised so that co-operative credit business can be made to run on commercial lines. There should be no departure from sound business lines on the ground of mistaken philanthropy. The sacrifice of business principles is the root cause of all disaster. Paid secretaries would have the needed business acumen. The trained secretaries could be provided by the provincial co-operative organisations, which look after the educational and propaganda aspect of the co-operative credit movement.

'To be forewarned is to be forearmed', says the English proverb. This preliminary survey indicates that the Reserve Bank is determined to act as a pure central bank eschewing such undesirable tendencies which have cropped up in the case of the Australian and New Zealand Central Banks. Lest one's expectations should be pitched in too high a key the Reserve Bank has indicated the extreme length to which it is prepared to go at present to help short-term agricultural finance. This is a frank statement of what can be expected from the working of the Reserve Bank. If it falls short of the fantastic dreams and expectations of some enthusiasts the excuse is already decently formulated in this brief preliminary report. It is a pity that even the different Provincial Governments have refused to make any sound recommendations by means of which the indigenous bankers and the village *banias* can be happily fused as an integral part of the reorganised banking system of India. The Provincial Governments seem to remind the Reserve Bank that "Rome is not built in a day". They prefer waiting and watching how the Debt Conciliation Schemes of theirs are progressing before they mean committing themselves to any new course of legislative action.

CO-OPERATIVE HOUSING IN THE BOMBAY KARNATAK

BY

M. M. BASRUR, B.AG.,

Dharwar.

Speaking of Co-operative Housing, the Bombay Presidency has a particular interest in the progress which the movement has made; and the interest is doubled to us in the Karnatak since the idea of starting the first Housing Society in Bombay—nay in India—was mooted and carried out by people from the Karnatak. Mr. Rothfeld, a former Registrar of Co-operative Societies, Bombay, summed up in an article the early history of co-operative housing and praised the pioneer Housing Society at Gamdevi in Bombay and its promoter Rao Bahadur Talmaki, well-known amongst co-operators. This attempt was ably followed in the Bombay suburbs and in Poona by members of his and some other communities. The credit of starting such societies in the remote mofusil can indeed be claimed by co-operators of Dharwar.

Early after the above society (Gamdevi, Bombay) took up the work in 1915 and successfully carried out part of it, the idea was caught by a few friends of the Sarswat Community resident in Dharwar and they outlined a scheme for the Sarswat Co-operative Housing Society. The society was formally started in the year 1919 when the promoters availed of the help of Rao Bahadur S. R. Koppikar to lead them as President.

The late Mr. F. T. Nalavadi of Dharwar who was a keen and progressive co-operator was quick to realise the benefits of co-operative housing and he organised one such society for the members of his viz: the Raddi Community. This also was registered in 1919. Leaders of both communities put their heads together and chalked out the details of their respective societies which, while independent in their work and weal, would look for common amenities to be organised on joint effort, e.g. a common school, a play ground, a post office and if possible water supply and conservancy arrangements. The needful Departmental help too was not slow to come. Mr. Bhadrapur, the Assistant Registrar of Co-operative Societies for the Division who was a supporter of many new schemes was heart and soul with the promoters, and the Registrar Mr. Rothfeld was only too glad to help. Thus strenthened, the promoters of the two societies duly proceeded to fix upon the site. Naturally this had to be such as would not only lessen congestion in the town,

but would suitably add to the residential accommodation for those immediately concerned and serve as a model to others. And a site was fixed upon which was ideal in all respects. This was a hill of moderate height with gently sloping sides conveniently detached from the congested parts of the town of Dharwar and yet near enough to the busy part of the town to enable close connection. This comprised of a large extent of Government waste lands and Government was approached to grant the site to the two societies. Revenue authorities were also sympathetic and all technicalities over, the site was handed over to the societies in about a year of their registration. Each society then proceeded to demarcate plots of convenient sizes amongst their members. Plans for this purpose were carefully made with expert advice then available; but many changes were later effected in the lay-out as suggested by the Government architectural officer whose technical help was made available to housing societies by Government free of cost. This enabled the societies to chalk out roads on contour lines entailing less expenditure on roads and incidental recurring charges on them. These roads divided the plots tyre on tyre.

The Sarswat Housing Society proposed to have three classes of houses viz: A, B and C. Each type differed from the others in the dimensions and cost of construction of its houses. The Raddi Society arranged for two classes of houses which were all to be on the western slope of the hill, the eastern slope having been given to the other society. The actual distribution of plots however was not an easy task since the convenient plots in each class would have greater demand and the less convenient ones greater chances of being discarded. It was in this more than in any thing else, that the real spirit of co-operation stood in good stead, and plots were distributed amongst members by the method of a raffle in which were drawn numbers of plots on the one side and the names of members on the other. This smoothened matters and team spirit was kept intact. The two societies commenced building operations under their direct supervision, while the members had only to approve of the general plan and estimate of cost and to suggest changes, if they wished for any, provided the latter did not materially add to the price of construction. The Raddi society practically finished its construction work in three years and the fourteen tenements were offered to members for occupation forth-with. The Sarswat Society also pushed on the work but the total number of houses being large, it has yet been building; but such of the buildings as are ready, 41 in number, have been occupied either by members or other tenants.

The enthusiasm of the promoters and the members of the two societies happened to be at its ebb and the work of construction came to be pushed on during years closely following the after-war boom and it is natural that the cost of the materials, labour and transport charges then in vogue combined to raise the total price of tenements in spite of the careful attention to details and the personal supervision of the committee members. The site, which is ideal in all respects had however, the difficulty in tapping easy and good source of water and both the societies, particularly the Saraswat Society, had repeatedly to incur sinking and building charges on the well. Anyway sufficient water is now available and the tap service has been working satisfactorily. The wells of both societies have been fitted with electric connections to draw up water and manual labour has been appreciably lessened. So too, electric lighting has of late been arranged by the Dharwar Municipal Borough along the roads and the local Electric Supply Co., furnishes lighting for those that have asked for it. Arrangements for conservancy have been made by the Municipality.

It would not be out of place here to say in passing that the Municipality has forced its favour on the two societies: "forced" because the societies did not wish for such attention. From the very beginning, the promoters and the members of these societies had planned to have their needs and comforts met independently by mutual aid as is evidenced by the construction of the roads and the wells by themselves. The societies had even applied to Government to declare theirs as a Notified Area as their sites were clearly removed from the Municipal limit which then existed. But meanwhile the Municipality extended its limits and strongly opposed the move. The Municipality has succeeded and one may appreciate the idea that these co-operative societies have been enabled to extend their joint co-operation to the general rate-payers of the town by subscribing to the amenities of the community as a whole (of the town and its adjuncts).

It may be proper here to refer to the fact that some developments have taken place in recent years, which make it no longer correct for the above societies to be called either Sarswat or Raddi communal—though these terms are familiar in common parlance here—since they have widened their scope to membership outside the communities which gave their names to them. In the course of events, one member (more correctly his survivors) in the Sarswat Society and a couple of members in the Raddi Society felt it neccessary to give up their buildings and it was necessary either to find new members within each community or to admit into each society people of other communities as members. Accordingly the Sarswat Housing Society has been renamed "The Dharwar Building Society" with one non-Sarswat member and the other Society has opened its membership to a couple of non-Raddi members.

Referring to the widening of the scope for membership in such societies, it may be mentioned that a really cosmopolitan society was registered a few years back at Dharwar by a voluntary group of gentlemen of different communities as members; but it proved a still-born society since some of its young and active members were called to different spheres of activity and left Dharwar for good. That Society should have been an interesting addition to the list of housing societies in the Karnatak, in that it would have afforded a practical instance as to how families with different customs and manners could closely adopt themselves in intimate relation, both social and economic.

To revert to the two Housing Societies at Dharwar the following details may be noted with regard to their financial position:—The Dharwar Building Society (Erstwhile called the Sarswat Housing Society) now shows the following position:—No. of members, 46; No. of tenements now ready, 41; Share Capital, Rs. 9,800; Working Capital, Rs. 23,997.

Experience of housing societies in Bombay had shown in the early years the fact that housing societies stood in need of long-term finance at cheap rates of interest, and that as a distinct and useful type they deserved the best of Government aid. Accordingly the Government earmarked large amounts annually (since about 1921) for being granted as loans to housing societies at 6 per cent. per annum. This rate was further reduced within a few years in response to the request of co-operators. The Raddi Housing Society availed of such a loan without much loss of time. The Sarswat Society availed of, as needful, monetary assistance from depositors and the Shamrao Vithal Urban Bank and the Sarswat Housing Society at Bombay.

The position of the Raddi Housing Society is now as below:—No. of members, 16; No. of tenements ready, 14; Share capital Rs. 28,450; Reserve Fund, Rs. 2,250; Government Loan, Rs. 41,499; Working Capital, Rs. 79,199.

These two housing societies gave the lead in the Karnatak and they were not without a following, though of a weak nature. Besides the cosmopolitan society referred to above, there was registered at Hubli (in the suburb of Keshwapur) a Housing Society for the Christians of that station and while it showed some life for a few years it went into voluntary liquidation as some of the members wished to withdraw from it. Co-operative housing, it was hoped, would extend even into the rural parts of the Karnatak, since there was registered one such society for the village of Sudi in the Ron Taluka and another was planned for Makanur in the Ranebennur Taluka, District Dharwar. But, as in the case of ordinary commodities, the problem of demand and supply probably differs in the urban and rural parts with regard to co-operative housing too and these societies did not proceed further than the initial stages. But the absence of a large number of this type need not be viewed with disappointment, since co-operators are alive to the fact that quality counts more in the movement, than quantity does. As such, the housing movement is blessed in its limited family in these days of depression and difficulty, when advocates of the principle plead for it even in the social order.

Expansion of Rural Co-operative Trade in U. S. S. R.—Under the Decree issued in September, 1935, calling for greater exchange of goods between town and country, the Rural Distributive Co-operative Societies have substantially increased their trade. Whereas their sales of goods in 1935 amounted to Rb. 14,096 million, the total in the first 9 months of 1936 was Rb. 16,760 million. In 1934 the sale of food and groceries represented 22.7 per cent. of the total turnover of all Rural Societies; in the first quarter of 1935 it reached 34.2 per cent., and 41.7 per cent., in the first quarter of 1936. Following re-organisation, the number of Village Co-operative Societies last July was 23,257, owning 117,175 trading units (stores, warehouses, booths, etc.) The number of very small stores with small turnovers is rapidly diminishing and giving place to larger units. Of the 5,000 new Village Department Stores to be opened by 1st January, 1937, 4,500 had been opened by last September. These stores have considerably improved the sales of manufactured goods in the country, and many are equal in every respect to town stores. Financial help has been given to the Distributive Co-operative Societies by the State to a total of Rb. 300 million for the last quarter of 1935, and the whole of 1936. A very small percentage of the village stores work at a loss, and profits for the first half of 1936 were Rb. 150 million. The reduction of expenses has been of considerable importance in obtaining this result.

—*I. C. A. Co-operative News*, 26th January 1937.

CO-OPERATIVE INSURANCE

By

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The need for Insurance. It is a matter of common knowledge that in the case of most human activities—commercial, industrial, financial and other allied enterprises—a certain amount of risk is involved. Though all the ventures are started with the hope of success we find that in many instances the result proves to be otherwise, involving the promoter or promoters in loss, sometimes very severe, and the victim in some instances is finacially crippled for life. Unfortunately a correct prediction is an impossibility in most cases.

To mitigate the loss to the individual arising out of the uncertain nature of the results of certain transactions a device is sought, whereby the losses of the individual are transferred to a group. The volume of loss is always the same, but the individual burden is comparatively less since it is shared collectively by the several members of the group, and such an arrangement is known by the name of insurance.

The existence of uncertainty then is the fundamental condition for the existence and need for insurance. The uncertainty is of three kinds. (1) Uncertainty of the occurrence itself: We expect a certain event to occur, it may so happen that in reality it may never occur at all; (2) Uncertainty about the date: When a particular time limit is fixed, most likely it may not occur within that prescribed period; (3) Uncertainty of dimension: To make a correct estimate of the extent of loss that might occur in many instances is almost an impossibility.

Forms of Insurance. The different forms of insurance which are in vogue to-day are generally based on the nature of risk involved. Risks can be divided into two broad categories: 1. Where the occurrence is certain to happen, only the date and dimension being uncertain. Life Assurance comes under this category; 2. The second category is where the occurrence itself is uncertain. It may never occur at all, in which case the question of date and dimension never arises, and if it occurs it should occur within a certain date, and the volume of loss is ascertained only after the occurrence. Under this category are grouped all other forms of Insurance, like Fire, Marine, Accident, etc.

We shall now consider the agencies for the supply of insurance. We have already noticed that the underlying principle of insurance is the transferring of individual losses to a group. The grouping of the risks can only be undertaken by a corporate body, generally consisting of the various individuals who desire to mitigate their losses by such grouping. The spirit of co-operation is nowhere more strikingly manifest than in insurance. It may not be that every member of the corporate body sustains a loss. It is only an unfortunate few that might suffer severe damage. It is the function of the corporate body to reimburse any member financially to the extent of the loss sustained by him. These corporate bodies are known by the name of Insurance Companies and the members thereof as policyholders. The object of an Insurance Company is to bring together various individuals into a corporate body of policyholders who reimburse themselves from out of the common fund built up by themselves by making contributions in the shape of premiums. In its legal aspect it is an agreement, the insurer agreeing to indemnify the insured for the loss and the insured agreeing to pay consideration, namely, premium.

It may be now asked whether the fund that is accumulated from the payment of premium will be adequate to meet the losses of all the members. It may not be in case all the members lose simultaneously. But since from human experience it is gathered that the chance of simultaneous loss is a remote contingency, insurance companies undertake with confidence the task of indemnifying their insured for the losses which they may sustain. It can be clearly noticed that it is only after carrying out preliminary investigation into the law of averages with regard to each kind of risk, and ascertaining the volume of risk which the group as a whole sustains within a given time, that insurance companies undertake to transact insurance.

Joint Stock versus Mutual Insurance. There are three classes of insurance organisations: Joint Stock, Mutual and Co-operative. Joint Stock Companies are those which are formed by a group of individuals with a certain amount of their money as capital. The management of the companies vests in the shareholders who subscribe the capital and policyholders have very rarely a hand in the management of the affairs of the companies.

The constitution of the mutual companies is quite the opposite to the joint stock ones. Whereas the joint stock concerns are formed by shareholders, who may not be policyholders at all, the mutual ones are formed by the policyholders alone. There are no shareholders in the constitution. The management rests entirely with the policyholders

themselves. The main handicap for mutual companies, in the first instance, is the securing of necessary finance for starting the concerns and their successful working during the first few years.

In the case of joint stock concerns the necessary finance is subscribed by a group of individuals, who generally do not stipulate for any particular return or yield on their money. But in the case of mutual concerns generally the finance is attracted, on the definite understanding that it would be returned at the end of a certain period of time, and to pay a specific rate of interest as long as the money is held by the concern. This guarantee has to be fulfilled whatever might be the financial result of the business transacted. In other words debenture-holders take the place of the shareholders. But for this handicap a mutual concern is one of the best suited institutions to transact life insurance business, which requires comparatively less initial working capital, while for transacting other kinds of insurance which require larger initial working capital, joint stock concerns seem to be more appropriate.

For transacting life assurance business a large volume of initial financial backing is not needed as in other kinds of insurance and while a life assurance contract is generally for a longer period of time—in all other kinds of insurance the contracts are from year to year. In the former the connection between the policyholder and the company is of a longer duration, whereas in the latter it is for a shorter period. These two factors which characterise life assurance business, viz., the adequacy of comparatively smaller initial financial backing and the longer policy contracts are conducive to the promotion and growth of the mutual concerns to transact life assurance business. Another important feature of a mutual concern is the method of sharing of profits, which differs fundamentally from that in a joint stock concern. In a mutual concern the entire net-profits are distributed among the member-policyholders alone, while in a joint stock concern the profits have to be shared between the shareholders and the policyholders and usually the shareholders' interests predominate, though it is the policyholders' contributions which are largely responsible for yielding such profits.

Co-operative Insurance. We shall now examine the constitution of a co-operative concern. The need for an insurance concern on co-operative lines was strongly felt as a result of drawbacks existing both in the joint stock and mutual concerns. To get rid of the grip which capital has in the control and management of a concern on joint stock basis and to get over the difficulty of raising the initial finance experienced by concerns on mutual basis were the two important factors which gave rise to insurance concerns on a co-operative basis. Co-operative insurance combines in itself the good features of both the joint stock and the mutual types while scrupulously avoiding the snags to be found in those two. In the first instance it is promoted with the aid of share capital similarly as in a joint stock concern, but the baneful influence which share capital exercises in joint stock concerns is altogether eliminated. It is by virtue of investing a portion of their funds in the shape of share capital in a joint stock insurance concern, a few individuals are allowed to have control over its management, and subsequently the dividend that is snatched away by the shareholders from the profits is usually at an unlimited rate. Every additional share that an individual possesses confers additional advantage on him, since every share carries one vote with it notwithstanding the fact that there may be only one individual attending the meeting. For example, at a certain meeting, where many important matters relating to the management have to be decided, 50 shareholders may be present of whom one happens to hold 300 shares—either in his own name or by proxy, whereas all the other remaining 49 hold shares or proxies, lesser in number than he. On any matter his voice must be considered as final since he has the backing of 300 votes while all the other remaining members present taken together have not so many votes to back them up. This is certainly an iniquity, which is also opposed to sound business principles. Furthermore, when once such control is secured by a shareholder, it generally becomes a permanent one since the company cannot get rid of such share capital by returning it. If, in spite of such powerful influence that share capital wields in joint stock concerns, any concessions are being enjoyed by the policyholders in capitalist concerns, they are in reality gifts at the hand of the small body of capitalists who have the real control over the concern. Again such concessions are more often the outcome of the anxiety to withstand competition, than of a generous impulse of service and sacrifice as in co-operative enterprise.

In a co-operative insurance concern since all policyholders are shareholders an identity of interest exists, while no shares are allocated to individuals who do not take up policies, thus making the entire profits available to the member-policyholders themselves.

Besides these individual policyholder-shareholders, co-operative societies may also be admitted as members without taking out policies and it is with the aid of the capital subscribed by these sister co-operative societies which are animated by similar ideals of social service that the concern is generally promoted at the inception.

Under the Indian Life Assurance Companies' Act a certain amount of money has to be deposited with the Government of India before an insurance company begins to transact its business. Since in a co-operative concern, no individual is admitted to membership without simultaneously taking out a policy, it is not possible to obtain share capital from individuals before commencing business. But to commence business a certain amount of initial capital is necessary; while this is obtained by mutual concerns in the shape of a loan—usually a debenture loan—it is obtained from other co-operative societies by a co-operative concern without any commitments. These co-operative societies who subscribe to this capital are the only non-policyholder members. There is no such fear of the taking away a large portion of the profits in the shape of dividend since the maximum rate of dividend that could be declared by a co-operative society on its share capital is limited to a low figure either by statutory rule or by the Registrar and the Society. A provision is also generally made in the bye-law for the return of the share capital which is found unnecessary or superfluous. Lastly the co-operative principle of 'one man one vote and no proxy' deprives capital of its controlling voice in the management and makes the interest of the policyholders the decisive factor. It is clearly seen that if co-operative concerns are started on share capital basis it is only to get over the initial difficulty of securing adequate finance for the promotion of the concern, and though there are shareholders who do not happen to be policyholders, they always form a negligible factor compared with the policyholders in regard to controlling interest and who could always be made to sever their connections, whenever the concern thinks it fit to return their share capital. By incorporating in the constitution of a co-operative concern the following safeguards viz., (1) rate of dividend being restricted to a low maximum not exceeding 9% in any case, (2) all policyholders being shareholders and the rule as to voting being 'one man vote' and not 'one share one vote', all the three unco-operative features prevalent in joint stock concerns are got rid of.

In all institutions, joint stock, mutual or co-operative, it is the general body of members that is usually vested with the final say in all matters concerning the administration. But the composition of the general body in a joint stock insurance concern vitally differs from that of the mutual and the co-operative. The general body of a joint stock concern consists only of shareholders who may not be policyholders at all and non-shareholding policyholders are scrupulously excluded, though it is they that are responsible for the growth and development of an insurance concern, and it is through their money that the trading profits are obtained.

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But both in the mutual and the co-operative, all the policyholders are members of the general body and they are enabled to be in touch with the management of the institutions and possess full powers to control and veto the actions of the executives. These rights are enjoyed by the shareholders alone and not by the policyholders as such in a joint stock concern.

It is not very difficult to comprehend from a comparative examination, even in a cursory manner, the constitution of these different insurance institutions, that the one working on the co-operative basis is by far the best and most serviceable institution from all points of view and especially from the policyholders' point of view, that is to say from the point of view of the general public, who constitute the prospective policyholders. Besides those already mentioned above, a co-operative insurance society by virtue of being registered under the Co-operative Societies' Act, enjoys some privileges, which means additional advantage and gain to its member-policyholders, which are not available in a joint stock concern.

Privileges conferred. Let us take the South India Co-operative Insurance Society for a closer study. Being registered under the Co-operative Societies Act, while being governed by the Government of India Acts relating to insurance, it is also subject to the control and audit of the Registrar of Co-operative Societies as per the provisions of the Co-operative Societies Act. This double check on the institution is absent in the case of joint stock companies.

Being a co-operative society, it is exempt from the stamp and income-tax acts. Its policies and other documents need not be stamped, and its profits are free from income-tax. The savings effected under these heads do naturally go to swell the profits of the policyholders.

For speedy settlement of claims in cases of dispute, the Registrar of Co-operative Societies is vested with wide powers of arbitration without recourse to Civil Court and the cost of vexatious litigation is saved to the claimants under the policies.

With a view to afford facilities to the policyholders for easy remittance of premiums without incurring any transmission charges, accounts are opened with the co-operative banks (urban and central) all over the province. The premiums so collected are transferred to the head office of the Society at par through the apex bank, viz., the Madras Provincial Co-operative Bank.

Let us now study some of the different types of insurance. The most important and the ones that are largely in demand in all countries

are the Life, Fire, Marine, Accident, Motor Employers' liability and Fidelity. In western countries all kinds of insurance are transacted. The dancers get their feet insured, the actors practically every part of their human frame, the singer his throat, and so on. Most of us read in the papers sometime back that there was heavy insurance in England against the contingency of the ex-King Edward getting married before his Coronation.

Among all forms of insurance the one that is universal in application and which could be availed by all is life assurance. In other forms of insurance the expected event in respect of which one may take out an insurance may never occur at all and as such give rise to the feeling that the premium that is paid on it is a waste. And again, most of us do not each possess a ship, a motor car, or a big business premises to get it insured against being damaged. But surely every one possesses a life, which as long as it exists is the only valuable asset, and it is also evident that death is a certain event for a human being and it must occur one day or other. Only, when it occurs we may be unable to predict, and if death is premature and sudden, as it oftentimes is, we find the families of such persons who happen to be earning members are thrown into unimaginable financial distress. It is to mitigate, to a certain extent at least, such financial distress that life insurance is sought as a protection.

On account of its wide applicability and universal demand, life assurance, among all other forms of insurance, is being transacted in a larger volume in all countries, and from what has already been said above, the right kind of institution to transact life assurance business is beyond doubt a co-operative concern. The benefits of life assurance are numerous. Family provision is made possible in the case of the early death of the earning member. Saving is encouraged. Habit of thrift is cultivated; provision for old age is ensured. For serving as a basis of credit, an insurance policy is unrivalled. "It cannot be denied that life assurance is altogether the most serviceable invention of modern times for defeating contingencies, discerning fate, and depriving casuality of its terrors." Life assurance is all the more necessary for the problem of every man in the costly life of present times is not so much as how to earn as how to save. While the average individual income is now higher than ever before, the normal savings of the individuals are more meagre. By the discovery of insurance, a man is enabled to save in the most scientific manner and acquire at once a position which he could only otherwise reach by long years of studious saving. Life assurance is an investment which is not liable to shrink to the vanishing point. It plays an important part in the economic life of a man and is of immense help to the commercial and industrial activities of a nation. Furthermore, life assurance is an unconscious charity. Human society is being benefited to a very great extent without the benefactors themselves knowing the least about it.

Insurance in India. The percentage of people insured *in India* and the sum for which the unit of population is insured are the lowest in the world. While 25% of the people have insured their lives in America, only 2% of the people have insured their lives in India. In the United States of America, with a population of 110 millions, each man, woman or child has been insured on an average to the extent of Rs. 2,000 ; in Canada for 1,300, in Great Britain for Rs. 600. But India's figure is Rs. 4 per head, which is perhaps the lowest in the world. This demonstrates that enough insurance consciousness has not been created in the minds of the masses of India. The reason is not far to seek. The host of insurance companies that are transacting life assurance business in India do not find it profitable to approach the poorer classes, specially the rural population who form the bulk of India's population. The joint stock concerns do not, as a rule, encourage small policies and consistent with their heavy overhead charges are unable to reduce their premium rates to the minimum required, if they have to declare normal profits, and the tendency of an average insurance agent is to confine his activities to the urban areas where he can secure a single policy for a higher value, either from some highly paid official or from a rich trader. He does not find it profitable to approach the rural classes for insurance, since at best they can insure only for a few hundreds and that too with the greatest amount of persuasion. But the spread of knowledge of the advantages of insurance among the masses who are ignorant or unappreciative of those advantages has a genuine educative value, apart from its business aspect. The success of insurance schemes ultimately depends on the inculcation among the masses of the supreme virtues of thrift, savings and investment habit. The active promotion of these social virtues is an essential function of the co-operative organisations which possess exceptional facilities for the task, compared with commercial institutions. A co-operative insurance society of the right type and which is well managed is sure to be a powerful instrument to explore the potentialities of life assurance as savings institutions *par excellence* for the masses.

The need for co-operative insurance in this Province was felt as early as 1921, but the Government then considered that the formation of co-operative societies to transact insurance should not be encouraged on the ground that the management of a life assurance society required

highly expert control and technical skill which were not available. With the formation of such societies in Bengal and Bombay and with the persistent demand made by the co-operators for a similar society in this presidency, the Government were pleased to remove this ban which interdicted the formation of such societies, and in their Order No. 369, dated 10th March. 1931. they permitted the Registrar to deal with the applications for registration of Insurance Societies, which resulted in the registration of the South India Co-operative Insurance Society.

The South India Co-operative Insurance Society. The South India Co-operative Insurance Society started working in the last week of March 1932 after the initial statutory deposit was made with the Government of India. The authorised share capital of the Society is Rs. 10 lakhs composed of 10 lakhs of shares of one rupee each. Both individuals and co-operative societies are admitted to membership but no individual is admitted to membership unless he takes out a policy as well. The maximum number of shares which an individual can possess is limited to Rs. 1,000 while no such limit is fixed for societies. The rate of dividend that can be declared on the share capital is limited under a statutory rule to 9 per cent., though in practice it will not be even half so high as that and a provision is made also in the bye-laws of the Society for the return of the share capital, when no longer required.

The management of the Society vests in a Board of nine Directors, constituted as follows : The Madras Provincial Co-operative Bank and the Madras Provincial Co-operative Union send one representative each. The original signatories for the registration of the Society elect from amongst themselves one representative. Member institutions who have taken 250 shares or above send two representatives from among themselves. Three representatives are elected by the policyholders, two of whom are from policyholders of Rs. 2,000 and above and one from policyholders of below Rs. 2000. These eight are given the right to co-opt an expert and also elect one among themselves as the President. The duration of office of these Board of Directors is 3 years.

Like all other co-operative societies, this society is subject to the control and audit of the Registrar of Co-operative Societies. Its area of operations is the whole of India and the Indian States of Mysore, Travancore, Cochin and Hyderabad. South Indians, wherever they reside, can get their lives insured. Policies are issued from Rs. 100 onwards and the maximum amount for which one single life can be insured is for Rs. 5,000. Recently, at the last general meeting an amendment to the bye-laws was made raising the maximum risk to Rs. 10,000 and it is awaiting registration by the Registrar. Medical examination is not made compulsory for policies below Rs. 500. This privilege is specially introduced to encourage the rural classes to take out insurance in large numbers. The premium rates charged by the Society are the cheapest when compared with those charged by most other insurance concerns.

The progress of the Society during the past 4½ years of its working is steady and encouraging, as the following figures will show :—

Year.	Proposals received. No.	Proposals received. Amount.	Policies issued. No.	Policies issued. Amount.
1932–33 (15 months)	909	Rs. 8,74,100	637	Rs. 6,33,500
1933–34 (12 months)	1,072	„ 8,96,950	816	„ 6,66,850
1934–35 „	1,439	„ 11,77,100	1,067	„ 8,62,350
1935–36 „	1,753	„ 14,16,750	1,357	„ 10,99,150

The total paid up business in the books of the Society as on 30th June 1936 is Rs. 32,61,850 and the Life Assurance Fund amounted to Rs. 1,24,368.

After a successful working of four years the Society had its first actuarial valuation conducted on the basis of its business in force as on 30—6—1936 and a Reversionary Bonus of Rs. 10 per thousand on Endowment Assurances and Rs. 15 per thousand on whole Life Policies was recommended by the Actuary and the same was accepted by the General Body of the Society. It is hoped that the progress of the Society will be found, at the next valuation, to be much greater.

Co-operative insurance is now in its infancy and has not made much impression yet on our national life. But it is the hope of co-operators and socio-economic reformers all over the world that in due course the co-operative system will displace the commercial system for the lasting benefit of mankind.

Students' Co-operative Societies in Colleges.—Two national organisations of students have recently urged the establishment of more Co-operative Societies in colleges. One, the National Student Federation, an organisation consisting of students' officials and editors, voted in favour of a permanent committee to provide educational material on the subject of Co-operation, and to work closely with the National Committee on Student Co-operative Societies. A second, the American Student Union, has unanimously approved of Students' Co-operative Societies as a means of lowering costs of education, and as part of a programme of social re-organisation. According to the National Committee on Student Co-operative Societies, there are now 160 of these Societies at over 100 colleges with a total student membership of 70,000.

—*I. C. A. Co-operative News*, 15th February 1937.

PROBLEMS OF ADMINISTRATION, AUDIT AND SUPERVISION IN BENGAL

BY

S. K. LAHIRI.

The laws of a country reflect the type of government that the country possesses. In an autocratically governed country the laws bear unmistakable marks of authoritarian direction and management. Similarly in a country possessing genuine democratic institutions efforts are made to replace the principle of absolutism by that of popular control. When the Government of India laid the foundation of the Indian co-operative movement by the passing of the Co-operative Credit Societies Act of 1904 the system of government that prevailed in the country was based on autocracy and absolutism. Things had changed slightly by 1912, indicating an inclination on the part of the authorities to consult enlightened Indian opinion and to discuss matters of importance with recognised leaders of Indian thought.

Although the Indian Co-operative Societies Act of 1912 extended the field of co-operative activity and enlarged its scope to a considerable extent, it was based primarily on official regulation and departmental guidance. This, it must be admitted, was not in keeping with the real spirit of the co-operative movement, a movement of which the underlying principle was self-help combined with mutuality and autonomy. But notwithstanding this serious drawback, the measure indicated on the part of its authors a genuine desire for the development of the spirit of co-operation among the people; and the simplicity and elasticity of some of the more important among its provisions made it possible to introduce important changes approximating more and more to popular principles. This gave hope that it would at the end conduce to the realisation of the ideals of co-operation.

The march of events in the co-operative world of India since co-operation was made a Provincial Transferred Subject has completely shattered the hope that was once entertained that co-operative societies in this country would steadily and gradually be helped to transform themselves into a genuinely co-operative self-contained and self-governing organisation. Some of the provinces, e.g., Bombay, Madras and Bihar, have taken advantage of the opportunity offered to them by the transfer to have their own Co-operative Acts. These measures have invariably been of a retrogressive character, as a result of the incorporation of provisions which have the effect of bringing co-operative societies more and more under official tutelage and departmental directions. This has completely changed the character of the societies which are mostly co-operative only in name.

Bengal still follows the Act of 1912. But the co-operative public have been warned that a Provincial Bill which has already been prepared is lying ready for introduction as soon as the newly constituted provincial legislature starts on its career. From the tenor of statements that have from time to time been made on the subject, it is presumed that the latest provincial co-operative bill will have the distinction of incorporating all or most of the ugly features that disfigure similar acts preceding it. It appears to the writer that the tendency to officialise the movement in India is not an isolated course. Organised efforts are, therefore, needed to check this tendency in an effective manner if the character of the movement as a democratic organisation is to be secured.

In countries like Italy and Germany where the co-operative movement had achieved very remarkable success, the work of disruption has already begun, as a result of the new policy followed by the Governments of those countries since dictatorships were established in them. From the reports that are published in the British press from time to time, it seems that there has of late been a growing hostility to the co-operative movement among a section of the people, and this is indicated in the policy that the present British Government has adopted towards the movement by the destruction of the principle of mutuality in income-tax law by the Finance Act of 1933. But notwithstanding the opposition of powerful vested interests and of the National Government the British co-operative movement is moving steadily towards a strong and durable organisation broadbased on the popular will. The fact is that as co-operative societies in Great Britain are democratic in character, the spirit of Fascism has not so far been able to make any impression on them. Wherever co-operative societies have been allowed to be used as agencies of Government, the societies have lost their autonomy and cannot thus be regarded as genuine co-operative institutions.

The object of co-operative societies is to help the members to secure their economic welfare by their conjoint efforts. The process is one of education through trial and error. As united work and joint deliberation are needed this helps to develop in the members a sense of mutual interest in their common work and to train them to work for others honestly and efficiently. When this process is superseded by one of official spoon-feeding bureaucratic dictation the societies lose wholly their co-operative character. History shows that the objects of co-operation have never been, and can never be, secured by this method. It is imperative, in this circumstance, that co-operators in India should strain every nerve to counter the present tendency to convert the co-operative societies in the country into so many agencies of the bureaucracy.

The problem of administration of co-operative societies may be discussed from two different view points. It is acknowledged, on the one hand, that the co-operative movement in India is an " officially controlled movement", and that the Registrar, who is the cornerstone of the movement is endowed by the Act with "extensive powers" (*vide* Calvert's *Law and Principles of Co-operation*), powers which are actually exercised by him. This makes, on the other hand, the claim that the co-operative societies although "primarily self-contained and self-governed" bodies, have failed to fulfil their duties, quite untenable. It is difficult to understand how the societies can at the same time be autonomous and be also controlled by a Government Department.

In their Resolution on Co-operation issued in 1914 the Government of India laid down that the co-operative movement must, in its essence, be a popular one and that nothing should be done to weaken the feeling among co-operators that it was based upon self-reliance and independence. It was, therefore, urged in the best interests of the movement, that Government must not allow co-operation in this country to become an official concern managed by the State. The goal which the Government had before it was the development of a genuinely co-operative organisation. This, in other words, meant that it was aimed that the movement was to be self-governing as regards internal affairs and thus be an entirely self-contained autonomous organisation.

The Registrar, in accordance with the terms of the Act, is constituted the very foundation of the movement and he and his department are invested with powers which make him a veritable dictator and his staff an uncontrolled and irresponsible bureaucracy. "It is left entirely to his discretion to register or to refuse to register a society (cf. section 9), and the by-laws and every amendment of them require his approval (cf. sections 9 and 11). Thus on him rests the responsibility of seeing that a society starts under conditions as favourable as he can make them. In order to ensure that wise rules are carefully observed he is given unlimited power of inspection and audit (cf. sections 17 and 35). He controls the power of a society to make loans to, and receive deposits from, a non-member (cf. sections 29 (1) and 30) and has a voice in the investment and disposal of its funds (*vide* sections 32 (1) d and 34). Finally, he has full discretion, subject to the right of appeal to the Local Government or such Revenue Authority as it may nominate, to order the dissolution of a society (cf. section 39) and to appoint a liquidator to wind it up." (*Vide* Calvert's *Law and Principles of Co-operation*).

If even after the enjoyment of such unrestricted powers over societies the Registrar and his department have allowed the societies to deteriorate, the fault lies certainly more with them than with the societies. The late Mr. Henry W. Wolff, the great authority on co-operation, whom the Committee on Co-operation in India consulted, urged that the Registrar should not be set down as an official but be a guide, philosopher and friend to the societies appointed and paid by the State. When the extensive catalogue of the functions and duties with which the Registrar of Co-operative Societies is invested is placed alongside of the goal set forth by Government, this leaves no room for doubt that the authorities rather than moving gradually towards the goal have begun to retrace their steps and moved farther away from the goal, for not only has no relaxation been made in the use of these powers but in certain directions the Registrar has either been given or been allowed to use wider powers of interference with the work of societies.

Nothing could be more unjust or unfair than to divest the societies of any real power by placing them entirely under the control and supervision of a Government Department and at the beck and call of the Registrar and then to preach homilies on the unfitness of societies and their members to manage their own affairs. Who, it may be asked, is responsible for the registration of societies and the selection of their members? Who again, is responsible for not fulfilling the responsibility that was reposed on the Registrar in regard to co-operative education and training? Recent events have made it clear that the control of the movement by a Government department has not only been a sad failure but that this has, in fact, tended to paralyse all progress. This control should now be eliminated, so that the societies may be able to work as autonomous bodies and be made responsible for their faults.

While discussing questions relating to the working of central co-operative banks in Bengal in a preceding issue of this journal, I pointed out that as the method of audit at present in force was based on unsound principles the situation demanded a complete overhauling of the existing system. The Act lays down that the Registrar shall audit or

cause to be audited by some persons authorised by him by general or special order in writing in their behalf the accounts of every registered society once at least in every year. According to the rules in force in Bengal every registered society is required to pay audit fees prescribed by Government. The Registrar appoints the auditors who are Government servants but their salary is met from the fees paid by the societies. Certain societies and new societies in certain circumstances and up to a certain period are exempted from the payment of audit fees. Central banks and urban societies are in some cases allowed to have their accounts audited by properly qualified outside auditors duly authorised by the Registrar.

The objection is not to the auditing of societies under the direction of the Registrar but to the employment of the audit staff in the performance of various administrative duties along with their normal work of audit. The defects of the present system may be easily avoided by constituting a separate department for audit with a properly qualified responsible head under the Registrar and divesting the auditors of all duties connected with the general administration of societies and the department and by taking greater care in the selection of a proper type of persons as auditors. When this is done the auditors will be able to maintain their independence and to carry on their work with efficiency, so greatly needed in a proper system of audit; and they will not then have to look to the recommendation of officers of the department employed in administration work for promotion and preferment. As I pointed out in my preceding article referred to above: "The basic principle of a sound system of audit is that the auditing authority should not have any responsibility in the management of the concern, the accounts of which are to be audited. So far as I am aware, the various systems of audit in force in the different provinces in India contravene this essential condition." "And so long as the Co-operative Department retains its present system of control over the management and working of co-operative societies, their audit cannot be expected to yield the results expected from an independent and efficient system of audit".

With reference to the problem of supervision in Bengal, in actual practice there is a mixing up of the responsibility of the central bank and of the Department. This has entirely failed in its purpose. The other methods employed in other provinces do not appear to have so far yielded any satisfactory results. On the one hand, there is a feeling that the present setback is due to excessive official interference, and on the other hand there are people who urge that non-official supervision has proved ineffective and useless and that the only solution of the problem lies in a greater tightening of official control. The solution of the difficulty lies, perhaps, in the adoption of a middle course of action. It appears to the writer that no method of supervision, appropriate for co-operative societies, can be evolved, so long as a suitable system of co-operative education and training is not introduced and a proper solution is not made of the problems of Government control and audit. There is no indication that proper steps have so far been taken or are proposed to be taken in these directions either by Government or the societies. The subject is one of very great intricacy and complexity and deserves a fuller treatment.

Farmers' Co-operative Supply in U. S. A.—Of the $309 million worth of supplies distributed last year by Farmers' Co-operative Associations, nearly half ($152 million) came from 105 large-scale organisations, according to a survey issued by United States Farm Credit Administration. These large Co-operative Associations served 4,700 local associations of various types, and operated 300 local branch agencies. A large proportion of the 5,000 local Co-operative Associations in the U.S.A. which distribute supplies to farmers, therefore, obtained all or part of their goods for resale through these associations.

Of the total business done by the large-scale Co-operative Associations, $90 million, or 59 per cent. represented the sale of supplies on a wholesale basis, and $62 million, or 41 per cent., represented retail sales. Most of the business of the 105 Associations consisted of sales of fodder, petrol and oil, fertilizers, packing materials and similar kinds of farm supplies.

—*I. C. A. Co-operative News Service*, 15th Feb. 1937.

SUPERVISION AND AUDIT IN THE BOMBAY PRESIDENCY

BY

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The inception and progress of the co-operative movement in India has been largely due to State aid and control, and naturally the Registrar of Co-operative Societies exercises a considerable amount of supervision over co-operative institutions. It is a well recognised principle not only in India but in Western countries that all societies dealing with thrift, providence and credit of the masses should be assisted by the State, which assistance is not a necessity in case of ordinary Joint Stock Companies. Such assistance and supervision is all the more necessary in case of societies organised for the illiterate and ignorant people in the villages.

In the Bombay Presidency, the Registrar and his staff aided by a band of honorary organisers appointed by him at first exercised the necessary supervision and undertook the statutory audit of the co-operative societies. The honorary organisers not only helped in organising new co-operative societies but also supervised their working to some extent and served as a guide in their initial stages. But such supervision by individuals could not be continuous nor periodical nor systematic and the work of supervision maintained by these organisers generally ended with the starting of the societies. As the movement grew in strength and expanded, the functions of audit and supervision over the different institutions had to be systematised in order to provide for not only statutory audit but internal and local supervision.

The Registrar of Co-operative Societies is not only a registering authority but is charged with the duty of audit and inspection of societies. Under Section 22 of the Act VII of 1925, "the Registrar shall by himself or by some person authorised by him in writing by general or special order in this behalf, audit the accounts of every society once at every year and such audit shall include an examination of overdue debts, verification of cash balance and securities, and valuation of assets and liabilities of societies." The Registrar is further empowered under Section 43 to enquire into the constitution, working and financial condition of a society. The Registrar has further the power of hearing disputes as arbitrator or of winding up of a society. It is evident that the Registrar is not only responsible for the audit of the accounts of a society but exercises control and supervision over it, under the powers vested in him. The Registrar is assisted in this work by a staff of Assistant Registrars and Auditors, through whom periodical audit and continuous supervision is maintained.

Audit. The audit staff in this province is divided into three cadres, viz., Special Auditors, Auditors and Sub-Auditors. The Special Auditors are charged with the audit of all primary and Central Credit societies based on limited liability with a working capital of over Rs. 50,000, while the Auditors and Sub-Auditors are charged with audit of primary societies with smaller working capital. There is also a Special Auditor for auditing the accounts of purchase and sale societies and unions. These auditors are expected to audit the accounts and examine the overdues, assets and liabilities of societies and submit their reports to the Registrar. The bulk of the co-operative institutions in this Presidency being rural agricultural societies, the auditors have not only to inspect their accounts, but they have, to a considerable extent, to guide their managing committees and advise them whenever necessary.

Though the Registrar and his Staff are vested with powers under the Act for audit and inspection, he is also responsible for organisation, administration and supervision of co-operative societies and different provinces have devised different systems for the conduct of mutual audit and inspection. In Bombay in addition to the audit staff, the Registrar is assisted by a staff of Agricultural Organisers, for organising and supervising the work of non-credit institutions and a Weaving Inspector for organising and supervising the work of weavers' and producers' societies. The Registrar also appoints arbitrators for hearing disputes and appoints liquidators when the business of a society is wound up and very often the Auditors are appointed as Liquidators in addition to their own audit work.

The present arrangements of audit, supervision and inspection in this Presidency may be classified as under:—

- Audit and supervision
  - Registrar.
    - Honorary Organisers.
      - Division
      - District
      - Taluka.
    - Asst. Registrars.
      - Auditors.
      - Sub-Auditors.
      - District Board of Unions.
        - Supervising Unions.
    - Spl. Auditors.

- Finance.
  - Provincial Bank.
    - Branches.
      - Senior Inspectors.
        - Agents and Inspectors.
      - Branch Committees.
    - Central Banks.

- Propaganda and Education.
  - Provincial Institute.
    - District Institutions.

The statutory audit of all agricultural societies and the smaller non-agricultural societies was conducted by Government, free of charge and this was considered as one of the most important privileges conferred on co-operative societies. All societies with a working capital of over Rs. 50,000 were required to pay an audit fee according to a scale as laid down by the Registrar. But in the year 1931 the Government decided to levy an audit fee of 5/8 per cent on the working capital of all primary societies. This levy was strongly resented by the various co-operative bodies and the rate of the fee was later reduced to 1/8 per cent to such of the societies as were affiliated to unions and paid to the unions a supervision fee of 1/2 per cent. Government then undertook to subsidise the supervising unions after retaining a portion of the audit fees for their general Revenues. The Committee on Co-operation in India in their Report recommended that an audit under Government control did not mean the entire staff being manned by Government servants. On the contrary, the Committee divided the auditing staff into two sections—a staff maintained by Government for super-audit and a staff maintained by co-operative institutions for original audit. The original audit of primary societies, in their opinion, could be carried out by a staff maintained by such institutions, and the Committee was averse to the creation of a new Government department on a large scale both because "it is undesirable to let loose in an increasing number a new set of Government officials on the villages and because the officialisation of the work might breed a sense of hostility towards audit'. The Committee had, therefore, recommended the formation of co-operative audit unions for primary agricultural societies under the

ultimate control of the Registrar. The work of primary audit is made over to the Provincial Federations in some provinces. But in this Presidency, the audit continues to be done exclusively by the Registrar's Staff, though audit fees are levied on all the co-operative institutions.

Most of the Central and Urban Banks appoint their own local auditors for auditing their accounts as the statutory audit is delayed far beyond the close of the financial year. These institutions have to pay the local auditors in addition to the audit fee paid to Government. It was felt by a majority of such banks that the work of conducting statutory audit might well be entrusted to the Provincial Co-operative Institutes or to a Federation, the audit being conducted through the agency of certified auditors duly authorised by the Registrar to undertake such audit as in the Provinces of the Punjab, Bihar and Orissa and Central Provinces and Berar. This question has been discussed at various Banks' Conferences. In the last session of the Central Banks' Conference held in August 1936, a Resolution recommending to the Registrar the total abolition of the audit by the Departmental staff in case of all central and urban banks and substituting in its place audit by Registered Accountants who would carry out the audit in accordance with the requirements of the Registrar received the unanimous support of the delegates. This arrangement would avoid duplication of audit by local auditors appointed on behalf of the members and the statutory audit conducted by the Departmental auditors. This recommendation, if agreed to by the Registrar, would go to save considerable waste of time and money of these banks, and the scheme suggested of selecting a panel of auditors from among Registered Accountants by the Registrar and making them responsible for the conduct of audit in accordance with his instructions is worthy of adoption, as it would de-officialise the character of the Movement as a whole. The Registrar may in that event carry on super-audit through his staff at longer intervals, as even at present the audit by the Registrar's staff is not at regular intervals and within the statutory time limit.

Supervision. For a long time no distinction was made between audit and supervision and the two functions came to be distinguished in this Presidency when local unions for supervision and inspection by the financing banks were first introduced. As early as 1918 it was realised that co-operative propaganda and education should be systematised and be mainly directed by non-official agencies, and with this view Provincial Institutes were formed in most of the Provinces. The Bombay Provincial Co-operative Institute came into existence in 1918. The formation of guaranteeing unions or federations of primary societies was at first found useful for not only controlling the finance of such societies but for promoting education and propaganda and providing supervision from within. These unions inspected the accounts of societies, arranged for the training and education of Secretaries and of Managing Committees and maintained general supervision over the affiliated societies. Some of these functions were later taken up by the Institutes, such as (i) education, (ii) propaganda, (iii) voicing of the public opinion and (iv) supervision. The Provincial Institute, through its Divisional and District Branches, arranged for the training of Secretaries and Supervisors, held conferences and exercised supervision over the primary societies by appointing Propaganda Officers at District Centres. In fact, the Institute is more or less a federation of all co-operative institutions. The work of education is entrusted to a Central Education Board, which maintains co-operative schools at different centres and conducts periodical certificate examinations, and issues publications both in English and Vernaculars.

In pursuance of the recommendation of a Committee appointed by the Provincial Co-operative Conference in 1923, the system of Guaranteeing Unions which was introduced in accordance with the recommendation of the Maclagan Committee, was abandoned in favour of unions purely for the work of supervision. The Committee recommended that 'it should be one of the important duties of the Institute and its Branches to organise supervising unions, to guide their working and to link them up to the central organisation and to utilise them as its very responsible agencies for extension and development of the Movement in all its aspects'. The supervising unions appointed their own staff for examining the accounts and for the control and guidance of their affiliated societies. At the close of the last official year, the number of such supervising unions in this Presidency was 116. These unions supervise the working of the societies, check errors and prevent mismanagement by arranging for periodical inspections through their paid staff as also by their Committee members, promote the common interest of their members, assist in preparing statements of credit and in stimulating recovery of loans, promote the spread of co-operative education, and help in organising co-operative activities for purposes other than credit.

The union committees are composed of elected representatives from the affiliated societies and a representative of the financing bank and of the Institute. The area of operations is generally restricted to about 20 to 30 societies and a union rarely serves more than one Taluka. The finances of these unions are met by a levy of ½ per cent on the working capital of their affiliated societies and by grants from their financing banks and Government. Though the Committee members exercise general control and supervision, the brunt of the work is done by the paid staff of supervisors who are specially trained for the work. The supervisors have not only to inspect but also to rectify mistakes and prevent them from occurring. He has to advise, guide and teach and has, therefore, to remain in close touch with the societies.

The Bombay Reorganisation (Retrenchment) Committee of 1932 in their Report pointed out that 'the existing arrangement for supervision of societies both by officials and non-officials resulted in duplication of work and that poorly paid and ill-qualified supervisors on whose work is mainly based the finance of societies was not a satisfactory agency of control'. The Committee suggested that 'it would conduce to greater efficiency of supervsion and rehabilitation of the conditions of societies if the large sums now spent on subsidising the supervising unions were utilised in strengthening the Government audit staff', and it recommended that the full levy of audit fees, namely, ⅝ per cent on the working capital should be credited to Government and that the posts of supervisors should be temporarily abolished and that the supervisors should be replaced by a smaller number of Government auditors. These proposals struck at the very root of the policy of de-officialisation of the movement. Tending as they did to stiffen official control over the societies, the proposals were adversely criticised by all co-operative institutions, as a move in the direction suggested was bound to retard the development of the movement and would be attended by serious risks owing to the combination of the functions of audit and supervision in the same agency. To deal with the entire question of supervision in the light of the views expressed by the Reorganisation Committee, Government appointed in 1934 a Committee to examine this question. This Committee which was presided over by the Registrar considered that the combination of the functions of audit and supervision, inspite of the check of super-audit is fraught with considerable danger to the movement and opined that the integrity of statutory audit is of paramount importance to the movement and that such combination is likely to detract from its efficiency. This Committee recommended that greater efficiency in the working of the unions could be secured by making the control of the Committees more effective and by arranging for the appointment of well-qualified supervisors to be guided and controlled by district boards of supervising unions. They recommended that this scheme should be financed by pooling the resources of all the supervising unions in a district together with grants-in-aid from the financing banks and Government. The Government having accepted the recommendations of this Committee, district boards of supervising unions are being formed, which will in due course function as the controlling agency for the supervision of primary societies in the Presidency. These district boards are composed of (i) the Assistant Registrar of the Division, as ex-officio chairman; (ii) elected representatives of supervising Unions from the District; and (iii and iv) two representatives each of the financing agency and the District Co-operative Institute, who shall be non-officials. These District Boards will appoint and control the supervising staff and generally guide and supervise the working of the unions and shall be vested with disciplinary powers over the unions and their affiliated societies.

The Provincial Institute, however, held the view that the District Union Boards instead of being registered as separate units, should function as special sub-committees of the District Institutes, so that the Union Boards would be closely associated with the Institutes. The Institute having included supervision as one of its objects as defined in its constitution, will scarcely be in a position to function as a co-ordinating and initiating organisation if it is divorced from the work of supervision. The creation of a parallel, if not rival, organisation in the districts to which the supervising unions and their constituent societies will look up for guidance and advice, cannot but detract from the utility of the Institute as a local non-official organisation. On the contrary, if the Union Boards are made to function as a part of the machinery of the Institute they would not only promote co-ordination but would also facilitate the smooth working and enhance usefulness of the machinery for supervision. The Provincial Co-operative Conference of 1932 and the Bombay Presidency Co-operative Banks Conference held in 1934 strongly urged that there should be an organic connection between the Institute and the machinery for the work of supervision over primary societies. This view was prominently placed before the Supervision Committee by two of its members, Prof. V. G. Kale, the then Vice-President of the Provincial Co-operative Institute, and Mr. Vaikunth Mehta, Managing Director of the Provincial Bank, who felt that the formation of these Boards as separate units would mean the setting up of a parallel machinery which was not required when the services of the Institute were available and that the relations of the Union Boards with the Institutes and the position of the Assistant Registrars as Chairmen of these Boards were not calculated to lead to the improvement of supervision but would have the effect of destroying the sense of responsibility amongst the members of societies. But this view was not favoured by the majority of the members of the Committee, who held that control over the funds collected by the Supervising Unions should naturally vest in a body truly representative of the Unions and the exercise of the disciplinary powers could hardly be entrusted to a sub-committee of the Institute, which had a wider franchise.

Inspection. Along with the statutory audit and inspection by the Registrar and the supervision by the Unions, the central financing banks conduct a certain amount of inspection through their own staff. With the expansion of the movement and the increase in the resources of the Central Banks, these banks have not only a vital interest in the financial safety of the primary societies to which they provide credit, but they more than any other agency within the Movement, are in a position to ensure that the suggestions made and directions given are carried out. The central banks have, therefore, to interest themselves in the work of inspection of the primary societies. This inspection may sometimes overlap the work of supervision by the unions. But the inspection by the Bank's staff mainly relates to (i) the verification and valuation of the statements of landed assets and other property of members of societies, (ii) the examination of the normal credit statements, (iii) the scrutiny of demands for finance put forward by the members, (iv) the checking the use of loans and examination of documents taken in respect of advances, and, lastly, (v) the examination of overdues and the stimulation of recovery of outstandings with members. This financial scrutiny or inspection is quite different from the statutory audit conducted by the Registrar or the supervision exercised by Unions in as much as it does not usually interfere with the internal management of the societies. The inspection conducted by the Central Banks through their staff is mainly intended to maintain close touch with the institutions, whether primary or urban, which are financed by them.

It will be interesting to note that the Bombay Provincial Co-operative Bank, which functions as an Apex Bank in this Presidency was started in 1911, before the report of the Committee on Co-operation in India was published and hence the area of operation of this bank extended all over the Presidency. It was only after the year 1916 that district central banks came to be organised for the various districts. The Provincial Bank serves not only as an apex bank but also directly finances primary societies, in some areas, which are defined and delimited. As a result of discussions at the Provincial Co-operative Conference of 1919, to establish intimate contact with the borrowing societies so as to be in a position to organise systematic arrangements for the provision of prompt and adequate finance, branches of the Bank were started in different centres and through them arrangements for close touch with the societies and their members and for their systematic inspection were made. In order to secure local advice, these branches are assisted by representative branch committees. Each branch has an agent and an inspector who visits the societies periodically, not only for inspection of their accounts but to assist and guide the committees in financial matters. The working of the branches and the inspection work are supervised by senior inspectors appointed for a group of branches and an internal check on the accounts of the branches is maintained by them and by an annual audit by the Head Office, over and above the statutory audit by the Departmental Special Auditors. The inspecting staff is in close touch with the supervising unions and the District Institutes and very often represent the Bank on the Committees of these bodies. The district central banks have also devised similar arrangements for the inspection of societies financed by them, by opening branches and appointing inspectors working more or less on the lines followed by the Provincial Bank.

The importance of periodical audit, continuous supervision from within and inspection by the financing agencies which was stressed by the Maclagan Committee has been more or less well established through the different agencies and the three functions are not only separated but are being performed by three separate bodies—audit by the Registrar's staff, supervision by the Unions and the District Boards of Unions, and inspection by the staff of the financing banks and their branches. Though the three functions may apparently appear as overlapping, the Auditor does his work as an officer charged with the examination of accounts as required by the Law, the supervisor identifies himself with the societies and is concerned with their detailed working and provides educative guidance, while the inspection by the bank's staff is concerned with the financial stability and financial safeguards. The supervisor is concerned to see that the work of the societies is not only businesslike and up-to-date but genuinely co-operative. The three agencies ensure the proper functioning of the Movement as the statutory audit gauges the credit of the society and creates confidence in the Movement, and efficient inspection safeguards the interest of the creditors, while an efficient supervision enhances and strengthens the credit and stability of a society from within. However, as the supervising unions grow in strength and efficiency, they may well be expected to take up the audit of the affiliated societies, so that they may combine supervision and primary audit, while the official and statutory audit by the Registrar may be done at longer intervals taking the shape of superaudit. This may serve to increase the efficiency and self-sufficiency of the Movement, may lead to the ideal of de-officialisation and may minimize the need for interference by the Registrar so as to make the Co-operative Movement in this Presidency truly democratic.

SUPERVISION AND AUDIT IN THE UNITED PROVINCES

By

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Until 1928, supervision and finance were both vested in Central Banks. The system did not work well. With financing bodies, collection of dues from societies naturally counted most and the training of members or office-bearers was neglected. Under the arrangement, the Central Banks functioned more or less as benevolent money-lenders. The training of Panchayats in the art of self-government, the development of the character of members or the widening of their outlook found at best a nominal place in the programme of the Supervisor.

The Central Banks employed, as a rule, Supervisors trained by the Department. But there was a natural inclination to give preference to candidates who had been nominated for training by the banks themselves, or in whom for one reason or another the Directors felt interested. Thus it happened not infrequently that candidates occupying lower positions on the list got appointments, while those higher remained unprovided for. As expected, this produced a lot of heart-burning.

Apart from it, it was difficult to bring a dishonest Supervisor to book. An intriguing hand had ample scope for canvassing and cases were indeed few in which a mischievous Supervisor could not get one or two Directors to support him. Resourceful delinquents made it a point to see that there were parties and factions among the Directors, so that there could at least be one section to fall back upon in the hour of need. Cases were not even wanting where the Supervisor so handled matters that feelings between officers of the Department and honorary workers were strained. In one case, I tried in vain for the termination of the services of a dishonest Supervisor. I was driven to launch a criminal prosecution, and the man, who, according to the Managing Director, deserved nothing more than a merely formal warning, got five years' hard labour in addition to a fine of Rs. 500.

The Oakden Committee, which was appointed by Government to examine the working of the movement in 1925, came to the conclusion that the system of finance-cum-supervision in the hands of Central Banks was unsound. It recommended that the two functions should be separated and that supervision should be vested in a separate body. The U. P. Co-operative Union was accordingly brought into being in 1928, and took upon itself not only the advisory work that had hitherto been done by the Standing Committee of Co-operators, but also supervision, development and propaganda.

The Provincial Co-operative Union has a General Body, a Provincial Committee and an Executive Committee with the Registrar of Co-operative Societies as ex-officio President in each case. The General Body consists of two to three delegates from each central society and at least one of these is a member of a primary society. There are in addition a few representatives of isolated primary societies, Gazetted Officers of the Co-operative Department as ex-officio members and seven nominees of the Registrar, of whom two at least shall be ladies. The General Body meets once a year. Its principal functions are :—

(1) Election of the Provincial Committee,
(2) Admission of members to the Union,
(3) Amendments of regulations and bye-laws, and
(4) Passing of accounts and the annual report.

The Provincial Committee meets twice a year and elects an Executive Committee of five members, one of whom at least shall be a representative of the primary societies. It decides all important questions and lays down the policy of the Union. The advisory functions of the old Standing Committee of Co-operators have all devolved upon this Body. The Provincial Committee consists of four representatives from the circles of each Assistant Registrar and five members co-opted from amongst delegates nominated by the Registrar to the General Body. Two at least of the nominees shall be ladies.

The brunt of the work falls upon the Executive Committee which meets at least once in two months. It exercises supreme control over Supervisors and deals not only with complaints and reports against Supervisors and other employees of the Union, but also with urgent and important questions which may call for decision or which may be referred to it by the Government or the Registrar of Co-operative Societies. The Committee consists of experienced co-operators and makes no small contribution to the proper working of the movement.

The Union has no concern with audit as in some other provinces. In co-operation with the Department, it arranges for the training of Supervisors year after year. It has, however, no training staff of its own, and it is only recently that a capable non-official, a member of the Servants of India Society, has been appointed as Honorary Secretary.

Unless funds prohibit, the Union also appoints organisers for the formation of societies. It employs no propaganda or development officer. It runs a co-operative journal both in English and the two vernaculars.

The cost of supervision is met between the Union and its constituent members. Central Banks meet 55 per cent of the costs of supervision. In cases, however, where the Central Banks are unable to pay their quota, the Union can and does reduce the amount. Last year's subsidy from Government amounted to Rs. 73,000.

More than three-fourths of Central Banks have already accepted the provincialisation scheme, viz., they have handed over the supervision of their affiliated societies to the Provincial Co-operative Union. The remaining banks are gradually coming in, and before long no unprovincialised bank will remain in the province. Results have demonstrated the superiority of the new scheme all along the line. In the matter of education of members and training of panchayats, societies under provincialised banks are distinctly superior to those which are working under the old scheme. Collections from societies under provincialised banks were 58 per cent of the demand during 1935-36 as against 45 per cent in the other case. The representatives of the Central Banks which sit on the Executive Committee take a detached view of charges brought against defaulting Supervisors, and the prompt punishment of the guilty has produced no small salutary effect.

A Supervisor working under the Union is ordinarily put in charge of 25 to 30 societies so that he may inspect each society once a month. The lowest qualification is a vernacular middle school pass in Urdu or Hindi. Of late, candidates of much better qualifications are forthcoming. Among applicants, those possessing a rural bias are preferred so that they may win the confidence of villagers, and by their devotion and enthusiasm apostolise the Movement. Candidates are trained primarily in account-keeping and in the theory and practice of both agriculture and co-operation. Lessons are also given in rural economics, cottage industries, village administration, first aid and scouting. The pay varies from Rs. 25 to Rs. 75 per mensem and Supervisors with a good record of work are eligible for promotion to inspectorship.

Supervisors of more than 3 years' standing forward loan applications of societies direct to Central Banks with their recommendations. In the case of Junior Supervisors, the applications pass through the Inspector in charge of the Circle. The Central Bank's unit is the primary society and not its members, and applications of individual members are not forwarded as a rule. Central Banks are, however, always welcome to ask for extra information and the same is supplied when called for.

As already stated above, the Supervisor was until recently the victim of narrow outlook. He scarcely thought of the Panchayat except in the matter of collections, and here again much was left to be desired. The improved methods of training at Partabgarh have gradually widened his vision and lent a touch of reality to his activities. The monthly meetings are not half as unreal as they used to be. The group conferences have stimulated some expression on the part of shy and silent Panchayats. The Supervisor has now to look to improved methods of agriculture, sanitary mode of living, improved midwifery and the like. Social reform does not fall outside its purview; nor even the amicable settlement of petty rural disputes.

In order that he may be able to win the confidence of the villagers, the Supervisor has to spend 20 nights at the headquarters of societies. This is insisted on so that he may get together members in large numbers to talk to, and yet avoid all interference with their agricultural operations or other work.

A departmental Inspector is ordinarily in charge of five Supervisors. On the detection of any dishonesty, or neglect in duty, the former hands the Supervisor over to the Union through a local sub-committee consisting of one Director of the Central Bank and the Assistant Registrar in charge.

As stated above, the Union has to do nothing with audit which is the sole concern of the Registrar. Auditors are recruited from B.Coms and C.Ds. and trained for a year in co-operation and account-keeping. The pay varies from Rs. 50 to Rs. 80 per mensem. Auditors with a good record of service are eligible for promotion to inspectorship. The post is permanent but nonpensionable. The audit charges are met practically half and half out of levies from societies and banks and contributions from Government.

The audit levy from societies is 3 annas 6 pies per Rs. 100 of working capital, subject to a maximum of Rs. 100. Except in case of societies working with 75 per cent or more of their own capital, audit fees are paid by Central Banks to which the primaries are affiliated. In case of Central Banks, the rate is 6 annas for every Rs. 100 of the working capital, subject to a maximum of Rs. 200. The maximum levy for Central Banks is reached with a capital of about Rs. 53,000, and bigger banks score. The more equitable arrangement would be to base the levy upon the quantum of working capital itself, and a fresh scale has accordingly been proposed for the approval of Government.

Co-operative audit is much more than a mere "legal or administration" audit. The auditor has to scrutinise every bit of the co-operative machinery to satisfy himself that it is smoothly working. If it is not, he has to find out which particular part or parts are creaking or are rusty. According to the Maclagan Committee, the audit of primary societies is intended in the first instance to assure Government, through whose agency societies were formed, that they are developing on sound lines and only secondarily for the satisfaction of Central Banks or outside investors and of the members themselves. It was never contemplated that the audit should be merely an arithmetical one. According to German co-operators, audit constitutes the indispensable basis not only for the internal growth of the individual society but also for the development and progress of all rural co-operation.

Audit of primary societies or Central Banks is done to notice. With the present strength of the staff, it is not possible to introduce the German system of surprise audit. There the auditor carries the letter of authority in his pocket so that in case his authority is questioned, he may produce the letter and proceed at once with his work. As expected, it has produced satisfactory results in Germany. Its great point is that it keeps dilatory or delinquent employees or office-bearers in wholesome fear.

The auditor's responsibility in these Provinces is not over with mere criticism, however educative or constructive. He has to make a positive contribution to the improvement of the society. He is under an obligation to hold a general meeting (which the supervisor has to attend) and see that defects are removed to the extent, they can be, without delay. This is an improvement on the German practice, according to which the work of the auditor finishes once he reads out the report and the main points at a meeting of the Committee of Management and the Board of Supervision. There the report is subsequently presented and voted upon at the next general meeting of the society.

The departmental Inspector reviews the audit notes of his circle. The officer is more or less in personal touch with the primaries and Central Banks and it should not be difficult for him to detect any misleading observations or serious omission on the part of the auditor. The review of an audit note of a Central Bank is perused by the Assistant Registrar in charge before it is forwarded to the bank concerned. In the charges of two Assistant Registrars the employment of a senior Auditor as Audit Assistant charged with the duty of review and re-audit for the whole area is being tried as an experiment. The personal touch of the Inspector would be wanting, and the success of the scheme is doubtful.

It is the duty of the Assistant Registrar to go carefully through the audit note at the time of inspecting the Central Bank. In the light of his inspection, he has to see how far the remarks of the Auditor are justified. Finally, he has to hold a meeting of the Working Committee or the Board and persuade the bank to accept important suggestions or to remove serious defects.

While the standing instructions are that Auditor's notes should be as much educative and as little critical as possible, particularly in dealing with Central Banks, care is taken to see that their independence is not compromised. Thus if an Auditor has some pointed comments to make about any Director of a Central Bank or about any neglect on the part of the Inspector, he can submit a confidential report direct to the Assistant Registrar under whom he works.

Supervision and audit involve some overlapping, and yet, as pointed out by the Maclagan Committee, the difference between the two is essential, and it will not do to combine two such functions in one person. "Supervision, like audit, not only aims at testing the efficiency of a society but at helping it to be efficient, and it comprehends the fuller task of seeing that the defects noted at audit have been removed. The Supervisor is concerned to see that the work is not only businesslike and up-to-date, but genuinely co-operative". The Auditor does his work as an officer charged primarily with the examination of accounts and with the detection of embezzlements, if any. He is the watch-dog of the Registrar. As deputy of the supervising institute, the Supervisor is, or should be, like a pastor or minister identifying himself with the interests of the societies in his charge. A Supervisor's work is in fact more onerous than that of an Inspector or Auditor. His duty is to plan and construct, while the Auditor's is to judge the results and make suggestions for improvement. Supervision is unending; it is continuous while the audit is merely periodical and confined to check of accounts covering a certain period.

Unlike Europe, there is no provision for internal supervision over the work of the executive in the case of societies organised in our country. Internal supervision through a Council or Committee of Supervision is not possible on account of the general illiteracy which makes it impossible even to find competent men to sit on the Panchayat. The Board of supervision in Germany is elected from among its members in a general meeting and controls the work of the society from inside. The members of the Board are not allowed to have any pecuniary interest in the society's operations, and they cannot delegate their powers. No member of the Managing Committee can get a loan or stand surety for one without the express permission of the Board. Pending the confirmation of the General Meeting, the Board may suspend any member and arrange for the work in the meantime. It can fine a member for persistent absence from the general meeting. It is the duty of the Board to see that the bye-laws are properly followed by the Managing Committee. The Board examines accounts and verifies cash from time to time and has to be present at the time of regular audit. In the absence of any effective internal supervision, the need for external control, supplemental to the Registrar's, was all the more acute and non-official unions were organised soon after Act II of 1912 had been passed.

The ball was set rolling with the formation of Guaranteeing Unions in Burma, and the lead was followed at various stages by the Central Provinces and Berar, Bihar and Orissa, Bombay and the United Provinces. Unions undertaking financial liability for repayment of the loans of the Central Bank on behalf of its constituent societies belonged to an advanced stage of co-operation. Co-operative knowledge had yet to grow and co-operative responsibility has yet to strike root. The Guaranteeing Unions were tried and given up almost everywhere. Madras came out with Supervising Unions and Bombay followed suit.

Undeveloped local Unions could not answer the purpose and were supplemented or replaced by provincial Unions under one name or another. As was to be expected in the absence of an All-India Organisation, the functions differ widely in some cases. The Provincial Unions in the Punjab and the United Provinces have taken over supervision of societies, but the Punjab tacked on audit as well to the same staff. The mistake has been realised, and the work of audit and supervision has been, or is being, distributed between two different sections. Bengal and Bihar leave supervision with Central Banks who employ Inspectors for the purpose. Supervising Unions have largely taken over supervision both in Madras and Bombay, and the Provincial Federations or Institutes in all the four provinces function almost exclusively as Unions for propaganda, training and education.

In the United Provinces no need has been felt by the Central Banks to engage a separate staff for the purpose. The departmental Inspectors are, so to say, the executive officers of Central Banks and give them such information as they require. The Supervisors submit abstracts of *haisiyat* statements of societies to the bank and the auditor sends a statement of objections so far as they relate to the working of each affiliated society. Even if thereafter any Central Bank chooses to send its manager to inspect the society on the spot, it is at perfect liberty to do so. The Central Banks appear none the worse for the system in vogue and are spared heavy expenses besides.

The Provincial Federation of Bihar, and the Punjab Co-operative Union have taken over audit as well. Until there are proper arrangements for internal supervision in societies, we think the statutory functions of the Registrar had better remain directly vested in him as in the U. P. instead of being delegated to any outside body.

RIGHTS AND DUTIES OF MEMBERS OF CO-OPERATIVE TRADING SOCIETIES

By

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Generally speaking in western countries, co-operative practice preceded co-operative law. Methods of organisation and business which had best stood the test of practice were later codified into systems of laws. These have been supplemented, notably in Latin countries, by a number of decrees, practically as binding as laws, applicable to special branches of co-operation. In fact it is these decrees that are said to define a society's co-operative characteristics, rather than the laws themselves.[1]

In India, as in Japan and some other Eastern countries, the law preceded the movement, the State having taken the initiative. But as co-operation of the modern type was an experiment, the Indian law was deliberately designed to deal with the essentials in simple and general terms leaving to the Local Governments a very wide rule-making power in accordance with local circumstances and experience. The law has been amended in four Provinces within the last twelve years. But thirty years of experience have not led to any fundamental change in the law or rules so as to suit the needs of co-operative trading societies and the big urban banks, which are different from those of the village credit societies for which the laws were originally meant. Recent developments in co-operative thought and practice, particularly relating to trading societies, have received little attention in this country.

Persons of 'Limited Means' or 'With Common Economic Needs'? A few changes have been made here and there, but they are not altogether happy in their effects. Enough safeguards have not been prescribed in the laws or rules against possible exploitation. For instance in the Preamble, the term "persons of limited means" has given place to "persons with common economic needs". The change can be defended thus: It is difficult to define 'limited means' and draw any sharp line between 'limited' and 'adequate' or 'ample' means. The inclusion of men of more than limited means in an unlimited liability

1. M. Digby, *Digest of Co-operative Law*, p. x.

society would be a source of strength, though they might naturally fight shy of joining it. While homogeneity of status might be the normal feature of Raiffeisen credit societies, there is no reason why men of ampler means should not join with those of limited means in limited liability societies organised for the supply or sale of production of commodities. In fact this difference in the status of members is a feature to which attention has been drawn by C. R. Fay.[2] H. Calvert, in recommending the omission of the reference to 'persons of limited means' observes: "As attention is turned from credit to other applications of the co-operative principle, it becomes clear that the one essential requisite is the marked consciousness of a common interest in the accomplishment of some definite purpose . . . While co-operation is the only avenue of escape from poverty, its benefits are equally open to others who are willing to work for the common good of all."[3]

But care should be taken to shut out those who are likely to exploit the weaker members and to expel from membership those who show such a tendency. It is not so much in the village credit society as in the weavers' societies and the loan and sale societies that this evil of exploitation by the stronger or richer folk has been noticed. The master-weavers got into the managing bodies and took for themselves the bulk of the loans or the major part of the raw materials for their own employees leaving the poorer weaver-members to shift for themselves.[4] In loan and sale societies likewise, office-bearers have been sometimes merchants themselves who appropriated a considerable part of the loans among themselves or their relations and found a quicker and more profitable sale for their own produce than for those of the poorer members. Men of experience in the trading line have often been welcomed by the Co-operative Department in the past, as even commercial bankers of repute are strongly recommended to be taken on the Boards of Management of Central Co-operative Banks by the authorities of the Reserve Bank.[5] It is possible for some of these commercial bankers to be altruistic and render unselfish assistance in the initial stages of co-operative ventures. But it is not wise to expect them to develop institutions which are in a way competing with their own and aspire to replace them in course of time. This, at any rate, is the co-operative ideal. The conflict of interests is bound to arise sooner or later; and it is necessary for the officers of the Co-operative Depart-

2. *Co-operation at Home and Abroad*. p. 83.
3. *The Law and Principles of Co-operation*, p. 77.
4. K. S. Venkataraman, *The Handloom Industry in South India*, Ch. X.
5. Preliminary Report on Agricultural Credit, pp. 18 & 33.

ment and the representatives of the exploited producers to pick up the business as quickly as possible. The difficulty in this country is the multiplicity of functions carried on by one and the same person. An agriculturist takes easily to money-lending or trading or both, and can enroll himself as a member of all societies, for he is technically qualified. There should be some provision in the law or rule or by-law shutting out men who exploit their weaker brethren. The golden rule, as K. V. Brahma states, is to "avoid a person who is in the same business. His duty and his business are bound to clash. Untold difficulties arise when members of a committee have been in business for themselves, and in some measure in competition with their society."[6]

Membership to be open to non-profit making institutions. Membership is by our Co-operative Societies Acts confined to persons of over 18 years of age and to registered co-operative societies. Consumers in the city of Madras and elsewhere have felt it necessary to admit as members institutions like college hostels, office lunch-clubs, etc., which offer a good deal of custom and cater each to a large number of intelligent, educated persons, young and old. The by-law of the Triplicane Urban Co-operative Society has been recently amended so as to permit the admission of such institutions explicitly. It would be wise for others similarly situated to follow its example. Both Calvert and Brahma draw attention to the fact that Section 3 (3-a) General Clauses Act (X of 1897) prescribes that "person" shall include any company or association or body of individuals, whether incorporated or not". But Calvert goes on to point out that "in England, it would seem that a corporation or a partnership could not be a member, and Bengal now by rule specially excludes a joint-stock company."[7] This makes it all the more necessary to define more clearly the individuals and institutions eligible for membership. Non-profit making institutions, whether they are registered co-operative societies or not, may be declared eligible.

Transactions with members only? The Indian law provides for dealings with members only, especially as the original societies were all credit societies, and there was risk in granting loans to non-members over whom the Registrar or his nominee, as Arbitrator, could have no control. The Madras Act permits loans to non-member depositors on the security of their deposits. In the case of non-credit societies where no risk is involved, there need be no prohibition of transactions with non-members.

6. *The Law of Co-operative Societies in India*, p. 6.
7. *The Law and Principles of Co-operation*, p. 95.

In fact it is from the political and co-operative points of view that a great deal of controversy has all over the world risen on this subject. Private traders do not like a co-operative society to compete with themselves for the custom of non-members, and their representatives in the legislatures have threatened the withdrawal of special privileges like exemption from taxation. From the co-operative point of view, it is urged that the benefits should not be confined to the registered members of the society alone, but should be extended to all who are its customers. But as long as " its doors are flung wide open to receive all men and women of good will and character " as members on quite easy terms, that is to say as long as the principle of " open membership " is followed, there is no reason why non-members should complain if they are shut out. The general practice in European countries has been to permit non-members to deal with the society and grant them half the dividend on transactions and help them convert it into share capital and become regular members. From the point of view of a guaranteed market for goods or a guaranteed supply of goods. one of the postulates of co-operative trade, it is not desirable to have a large proportion of transactions except with members. Dealings with non-members should be viewed as propaganda, to convert the waverers to the faith and make them members at the earliest opportunity.

A more practical reason has governed the conduct of trading societies in this respect. It is not easy for supply societies or stores to indent for the most profitable volume of goods required, or for mere sale societies to get the required economic unit of goods for sale, or for production societies to get enough grist for the mill from members alone. In such cases it is necessary to resort to dealings with non-members. At any rate, in the initial stages it is not possible for trading societies to stick to the principle of dealings with members only.

The store societies in Madras have been selling goods to non-members freely in spite of their by-laws, though occasionally experiencing a slight difficulty in recovering any small dues (arising from errors of accountants) from members in whose name sales had been entered. The idea of granting non-members at least half the patronage dividend has not found a place in the by-laws in Madras. It were better such a change were effected early and all inducements offered to non-members so far as consumers' societies are concerned, but provide for a different rate of distribution of their dividends on purchase between members and customers.

Loyalty to Society enforced by Binding Contracts. The obligation of members to be loyal to their store or sale society in respect of their purchases or delivery of goods for sale is not emphasised in the Indian or Provincial Acts. Even in sale societies, binding agreements to deliver produce for any definite period are not so common and penalties prescribed in by-laws for failure to deliver produce are generally moderate and are seldom enforced. For instance in the Hubli Cotton Sale Society the feeble fine of Re. 1 per acre for failure to sell cotton by growers who had taken loans on the understanding that they shall sell produce through the sale society is not enforced. In Gadag Cotton Sale Society it is likewise ; and 25 per cent. of the produce at least comes from non-members. In Surat, which has the best sale societies, the by-laws provide for the delivery of cotton by members, breach of which is said to involve a fine of Rs. 50 and forfeiture of shares. But in fact in cases of disloyalty, only Rs. 3 was levied as a fine.[8] When a large number of producers do not join a society and when loyalty among those who join is not general, disloyalty has to be winked at. When 80 or 90 per cent of the producers are in the co-operative fold as in Denmark or Holland, it is easy enough to take the drastic step of fining or expelling disloyal members. Not so, when a small fraction of producers alone join a society as in India.

State aid in the shape of legal compulsion to deliver produce is a device commonly adopted in the new countries like the United States of America, South Africa, Australia and New Zealand. European countries in general have fought shy of enforcing such contracts between members and societies.

The economic theory underlying co-operative trade—co-operative supply, production or sale—is that economy and efficiency are rendered possible only by the personal and positive efforts made by members to swell the volume of transactions and keep up the quality of goods demanded or supplied, a collaboration which is lacking in competitive trade. But, however attractive it may be as an ideal, as a matter of fact agriculturists everywhere have shown a weakness to deal outside for an immediate profit or fulfil a private obligation. Co-operative societies have not received consistent or whole-hearted support by merely voluntary methods. This has been the experience of even that big agricultural country, the United States, where farmers are by no means so uneducated or unorganised as in India. In that land of experiments, a series of elaborate legal provisions have now been enacted to secure the produce of members to the society or make them reimburse its losses due to their failure to deliver. The courts in most of the States have

8. *The Indian Co-operative Review*, 1935, pp. 444, 446, 448.

upheld the validity of the contracts entered into by members in their society to deliver all their surplus produce for a period of years—varying from 3 to 10, though the older societies do not mind one year contracts. The most important of the legal provisions are: (1) *Liquidated damages* could be demanded from members for breach of agreement to deliver produce to the society at so much per unit of produce sold outside, (2) *Injunction* could be obtained by the society restraining the members from further breach of contract, i.e., further sale outside the society, (3) *Specific Performance*: Courts could compel members to deliver the specified produce to the society, which is no doubt more difficult to enforce, (4) *Checking interference* by outside dealers who buy the goods of members by soliciting them, which is in some States a criminal offence.[9]

What a contrast all this is with the timorous attitude of our sale societies who cannot make bold to penalise disloyal members, and the anxiety of the Government in this country not to wound the susceptibilities of commercial banks. Orthodox co-operators may be shocked at the lengths to which promoters of co-operative marketing in some countries are prepared to go—of compelling all producers to sell through a common agency when the majority of them agree to a scheme of joint sale. But they cannot understand the hesitation to declare co-operative loans a first *charge* on the crops of the borrower, without getting any decree from the court. Bombay alone has enacted that co-operative claims shall be a first charge on crops. Madras and Burma have not. It is contended that the charge is not much of practical value, as it is not easy to get hold of produce sold outside. This would not happen if exemplary punishments were inflicted on such defaulters. As Calvert himself points out: The English Agricultural Credits Act, 1928 provides for charges in favour of banks approved by the Minister. The severity of the punishment prescribed is noteworthy. Section II enacts that "if, with intent to defraud, any farmer who has created an agricultural charge fails to comply with the obligations imposed or removes or suffers to be removed from his holding the property subject to the charge he shall be liable to penal servitude for three years."[10]

Voting rights of members. The Indian Act provides for 'one member one vote' in unlimited liability societies, and for as many votes as may be prescribed by bylaws in limited liability societies. The Maclagan Committee recommended 'one member one vote' for all societies

9. E. G. Nourse, *The Legal Status of Agricultural Co-operation*, Chap. VIII and IX

10. *The Law and Principles of Co-operation*, p. 122.

as the fairest practice to adopt in co-operation. The Bombay Act has embodied this principle in toto in Section 18; and the Madras Act in Section 16. We find, however, relics of plural voting according to share capital exercised, for example, by the central banks in the apex bank at Madras. This is perhaps to drown the voice of individual members who are still suffered to continue.

In other countries where 'one member one vote' is the general rule, certain exceptions are made but not on the joint stock principle of attaching importance to share capital, but on the basis of the business done by the member with the society. When additional votes are given, the maximum is five. Extra votes have no relation to share capital.[11]

On the other hand members in some societies are deprived of voting rights and cease to be on the voters' list for a period, if previous to that they have ceased to offer their custom up to a certain minimum amount. For instance in some of the British co-operative societies, members lose their voting rights if they do not buy at least £8 worth of goods from the store in a half-year.[12] The T.U.C.S. in Madras had the bylaws amended seven years back to the effect that a member who does not buy for at least Rs. 50 in a half-year shall not have a vote in a subsequent half-year. And Rs. 50 is not a high minimum for the members of the T.U.C.S.

Size and Constitution of Societies. Another problem which large societies—whether urban banks of which there are many, or consumers' stores of which there are some prominent ones in South India—have had to face is the character of the General Body meeting, which all members are by existing law entitled to attend. In such societies general meetings are seldom well-attended for the members they have on the rolls, and those who attend are not by any means representative of the entire body of members. It is usually a haphazard collection of individuals; discussion is not carried on on a high level, criticisms are ill-informed; often the directorate are damned without justification, sometimes they are let off too lightly. Such apathy and unsystematic control of the affairs of a large society by the General Body are by no means peculiar to this country. Similar was the state of affairs in many of the European countries, where in the large consumers' societies membership has been increasing by leaps and bounds.[13]

11. M. Digby, *Digest of Co-operative Law*, p. 14.
12. S. and B. Webb, *The Consumers' Co-operative Movement*, p. 60.
13. Ch. Gide, *Consumers' Co-operative Societies*, p. 158.

A reform that has been found necessary was to replace the General Body meeting of all members of a large society by a Delegate or Representative meeting to which members from every branch or ward or any other division of the society will depute a definite number. This subject was dealt with at some length by the writer of this article in a previous issue of this Review.[14] Reference was there made to an attempt at reform on these lines by the pioneer consumers' society of this country, the T.U.C.S., which proved abortive a few years back. Last year, however, an important amendment to the bylaws has been passed and it has since been certified by the Registrar, by which the old General Body Meeting has been replaced by a representative meeting which could be attended only by the Directors, the Panchayatdars and five other representatives specially chosen for the purpose from each of the 25 branches—so that all-told the maximum strength of the meeting at the centre would be only 275.

Already one such meeting of representatives has taken place according to the new bylaws, when more business was transacted in the course of the day. Criticisms were not less severe; but it is hoped that they will be better informed and more systematic, if only the representatives keep in constant touch with the activities of the Board of Directors on the one hand and the opinions of members of each branch expressed, preferably, in local meetings of all members.

Such a reform in the direction of a representative body is, in our view, long overdue in the case of large societies, and it would be an anachronism to cling to the old idea of a general body meeting of all members when societies have long ceased to be neighbourhood unions.

14. *The Indian Co-operative Review*, January, 1936.

REVIEWS

INDIAN ECONOMICS. By G. B. Jathar & S. G. Beri. Vol. I, V Edition, Rs. 5, Vol. II, IV Edition, Rs. 6. Oxford University Press, Bombay, 1937.

These two heavy tomes, covering together 1160 pages of close print, have become the bible of undergraduate students of economics in Indian universities. This work has practically superseded all the other works on Indian Economics and is the best seller. The first volume is now in the fifth edition, and the second in the fourth edition, in which the authors have brought their work up-to-date. In the first volume are included an analysis of the latest census reports, an account of recent developments in agricultural organisation including the Imperial and Provincial marketing schemes, a sketch of the recent phenomenal development of the sugar industry, an idea of the working of the International Tea Restriction Scheme, a critical estimate of the village uplift work in different parts of India and a brief survey of legislation on money-lending and debt conciliation. The second volume incorporates discussions on recent developments such as the Ottawa and Japanese trade agreements, labour legislation on the lines recommended by the Whitley Commission on Labour, the constitution of the Federal Railway Authority, the Reserve Bank of India, the effects of the Depression and the controversies on gold exports and monetary standards. These are all subjects which are of interest not merely to the students of economics in the colleges, for whom the book is mainly intended. They are of absorbing interest to all intelligent citizens, particularly to those working in the political and economic fields. It should serve as a useful background for all advanced students of co-operation. Such an economic background is an essential part of the syllabus prescribed for the higher co-operative courses in other countries.

The work, however, has the shortcomings which may be expected of any comprehensive work attempting to cover such a vast field, even though in more than eleven hundred pages. It is not so much a treatise as an encyclopaedia. It is a repertory of information rather than a scientific exposition of theory. It cannot be considered a self-contained work, though it is a reliable book of factual knowledge so far as India is concerned, and is a fitting companion to Indian students after they have studied the classics on economic theory and applied economics. We have more often a digest of other peoples' views, than an independent estimate of the authors based on original study or investigation.

This is perhaps inevitable in a work of such magnitude; but the result is that it cannot make the same appeal to specialists in any particular field as to the general readers—in whose case the danger is that they may lose the wood for the trees.

Coming to the subjects proper in which the *Indian Co-operative Review* is specialising, the problems of rural indebtedness, agricultural marketing and the co-operative movement are treated at considerable length, covering nearly 200 pages in the first volume. The best part of the treatment of these subjects is on the historical side; the authors trace the genesis and growth of every problem, pointing out the salient features of legislation and the reactions of the people to the same; on every question the *pros and cons* are presented in an impartial manner. Usually there is a non-committal attitude in their conclusions which is likely to leave the lay readers a little hazy as to what the right view is. Except in the case of Bombay to which the authors belong, the claim that everything has been brought "entirely up-to-date" cannot be conceded. The references made are largely to older books and reports which, however good in themselves in their days, cannot be cited as the best authorities still. We find little or no treatment of the changing view-points of modern co-operation which, by the way, is not 'purely voluntry'—and their applicability to conditions Indian. Mention is made of a variety of types of societies with brief notes on each, which are not quite up-to-date nor applicable to large parts of India. The authors speak in a footnote of "the more scientific and satisfactory classification of societies adopted in the Bombay Act"—which to us looks somewhat confused and overlapping—but they do not follow this classification in the treatment of the societies in the body of the book. We fail to see how "the co-operative movement in India has been much influenced by the example of Denmark," though we have no doubt of the influence of Germany. Dairying and other production and sale societies for which Denmark is most famous have made little headway in this country; and as for co-operative spirit or education, India is the very antipodes of Denmark.

A perusal of the proceedings of the Sixth Industrial Conference held at Simla in July 1934 would show that the hope expressed of co-operation as "a lever for the revival of the small industries of India" has been far from realised, judging by the experience of societies for weavers and artisans in the past in almost all Provinces. The survey of cottage industries in all the districts of the Madras Presidency (not only in four districts) had been finished even when the second edition of this work was published. The 'great possibilities' of jute sale societies in Bengal have been tried out and the experiment was a colossal failure. 'The Madras plan of conferring the status of Honorary Assistant Registrar on non-official organizers' which appears to the authors to be 'a step in the right direction' was given up nearly a decade back on account of the political capital made of it by men in power. We do not know if there are still anywhere 'capitalist central banks dominated by individual share-holders.' We do not, at any rate, have them in Madras. Their expectations of the Reserve Bank of India in respect of re-discounting and loan facilities to co-operative institutions would appear to have been too sanguine in the light of the recent report of the authorities of the Bank on agricultural credit. But authors are not prophets. The minor errors noted above do not seriously detract from the value of "the accepted standard work on Indian economics."

K. C. R.

CO-OPERATIVE MOVEMENT IN THE SURAT DISTRICT—A BRIEF HISTORY. By P. T. Parikh, Surat District Co-operative Bank Inspector.

The conception of a monograph on the Co-operative Movement in every District of the Bombay Presidency originated in the brains of Prof. H. L. Kaji, who writes the foreword to this nice descriptive account of co-operative institutions in his native district. A handsome tribute is paid by him to the three veterans of the movement: Dewan Bahadur Maneklal Gandhi of the District Bank, Rao Sahib N. C. Jadhav of the Peoples' Bank and Mr. Purushotam Patel of the Sansek Cotton Sale Society. A detailed account of the origin and growth of each kind of organisation—the most important of them being the central financing bank of the district, the urban banks and credit societies, the agricultural credit and marketing societies—is given by the author Mr. Parikh, who has a first hand knowledge of the inner working of most of these institutions. No pains have been spared by him in the supply of facts and figures relating to each type of organisation talukwar. It is a veritable co-operative gazetteer of the Surat district, a study of which by co-operators elsewhere ought to rouse to a similar sense of duty and inspire an authentic and faithful account of the movement in every district of India. There are in the rest of India enough scope and enough talents to compile similar monographs.

We are not, however, sure whether the talukwar sketch is so good as a full discussion topic-war of the most important issues. The title 'Non-Credit Co-operative Movement' is neither happy nor very correct in the circumstances of Surat, as most other types of co-operation than the marketing of cotton have been failures, some of them having been still-born. A co-operators' 'Who is Who' is appended, and several beautiful photographs of leaders, major and minor, delight the eye of the reader at intervals of pages. The only discordant feature of the publication is the paper used, though the printing is passable. We dare say an improvement in these two respects is not beyond the reach of prosperous co-operators of the Surat District, when they plan the next edition of the work.

EARLY DEVELOPMENT IN CO-OPERATIVE COTTON MARKETING: By O. H. Herrmann and Chastina Gardner. Farm Credit Administration, Co-operative Division, Washington, D.C., 1936.

This is a publication of 46 pages. As its name implies, it deals with the early developments in co-operative cotton marketing in U.S.A. We learn from this study that "attempts on the part of cotton farmers in the United States to improve their economic condition through co-operative effort date back to the early seventies. Since that time many cotton associations have been organised; several covered the entire cotton-growing South and others were only local in character and limited in influence. For some, failure was almost certain from the beginning, while others operated successfully for a number of years. Many difficulties were encountered by these early organisations, either because their objectives were unattainable or their plans and operating procedure poorly conceived and executed. Whether successful or unsuccessful, each contributed something to the background of experience which led to the formation of the present co-operative system for marketing farmers' cotton, the services of which are available to growers throughout the entire Cotton Belt.

Most early cotton associations had price control as their principal objective and gave only secondary attention to marketing services. Both monopoly control of prices and orderly marketing played prominent roles in the early programmes of the more recent large scale co-operative marketing cotton associations. After several years of operations, however, officials of these associations generally recognised that these methods of attempting to increase the growers' income had distinct limitations. At present, therefore, the emphasis of these associations is laid primarily on marketing the members' cotton in the most efficient way; on obtaining for the members the highest price based on equality; and on rendering improved marketing services at minimum cost. These marketing services include classing, transportation, assembling, warehousing, insurance, financing, hedging, selling and shipping. Any savings effected in performing these services are returned to growers in the form of patronage dividends based on the number of bales delivered. Furthermore, associations take an active part in programmes for improving cotton quality and cotton marketing conditions and facilities.

Along with the development of co-operative cotton marketing associations came the formation of associations for ginning and warehousing cotton, marketing cottonseed, and its by-products and extracting and marketing cottonseed oil."

The work shows a great deal of merit and should prove stimulating to serious students of economics and co-operation.

BASHIR.

CO-OPERATION IN AGRICULTURE: A Selected and Annotated Bibliography with Special Reference to Marketing, Purchasing and Credit. Compiled by Chestina Gardner, Research Service and Educational Section, Farm Credit Administration, Co-operative Division, Washington, D.C., 1936.

The Research and Educational Staff of Farm Credit Administration, Washington, conducts research studies and service activities relating to problems of management, organisation, policies, merchandising, sales, costs, competition, and membership, arising in connection with the co-operative marketing of agricultural products and the co-operative purchase of farm supplies and services; publishes the results of such studies; confers and advises with officials of farmers' co-operative associations, and co-operates with educational agencies, co-operative associations and others in the dissemination of information relating to co-operative principles and practices.

Co-operation in Agriculture contains a list of books, particularly relating to marketing, purchasing and credit. The author has taken great pains in the preparation of this bibliography and therefore deserves the thanks of all co-operators and others interested in the subject in India and abroad. The bibliography is beautifully arranged and nicely annotated. It also contains a complete index which enhances its value. It can be obtained on request from "The Director of Information, Farm Credit Association, Washington, D.C."

BASHIR.

CO-OPERATIVE BALANCE SHEETS: A Self Instructor. By Kasturi Adinarayana, Lecturer, Central Co-operative Institute, Madras. (Price: Rs. 2/-).

This small book written in lucid class room style, deals with the preparation and reading of co-operative balance sheets. It consists of nine chapters, which are so arranged as to lead the student step by step through the whole subject. The numerous books published on Audit and Accountancy are generally too bulky and advanced for use in a co-operative class room.

The syllabus prescribed by the Madras Provincial Co-operative Union for adoption by the Co-operative Training Institutes is strictly followed in this book, and it will therefore be a useful handbook for students already undergoing co-operative training and the prospective students of training institutes, as also bank inspectors and supervisors.

BOOK-KEEPING QUESTIONS AND ANSWERS: Madras Government Technical Examination (Lower Grade) 1924 to 1935 (inclusive). By Mr. A. Marama Reddy, A.I.S.A. (Lond.), D.Com., (I.M.C.), Secretary, Trichinopoly District Co-operative Central Bank, Ltd.

A book of limited scope, as the title indicates, will still be welcome to the many, who due to their other avocations in life bemoan their repeated failures at the examinations. Indeed, all candidates should, on the eve of examinations, test the correctness of their grasp and ability to re-produce the essentials within the time prescribed and their pleasurable occupation in hunting for the papers set at previous examinations with this end in view is familiar for all. The subject is so highly practical and adapted to different kinds of business that it lends itself to alternative methods of treatment, and this the examiners deliberately exploit. The intending examinees have, therefore, to guard themselves against the traps, which the author has attempted to elucidate wherever necessary. The book should, therefore, be very useful as an adjunct to their studies.

N. R.

CO-OPERATIVE SOCIETIES AT WORK IN INDIA

BIHAR

Resolution of the Government of Bihar on the working of Co-operative Credit Societies in Bihar and Orissa for the year 1935.

The depression in the co-operative movement continued throughout the year under review. Although there was a small rise in the price of rice, there was little improvement in the condition of agriculturists as the rainfall was unfavourable and agricultural prospects were not bright. It has not, therefore, been possible for the movement to make any appreciable advance towards recovery. This should not, however, be a ground for any undue pessimism. The reforms which have been introduced have not yet had time to take effect and the year following the year under review gives promise of exceptionally good crops in almost all parts of the province.

The total number of working societies showed a small increase from 8,882 to 8,928 but the number of members in co-operative societies decreased from 286,931 to 285,282. It is unsatisfactory to find that the percentage of bad and hopeless societies showed a slight increase from 17·4 and 3·7 in 1934 to 18·8 and 4·5, respectively in 1935. It is to be hoped that with the appointment of inspectors this downward drift in the classification of co-operative societies will be checked.

In the resolution on the preceding year's report emphasis was laid on the necessity for fresh finance in order to liquefy the frozen assets of the movement. Fresh finance is, however, hardly practicable, if adequate steps are not taken to check the growing accumulation of overdues. In this respect the position of the movement has not shown any substantial improvement. During the year under review the overdues of principal payable by affiliated societies to central banks rose from Rs. 131 lakhs to Rs. 138·27 lakhs, while the corresponding amount of overdues of principal payable to affiliated societies by their members increased from Rs. 130 lakhs to Rs. 134·40 lakhs. Similarly, the overdues of interest payable to central banks also rose from Rs. 25·57 lakhs in 1934 to Rs. 32 lakhs in 1935, while the overdues of interest payable to affiliated societies by their members rose from Rs. 53 lakhs to Rs. 62 lakhs. The future of the movement on its credit side depends entirely on improved conditions. The percentage of collections of central banks in Bihar in respect of both principal and interest rose from 10·4 in 1934 to 10·7, while the percentage in respect of principal alone also rose from 6·1 to 6·3. It is, however, evident from the fact that overdues are still accumulating that this improvement is quite inadequate. It is also disappointing to find that the percentage of collection of interest over the total demand fell from 32·1 in 1934 to 28·9 in the year under review. Only ten banks in Bihar were able to collect more than 10 per cent. of their total demand on account of principal. The fact that the percentage of collection was very much higher for some central banks than for others in the same division goes to show that poor collections cannot be attributed solely to the prevailing depression in agriculture. Besides as agricultural prospects are now very much brighter, Government hope that collections in the following year will show material improvement.

The profit and loss statements of central banks show that the total calculated profit for 1935 for all central banks in the composite province amounted to

Rs. 17·95 lakhs, while the total calculated loss was Rs. 15·69 lakhs. Actual recoveries against calculated profit amounted to Rs. 2·26 lakhs only, while actual disbursements on account of estimated loss worked out at Rs. 7·29 lakhs including cost of management. It is satisfactory to note that the cost of management was further reduced from Rs. 4·89 lakhs in 1934 to Rs. 4·56 lakhs during the year under review indicating that the need for economy has been borne in mind. The local Government are also pleased to note the comment of the Registrar that malpractices such as collusive rent suits, attempts to defraud a society of its legitimate dues and to thwart award and liquidation proceedings are now less frequent than before and that a healthier tone is already noticeable in the administration of central banks. It is hoped that with increased staff, which will ensure stricter supervision, this evil will soon disappear. The cases of embezzlement by bank employees which are referred to in the report indicate, however, the need for greater vigilance on the part of the management.

With the co-operative movement still in its present condition the difficulties of the Provincial Co-operative Bank continued to be felt, but steps have been taken to deal with them and this is reflected in the statistics. The two Government loans, one of Rs. 16 lakhs and another of Rs. 4 lakhs, have helped to raise the working capital of the bank by Rs. 12·21 lakhs and have also enabled it to raise the total amount of fresh loans advanced to central banks and societies from Rs. 3·58 lakhs in 1934 to Rs. 6·89 lakhs during the year under review. While fresh finance is necessary for rehabilitating the movement, it is no less important that fresh loans should be given with due caution. Central banks desiring accommodation must first set their house in order and show that they are collecting outstandings due to them from their societies so as to be able to make repayments to the Provincial Bank. Some central banks may have been disappointed because they were denied advances out of the Government loan, but it is in the interests of the movement that a policy of caution in giving fresh advances should be pursued. The need for such a policy is further emphasised by the fact that the total overdues of the Provincial Bank have risen during the year from Rs. 37·08 lakhs to Rs. 42·81 lakhs. The total demand on account of principal from central banks and societies was Rs. 41·89 lakhs of which only Rs. 3·18 lakhs were realised. The corresponding figures of the preceding year were Rs. 36·43 lakhs and Rs. 2·18 lakhs, respectively. As interest, the Provincial Bank recovered Rs. 1·82 lakhs during the year as against Rs. 1·85 in 1934. The important question of promoting recoveries has been receiving the attention of the Registrar and of Government. A circular has since been issued by the Registrar outlining a policy of remissions and fresh advances with the object of promoting recoveries.

The financial position of the Bihar and Orissa Co-operative Federation continued to be unsatisfactory though it showed some improvement over the preceding year. The total receipts and expenditure of the Federation during the year were Rs. 2,87,780 and Rs. 2,75,471, respectively, leaving a surplus of Rs. 12,309 which helped to reduce the overdraft with the Provincial Co-operative Bank to Rs. 76,381. But the surplus during the year could only materialise because of the special Government grant of Rs. 37,000 on account of the remission of contributions due from Co-operative Societies in the earthquake affected areas. The Federation has, therefore, not yet succeeded in balancing its budget in spite of the fact that as compared with last year its expenditure was reduced to the extent of Rs. 40,660. The activities of the Federation in the matter of co-operative training and education have had to be suspended and these activities are now continued by the Registrar with the help of the Government of India grant. As a result, banks and societies have been relieved of all fresh assessments on account of development and training and although this will reduce the income of the Federation it should enable it to improve its collection of arrear dues. Unless vigorous steps are taken in this direction it is difficult to see how the overdraft with the Provincial Co-operative Bank can be liquidated. The total amount due to the Federation from banks and societies was Rs. 4·26 lakhs of which the amount collected was Rs. 1·70 lakhs. The corresponding figures of the preceding year were Rs. 3·70 lakhs and Rs. 1·35 lakhs respectively. The total arrears now amount to about Rs. 2·56 lakhs. In addition to the special grant of Rs. 37,000 the Federation received subsidies from Government amounting to Rs. 65,258 during the year under review.

The number of societies under liquidation increased from 1,044 to 1,050, but the amount due from societies under liquidation showed a small decrease from Rs. 27·85 lakhs in 1934 to Rs. 27·07 lakhs in 1935. The realizations during the year were Rs. 2·58 lakhs as against Rs. 1·71 laks in 1934. The Registrar refers in his report to the difficulty experienced in the advance payment of court-fees and process fees in certificate proceedings. Government have since decided that these fees may be realisd later from recoveries. It is hoped that this will help to expedite liquidation proceedings.

Perhaps the most interesting feature of the year under review is the growing realisation of the importance of the non-credit side of the movement. The central banks are taking increasing interest in education, agricultural improvement, land reclamation, sanitation, medical relief and the promotion of cottage industries, which have for their object the moral and material uplift of the rural population. In particular, Government are pleased to note the progress of welfare schemes in different parts of the province. With the help of the Government of India grant experiments in rural reconstruction are now being tried in each division, but the report shows that rural reconstruction programmes have been successfully put into operation by central banks independently of the Government of India grant. The scope for useful work in this direction is unlimited and it is only by raising the moral and material condition of the members of co-operative societies that co-operative credit can be built on a sound foundation.

In conclusion, Government in the Ministry of Education are pleased to note the names of the non-official and official workers whose services have been acknowledged by the Registrar. The Co-operative Department has been confronted with numerous difficulties and with problems which require sustained effort and patient handling. The thanks of Government are due to Mr. Godbole for the efficient manner in which the department was run during the year under review and for his interesting report.

In his concluding remarks Mr. Y. A. Godbole, I.C.S., Registrar, observes:

This report by no means presents a glowing picture, nor does it describe any great achievements. But a large number of far-reaching measures mentioned at the proper places including the appointment of an Inspectorate staff, the re-organisation of the department and the introduction of various schemes such as the organization of (*i*) Cane-growers co-operative societies, (*ii*) Co-operative Training and Education, (*iii*) Handloom Weavers' Societies and (*iv*) Village Welfare Centres and the passing of a provincial Co-operative Societies Act, all calculated to arrest the further decline of the movement and in course of time to revivify it, have been introduced and the future is full of hope. Towards the close of the year and in the early months of 1936 there was unmistakable evidence of an improvement in recoveries of dues. The message of rural uplift has brought new life into the movement and has re-inforced even languishing credit societies and banks. And the activities in the direction of improvement of agriculture and provision of irrigation facilities, public sanitation and health, expansion of primary education and general village welfare, the excellent work done by the grain-golas, the more or less successful record of provincial societies, employees' societies and thrift and better living societies, the creditable work done by several weavers' societies, to say nothing of the humble yet commendable beginning made by some of the sweepers' societies and stores like the Balugaon Stores, Bhagalpur Automible Association, etc., will show that the large majority of banks and societies still possess vitality enough to re-act to any health-giving impulse. These institutions and those for whom they exist, viz., the cultivator who has had to pass through an unusually long spell of bad seasons and the poor employee or salary earner and small citizen who are all anxious to improve their lot and who still cling to co-operation as the only sovereign remedy for all their ills deserve the full support of Government and the public.

The co-operative credit movement of the last 30 years was concerned with but a fringe of the problem and affected the lives of only an infinitesimal section of the agricultural population. The impression that is gaining ground, viz., that the co-operative movement has failed is partly due to those early enthusiasts who did not visualize the whole of the problem and thought co-operative credit to be a panacea for all the ills of rural India. But to a greater extent it is due to those defaulting members whose lands are put up to sale at the instance of societies and who find it convenient to run down the co-operative movement and say that the village mahajans of old would not have completely deprived them of all their land but let them off with something to live upon. One wonders whether the mahajan would not have sold them up and reduced them to the position of landless labourers much earlier.

To grant relief to members of primary societies and at the same time encourage recoveries of societies' dues and to rehabilitate the movement by allowing fresh finance to deserving old societies and their good members and by organizing new credit societies on sound lines, the question of the issue of certain general circulars has been under the consideration of the department. Government approval has been obtained since the close of the year and they will shortly be issued.

It is hoped that they will enable societies and banks to get rid of the depressing burden of such overdues as are incapable of recovery and revivify the movement by facilitating fresh business consistently with a policy of caution.

No one who has intimate knowledge of co-operative credit in Bihar and Orissa and has seen the fight that co-operators, both official and non-official, have put up within the last few years in order to get the better of so many opposing forces will make bold to say that co-operative credit has totally failed and should be given up. It is open to question whether any other system of agricultural finance would have proved more successful during the extremely difficult period of the last few years. And no substitute for co-operative credit has been seriously suggested by anyone. Above all, the failure of co-operative credit is by no means the same as failure of co-operation.

TRAVANCORE

Review of the Report on the working of Co-operative Societies by the Government of Travancore for the year 1110 M.E. ending 15th July, 1935.

The Report of the Devadhar Committee on Co-operation which was submitted at the commencement of the co-operative year under review was engaging the attention of the Government. The report was also placed before the two Houses of Legislature. Since the close of the year, Government have sanctioned the reorganisation of the Department by appointing two Assistant Registrars with the necessary staff. To attend to the work of supervision and audit nine additional Inspectors were also sanctioned. Government hope that the addition of the two Assistant Registrars will relieve the Registrar of a portion of his work and enable him to devote more attention to the development of the movement along right lines. It is also hoped that, with the appointment of the additional Inspectors and the re-distribution of the circles in charge of the Inspectors, they will devote more time to individual societies and do propaganda work for their betterment.

The Co-operative Societies Regulation governing the working of the Societies in the State, stands in need of amendment in several respects. The Devadhar Committee had drawn up a revised draft bill which has been introduced in the Legislative Assembly. It is expected that with the passing of this bill into law and with the bringing into effect of the other recommendations contained in the Devadhar Committee Report, many of the existing defects in the movement will be remedied and the future development of the movement placed on a sound basis.

SUMMARY OF THE GENERAL PROGRESS OF THE MOVEMENT

The policy of rectification and consolidation of societies through better supervision and more efficient control, adopted by the Department in recent years, was pursued; dormant and inefficient societies were weeded out and permission for registering new societies granted very sparingly. The total number of societies decreased from 1784 in 1109 to 1767 in 1110. During the year, 16 societies, as against 10 in 1109, were registered and the number cancelled was 33 against 14 in 1109. Of the total number of 1767 societies on the rolls, 28 had not started work, and of the remaining 1739 working societies, 1645 did purely credit work.

EXPANSION OF SHARE CAPITAL, WORKING CAPITAL, RESERVE FUND AND DEPOSITS

The working capital of the societies fell from Rs. 89,74,936 to Rs. 87,65,215, the fall being more than 2 lakhs. This fall is attributed to the prevailing economic depression and its repercussions on the agriculturists, the cancellation of a large number of societies in the year and the comparatively restricted financing of the primary societies by the financing banks. The average working capital per society was Rs. 5,183, as against 5,218 in 1109. The total share capital in the movement also decreased from Rs. 36,18,722 to Rs. 35,43,802, the decrease being Rs. 74,920. The average paid up share capital per society was Rs. 2,095 as against Rs. 2,103, and per member Rs. 15, the same as in the previous year. The total receipts and disbursements under deposits were Rs. 33,19,730 as against Rs. 25,88,879 and Rs. 30,98,996 as against Rs. 23,20,247, respectively. The total reserve fund of all societies increased from Rs. 9,66,500 to Rs. 10,19,536. The Registrar should see that his instructions to the societies to invest without delay, the uninvested portion of their reserve funds in the Central Bank or Taluk Banks, are followed by the societies concerned. The total turn-over of all societies aggregated to

Rs. 1,85,21,736, the increase being Rs. 21,37,317. The average per member has increased from Rs. 71 to Rs. 83.

PROFIT AND LOSS

As a result of the Registrar's circular regarding the calculation of the divisible profits on the basis of revenue items actually collected, the majority of the societies had to show losses. The Central Bank, the Central Institute, the Central Weaving Society and the Supervising Unions excluded, there were 1711 societies working at the end of the year and of these the accounts of 22 societies were not audited. The total loss sustained by the societies amounted to Rs. 3,58,530, against Rs. 4,12,278 in the previous year.

LOANS

As in the previous year, there was a decrease both in the number and the amount of loans granted by the Central Bank and the Primary Societies. This was mainly due to the economic hardship of the ryots. As usual, the loans granted for the discharge of prior debts formed the bulk of the loans granted, the loans for trade and agricultural purposes ranking second and third in order respectively. The Registrar's suggestion that the Primary Societies should specialise in short term and medium loans to satisfy the real needs of the agriculturists may, with advantage be followed by the Societies concerned.

DEMAND, COLLECTION AND BALANCE

The aggregate overdues under principal increased from Rs. 33,66,399 to Rs. 37,40,875, giving a percentage of 67·3 against 62·6 in 1109, and under interest from Rs. 8,55,132 to Rs. 10,92,170, giving a percentage of 69·8 as against 62·6 in 1109. The increase in the overdues of societies is an unsatisfactory feature of the movement. But Government are glad to note from the Registrar's statement that co-operators have been awakened to the seriousness of the situation, to the need for taking prompt action to rectify and consolidate societies and to tackle the problem of the collection of overdues. The Registrar's proposals for bringing about some radical improvement in the existing state of affairs of the societies are awaited by Government.

GENERAL

The Department continued to work in close co-ordination with the other Development Departments in the State. Government note with satisfaction the Registrar's statement that the relationship between the Department and the public continued to be cordial on the whole.

The following are the concluding paragraphs of the Registrar, Mr. M. Govinda Pillai :—

Before I conclude this report for the 20th year of the inauguration of the co-operative movement in Travancore, I owe it to the vast body of co-operators in the State to indicate frankly some of the recent tendencies amongst a small but growing section of co-operators, which, if left unchecked and uncontrolled, will vitiate and imperil the entire movement.

The emergence of a factious spirit amongst members of societies is a tendency which tends to cast an air of instability on boards of management as a result of frequent elections, and which at one time provokes an unreasonable anxiety to cling to office by every means, and at another a dogged reluctance to deliver charge, despite directions by competent authority.

A second and a very serious tendency is to flout the principle of arbitration which is one of the greatest contributions of the movement towards the peaceful and orderly progress of human society, and to prefer the intervention of courts for the final arbitrament of disputes. The truth of the matter is that those who seek the courts for settlement of disputes in preference to arbitration as wisely contemplated by co-operative law and practice, are callous to law's delays and expenses, and are more anxious for a languid protraction of litigation than for prompt adjudication by arbitration.

The economic benefits of co-operative effort are being suppressed and supplanted by a persistence for maximum dividend for members and for maximum bonus for office-bearers irrespective of the contingency that there is a net profit or not which alone is under the byelaws of societies, the basis for similar appropriations. The undisputed theory that wages should be paid for work done is being flaunted on co-operative platforms without any attempt being made to amend the very sound and wholesome principle inculcated in the byelaws that profit alone should be appropriated for purposes of wages, and even for the common good. A reconciliation has soon to be effected between the business practice and the co-operative precept.

The relationship between the department and the public continued to be cordial on the whole. The co-operative movement in the State is undoubtedly passing through difficult times. On the one hand it has been suffering from the effects of too rapid an expansion without sufficient provision being made for proper education and control. On the other hand it has been overtaken by a succession of unfavourable years and unprecedented slump in prices of agricultural products. The low price of agricultural products, the lack of adequate funds and the lack of co-operative education are real impediments on the path of progress.

In the working of the movement such public bodies as the Sri Chithira State Council, and Sri Mulam Assembly took interest, but much more is expected of them in the future. Many members of such popular bodies are on the Committees of societies. But I am constrained to observe that in an enlightened and educated country like our State, the number of persons of light and leading who have come forward readily to actively participate in the movement are few. It is hoped that they will come into the fold of the movement in larger numbers.

COCHIN

Review of the Report on Co-operative Societies by the Government of Cochin for the year 1110.

258 societies were working at the end of the year. The membership of the societies fell from 25,183 in 1109 to 25,142 in 1110. The working capital of all societies including the Central Bank rose from Rs. 25,02,154 to Rs. 25,04,570 and the Reserve Fund from Rs. 4,03,715 to Rs. 4,18,340.

Loans to the value of Rs. 8·5 lakhs were disbursed by the agricultural and non-agricultural societies together, against Rs. 9·3 lakhs in the previous year. Of the 8·5 lakhs, Rs. 3·36 lakhs were for productive purposes.

Loans to the value of Rs. 11·7 lakhs were outstanding with the members of the agricultural and non-agricultural societies together at the beginning of the year.

With the loan of Rs. 8·5 lakhs issued during the year the demand stood at Rs. 20·2 lakhs of which Rs. 8·39 lakhs were paid during the year. Of this, loans to the extent of Rs. 4 lakhs had fallen overdue. Such items are yearly on the increase and every attempt should be made to bring down the amount.

Of the 35 societies under liquidation, work in respect of only 2 societies has been completed in the year. The department should spare no pains to expedite proceedings in respect of the remaining societies. The Registrar should exact the maximum work out of the liquidators in this respect. The work in this direction thus far has been very unsatisfactory.

The following are the concluding paragraphs of the Report of the Registrar, Mr. K. Narayana Menon.

Inaptitude, corruption, mismanagement and indifference of committees, inefficiency of the Central Institutions and the Department are keeping the movement far away from the ideal. The glut of the cereals in the market and the very low price of all agricultural products have accelerated the downfall. The poor men and women of the villages who, because they know not how to provide for themselves, are hungry, unhappy, unhealthy and depressed, speak volumes for the need, urgent need of straining every nerve to work up this movement, which is the only remedy for all our social ills.

The compactness of the State, the high percentage of literacy, the solicitude of the Government and their progressive outlook deserve better results, which unfortunately we had not been able to achieve till now. I am not at all discouraged by the present situation. Much has certainly to be done including the change of the fatalistic psychology of the villager, which adversely governs his life and actions.

The reorganisation of the Institute, making it do effective propaganda and education, the strengthening of the Unions, running the Central Bank on a more business basis, revision of the Regulation and the Rules, strengthening of the Department and the successful working of the Land Mortgage Bank are sure to improve our lot infinitely.

I hope to achieve something in this line before another report is published. Though many societies have to be dissolved in the near future and though the depression is working havoc among them, the outlook is as cheery and hopeful as ever.

THE COMMITTEE ON CO-OPERATION IN COCHIN MAIN RECOMMENDATIONS

THE CENTRAL BANK.

At least 4 members of the Board should nominated by Government.

The maximum loan may be fixed at 12 times the paid-up value of shares.

There should be a clear-cut division in respect of short term and medium loans. Applications for these should be scrutinised by two sub-committee formed from among the members of the Board, separate statistics being kept for the two kinds of loans.

A uniform practice with regard to the percentage of the compulsory deposits, the periods for which they are to be held, and the interest they are to bear, has to be followed. The Central Bank should appoint Inspectors as agents for the realisation of overdues from affiliated Societies.

The Central Bank should depute a Special Officer to examine the outstanding loans of societies.

Trained and qualified men may also appointed for the proper working of the system of introducing property and valuation statements, as well as statements of credit worthiness.

Investments of funds in joint stock Banks should be discouraged.

The services of the Branch Offices of the Imperial Bank of India should be secured to Co-operative Banks for transmission of funds by remittance transfer receipt, free of charge.

The fluid resources of the Central Bank should have a standard fixed.

The margin of profit on the Government loan should be utilised to augment the contribution to the Institute.

The maximum dividend should be lowered from 6¼% to 5% and the balance should be added on to the inspection fund. A dividend equalisation fund should be created.

ORGANISATION OF TALUK BANKS

Taluk Banks should be established as Branches of the Central Bank.

Individuals may be admitted as members in Taluk Banks. The Board of management of the Taluk Banks should have four members to represent primary societies and two to represent individuals, and two nominated by Government. The share capital should be fixed at Rs. 50,000 and the maximum borrowings should be ten times the face value of the shares.

The lending and borrowing rates of the Taluk Banks should be 7½ and 4 per cent respectively.

PRIMARY SOCIETIES.

In backward Taluks more primary societies should be organised.

Remarks of the Institute or the local Union should be obtained before the registration of fresh societies.

Formation of communal societies should be discouraged.

Membership in a society should be restricted to a maximum of 100.

There should be one society for one village.

Membership should be restricted to one society alone of the same type.

The share capital should be increased and the members should be persuaded to take as many shares as they can up to the maximum limit.

The system of compulsory deposits should be introduced in all societies.

Only well developed societies should be allowed to accept current and savings deposits.

Interest on local deposits should never exceed the rates of the Central Bank.

The borrowing capacity should not exceed ten times the paid-up share value.

No one should be a committee member for more than a year at a time—bankers and those interested in the promotion of joint stock banks should not be elected to the committee. Committee members should be held responsible for all acts of commission and omission.

URBAN BANKS.

The working capital of the Urban Banks should be substantially improved.

Current Savings and compulsory deposits should be introduced as well as the cheque system.

The reserve fund should be invested in accordance with Departmental orders.

Urban Banks having buildings and a permanent staff should issue loans on the pledge of gold.

Banks with a working capital of above Rs. 30,000 should entertain full-time secretaries.

Office building should be put up and libraries run, by banks which can afford them.

7½ per cent of the net profits should be set apart as provision for bad debts.

The penalty should be reduced to a uniform rate of 6¼ per cent.

For the benefit of the bank employees the system of provident fund should be introduced.

Societies of Government servants should adopt purchase and distribution of the necessaries of life on the indent system.

Municipal Societies. Societies should be organised in such of the Municipalities as have none. Purchase and distribution of the necessaries of life on the indent system should be introduced.

Weavers' Societies. More Societies should be organised with provision for wholesale purchase of yarn and for stocking and sale of finished products.

NON-CREDIT SOCIETIES.

The ground should be prepared by educative propaganda and societies organised for (a) Dairy and cattle breeding, (b) Cottage industries like (1) Rattan, (2) Mat-making, (3) Coir, (4) Lime-burning, (5) Ceramics, (6) Oil-pressing, etc., (c) Poultry and (d) House building.

Dairy Societies. A concerted "drink more milk" campaign should be organised by the Departments of Public Health and Panchayats, Agriculture and Municipality. Milk-supply Societies should be organised in Trichur, Ernakulam and Mattancheri with the co-operation of the respective Municipalities. The common good fund of societies may be utilised for the formation of such new Societies. Necessary laws should be promulgated for the compulsory castration of unfit bulls. Provision should be made for keeping proper stud bulls in select areas by the Agricultural Department.

Cottage Industries. A central institution for financing Industrial Co-operative Societies should be formed. An industrial expert should be appointed for the supervision of such societies. Government aid should be granted in the initial stages.

Rattan and coir making. Trained Marketing Officers should be appointed for the profitable sale of finished products.

Poultry Societies. Poultry Societies should be organised with financial assistance for Government.

House building Societies. Financial help should be rendered by Government for launching a scheme of house-building.

Rural reconstruction. A board consisting of the Heads of the Departments of Co-operation, Public Health and Panchayats, Education, Agriculture and Industries should be constituted for joint control of concentrated activities in a selected area.

WOMEN AND CO-OPERATION.

Thrift, vocational and distributive societies should be organised. One society each for thrift, cottage industry and milk supply should be organised with the help of lady teachers trained in co-operation, the local Unions and the Central Institute.

STUDENTS AND CO-OPERATION.

All Colleges and important High Schools should have Students' Co-operative Stores attached to them.

The Director of Public Instruction and his subordinates should help and patronise the movement.

DEPRESSED CLASS SOCIETIES

Group Clerks with a small allowance may be appointed to maintain accounts in Depressed Class Societies.

Minor contracts may be entrusted to these Societies.

Fresh colonies may be founded with Government finance and society labour; and the land and building may be ultimately transferred to members by relisation of the cost in small instalments spread over 20 to 25 years.

Raw materials such as bamboo, etc., necessary for hereditary vocations at concession rates should be supplied to the society.

Provision shall be made for organised sale of finished products and purchase of necessaries of life on indent system.

Home safe boxes should be introduced by persuasion.

The entire control of the Inspectors of Co-operative Societies for Depressed Classes should be transferred to the Co-operative Department.

The Inspectors should concentrate their work on propaganda and organisation.

FISHERMEN SOCIETIES.

An institution for the collection and sale of cured fish and prawns should be organised.

The prior debts to middle-men should be gradually wiped off.

The rights of fishing should be granted to fishermen's societies at reasonable rates for a number of years.

Joint purchase and distribution of the necessaries of life by societies should be organised.

There should be provision for further facilities for fish curing. A central organisation for marketing of cured fish should be established.

Fresh Societies for curing and sale of fish should be organised.

For the present the Fishery Inspector should be in charge of the work of organising fish curing and selling societies. When the number of societies increases sufficiently a full-time officer may be put in charge of them.

Government should give grants to fishermen's industrial organisations.

CONSUMERS' CO-OPERATION.

In the by-laws of Store Societies there should be provision for effecting sales to non-members.

The rebate to members should be higher than the rebate to non-members.

The rebate should not be paid in cash but credited towards shares in the case of non-members and towards additional shares in the case of members.

The extent of credit sales to members should be fixed at a maximum of 70 per cent of the paid-up share capital for a period of one month.

The Store Societies should be affiliated to the Unions and the Central Institute. As Store Societies can be better worked in towns they should be formed in all the towns of the State where they do not already exist, by the joint action of the Co-operative Department and the co-operators of the State.

Where a Store cannot function successfully by itself, one should be attached to the Urban Banks as one of its side activities, as is done in Mysore.

Big factory owners should be induced to open Co-operative Stores for the benefit of the employees.

LONG TERM CREDIT AND DEBT CONCILIATION

There should be a central Land Mortgage Bank and it should have affiliated primary Land Mortgage Banks in every taluk with supplementary Debt Conciliation Boards.

The establishment and other working charges of the Central Land Mortgage Bank should be met by a Government grant.

The area of operation of a Primary Land Mortgage Bank should be limited to a group of villages or at the most to a Taluk.

Membership should be open to individuals and societies.

Government should help these Primary Banks with the services of experienced officials of the Revenue Department. There should be a law committee for consultation on legal matters.

Debt Reconciliation Boards should be set up in Taluk Headquarters for the present. The existing debts should be compounded at a maximum of 75 per cent of the dues to the creditor.

The Primary Land Mortgage Banks should take over the compounded debts and pay the creditor in cash. Aggrieved creditors may be left to take their cases to law courts.

MARKETING

Licensed warehouses built and run by Government grant in-aid in the early stages should be established for co-operative sale of farmers' products, such as pepper, ginger, turmeric, cashewnut, arecanut, grass oil, coir, copra and cocoanuts. These ware-houses should be established in commercial centres.

Each ware-house should specialise in a particular commodity.

The Registrar should have power to license such warehouses.

The ware-houses should issue warrants negotiable in banks.

Government should appoint capable Ware-house Officers for carrying out efficient grading and standardisation .

CO-OPERATIVE EDUCATION.

Each Society should be mildly compelled to send up a certain number of members for training in co-operation.

Societies should frame rules to give preferential treatment to trained members in the matter of grant of bonus, honorarium and travelling allowance.

Societies should set apart above 2½ per cent of the annual profits as educational fund to be utilised for the training of members in co-operation. The Heads of other Departments should use their personal and official influence to popularise the movement. Greater encouragement from the Government is also essential.

The provision in the standing orders enjoining Government sanction for Government servants to receive bonus from societies should be cancelled. Participation in the co-operative movement should be given preferential consideration, for purposes of promotion and appointment,

The subject of Co-operation should be given more importance in the syllabus of studies by the Department of Public Instruction.

A central library at the Institute with branches all over the State should be established.

All societies should own at least a minimum number of books on co-operation, part of the education fund of the societies being utilised for purchase of co-operative books.

The "Sahakarana Prabodhini," the organ of the Central Institute, should be converted into a monthly. All Societies should subscribe at least for a minimum number of copies of the journal. The Institute should supply the magazine to Depressed Classes' Societies at a concession rate.

Societies should enroll only literate persons as members and those who undertake to become literate within a specified time. Those failing to comply with this condition should be deprived of the rights of membership.

Individual Societies or groups of them should establish night Schools to remove adult illiteracy. These Schools should be financed partly by the educational funds of the Societies and partly by grant from the Department of Public Instruction. Propaganda should be carried on by means of magic lantern lectures and by demonstrations, leaflets and Conferences. Two paid propagandists may be appointed to carry on systematic propaganda as is done in Madras and in some Provinces of North India.

The Central Institute should appoint a non-official supervisor for the supervision of each of the Unions.

The Institute should have a federal constitution through indirect representation of societies through Unions.

The Managing Committees of Unions should form the general body of the Institute. The Institute may have individual members. The governing body should consist of only 9 members, two-thirds of whom should be representatives of Societies, and the remaining third those of the Central Bank and the individuals. There should be provision for the elimination of individual members in the long run.

The ex-officio membership of the Diwan and the Registrar should be cancelled. As in the case of the Central Bank the Institute should have a paid Secretary.

The staff of the Institute should be strengthened.

SOME EXTRAORDINARY POWERS

The Registrar should have power (1) to reconstitute a Panchayat, (2) to remove a recalcitrant or defaulting Panchayatdar, (3) to nominate a Panchayatdar from outside and (4) to call a General Body meeting. The Panchayat should have power to co-opt a member in case of the removal of a member.

Defaulting members should be sued against and finally removed.

The Supervisor appointed by the Central Institute should be given powers to prosecute persons who commit crimes against societies or violate its laws and the Registrar should have powers of summary trial in such cases.

The cost of prosecution should be met either by the societies or the parties concerned. The delay in the execution of decrees should be removed by the appointment of extra hands for the work.

THE REGISTRAR.

The Registrar should be made a major Head of Department and his pay raised to Rs. 450-40-650 and should be given a seat in the Legislative Council to improve his status and increase his influence.

He should have experience of European Co-operative movement. He should keep abreast of up-to-date literature on co-operation, the economic conditions and practices throughout India and methods of joint stock banking.

A qualified Assistant Registrar on Rs. 150-10-200 should be appointed and attached to the Head Office to be in charge of suits, supervision of central institutions and non-credit work.

CO-OPERATIVE CONFERENCES AND MEETINGS

THE SOUTH INDIA CO-OPERATIVE INSURANCE SOCIETY, LTD., MADRAS ANNUAL GENERAL MEETING, 17TH JANUARY, 1937.

Speech of the President the Hon'ble Mr. V. Ramadas Pantulu:

The most important announcement that the Directors have to make to-day is that the actuarial investigation of the four years' working of the Society has resulted in disclosing adequate surpluses to enable the Actuary to recommend to you to allot reversionary bonus additions to the 3020 holders of "with profits" assurances at Rs. 10 per thousand on Endowment Assurances and at Rs. 15 per thousand on Whole Life Assurances for each year's premium paid or exigible. It must be gratifying to the members of the Society to know that both the Registrar and the Actuary are able to certify to the satisfactory progress made by the Society and its soundness from the financial as well as administrative standpoints.

By the experience of the last 4½ years, we stand vindicated in the opinion we expressed that the Society was registered in response to genuine and widespread desire of co-operators and that it was bound to contribute to the economic benefit of those who came under its scope and influence. We have been catering and will continue for a long time to come to cater to the need of the poorer and the lower middle classes as co-operative institutions usually do. The following analysis of the policies issued will substantiate this claim :—

Policies issued		Number	Amount
Below Rs. 500	..	310	84,150
Rs. 500 and above but below 1,000	..	1,709	8,72,500
Rs. 1,000 and above but below 2,000	..	1,554	15,86,200
Rs. 2,000 and above	..	304	7,19,000
Total	..	3,877	32,61,850

Small business and small policies, while they have their own advantages in regard to the sphere of our activities and the nature of the clientele served by the Society, it must be remembered, have their own own unfavourable reactions as well, especially in regard to the strain they impose in the matter of the expenses incurred to put new business on the books of the Society continuously. It must be evident to any one who knows anything about life assurance business that canvassing for a large number of small policies, sufficient at the same time to yield a decent volume of business annually, will involve a much larger expense ratio than procuration of large business through big-sized policies. There is yet another factor which determines expense ratio namely, the premium income. In so far as our premium rates are lower than those of most other companies, for which we naturally claim credit, the actual expenses incurred on securing new business though intrinsically lower in bulk will obviously bear a higher ratio to income by the same token that the premium rates are lower than those of other companies with which we institute the comparison. Nevertheless our expense ratio is remarkably low and much lower than most other companies of equal and longer standing working on higher premium rates. The most relevant fact to be remembered in connection with the expense ratio is that our by-laws themselves put a very severe limit on it. We can spend no more than 90 per cent of our first year premium income and 25 per cent. of our renewal premium income. I am glad to be able to say that we have managed to work well within these statutory limits.

The time has now come to safely increase the maximum limit of the risk on any single life which we may retain on our books to Rs. 10,000. A careful examination of the several sources from which we have hitherto tapped our business has convinced me that unless we very soon make our plans to definitely extend our operations, by planting our branches and agencies in at least two other provinces which hold out promise of remunerative business, it will not be possible to maintain steady progress and to meet the severe stress of ever increasing competition from other concerns which are actively working in the field. So, your Directors are making preliminary enquiries into the chances of spreading our organisation in the Punjab, United Provinces and Orissa to begin with. It is our intention to think of Central Provinces and Bihar later and to leave out for the present Bombay and Bengal, where sister co-operative insurance societies are working. We shall of course deal with the South Indians living in all provinces.

Another scheme of expansion we propose to embark upon immediately is the Fidelity Guarantee Insurance business. Premium tables have been drawn up by the Actuary, and your Board has approved them. If you also approve the scheme, the Registrar's sanction for introducing it will be obtained. It involves few risks. The contracts as you know, are annual and that even in those comparatively rare cases of the employees who defraud the employers whose interests are insured, we have a legal claim on the employee and his assets. Most co-operative institutions, many other non-official concerns and even some official bodies may cede us sufficient business and your Directors are confident that this new branch of the society's business will soon prove remunerative. The society now holds a share capital of about Rs. 40,000 on its life assurance side and it is no longer required for the society's life assurance purposes, for we have the requisite income from life business as well as adequate life fund to meet our likely claims and maturities. So we may transfer our existing share capital to the Fidelity Guarantee side of the society. The share capital will, I hope, earn a reasonable dividend from next year. We may adopt the practice obtaining in most companies of declaring ad-interim dividends on, share capital, in the inter-valuation years as well, in the light of the data disclosed by each year's balance sheet. Yet another line of expansion which is very closely associated with co-operative insurance all the world over is Co-operative Labour Insurance. Indeed, the insurance activities on modern lines among organised working classes are the best and the most important examples of co-operation, as a special form of economic organisation in the west. We shall be failing in one of our most important and legitimate duties if we do not in the near future tackle the problem of insurance among organised labourers in this province at least. I hope that, when you meet next year, your Board will be able to submit to you some concrete proposals in this behalf.

The future progress of the society largely depends not only upon the expansion of its business but also on the yield on its investments. It is well known that owing to the rise in the value of gilt-edged securities, the yield on them has fallen considerably. Other forms of investment also do not now yield anything like the rates of interest which were hitherto generally assumed in the construction of premium tables and in actuarial valuations, for money is very cheap and demand for it in sound lines of industry, trade and commerce is very slack. In our society, interest

yield assumed by the Actuary is round about 4 per cent. Your Board of Directors are fully alive to the fact that the results they can show in future will largely depend upon the prudent and careful manner in which they are able to invest our funds at rates not below this assumed rate. So, schemes for safe investment of our funds on a remunerative basis are being carefully examined and adopted by your Board of Directors.

We are on the eve of important legislative changes in the law regulating the business of life assurance companies in India. It is sought to make the law stricter and to impose more onerous conditions on life assurance companies. But we have nothing to fear, for we can satisfy the most exacting demands that the law in this country can make on insurance companies. Though the proposed bill to amend the Indian Life Insurance Act is an improvement over the existing law, it is still essentially capitalistic in its objects and outlook. It will take a long time before the law of insurance in India incorporates the principles, aims and methods of co-operation. But it will be done some day.

Co-operative Insurance has not yet made itself sufficiently felt in this country. Indeed, even in more advanced countries where it has been in operation for a long time. its aims and methods are not yet clearly understood. As a recent writer has pointed out "confusion in the theory of co-operative insurance is due mainly to two circumstances; first to the manner in which the term co-operation is used in economic literature and secondly to the absence of such a definition of insurance that would be generally accepted." Nevertheless we are, I hope, now sufficiently familiar with it to distinguish it from the two other dominant types of Insurance, namely, the "Mutual" and the "Capitalist" types. I shall not trouble you on this occasion with an exposition of this theme, however tempting it may be to do so. The one aspect I wish to emphasize is that the personal element is the most outstanding feature in Co-operative Insurance; the bed rock on which a co-operative insurance institution is built up is the personal bond which exists between the members of the Co-operative Insurance Society. Let me quote a sentence or two bearing on this aspect of Co-operative Insurance from Mr. Barou's Co-operative Insurance: "Co-operative insurance is a voluntary organisation formed in the interests of its members who may be individual co-operators or co-operative bodies. It has great advantages over private companies where the personal bond between the policy holder and the insurance institution is often completely lacking. The element of loyalty and the sense of responsibility of individual policy holders generally plays a very important part in insurance activities. The greatest danger of disloyalty is to be found in those insurance institutions where the vast extension of business and the large number of participants destroy the bonds of common interest of members and the sense of their joint responsibility as members of the same insurance body. The co-operative insurance institutions must educate their members to understand the value and importance of such conscientious collaboration. Not less essential is the loyal support of the co-operative insurance societies by the co-operative trading organisations."

I have drawn special attention to this feature of co-operative insurance to impress on all the members of this Society how their loyalty to it and to co-operative principles is essential for the future well being and development of this society. I therefore most earnestly appeal to all co-operative officials and non-officials and to co-operative organisations to extend their hearty support to the society so as to make it one of the most powerful economic organisations in India, not only to promote thrift, saving and investment habit among the people and to provide them against old age and mortality risks, but also serve as the pioneer in the field of socio-economic reform in which the chief plank is the replacement of capitalism by co-operation in all spheres of our national life.

TWENTY-THIRD MYSORE PROVINCIAL CO-OPERATIVE CONFERENCE MYSORE THURSDAY, THE 22ND OCTOBER, 1936.

Welcome speech of Mr. S. Venkatakrishnaiya, President, Mysore Co-operative Institute.

The clouds of economic depression have not yet cleared and the Co-operative Movement has not still been free from its effects. At the close of the year 1935-1936, there were 1,906 co-operative societies in the State, with a membership of 1,44,459 and a working capital of Rs. 2,36,05,371, as against 1,998 Societies with 1,44,848 members and a working capital of Rs. 2,31,05,200. Though there was a fall in the number of Societies and in membership due to the weeding out of bad and dormant societies, the financial operations of the movement indicate a record of steady progress. During the year, the paid-up Share Capital rose from Rs. 51,64,135 to Rs. 52,60,133, the Deposits from Rs. 1,08,63,926 to Rs. 1,09,10,427, the Reserve Fund from Rs. 29,73,615 to Rs. 31,26,687, and the Net Profits from Rs. 3,70,659 to Rs. 3,87,943. There was, however, a slight fall in the value of total transactions from Rs. 7,58,73,145 to Rs. 7,42,27,156. As regards the purchase and sale of stores, the figures show an appreciable increase. The value of stores purchased during the year rose from Rs. 12,32,742 to Rs. 14,49,959, and the value of stores sold, from Rs. 12,88,224 to Rs. 17,01,521.

Of all our problems, none is more important and urgent than the problem of rural reconstruction. The Government of India and the Provincial Governments in British India have launched schemes of village improvement. It is gratifying to note that the Government of Mysore have pursued a bold and forward policy in this respect. As you are all aware, the Government have framed an intensive programme of rural development and brought it into operation in selected villages in each district, under the joint control of the Revenue Authorities, the District Boards and the Village Panchayats. They have also adopted various measures for relief of rural indebtedness. The Co-operative Land Mortgage Scheme has been in force for the last seven years, and it is being gradually extended to the various taluks of the State. During 1935-36, four Land Mortgage Societies were started and there were altogether 23 societies at the end of the year. The Department has conducted preliminary investigations in 11 taluks with a view to bring them under the operation of the Land Mortgage Scheme. It is expected that the scheme will soon be introduced into these taluks. Another measure of relief to the agriculturists was the extension of the Mysore Agriculturists' Relief Regulation to the whole State. The Government have further adopted and given effect to most of the recommendations of the Mysore Agriculturists' Relief Committee. The Debt Conciliation Bill is now before the Legislative Council and will ere long be placed on the Statute Book. The introduction of permissive legislation for consolidation of holdings is under consideration of the Government. The Government have also undertaken marketing surveys and it is hoped that these surveys will soon result in the establishment of co-operative marketing societies and the erection of warehouses in suitable areas. There is further need

for legislation to control moneylending and to regulate the markets. We trust that all these beneficent measures will help to promote rural prosperity and to check the rapid growth of overdues in co-operative societies which has become a menace to the sound development of the movement.

We are glad to note that Mr. M. G. Mehkri, B.A., LL.B., Registrar of Co-operative Societies in Mysore has formulated and put into operation an intensive programme of consolidation and rectification along four main lines: "First, the systematization of the work of the Departmental Staff; secondly, closer supervision and control over the work of the societies; thirdly, the rapid weeding out of all bad societies and unhealthy elements; and fourthly, making necessary changes in the laws governing the societies." Further, both the Apex Bank and the Department have been making earnest efforts to arrest the growth of overdues and to prevent deterioration of the movement. They have made arrangements for the examination of the individual loans of each society indebted to the Bank and for the testing of the securities for them. Provision has also been made for reduction of the rate of interest on loans and remission of penal interest where the loan accounts are brought up-to-date. In all cases in which the securities are adequate and the borrowers are really unable to discharge their debts within the periods originally stipulated, renewals and extensions of time are granted. And wherever possible, arrangements have been made to receive the produce of the borrowers and to adjust the amount realised from the sale of such produce, towards the loans. Every attempt is thus made to check the growth of overdues and to afford relief to the borrowers hit hard by the depression.

Another notable measure was the reorganisation of the Bangalore Weavers' Co-operative Society. The Bye-laws of the Society have been thoroughly revised and an influential Board of Management has been formed. The Government have consented to give a monthly subvention of Rs. 100 to meet the working expenses. The Department of Industries and Commerce has been directed to give the necessary technical assistance and the Co-operative Department to provide for weekly supervision. And the Apex Bank has agreed to give the necessary credit faciliteis to the Society. It is hoped that these measures will help to place the institution on a sounder basis and to stimulate industrial co-operation in the State.

As the Co-operative Enquiry Committee rightly points out, "One of the serious handicaps to the successful working of the Movement is the general ignorance of members, and the absence of trained men among office-bearers of societies." Realising this drawback, the Mysore Co-operative Institute, with the advice and help of the Registrar, conducted, during the year, a two-months' Co-operative Training Course in Bangalore for the benefit of office-bearers of Co-operative Societies and others. Out of 92 applicants, 67, including two lady candidates, joined the class, and 54 sat for the examination held at the end of the course. 18 candidates were declared to have passed the examination, and the Registrar was pleased to issue a Circular to all Co-operative Societies to give preference to these trained men in making appointments to their staff. If the scheme of establishing a Central Training School in Bangalore, which was submitted by the Institute to the Government for approval and financial support, is introduced, the problem of co-operative education in the State will be solved to a large extent. The scheme has received the support of the Co-operative Enquiry Committee, and we trust that the Government would take early steps to start the school.

It was over five years ago that the idea of constructing the Co-operators' Home at Mysore was conceived by the late Mr. K. H. Ramayya. His Highness the Yuvaraja was graciously pleased to lay the foundation-stone of the building. With the generous encouragement and support of our esteemed Diwan and the liberal contributions made by the co-operative societies, we have just been able to complete the ground floor of the building. The construction of the kitchen block, the out-house and first floor, according to the original plan, has not yet been taken up for want of funds. We, therefore, appeal to all the Societies to contribute liberally to the Home Building Fund so that the work may be completed at an early date.

Presidential Address of Mr. N. Madhava Rau, B.A., B.L., Second Member of Council, Government of Mysore.

The Committee on Co-operation have given a full and discriminating account of the normal working of our societies, assessed the extent of the deterioration caused by the economic depression in recent years and made recommendations for rectification or improvement which, as Mr. Venkatakrishnaiya has pointed out, are generally in accord with co-operative opinion both in and outside the State. A periodical review of the progress of the movement would in any case be useful, but the industry, thoroughness and judgment which the Committee brought to bear upon their task endows their pronouncements with exceptional authority. I am sure that you will all agree with me when I say that the President of the Committee, Rajadharmapravina Diwan Bahadur K. S. Chandrasekhara Aiyar and his colleagues deserve the gratitude of co-operators in Mysore for the valuable work they have done in the interests of the movement.

I have a special and personal reason to be grateful to the Committee as their exhaustive report, which is so fresh in our minds, relieves me of the trouble of reviewing, as is customary on these occasions, the progress of co-operative work in Mysore. I am content to note that in the opinion of the Committee, the movement has made steady progress from the point of view of membership, that there is a satisfactory accumulation of owned capital particularly in the shape of reserve funds, that considerable funds have been attracted by way of deposits and loans, that some of the urban societies have done exceptionally well and that the solvency of the movement is beyond dispute.

The gratification afforded by these facts is however diminished by the reflection that so many of the rural societies are allowing the management of their affairs to drift into the hands of office-bearers and Committee members who often exploit the joint funds for their sole benefit. Loans are granted without discrimination and often by favouritism, the application of loans for productive purposes is rarely if ever watched and in not a few cases the activities of a society cease when it has obtained a loan from a central institution and distributed it to its office-bearers and other influential members. Recoveries are anything but prompt and defaulters are not only tolerated but are often allowed to dominate the management of societies. The Committee have suggested some wholesome rules which should help—to the extent that any rules can help—to bring home to office-bearers a greater sense of responsibility and induce the general body of members to exercise greater vigilance.

One reason that is sometimes given to explain the apathy of the members of primary societies is that they are too largely dependent on external financing institutions for their resources and that borrowed money does not induce the same care in handling as owned capital. But this is not noticeably the case in Mysore where owned capital constitutes more than 40 per cent. of the total working capital of rural societies. Nevertheless, there is among the members of our primary societies a deplorable lack of interest in the common affairs and a ready acquiescence in mismanagement. The primary societies are the very foundation of the co-operative movement and unless the large majority of them function on truly co-operative and business lines, they will be a menace to its safety.

THE APEX BANK

The Apex Bank has served in the past virtually as a land mortgage bank and most of its transactions consist of mortgage loans granted very largely for debt redemption and to some extent for land improvement and other productive purposes. The Bank has so far been able to perform these functions with a fair degree of success. It inspired the confidence of the public and attracted a steady flow of deposits, which, though nominally made for short terms in the first instance, generally were renewed on maturity. It was accordingly able to provide long-term credit to societies, protecting itself by mortgage security which appeared to be satisfactory and realisable. But conditions are now changing. A new set of institutions has been taking over land mortgage business. Land values have fallen. And prudence demands that the Apex Bank should in future confine itself to business appropriate to the character of its resources.

The change over to this policy, however, cannot be effected abruptly. It needs time to collect the outstanding loans amounting in the aggregate to some Rs. 23 lakhs, of which one-half is said to represent overdues.

Mr. Venkatakrishnaiya has stated that arrangements have been made for the examination of the individual loans of each society and for testing the securities available against them. It is also understood that by reducing the rate of interest on loans and otherwise, societies are being induced to bring their loan accounts up-to-date as far as possible, while extension of time and other concessions are granted to those societies which have been hard-hit by the depression. It is to be hoped that these measures will result in reducing the outstandings and that the Apex Bank will receive the loyal support of the debtor societies in this difficult task.

One important recommendation made by the Committee with reference to the Apex Bank, is that all primary societies should be required to affiliate themselves to the Apex Bank and to invest their surplus funds and a substantial portion of their unutilised reserves with that institution. Some doubt was expressed in the Committee as to whether such affiliation should be insisted upon in the case of urban societies which needed no financial help from the Apex Bank. Whether there be a case for individual exceptions or not, the opinion seems to be generally held that some pooling together of the surplus funds of primary institutions is necessary if they are to be utilised to the best advantage of the movement.

The business of an Apex Bank is considerably more complicated and more responsible than that of ordinary societies and an element of expert knowledge and experience is required in its management. On this matter also the Committee's recommendations deserve the closest attention.

LAND MORTGAGE BANKS

It is only during the past few years that the need for a separate set of institutions to provide long-term credit for the relief of agricultural indebtedness has been realised. A Central Land Mortgage Bank was started in 1929 and it had direct dealings with individuals in the taluks to which its operations were first confined. Later, it was found more desirable to have local societies with the Central Bank to finance them. The Bank has been fortunate in having for its President a gentleman of the wide experience and business acumen of Rajasabhabhushana Diwan Bahadur K. R. Srinivasa Iyengar, who is closely controlling the working of the scheme in consultation with the Co-operative Department. We have now 23 land mortgage societies operating in 27 taluks. There is a prospect of more societies being started in some nine taluks. These 23 societies have a total membership of 2,246 who have contributed in all Rs. 56,872 of share capital. In 378 cases, loans of a total value of Rs. 5,42,575 have been so far sanctioned by the Bank, all for the redemption of previous debts. In most of these cases the receiver of the loan has been completely freed of his other debts. The Bank recovers the loan in 25 to 30 annual equated payments with 8 per cent. interest. With the lowering of interest by one per cent. or two which the Bank soon hopes to be able to effect with the enlarging of its business these instalments will become easier still.

A great relief indeed to those whom it reaches, but the figures just mentioned would indicate that these loans cover but a tiny fraction of the total agricultural debts. There is naturally an impatience for more rapid growth, an oft voiced demand for the immediate expansion of the movement. But it is necessary to face facts and avoid impulsive action. The experience gained does not warrant the indiscriminate expansion of land mortgage banks. It is feared that the scheme has not been well understood even where it is working. Earnest workers are difficult to find so that in some places the Government had to depute its own officers to help in their working. After the first rush of applications, a large majority of which were ineligible, business has slackened. Most of the sound ryots among the indebted seem to have stood outside the movement.

Persons with exhausted credit finding no accommodation elsewhere crowd in, but these are just the people to be kept out. In spite of the wide jurisdiction assigned to each society and in spite of their being in existence for several years now, many of the older societies have developed so little business that they cannot meet their small working expenses without the continuance of Government grants. Even with careful investigation and easy instalments, defaults have appeared and are growing. These are some of the facts that dictate caution in developing these institutions. This is also the advice of the Co-operative Committee. It must be realised that the Bank does not get its monies free, that for its very existence it has to promptly meet its periodical obligations to its creditors and that it cannot afford to risk monies or have dealings with persons who cannot normally meet their obligations to the Bank.

Nevertheless, it is permissible to look forward to an appreciable, if not very rapid, expansion of the movement in the coming years. It is understood that the procedure for dealing with loan applications has been simplified and the time taken for their disposal shortened. With the flotation of the next set of debentures, a reduction in the rate of interest charged on loans may be reasonably expected. And when the legislative measures now under consideration for the conciliation of debts become law, there will be greatly increased scope for the activities of land mortgage banks.

AGRICULTURAL (NON-CREDIT) SOCIETIES

The importance of developing the non-credit side of the movement in rural parts has often been emphasised, but the progress so far secured is insignificant. Except for some 8 marketing societies and 27 societies which undertake, on a small scale, the supply of improved agricultural implements, selected seed and fertilisrs, we have nothing to show in respect of this line of co-operative work.

It may be admitted that credit societies must for a long time continue to be the principal form of co-operative organisation in the country-side. There is no doubt also that while the reduction of debt appeals to the ryot, he does not so readily appreciate the advantages of joint purchase and sale. One reason for this, however, is that while he can spend borrowed money in any manner he pleases, he must put fertilisers and seeds into his field and wait for the results until the harvest. If only to prevent the diversion of money into non-productive channels, it is desirable that loans for agricultural purposes should be issued in part at least in the shape of seed, fertilisers, etc. This method of making advances has been adopted by the Sugar Company in the Mandya area with excellent results and deserves to be followed, with necessary adaptation, by rural co-operative societies. The question whether credit societies should undertake such work or whether separate institutions should be formed for the purpose is not so much a matter of principle as one of practical convenience. In most cases the work involved is sufficiently simple to be taken on by the ordinary society without upsetting its activities on the credit side.

Co-operative marketing of produce is a problem that is apparently less easy of solution. The experience with the few marketing societies which have come into existence has not been wholly encouraging. The attempts that are being made to organise *areca* sale societies have received no hearty response from the growers while the merchants who have monopolised the channels of trade are naturally opposed to such a scheme. However, these obstacles, formidable as they are, can be overcome by intensified propaganda coupled with the provision, where necessary, of the requisite facilities by Government and by the Provincial Apex Bank.

Credit societies are intended among other things to encourage thrift which in its turn presupposes a possible margin of saving. But where the income does not cover the costs of cultivation and subsistence, as is said to be the case with many small landholders, the more urgent problem is that of increasing the outturn and value of their produce.

A great deal can admittedly be done in these directions by co-operative institutions, and their efforts would be the more fruitful if they were linked up suitably with the work of Government departments concerned with rural development. There is a tendency on the part of these departments to deal with the villager direct. The distribution of improved varieties of seed, agricultural implements and spraying materials, for instance, which involve large amounts of money is for the most part conducted in this manner. But it is obvious that the benefits of the work can thus reach only a few individuals who may be described as standing clients of the departments. For a wider dissemination of the technical advice which they have to offer, the departments should more largely utilise the services of local organisations. If there is a co-operative society in a village or if one can be formed, it will be the most suitable medium for agricultural and kindred propaganda. If there is no such specialised organisation, the Village Panchayat must take up the duty as the residuary agency for rural welfare work that is otherwise unprovided for. By dealing with group organisations in this manner, be they societies or panchayats, the departmental officers will relieve themselves of a mass of routine work involved in giving advances and selling materials to individual ryots. At the same time, the local societies will have a wider range of interests and a greater incentive to activity.

This was the plan in view in the scheme of concentrated rural welfare work that has been recently sanctioned for selected villages and it is my earnest hope that its trial in these villages will lead to its more extended application. Selected clients may perhaps be more keen and receptive than an ordinary cultivator. They need not be neglected. But no department, unless it is extravagantly manned, can reach multitudes through group organisations which automatically multiply contacts with the rural population.

CO-OPERATIVE EDUCATION

The fact that so many resolutions tabled for discussion at this Conference relate to co-operative training and education is evidence of a growing realisation that the movement has suffered in the past through a lack of the requisite preparation and facilities in this respect. In the case of the ordinary member of a co-operative society, the methods of propaganda must necessarily be general and do not admit of detailed prescription. I have not at the moment persuaded myself that even in the case of the other workers, formal instruction in schools and the testing of proficiency by examinations are altogether sufficient and necessary. But some provision there must be for the education of co-operative workers and I have no doubt that helpful and acceptable suggestions will emerge from our present discussions. I may, however, venture to observe that a well managed society is not only a valuable object lesson but an excellent training ground, of which advantage should be taken by devising, if possible, some sort of apprenticeship.

Co-operative organisation is like a delicate machine; its different parts must be not only sound but well adjusted. We cannot neglect the primary society any more than the central institution. We cannot pin our faith to co-operative credit at the expense of non-credit activities; we cannot ignore the distinction between long and short-term credit without serious consequences; we cannot leave the village co-operator to the devices of self-education any more than the member of an urban bank or a departmental inspector. Abundant caution in respect of these various matters is not to be dismissed as meticulous; it is on the other hand to be regarded as a recognition of the fact (using the well-known words of the Royal Commission on Agriculture) that "if co-operation fails, there will fail the best hope of rural India."

Resolutions passed at the Conference

That socities of Limited Liability be empowered to admit to membership persons who own immovable property within their local jurisdiction but happen to reside outside such jurisdiction.

That the Government be requested to permit members of co-operative societies to send monies to their societies by Remittance Transfer Receipts, free of charges.

That with a view to promote Industrial Co-operation, the Apex Bank be requested to provide for the following facilities to Industrial Societies:—

i. to give them loans at not more than 5 per cent. interest;
ii. to arrange for recovery of such loans in easy instalments;
iii. to arrange for the purchase of machinery and raw materials on favourable terms;
iv. to make provision for expert advice and assistance;
and v. to arrange for marketing the products.

That the Government be requested to grant adequate representation to co-operative interests in the Representative Assembly, the Legislative Council and the Board of Industries and Commerce.

That the Government be requested to exempt from attachment under Section 60 of the Civil Procedure Code the Staff Provident Fund of the employees of co-operative societies.

That this Conference requests the Government to take early steps to have the constitution, powers and functions of the Apex Bank and the Mysore Co-operative Institute defined in the Mysore Co-operative Societies Regulation.

That copies of Khata Extracts be supplied free of costs to Land Mortgage Co-operative Societies.

That labourers' co-operative societies and societies for looking after the upkeep and repairs of Irrigation tanks be started.

That the Government and the Municipalities be requested to grant large plots of land to House Building Co-operative Societies at upset price, as far as possible, for constructing dwelling houses for the middle and poor classes.

That the recommendation of the Mysore Co-operative Enquiry Committee prescribing a limit to the number of members of an urban credit co-operative society be not accepted, as it is opposed to the principles of non-agricultural credit co-operation and is not only unnecessary but also positively harmful to the Movement since it prevents by artificial means the natural development of societies into big institutions.

That Section 33 of the Mysore Co-operative Societies Regulation wherein it is prescribed that every society should carry at least one-fourth of the net profits to the Reserve Fund, be amended so as to vest power in the Government to frame rules under Section 44 for reducing the proportion of contribution to the Reserve Fund in the case of such class of societies as they may deem proper and in the case of such societies as have built up a Reserve Fund exceeding one-half of the authorised share capital.

That this Conference requests the Government to organise co-operative marketing societies in suitable areas and to provide them with necessary facilities such as grants for working expenses, expert advice and loans on easy terms for erecting godowns and financing members on the security of produce.

That the Government be requested to make provision for refund of half the institution fee in all co-operative disputes disposed of by the Registrar or the Arbitrators.

That the limit of contribution to the Common Good Fund be raised to 20% of the net profits after carrying one-fourth to the Reserve Fund and that at least one-third of the annual contribution made by each society to charitable purposes be earmraked as a Provincial Fund for the promotion of Co-operative Education.

That the Law of Limitation be not made applicable to co-operative disputes referred to the Registrar or to arbitration for decision under the Mysore Co-operative Societies Regulation.

CONFERENCE OF WEAVERS' CO-OPERATIVE SOCIETIES IN MADRAS MADRAS, 19TH AND 20TH DECEMBER, 1936.

Welcome Address by Mr. C. S. Ratnasabapathi Mudaliar:

The handloom weaver is just now facing tremendous odds. Something must be done to save him from destruction. A variety of factors contribute to his misery. Foreign imports, local mill competition, lack of marketing facilities and consequently the middlemen, and lack of credit facilities and therefore the usurious banker, these are the troubles he has to face. Let us take each one of the items and examine them.

FOREIGN IMPORTS

Before we go on we shall look at our cotton position. Take the year 1930. Total production of cotton was 6.5 million bales of 500 lbs. each, imports ·4 million bales. On the consumption side mills used up 2·4 million bales and we exported 62 per cent. of our total production. In the same year our total consumption of cotton manufacturers was four times the amount imported. Surely we would be expecting the impossible if we think that we can export 62 per cent. of our cotton and still cut imports. That is not economics. Therefore the question reduces itself to one of greater home consumption of cotton. The expansion must necessarily come at least in part from handlooms.

MILL COMPETITION

The competition of the mills is at present the really disturbing major factor to the handlooms. Just like the protection accorded to mills against foreign imports, handlooms must be protected against mills. In fact I would suggest a certain quota basis of production as between the mill and the handloom, both with regard to quantity and counts. The handloom is a real asset in the eoconomics of this land. It employs a large body of workers and their unemployment will very seriously affect the national economy. I am of opinion that both mills and handlooms should be fostered side by side with equal solicitude. Both should exist and be happy. And the measures to be concerted towards that end must therefore not be at the cost of the mills but in conjunction with them and in the mutual interests of both the mills and the weavers, as we want. at any rate, the spinning mills to feed the handlooms.

If the middleman and usurer can be eliminated, we would have completed the solution. Usually, the same person acts as the middleman and the usurer. It works like this. The middleman keeps stock of yarn and supplies to the weaver on credit and takes back the cloth; thus profiting both ways. He supplies yarn at a premium and collects back cloth at a discount and sells it at profit to his own advantage. And in between the weaver is perched precariously on the brink of starvation and unemployment, at the sweet will and pleasure of the middleman-usurer. Eliminate the middleman userer and you have an almost perfect solution. So far as I can see, there is only one way to such an elimination of the profiteer. And that is by the methods of co-operation.

SUPPLY-CO-OPERATIVES AND S/ LES-CO-OPERATIVES

We must go ahead with these. Such a beginning we have already made in the Provincial Handloom Weavers' Co-o..ch ve Society. The primary need is adequate financial resources. The Gove.. of n.. of India gave us a subvention and

in the course of next year I feel, this will be very inadequate. We should now demand more. The number of primary societies should increase. Capital resources must expand and there must be a methodical growth all round. The weavers must be educated into utilising the facilities available. Any growth tends to move in geometric progression. A few begin; each brings in a number; and those in turn add a much larger number.

When the Provincial society was formed there were in existence in the Presidency 39 weavers' societies, registered under the co-operative societies Act. Most of them were merely credit societies. Of the societies already in existence 30 were converted into production societies in the course of the year and 13 societies were newly organized for production. Thus there were 43 societies affiliated to the Provincial society on the last day of the co-operative year ending with 30th June 1936. Seven societies were since affiliated and one withdrew thus leaving 49 societies on this date. The Board selected 87 centres for starting weavers' societies and the concerned Deputy Registrars were requested to register societies in those centres. So far five societies were registered. The Deputy Registrars are requested to speed up registration of societies in the centres selected by the Board as early as practicable.

On date of starting the paid up share capital of the Provincial society was Rs. 1,700. This amount increased to Rs. 16,400 on 30-6-36 and it is Rs. 17,700 on date. Though the authorised share capital is Rs. 5 lakhs, the collection of share capital from societies and individuals is exceedingly poor. The response of the public in this direction is not appreciable. Some shares were allotted by the Executive Committee as per requisitions of certain individuals. Even those individuals have not paid the share amounts in spite of several reminders. On the request made by the Provincial society the Registrar of Co-operative societies was pleased to advise the Deputy Registrars in the districts to induce rich persons and persons interested in the uplift of the weavers and handloom industry to take shares in the Provincial society. So far no application was received through the Deputy Registrars. The attention of the Deputy Registrars of co-operative societies has since been drawn to this and it is hoped that they would exert their best and help the Provincial society in the matter of collection of share capital. The amount of share capital invested by members in primary societies upto 30-6-36 was Rs. 40,394. Under by-law No. 8 the Provincial society may ask the primary societies to invest the share capital collected from members in these societies so as not to exceed the shares collected in their own societies. It is for the weavers' co-operative societies affiliated to the Provincial society to consider whether it would not be advisable to invest at least a portion of the share capital in the Provincial society with a view to expend its business and be useful to the affiliated societies.

On 30-6-36, 31 societies were sanctioned subsidies. On date there are 36 societies that are sanctioned subsidies. As majority of the societies are not regular in sending their monthly progress report, there is considerable delay in the disbursement of the subsidy.

Guarantee to the bills for supply of yarn was given to 19 societies aggregating to Rs. 29,420 up to 30-6-36. Guarantee was since given to 16 societies thus making up the total guarantee to Rs. 42,070 on date. The total value of yarn supplied to societies by the mills under guarantee during the year 1935-36 was Rs. 12,364 while the value of yarn supplied was 15,200.

An Emporium was opened in the ([illegible] Madras in the first week of June 1936. Sales depots at Madura, Bellary and [illegible] were since opened. The depot at

Bezwada will be opened in January 1937. Besides these sales depots, the weavers' societies, at Bhavani, Kurnool and Guntur have opened shops at bazaars to sell not only their fabrics but also the fabrics of the other affiliated societies under guarantee of the Provincial society.

Nine societies were sanctioned loans and cash credits amounting to Rs. 8,800 during the period. Since working capital is necessary for financing the Emporium in Madras and the sales depots in the mofussil, the Government were requested to transfer Rs. 35,000 from the balance of the Government of India Subsidy after meeting all the expenditure budgetted for, and after erecting calendering and finishing plant. I understand that the Government have sanctioned a sum of Rs. 30,000 to be utilised as our working capital. As soon as this amount is received more financial help will be given to the affiliated societies.

With a proper selling organisation, we should be abie to sell at the best market at as little expense as possible. However, on their part the weavers themselves should act up to improve their own lot. They must get out of the narrow conservatism and antiquated methods of weaving. They must adopt up-to-date appliances and methods. We must study the modern tastes and alter the quality and design of handloom products to suit the requirements of the present generation.

Resolutions passed at the Conference

This conference expresses its deep sympathy towards the distressed weavers' made destitute by the recent cyclone havoc in the Guntur district. It places on record its deep appreciation of the work done by Mr. P. V. Krishnayya Choudry in the affected parts. This conference requests the Government that a special grant may be sanctioned out of Government funds to help the weavers in the cyclone affected areas. That monies, doles and looms free of cost which the Government might propose to distribute should be made through the co-operative societies organised by the Provincial Society.

This conference while appreciating the steps taken by the Government of Madras to improve the conditions of the handloom weavers requests them to supplement the Government of India grants by providing sums out of Provincial funds.

Just like the protection accorded to mills against foreign imports handloom goods must be protected against Indian Mill goods and imported foreign cloth. To give effect to this, the conference requests the Government to addres the Government of India to make proper legislation to provide a quota basis of production as between the mill made cloths and hand woven cloths with regard to the quantity, counts and types of cloth.

If the mills do not agree to a satisfactory arrangement, this conference requests that steps should be taken to have the duty on yarn of all counts removed and a sufficient level of duty imposed on mill made cloths and imported cloths to enable the handloom industry to thrive.

Resolved that the Famine Code may be so modified as to include the handloom weavers also within its perview to extend the facilities to the weavers in times of industrial distress.

In view of the fact that there are still a number of old type of looms and appliances in several places and in view of the fact that owners of those looms are not in a position to replace them by improved looms and appliances, this conference is strongly of the opinion that such looms and appliances should be replaced at the earliest possible date at the cost of the provincial funds distributed through the Provincial Society.

Resolved that the Government be requested to make special provision for granting stipends for one student to be nominated from each society for study in the Artisan course of one year in the Government Textile Institute, Madras.

Resolved to address the Government requesting them to make early negotiations with the Railway authorities for concessional rates for the transport of yarn to societies and handloom cloths to different centres.

Resolved that the Government be requested to request the Railway authorities to increase the free allowance luggage weight to 50 seers whenever a weaver carries finished goods for marketing purposes.

This conference resolves that the present method of the distribution of the subvention grant by the Government of India falls much below the actual tax paid by the handloom weavers on the yarn consumed by them in this province and urges that the subvention grant given to the Madras Provincial Co-operative Society should not be below the actual amount collected from the South Indian handloom weavers in the shape of duty levied on yarn.

Resolved to request the Government of Madras to advise the Government Departments and Local Bodies to purchase the handloom products.

Resolved to request the Government of Madras to instruct its Marketing Officers to help the Provincial Society in marketing the products of the handloom weavers' co-operative societies.

Resolved that the Registrar of Co-operative Societies be requested to expedite the sanction for the starting of new societies.

Resolved to request the Provincial Society to grant an advance not exceeding 50% of the value of the goods that are sent to the Emporium and to the mofussil sales depots for sale on consignment basis, if required by the society concerned free of interest if possible or at a rate not exceeding 5%.

Resolved that more share depots be opened in various parts of the Presidency, one for each district if possible and agents be appointed in Colombo and other places if necessary.

Resolved to request the Board of Directors to appoint more Supervisors as societies increase in number.

Resolved to support the adoption of the scheme of indent proposed by the Joint Registrar of Co-operative Societies as an experimental measure for one year.

XXI UNITED PROVINCES CO-OPERATIVE CONFERENCE

Lucknow, 30th and 31st January, 1937.

Opening speech by His Excellency Sir Harry Haig, Governor of the United Provinces:—

I am glad to have the opportunity of opening this the 21st session of the United Provinces Co-operative Conference. These conferences enable those interested in the co-operative movement to meet occasionally and discuss their common problems and decide on the general lines along which work should be done. They thus fulfil a function particularly important in the case of a subject such as co-operation, regarding which ideas and methods have to be constantly checked against experience.

One of the most important questions that has to be considered at present is how the co-operative movement can most suitably make its contribution to the general movement of rural development. I have no doubt that that contribution can be one of great value. Co-operative ideas and the co-operative organisation are in many respects a model for what we are trying to do in the villages. Co-operation teaches the villager to help himself, to help others and to work jointly with his neighbours for the common welfare of all. But it must be borne in mind that the co-operative form of organization may not suit all villages. Conditions differ from village to village and rural development work must be carried on in all kinds of villages; hence the scope of its activities cannot be restricted to the use of the co-operative method alone. Where circumstances however are favourable, there is no reason why co-operative organization should not go hand in hand with rural development activities. In fact an early and successful experiment in rural reconstruction in this province was made by a District Officer (Mr. V. N. Mehta) acting in close collaboration with the Co-operative Department. Similar co-ordination between the staff for rural development and for co-operative work is equally desirable and necessary at present.

Further, it is not only co-operative better living and farming societies that are wanted; it is desirable that the co-operative credit movement should also be closely associated with rural development work. If agricultural improvements are to be effected, more money will be needed for financing agricultural operations, and this should be available at reasonably low rates of interest, which can best be supplied by co-operative credit societies. Moreover we do not progress far in the direction of increasing the wealth of the villager by introducing better agriculture, if the profits are largely intercepted by the moneylender. Hence some attempt to deal with the problem of rural debt, including the supply of the credit requirements of the villagers at reasonable rates, must be an integral part of any comprehensive scheme of rural development.

It cannot be denied that the credit side of the co-operative movement has not so far been as successful as had originally been hoped. It is however not altogether right to judge the value of co-operative credit merely by the extent to which it has been able to relieve people from indebtedness. Its claim to public support rests on its capacity to bring down the general level of interest charges, to encourage saving and above all to build up character and a new spirit. Judged by these standards, the movement, though it may not have fully realised the original expectations, has some solid achievements to its credit. The number of societies, which was 223 in 1905 when I first came to the province, is now over 7,000. Their membership has increased proportionately and now exceeds two lakhs. More significant is the fact that these members have been able to accumulate by way of shares and deposits in their own societies a sum of nearly 60 lakhs of rupees, in addition to another 43 lakhs which constitute the reserve and other funds of the societies. The accumulation of a crore of rupees by primary societies as their own funds is an achievement for which the movement deserves credit. I understand that in some localities, as a result of the activities of co-operative societies, the general rate of interest charged by the moneylenders has come down. Again the members of societies no longer confine themselves merely to borrowing money, but have actively taken up other forms of co-operative activity. Co-operation for better farming and better living is a healthy sign of the awakening of the rural population. The co-operative organization of the supply of sugarcane is another most interesting development. Where this is combined with the improvement of farming practices it should prove of great value to the cultivators.

On the other side of the picture, however, the fact remains that the co-operative credit movement in this province as a whole has made little impression on the problem of relieving indebtedness and is itself burdened with a mass of unrealised and probably often unrealisable debts. A conference such as this will doubtless consider how the situation can best be improved. In this connexion the effects of the recent debt legislation need also to be studied and considered. The slump in prices has naturally impeded the recovery of the dues of societies; but I understand the position is now slowly improving and I trust that in the light of the experience gained further development will take place along sound lines.

I hope that credit and non-credit activities may be developed side by side and the co-operative method applied to as many beneficent activities as possible. For this purpose the movement must naturally receive adequate support both from the State and from the public and I wish to make it plain that my Government attach considerable importance to the co-operative movement, as one of the most effective and practical aids to rural development and a solvent of many of the difficulties from which the rural areas are suffering.

At the same time it must be borne in mind that the resources of the Government are limited. A movement which teaches self-help and mutual-help must rely more on itself than on assistance from Government. For this purpose every endeavour should be made to enlist and sustain the active interest and support of more honorary workers, without whose help no great expansion is practicable. Landlords and others whose interests lie in villages as well as those to whom the ideal of philanthropic service to the country-side makes a special appeal, should be induced to rally to the flag which your movement has kept flying for over three decades. I take this opportunity of thanking all of you who have devoted yourselves to the service of the co-operative movement. Yours is unobtrusive work offering no glittering prizes; but you have the satisfaction of feeling that you are helping your weaker brethren; and work such as this brings its own reward.

I will not detain you longer. You have a heavy programme in front of you. You are fortunate in having as your president an expert of such ripe experience and knowledge as Mr. Darling, one who is not only himself a very distinguished practical worker in the field, but who has made a special study of the virtues and defects of the movement in all parts of India. We are all grateful to him for coming to our province to preside over your deliberations. I trust they will be fruitful and the result thereof will be a practical programme of work which will help to lead the rural areas step by step to a higher and a fuller life.

Presidential Address of Mr. M. L. Darling, C.I.E., I.C.S., Financial Commissioner, Government of the Punjab.

I belong to a generation which saw the birth of the co-operative movement in India, and as such I have something to say in regard to both its past and its future. It is nearly 22 years since I started my first society, a Central Bank on the edge of Bikaner. I fear that I can no longer claim to speak with the authority of one actually working in the field, but one claim I would in all modesty make, namely, that I have been rooted and grounded in the basic principles of the movement;

and in these days—I now look beyond India—when the still frail bark of Co-operation is in almost equal danger from the Charybdis of Communism and the Scylla of Facism, it is more than ever necessary to hold fast to these principles if we are to avoid shipwreck.

THE MOVEMENT IN U.P.

Let us very briefly review the past in these provinces. Ten years ago your movement showed every sign of withering, and I hear many speak as if this was still the case. I can assure you that if I shared this opinion, I should not be here to-day. It is true that there is still much dead wood to be cut away, but sap is running again and fresh shoots are appearing. Let me give you a few examples. Over 300 societies have been started for the supply and sale of cane, and about 350 for the very varied purposes of rural reconstruction, and membership last year increased by 16 per cent. On the financial side, though you have still 1,250 societies in liquidation, the owned capital of your societies is 62 per cent. of their total working capital, which is well above the average for the whole of India; and last year the banks affiliated to your Co-operative Union collected 58 per cent. of their total demand as against 45 per cent. the year before, and the number of societies with overdue interest fell from over 1,000 to less than 800. This is not the record of a moribund movement, and that your movement is slowly but surely recovering is largely due to the hard systematic spade work patiently and unostentatiously done by Mr. Kharegat on lines admirably laid down by the Oakden Committee, and also to the fact that this work is being pressed forward, with the assistance of many of you here, by your present Registrar, Mr. Vishnu Sahay, who has thrown himself into this difficult task with the energy and faith that are the mark of the true co-operator.

If this work of regeneration can be brought to successful issue, as I believe it will, you will have achieved something of importance not merely to these provinces but to the whole of India. I say this because, when I went round India two years ago, I found that yours was not the only province where the movement was in difficulties and in disrepute. I was constantly asked whether there was any possibility of reviving it and my answer was invariably 'yes' provided that certain things were done. If the right principles are applied with energy, devotion and patience, no province need despair. I believe that there is a psychological justification for this. The main concern of co-operation is with economic need, but if its only concern were with this, failure might well spell despair. But co-operation is more than an economic movement: it touches the things of the spirit, and when the spirit is touched the most surprising things may happen. It is as when one sinks a well and reaches what the Punjabi calls *Sucha pani*—pure water. There are, I believe, songs in many villages that you are reaching *Sucha pani*.

THE RESERVE BANK REPORT

Now let us take a wider view and look beyond the boundaries of the Provinces. The Reserve Bank has recently submitted a valuable and suggestive report to the Government of India, in which it has commented critically upon the state of co-operative credit in India, and has made it sufficiently clear that it will not be able to render material assistance to the movement until it has put its house in order. Some of us may think that the report makes no great attempt to discriminate between the areas where the movement is sound and those where it is unsound, and that it does not make sufficient allowance for the features that distinguish co-operative from ordinary commercial banking, but obviously any criticism coming

from the highest banking authority in India must be treated with great respect and most carefully pondered. The chief point emphasized is that our credit societies are clogged with overdues and their members bogged in debt, and that, until both evils are remedied, the Reserve Bank will not be able to help us on the credit side with anything more substantial than advice. This raises a large and difficult question which I do not propose to discuss here, but I may perhaps be permitted a few reflections upon the working of our credit system, which is far the most important branch of the movement, embracing as it does nearly 80,000 out of the 90,000 societies in British India.

THE CREDIT MOVEMENT IN INDIA

In judging our present position, it must be remembered that the economic blizzard through which the world has just passed has had a shattering effect upon every form of agricultural credit, whether regulated on commercial or on co-operative lines, and that whether we look to India, Europe or America, there has been an almost complete paralysis of repayment followed, in India at least, by severe restriction of credit. Making, however, full allowance for this, we must, I fear, admit that the co-operative credit movement has not answered early expectations. Almost wherever I went, I found it struggling to recover its dues, financing its members only in part, too rarely able to free them from the burden of debt, and in some areas strewn with the wreckage or error and storm. The extent of this varied greatly from province to province, and in some the effects were more due to storm than to error. I found it difficult, however, to resist the conclusion that, in the Indian village, co-operative credit cannot yet stand on its own legs, except perhaps in a period of rising prices. It requires the support of some ally which will either prevent waste, or increase resources or secure punctual repayment of loans. Much the best ally for this purpose is thrift, for thrift will prevent waste, and may even increase resources. Thrift and credit, therefore, should always go hand in hand, but in India for the most part they have been only the barest acquaintances. This is shown by the fact that two years ago the amount saved per member in the form of shares and deposits was in no province more than Rs. 34 and in two it was less than Rs. 10. In your Provinces it was Rs. 25.

THRIFT

It may be said that the villager is too poor or too indebted to save. This may be true of the large number, but in my experience there are in many villages a few men who are entirely free of debt and in a position to put something by, and these men rarely join the local society. The reason they generally give is—"We do not need to borrow." No one has ever pointed out to them that they have as much to gain by joining a society as those who borrow, for they can become depositors and get interest on their savings, and they can also lay up store for an evil day. An obvious weakness in our credit societies is the comparative absence of depositors. "In few things" says the Maclagan Report "is the finance of co-operation in India so markedly distinguished from that of Western Europe as in the small proportion of deposits held by primary societies." All pressure requires some counterpoise, and in the village society the pressure to borrow, which may otherwise be irresistible, requires the counterpoise of the depositor, who is likely to keep a stricter watch on the business of the society than the borrower. My advice to you therefore is, do your utmost to get into your credit societies those who are free of debt; and, wherever good men of this type are available, make it your aim to have at least one of them on the society's managing committee. And, further, by way of emphasizing the need for thrift as well as credit, I would suggest, as I believe your Registrar has also suggested, that you should follow the example of Germany and call your credit societies "Thrift and Credit Societies." We have done this in the Punjab, and though some may say "What's in a name?" I think it a useful reminder of what should be the main object of the credit movement.

MARKETING

Another ally that would serve credit well if it could be linked to its service, is co-operative marketing. Sir Daniel Hamilton's large estate in the Sunderbans provides an example of what I mean. He has organized his several hundred tenants into credit and marketing socities, and the marketing society is authorized to repay the credit society whatever members owe it by deducting the amount from the sale proceeds of their produce. The result is excellent recoveries and very few overdues. This could doubtless be done on other estates where the landlord was prepared to take the lead and give his tenants the necessary stimulus, and I mention it because Oudh with its many landlords offers a fertile field for experiment of this kind. Whether it can be done amongst small peasant proprietors is more doubtful. Madras is, I believe, trying the experiment, and Gujerat in Bombay has done wonders with cotton. You, too, are busy developing co-operative marketing in connection with your cane societies, and there is general agreement that, if co-operative marketing could be strongly developed, it would be of the greatest service to co-operative credit. But there are great difficulties, and when the other day we discussed the question in a conference at Delhi, it was clear that little progress could be made until produce could be graded and pooled, and to this the small-scale production prevalent in India presents a most formidable obstacle.

RURAL RE-CONSTRUCTION

Apart from marketing thrift, credit's only possible ally is rural reconstruction, by which I mean anything that will help to improve the village from a school to a manure pit. For some years you have been trying the experiment of linking the two together, and what I saw two years ago in your two districts of Benares and Partabgarh made me wonder whether re-construction should not come first and credit second: that is to say, when co-operation is brought to a village, whether we should not first of all form a Better Living society to improve farming, and reform social customs, and give education to both young and old, and, only if this succeeds, start a credit society. In the Punjab credit has always preceded reconstruction, and I remember that, when the question of reversing the process came up for discussion nine or ten years ago, I felt that no change should be made, because a credit society touched the whole of a man's economic life and was more likely, therefore, than a better living society to draw people together for their common purposes. But the intelligent villager is now prepared to consider many more changes than he was ten years ago, and consequently better living societies have a much wider scope and offer a much better means of testing a village's capacity for co-operative credit. Moreover, our experience since the fall in prices shows that the need for credit is much less than used to be supposed. In the Punjab, therefore, opinion is veering round to the view that re-construction should be taken up first, or at least hand in hand with credit.

CONTROL.

Even if credit can be successfully linked with thrift, marketing, or re-construction, it will take time to do this for the movement as a whole. Meanwhile, the need for close departmental control, in the case of societies that are not fully co-operative, will continue. In societies that are fully co-operative, control should be left largely, if not entirely, to the societies themselves; but in others—alas, the large majority—control and assistance are needed, and the less co-operative societies are in function and spirit, the greater the need. What, therefore, is required is a system of control carefully graduated according to development. In some provinces this is difficult owing to the very large number of societies, usually well over 50 per cent. classified as C. In the Punjab about 12,000 societies are in this class and in Madras over 8,000. It can hardly be believed that all these societies require the same measure of control. I would therefore sub-divide them into two classes. In the lower class, I would exercise a close control over all lending and borrowing, combining this, however, with systematic teaching directed to securing a society's promotion as soon as possible to the upper class. In the latter, the control should be less, and much less again in class B, until class A is reached, when there should be no control at all beyond the annual audit. It may be urged that departmental control is not in harmony with the pure gospel of co-operation. But it is to be remembered that only A and B societies can be regarded as co-operative in the real sense of the word. The rest are in *statu pupilari*, that is, at school, and should be treated accordingly, but always with reference to their position in the school.

TRAINING OF THE STAFF.

The necessity for a larger measure of control has been frankly recognized in the more recent provincial Co-operative Societies Acts, particularly in the Bihar and Orissa Act of 1935. The corollary of increased control is an increase in Government's responsibility for the welfare of the movement. It follows that it is more than ever incumbent upon local Governments to staff their Co-operative Departments in such a way that control will be exercised with knowledge and discretion, and for this purpose it is essential that in every province the co-operative staffs should be properly trained. Thanks to the foresight of Messrs Calvert and Strickland the Punjab can, I think, claim to have recognized this necessity in practical fashion before any other province in India, and an interesting result of this is that our annual class for Inspectors was attended last year by men from five other provinces, and next year we are expecting an official from as far west as Cyprus. When you started re-organizing your movement, you paid us the compliment of introducing our system, with suitable modifications, into these provinces. The result was that, when I went round India, your provinces were amongst the very few which could claim to have a properly trained staff. Thanks, however, to the generosity of the Government of India and notably to Sir James Grigg, who was quick to seize the importance of the point, a grant of Rs. 15 lakhs has been made available for co-operative training and teaching. But, in my opinion, the full effect of this grant will be lost if the Registrar himself is not properly trained. Too often in the past—and there are few provinces that can show a white sheet in this respect—men have been appointed Registrar after only a few weeks' training, and sometimes with no training at all. Yet committee after committee have stated in emphatic terms that the Registrar should have at least six months' training before appointment. In my own case it was over two years before I even officiated as Registrar for any length of time. To put an untrained man at the head of the movement, with not even a banking expert to advise him, has always seemed to me dangerous, and in provinces where lakhs of members and crores of rupees are involved, it is almost suicidal.

TEACHING OF MEMBERS

But something more than training is required if we are ever to have an organic movement working with its own mind and beating with its own heart. The members must be taught the elements of co-operative principle and practice. The importance of this can hardly be exaggerated; yet with over 2½ million members in our agricultural societies and not more than 10 or 20 per cent. of them literate, it is a task of great magnitude and difficulty; and it would have been impossible at present to attempt it on any scale without the assistance of the Government of India, to which I have already alluded. In provinces where the staff is largely untrained, teaching must be postponed until there are trained men available to teach, and in all provinces it will probably be wise to differentiate, in regard to the nature of the teaching given, between those who are running the society and the ordinary members. In the Punjab, classes are being widely held for the former with the most promising results. For Secretaries each class lasts 8 days, and for members of committee 3 days, and in many places the classes are so popular that attendance runs to 50 or 100. Not only are such obvious things taught as the duties of members, the best way to effect recoveries and diminish expenditure, but there is also much discussion of local problems and difficulties, with results that are often of a most practical character. In two Sikh societies the members took an oath in their Gurdwara to pay promptly what they owed and make others do the same, and in another village a small landowner was stopped from spending too much on a marriage by the remonstrances of the class. Instances like these could be multiplied.

PROSPERITY AND DEBT.

The cardinal point that most members have to learn is the use of money. The improvidence of the Indian peasant is proverbial, yet many people, in talking about agricultural credit, speak as if his greatest need were a plethora of cheap money. If this were so, it would be comparatively easy to satisfy it, for wherever the movement is sound, large surplus funds are available and could be lent cheaply to the cultivator. And why are they not lent? Simply because he cannot be depended upon to use them wisely and repay them punctually. The problem of agricultural credit is, indeed, not to find more money for the peasant but to teach him to use it economically and productively. Fifteen years ago, as the result of what I saw in the irrigated tracts of the Punjab when prices were high, I came to the conclusion that prosperity and debt were closely allied, and that the more prosperous a tract was to-day, the more indebted it would be to-morrow—simply because most cultivators borrow, as much because they can as because they must. Two years ago I found that Berar, Eastern Bengal, and Lower Burma were more or less examples of the same fatal propensity; which suggests that my conclusion applies not only to the Punjab but to the whole of India.

CHARACTER AND FINANCE.

From this springs another conclusion of equally wide application, namely, that character and finance are intimately allied. In the Punjab I have again and again found peasant of the most modest means able to borrow at 12 per cent. on their mere personal security, and the reason invariably given me for this by their creditors was that they could be trusted to repay punctually. I found the same in other provinces, the best example perhaps being the case of a small holder in the Carnatic who even after the fall in prices had been able to borrow at 6 per cent. In Austria some years ago, I found a large number of land mortgage banks carrying on an extensive mortgage business with little more than short-term deposits, and able to do so without serious risk simply because the Austrian peasant was a good dealer. It follows that the key to a sound system of credit does not lie, as some would have us believe, in the hands of the Reserve Bank but in those of the people themselves, or at least of those who are prepared to teach them the importance of such simple virtues as punctuality, honesty and thrift; and it is because co-operation is at present the only effective organization for teaching these virtues that it has a unique importance in the field of agricultural credit.

THE LOWERING OF INTEREST RATES.

In this field co-operation can point to at least one signal achievement, and I mention this because it is frequently attacked as if it had achieved nothing. In most parts of India the *common* rate of interest for an unsecured loan to a cultivator with any security of tenure varies from 18 to 25 per cent. and everywhere compound interest is charged. Yet in Madras, Bombay and the Punjab, those who join a credit society now need not pay more than about 9 per cent. simple interest; and when a society has been functioning reasonably well for ten years or so, the rate is usually not more than 6 or 7 per cent., and in the Punjab after 20 ye: is often less than 5 per cent. This means that, though debt may not have been reduced, it carries a much lower rate of interest than it did and to a much larger extent represents value actually received. Let me give you an illustration of what I mean. One of our Debt Conciliation Boards last year scaled down claims of Rs. 10 lakhs to about Rs. 6 lakhs. I asked the members how much of these Rs. 10 lakhs had actually been borowed. They could only guess but none of them, and one was a moneylender, put it at much over Rs. 2 lakhs. This would mean that more than three quarters of the amount claimed represented interest. Such a position would be impossible with a co-operative society, however bad. Something solid, therefore, has been achieved in the sphere of credit. In this sphere co-operative societies have one great advantage over commercial banks—they have not to distribute large dividends. In time, therefore, any good society, however small, can hope to lend at a cheaper rate than the largest commercial bank, however good. But where co-operation is weak, rates are still disproportionately high. For instance two thirds of your societies charge 15 per cent. a rate that I must frankly say seems to me almost usurious. And in this connection it is to be remembered that the only satisfactory way in which a society can temper the wind to the shorn lamb in these days of low prices is to reduce its rate of interest to the lowest possible limit compatible with financial stability.

Just now I spoke of improvidence as if it were the peculiar characteristic of the Indian peasant. In his way the landlord is every bit as bad. If there is a difference between the two, it is that the landlord is extravagant and the peasant improvident. Nothing struck me more, when I had occasion to examine the Loan Offices of Bengal, than the fact that only a very small proportion of the many crores advanced by them to large landowners and others appeared to have been used for productive purposes. In foolish and wasteful borowing the landlord sometimes seems an even greater offender than the peasant, without too the extenuating circumstance of necessity. In this very province of Oudh, would it have been necessary to pass the Encumbered Estates Act had your landlords in general managed their estates with prudence?

RESTRICTION OF ADVANCES TO CULTIVATION FINANCE

Borrowing for unproductive purposes is so widespread and inveterate a habit in this country and so opposed to all cannons of sound banking that it is a question whether credit societies should not restrict themselves to cultivation loans. Ten years ago this would have been impossible, for a refusal on the part of a society to advance for any purpose conceived to be necessary such as a marriage, a funeral or a case in the courts, would have sent nine members out of ten straight off to the moneylender, and the moneylender would almost certainly have made an advance at some more or less crippling rate of interest. But now credit is so restricted that moneylenders are chary of lending, and the fall in prices has made things so uncomfortable for the borrower that it is not quite so difficult as it was to dissuade the more sensible from resort to the moneylenders, nor are they quite so prone to incur extravagant expenditure on marriages and funerals as they were before the fall in prices. The position, therefore, to-day is more favourable than it was to the restriction of advances, and so important is it to teach the cultivator to differentiate between productive and unproductive expenditure that personally I should welcome experiments in this direction. The Reserve Bank suggests that loans should be strictly limited to cultivation finance, but I am doubtful whether this is possible; for, as the Calvert Committee remarked in their report, "non-cultivation loans are necessary for the business of the cultivator and must be provided for in any system of rural credit that is intended to cover the business of the country." We shall all agree, however, that the greatest care is necessary in giving non-cultivation loans, and that almost everywhere in India more care requires to be taken. A possible *via media* might be, in the case of C class societies, to pitch the borrowing limits of both members and society so low that non-cultivation loans would be impossible without special sanction.

NON-CREDIT SOCIETIES.

No one will deny that many more non-credit societies are required if we are to have a well-balanced movement in India. I am not going to bother you with figures, but two years ago the Punjab and Bengal were the only two provinces where non-credit societies exceeded a thousand. Twenty years ago the moneylender was so powerful that we all felt that our first object must be to free the cultivator from his domination, and that this was the best way of increasing the cultivator's income and raising his standard of living, since it would mean less borrowing and far lower rates of interest. But we did not realize sufficiently the cultivator's voracious capacity for borrowing and his persistent tendency to default. The fall in prices, which also we could not anticipate, has laid these two weaknesses painfully bare and compels us, I think, to view the problem of raising his standard of living from a somewhat different angle. Even before the fall in prices we had started marketing societies to procure him better prices for his produce, arbitration societies to protect him from the ruinous cost of litigation, better living societies to reduce extravagant expenditure on social ceremonies, cattle breeding societies to increase his income from cattle, and consolidation societies to consolidate his small and greatly scattered holding. These are all types that should be developed, above all consolidation societies.

CONSOLIDATION OF HOLDINGS.

I say "above all", because where, as in many parts of India, holdings are badly fragmented, their consolidation is an indispensable condition of agricultural progress. One has merely to see the map of a village before and after consolidation to realize this. Only last week I saw a village which had just been consolidated. 700 fields had been reduced to 71, with an average area of 4 acres each against two fifths of an acre before; each was marked out with four-anna boundary marks, and each had been given access to a road wide enough for a bullock cart. In addition, five old wells had been repaired and brought into use, 42 plots had been set aside for new houses to relieve the congestion due to a growing population, and an acre had been ear-marked for a playground. The mere marking of each field with boundary marks—impossible when there were 700 fields—was a revolutionary change, for, as the headman said "there is no more fighting and going to court: faction has ceased, and there is unity and good fellowship." In the Punjab we have now consolidated about 7,00,000 acres, and the benefits are so clear that applications are pouring in from villages willing to pay eight or ten annas an acre for this new lease of life. So striking indeed are the benefits that, in my judgment, if all the ordinary measures of rural reconstruction were put into one scale and consolidation of holdings into the other, consolidation would out-weigh the others, because it facilitates every kind of progressive measure and there is no other way in which the cultivator's income can be so quickly increased. No one could possibly put this increase at less than 10 per cent. and many put it as high as 25 per cent.

As long as consolidation was being done only in the Punjab, it might be said that it was due to some peculiar feature of the province. It was a great satisfaction to me, therefore, when I visited the Central Provinces, to find that nearly 5,00,000 acres had been consolidated there in a few years at a cost of only 4 annas an acre, all of which had been paid by the villagers concerned. I rejoice now to learn that you, too, have 82 societies; but where we have 224 Sub-Inspectors at work, you have only two. If I may say so, this is not enough for provinces like yours, and if there is any advice that I can give you to-day in the conviction that it is sound, it is to press upon the Government that will shortly take office the necessity of extending this immensely valuable work much more rapidly than at present. And I would say the same to every province in India where fragmentation is bad. Incidentally, too, I would point out—witness the 224 Sub-Inspectors in the Punjab—that consolidation opens out a useful new avenue of employment for the matriculate.

AGRICULTURAL DEBT

Various measures are being tried to mitigate the burden of debt. Several provinces are attempting to control the moneylender and regulate interest rates by law; others have set up Conciliation Boards to adjust the claims of debtor and creditor, and most, your own amongst them, have started mortgage banks for the repayment of old debt. These and the other measures adopted may be justified, if they require justification, by the urgency of the crisis through which we have been passing, but they leave untouched the fundamental question—how is the improvident Indian cultivator, once cleared of debt, to be prevented from getting into debt again? There seem to me only two ways of doing this. One is to make it impossible for him to borrow in future, and the other is to teach him to borrow wisely, and meanwhile to control his borrowing. The first is impracticable, and the other is only possible with a co-operative system of credit. I have no time to elaborate this here, but, if true, it follows that co-operation is the only lasting remedy for debt.

But, like all lasting remedies, it is not a quick remedy. Great patience is needed, and patience is at present an unfashionable virtue. Five-year plans are popular enough, but who is prepared to support a 25-year plan? Yet this is the very least that is needed to build up the habits of mind and character which are the only sure foundation for a system of cheap and abundant credit. In the absence of a proper system of rural education, these are habits which co-operation alone can teach on any general scale; and if anyone doubts whether even co-operation can teach them, let him visit a district, as I did last week, where it has been vigorously at work for 20 years. There he will find shares and deposits running into lakhs, and thousands of members who now owe the moneylender nothing.

CO-OPERATION AND RURAL RECONSTRUCTION

If co-operation is the best means for dealing with debt, it is also the best single means for reconditioning the village. Here again I have no time to substantiate this, but after what I have seen in different parts of India—and I have seen something inspiring in almost every province—I am convinced that those who scorn shop-window effects and wish their schemes to be for the real good of the peasant will more and more find themselves obliged to invoke the co-operative principle. There are two reasons for this. The first is that reconstruction will not thrive for long, unless there is some organization in the village itself to keep it going, and a co-operative society provides this organization better than anything else except perhaps a village Panchayat. The second is that, if an appreciable number of India's 7,00,000 villages is to be touched to any effect, the people themselves will have to contribute the major part of the cost. In the past I have seen many villages where the people, acting together, have spent large sums upon some project near their heart, such as a temple or mosque. There may be comparatively few villages where this is possible to-day, though I can think of a district in the Punjab where in the last 3 years Rs. 1½ lakhs have been spent by the people in hard cash upon improving the water-supply and the sanitation of their villages. If, however, the depression has affected the peasant's purse, it has not affected his labour. This he can always employ upon improving his village merely at the expense of the large leisure that an uncertain rainfall gives him in many parts of India. In saying this, I do not speak as a visionary but as one who has seen the remarkable improvements effected in many villages in different parts of India by this means. But nowhere had it been done on an individualistic basis. If, therefore the Indian peasant's lot is to be permanently improved, some kind of collectivist basis will be necessary, and for India the best form of collectivism is co-operation.

Resolutions passed at the Conference.

That steps be taken to organise co-operative Library Societies in rural areas where there is a demand.

That co-operative societies be advised to reduce their interest on lending to a rate not exceeding 9 per cent.

That in view of recent and proposed expansion of the movement the superior staff be strengthened by one more Deputy Registrar to be recruited preferably from amongst non-official co-operators.

That a co-operative society should not allow extensions of time for the repayment of instalment of loans due from members without the written consent of sureties.

That it be obligatory on the part of a co-operative society to apply for an award as soon as a debtor begins to default, unless the debtor, the sureties, and the society, enter into a new contract.

While noting the suggestions for the improvement of co-operative societies, this conference regrets the failure of the Reserve Bank report on rural credit to formulate any real scheme for the immediate expansion of agricultural finance in the country.

THE ALL TRAVANCORE CO-OPERATIVE CONFERENCE
PARUR, 8TH TO 10TH FEBRUARY, 1937.

Welcome Address of Mr. A. M. Varki, Principal, Union Christian College, Alwaye.

Mr. Varki in the course of his address referred to the progress of the movement in the State and the set-back it received on account of the present economic crisis. He said that in 34-35 their societies numbered 1,767 with a total membership of 2,23,760 and the working capital of these societies was Rs. 87,65,215. The Punjab which had made the greatest progress in British India had only 29 members for every 1,000 of the population, while Travancore had 44. While membership might therefore be considered satisfactory, the working capital per member was not, for while it was Rs. 175 in Bombay, Rs. 113 in Madras, Rs. 127 in Baroda, Rs. 103 in Mysore and Rs. 55 in Cochin, it was only Rs. 27 in Travancore. The speaker was of opinion that the working capital was a far more reliable test of the strength of the movement than the number of members.

It was a matter for great regret, he said, that in spite of the movement working in our country for the last three decades it had not reached the class—the small farmer in the country—for whom it could do the greatest service. To the people who were members of the societies at present the small advantages which they offered were not sufficiently attractive to look upon it as a vital factor to improve their economic welfare. The illiteracy of the poverty-stricken masses was no doubt the greatest obstacle for the expansion of the movement, but he was of opinion that it was a thing which could easily be bridged over, provided there were enough disinterested workers, to take the message of co-operation to them and get them interested in it.

Presidential Address of Dewan Bahadur K. Deivasikhamani Mudaliar, Retired Joint Registrar of Co-operative Societies, Madras.

Mr. Deivasikhamani Mudaliar in the course of his presidential address observed that the issue of loans by co-operative societies to redeem prior debts was greatly responsible for the increase of overdues and that it was not a phenomenon confined to Travancore alone. Unless there was a revision in the methods of business, and the limitations of agricultural credit societies were thoroughly realised, he was of opinion that the present unsatisfactory state of affairs was bound to continue.

Referring to the functions of rural credit societies he observed:

"It is hardly realised that the primary agricultural credit societies are intended mostly for advancing short-term, seasonal credit for purely agricultural or productive purposes so that the agriculturists can carry on their industry without borrowing elsewhere and repay the loans after they dispose of their produce. Small loans for small men for small periods for agricultural purposes—these constitute the main business of the ordinary credit societies in the countryside. If either in your State or British India the working of agricultural credit societies has to be improved, they have gradually to eliminate the grant of loans for the discharge of prior debts. That should be the function of another agency altogether well-equipped for its task and better managed by men with considerable business experience than our ordinary villagers.

There is no knowing when the depression will cease and conditions improve. Such difficult times as those through which we have been passing call for remedial measures and a just adjustment of the relations between creditors and debtors; they also warrant a suitable reconstruction of the co-operative movement. The debtors are in need of relief, and so far as co-operative societies are concerned, we can do our best to reduce the incidence of the indebtedness of members to societies by showing them certain concessions. They may take the following forms: waiver of penal interest on all overdue loans, reduction in the ordinary rate of interest charged on all outstanding loans or future loans, extension or re-fixation of the period of payment of loans and scaling down of debts."

Speaking about the revision of business methods he suggested that loans should be issued only for short-terms for current agricultural operations, that loan applications should be scrutinised by central banks with special reference to the repaying capacity of the borrower and that the individual maximum borrowing power should be fixed at Rs. 250. He also endorsed the suggestions made by the Reserve Bank authorities for regulating the credit of the agriculturists viz., (1) the limitation of the total future liability of agriculturists, (2) prohibition of borrowing from more than one source, and (3) bringing the agriculturist moneylender within the purview of enactments prohibiting or restricting the transfer of agricultural land.

Referring to the problem of agricultural indebtedness and the means of mitigating the same, he said:

"The incidence of rural indebtedness has considerably increased owing to the fall in the prices of agricultural produce and of land. The volume of indebtedness by itself need not cause alarm; but it is the nature of indebtedness that provokes thought and anxiety. It has been held by responsible committees and commissions of enquiry that most of our rural credit is unproductive and ancestral. That is why the Royal Commission on Agriculture in India has suggested the framing of a suitable Rural Insolvency Act in order to simplify the procedure in this regard and to make the agriculturist start a fresh lease of life. Land mortgage banks have been started on a co-operative basis for providing long-term credit to the agriculturists at cheap rates of interest mostly for the discharge of prior debts. Madras is making considerable headway in this direction. I have no first-hand knowledge of the working of your State land mortgage bank, but I trust that you are proceeding on sound lines. For a State like yours, there seems to be no need to elaborate the machinery for long-term mortgage credit as we have done in Madras. One bank for the whole State may perhaps suffice for your requirements, and if the banks can utilise the agency of the Revenue Department, I think the business can be carried on cheaply and effectively.

In spite of the steps that may be taken to reduce the rural debt, the position may not improve unless on the one side measures are taken to prevent the agriculturist from borrowing again and, on the other to create subsidiary sources of income. The income from land now in terms of the present agricultural prices is hardly enough to meet the interest charges and the instalment of principal of a loan taken, say from a co-operative society. In my opinion, the situation needs to be met partly by intensive agriculture and partly by industrialisation. With the progress in science and the production of things on a mass scale, it seems futile to expect that the cottage industries should be so developed as to give a subsidiary income to the agriculturists. We tried to develop some of the cottage industries on co-operative lines, but our experience has proved that it is not possible to achieve the desired end. Major industries should be developed in the country; cottage industries may also be side by side encouraged, provided certain restrictions

are imposed on the factory industry. The cultivable area should be increased as well as the yield of it and irrigational facilities should be amply provided by the State. Again, transport facilities and marketing of agricultural produce should be developed. The problem is so vast that it should be tackled as a whole and tackled from all sides.

It is being increasingly realised that co-operative credit alone may not be of very great help to the ryots unless it is linked up with marketing. Enquiries have shown that there is a certain amount of waste in the present marketing methods and the circumstance that the village moneylender is also more often a merchant and a middleman is a great handicap to the profitable marketing or sale of the produce by the ryots. If the waste can be eliminated or minimised, the agriculturists can be assured of a fair or reasonable price for their produce. Co-operative sale societies may be started in important marketing centres and agriculturists can be induced to hold their produce immediately after harvest when prices are generally depressed, pledge it with the sale societies, take loans on the security of it and dispose off the produce when the market is favourable. The operations of the sale societies should be linked up with the ordinary credit societeis working in the area."

Speaking about rural reconstruction he was of opinion that no rural uplift could be a lasting thing unless the villages themselves were trained to undertake the work. If outside agencies were depended upon, whether official or non-official and however keen they might be, the work was likely to come to a close, the moment those agencies were withdrawn. Therefore village panchayats should be developed and the villagers should be made to take interest in all rural activities. Mr. Mudaliar deprecated the tendency existing at present of co-operators concentrating their attention only on consolidation and rectification without providing for gradual expansion of the movement, as it was bound to come to a standstill if no efforts were made to organize new societies. He was quite happy to find that women's co-operative societies were making steady progress but he warned the co-operators not to start credit societies for women unless they were employed in productive enterprises and had a steady income of their own. Lastly he observed that co-operation like all other rural uplift activities was intended to promote 'better farming, better business and better living' and those present at the conference would be doing a great service to their fellowmen, if they could by common endeavour through co-operation promote the aim.

Resolutions Passed at the Conference.

The follwing were some of the resolutions passed at the conference:

1. Resolved to constitute an Advisory Board as suggested by the Devadhar Committee as early as possible, with all the central co-operative organisations like the Central Institute and the Central Bank being represented.
2. Resolved to request the Government to bring into effect the recommendations of the Devadhar Committee regarding the Land Mortgage Bank or to see that co-operators are represented on the Board of the existing Bank.
3. Resolved to request the Travancore Co-operative Institute to prepare and submit a scheme of rural reconstruction to the Government in view of the fact that latter have decided to take up rural reconstruction work from first Chingom 1113 and also to request the Government to give finan-

cial help to such co-operative organisations in the State which are already doing rural work until the Government's scheme is put into force.

4. The conference strongly condemns the attitude of the Government for having given the contract for publishing the "Economic Journal" to an individual and requests the Government to hand over it back to the Institute.
5. The conference requests the Government to give preference to non-official co-operative employees in the matter of recruitment to co-operative service.
6. The conference resolved to celebrate in the State on the 17th November 1940 the Silver Jubilee of the starting of the co-operative movement in Travancore.
7. The conference resolved that the interest charged on loans from the Central Bank and the primary societies should not exceed 5 per cent. and 6 or 6¼ per cent. respectively and that the practice of realising penalty should be abolished. ....

—*The Madras Journal of Co-operation,* March 1937.

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

Held at Delhi on 27th and 28th March, 1937.

Address by the President, the Hon'ble Mr. V. Ramadas Pantulu.

Comrades in co-operative service,

I extend to you a most hearty welcome on behalf of the All-India Co-operative Associations of the Institutes and the Provincial Banks to this important session of the Standing Committees of the two Associations. To-day, we are meeting just on the eve of the inauguration of the first instalment of the new constitutional reforms, the introduction of Provincial Autonomy. In less than a week's time the system of administration in all the eleven Governors' Provinces will undergo radical changes. Whether it takes us any nearer the substance of Swaraj or not is another matter. In any case, the event is not without its significance and interest to us as co-operators, to whichever political parties we may belong. In its relation to administration by the State the Department of Co-operation in each Province is entering on a new phase of its progress. From its inception in 1904, when it was officially set up by the Government of India, up to the passing of the Government of India Act of 1919, co-operation was administered under the India Acts of 1904 and 1912 by a member of the Governor's Executive Council, who was in no way responsible to his legislature. The Government of India's functions were general guidance and ultimate control.

CO-OPERATION IN THE MONTFORD CONSTITUTION

In 1920 under the constitutional scheme, known as the Montagu-Chelmsford Reforms, Co-operation became a Provincial subject in the 'Transferred' departments and began to be administered by ministers, partially responsible to their legislatures and might be said to have entered on its second stage of development. About half a dozen Provinces including Burma (which is separating from India on the 1st of April) replaced the India Act of 1912 by local legislation. Some of the Provinces also set up expert committees of enquiry to examine the past progress of the Movement in their provinces and make recommendations for its future development on right lines with special reference to the needs and conditions of the Provinces concerned. ....

It must be said that there has been considerable expansion of the Movement in the three quinquenniums that have elapsed since co-operation became a transferred provincial subject. And notwithstanding its many defects, some of a grave character, it has conferred substantial benefits on those who came under its scope and who made a genuine effort to profit by it. Its indirect benefits have reached many who have not actually joined its ranks. A rural credit organisation with a working capital of over 50 crores (excluding the investments of the Societies in their secondary or central institutions) and with about 600 central and about 100,000 primary credit societies is an achievement for which non-official as well as official co-operators may indeed claim some credit.

But Finance being a 'Reserved' subject over which the Ministers who were mainly in charge of spending departments like Co-operation, Agriculture and Industries had no control whatsoever, the outgoing Ministers and their predecessors, who administered those departments under the expiring system, were disabled from showing any tangible advance in the direction of making co-operation a really potent factor for the economic rehabilitation of our rural masses. With the introduction of Provincial Autonomy the financial handicap may be expected to be removed at least partially—I say partially because our Provincial revenues everywhere were already mortgaged, under the present regime, to meet the disproportionately large expenditure on a costly administrative system, which it will take years to reform. In any case the transfer of the earning departments as well as Finance to Ministers under the new dispensation, on which we are about to enter, is bound to give them more facilities to improve the working of the Development Departments. We, co-operators have, therefore, the right to expect them to instal co-operation in its right place in their development programmes and to put the Movement to a better use in the economic reconstruction of our villages.

There was yet another handicap from which the Ministers in charge of the nation-building departments some times suffered. The Reserved halves almost always smelt politics in schemes of co-operative organisation of the peasantry and in the inculcation of the virtues of self-help and self-reliance in the socio-economic spheres of rural life. No reform or re-organisation was possible without creating in the minds of the masses a certain sense of discontent with the existing state of affairs and no foreign administrator could look upon that process with equanimity. The Ministers felt helpless in such situations. To give only one illustration, which is typical, in my province of Madras, a Development Minister was obliged to promulgate a G.O. to the effect that village co-operative credit societies which encouraged the production, purchase or sale of Khaddar among their members, in response to a circular issued by the Madras Provincial Co-operative Union, would be penalised by the departmental officials, who had evidently instructions to keep a strict watch over such nationalistic tendencies. Co-operation as a nation-building activity cannot grow or thrive in such an atmosphere.

CO-OPERATION IN THE NEW CONSTITUTION

The disappearance of the Reserved halves and the transfer of law and order to the ministers may enable them to function in a somewhat freer atmosphere and feel less restrained in giving a nationalistic turn to co-operation in their schemes of economic reconstruction of rural life. An effort to organise the rural masses on a co-operative basis as producers and consumers, which has so far not been really made may now be attempted with better prospects of success. But the task that awaits the new Ministers in the pursuit of their agrarian and rural economic programmes is bound to be a very difficult one. I am, therefore, sure that they will not be unwilling to listen to suggestions that come from any accredited source in regard to the immediate task that lies ahead of them. Our work as co-operators has been mainly among the rural population and the experience and training we have acquired in the discharge of our duties, entitle us to urge our own viewpoints on the new Provincial Governments, which will be composed besides the Governors, of Ministers who sought entry into their respective legislatures almost entirely through the vote of the humble agriculturist. I shall, therefore, departing from the usual method of approach to the items on our agenda paper, and with your leave, make use of this unique occasion to press on the attention of the new Provincial Governments, a few measures of agrarian reform which are of vital interest to co-operators.

Before we tender any advice to the new Provincial Governments, we must ourselves be sure of the fundamental nature of the problem we are out to solve. The one outstanding feature of our rural economy is that agriculture, which is the occupation of the large bulk of our people, is not to-day a profession of profit but of subsistence—a bare and precarious subsistence. What is the result? The phenomenal poverty of the agriculturist. What has it led to? To chronic indebtedness.

The agriculturist is born in debt, lives in debt and dies in debt. I feel convinced after years of study and observation that our colossal rural debt, which is ever on the increase, is mainly the result of poverty. Making every allowance for his want of foresight to lay by something for a rainy day from out of a good harvest, and his occasional extravagance in expenditure on social and religious ceremonies, the agriculturist in the majority of cases borrows not because he *can* but because he *must*. In other words it is his chronic poverty that accounts for his debt. The volume of rural indebtedness is growing with increasing dependence on agriculture, the decline of village and domestic industries, which once furnished subsidiary occupations and the uninterrupted process of excessive fragmentation of holdings, among other causes. The closing of overseas markets to Indian agricultural products, due to a new phase of economic nationalism of India's old customers and the catastrophic fall in prices of land as well as its products, during the present long period of unprecedented economic depression, have completely destroyed what little margin which even a few bigger agriculturists with economic holdings used to have at one time. An oppressive system of land tenures with its evils of absentee landlordism, infeudation and sub-infeudation and an unscientific system of land revenue which economically cripples the small holder with small income from land, have effectively thwarted our attempts to improve agriculture or to make the outlay of additional capital a business proposition in terms of the resultant income. The age-long dependence of the agriculturist on the notoriously usurious moneylender who keeps his victims in a state of perpetual subserviency, has practically broken the economic backbone of the majority of the indebted peasants. There are other mysterious forces, whose operation is invisible to the unlettered villager, but the severity of whose impact on his back, he feels all the same. An unfavourable exchange ratio—an over-valued rupee—has substantially increased the load of his debt and the burden of his taxes.

The combined operation of these and other factors has brought down the economic vitality of the agriculturists almost to the vanishing point. What can co-operation or any other Movement do for them? Just as there is no miracle in nature in the sphere of our physical existence, so there is none in the field of our economic life either. An agriculturist without a trace of economic vitality can derive no more benefit from our best-managed co-operative institution, than a patient with no physical vitality left in him, can from the best-equipped hospital in the land. So let there be no mistake about the fundamental character of the one rural economic problem that faces us. It is this. How to improve the economic vitality of the peasant? How to increase his income? How to enhance his purchasing power? Without bringing about a general improvement in his material condition, it is impossible to bring about a change either in the standard of his living or his outlook on life and without such a change there can be no true or lasting solution for any one of the other socio-economic problems of rural India.

I believe there is no one in India to-day who will contend that the task set out above can be accomplished without appropriate and adequate State action. The Government of India is no longer in the picture in regard to much of such action though there are still certain matters in which the Central Government alone can act. Most of the measures relating to agrarian reform will be within the purview of the Provincial Governments from the 1st of April. It is therefore to the latter that we have to look for relief. All that I can attempt now is to indicate in broad outline some of the more urgent measures which have to be taken by the Provincial Governments.

REFORM OF LAND REVENUE SYSTEM

I place in the forefront of the agrarian programme of the autonomous provinces a thorough overhauling of the Land Revenue system and placing it on a statutory basis. The demand of India to apply to Land revenue sound taxation principles is a very old one. Even in the sixties of the last century the Marquess of Salisbury, then the Secretary of State for India, said that "so far as it is possible to change the Indian fiscal system it is desirable that the cultivator should pay a smaller proportion of the national charge. It is not in itself a thrifty policy to draw the mass of revenue from the rural districts where capital is scarce. This injury is aggravated in the case of India when so much of the revenue is exported without a direct equivalent." The Joint Parliamentary Committee which was appointed to examine the Government of India Bill which was eventually passed as the Act of 1919, recommended to the governments of the provinces constituted under that scheme to place Land Revenue on a sound statutary basis; but I believe that with the exception of the Punjab no other Province implemented that recommendation. But even the Punjab simply perpetuated the old system with slight changes, the most important of which was the fixing of the interval between the periodical re-settlements at 40 years in a few districts which had rendered war services. Attempts even of a similarly limited character in other provinces proved infructuous, mainly owing to the apathy of the reserved halves which were dominated by old time Revenue administrators. The autonomous Provinces cannot burk the issue one moment longer.

It is obviously impossible in the course of an address like this to discuss the lines on which the Land Revenue system should be reformed. Moreover a single solution may not suit all provinces alike. Various schemes of reform have been before the public for many years past. Speaking for myself and with special reference to my Province of Madras, I advocate the system of reducing the present rates of land revenue substantially and imposing certain basic rates at a low flat rate on all lands, and making up the loss of revenues caused thereby, by the imposition of a graduated tax on higher incomes of holders of land in the ryotwari areas as well as incomes of holders of temporarily and permanently settled estates. There will of course be the local rates in addition. No question arises of amalgamating this graduated tax on agricultural incomes with the Income-tax levied by the Central Government on other sources of income. The question of fixing the level of exemption has given rise to some controversy; but there does not appear to my mind any valid reason for not fixing the level of such exemption at Rs. 2,000 as in the case of incomes from other sources. The Taxation Enquiry Committee defended the justice and equity of the levy of such tax on higher agricultural incomes with an element of progression on it. But "political objections" and "administrative difficulties" seem to have stood in the way of Provincial Governments and the Government of India giving effect to this much needed and long overdue reform. It was the Simon Commission that gave a clear lead on the subject and exposed the hollowness of such objections. The new Reform Scheme of 1935 has set the matter at rest and expressly conferred on the Provincial Governments exclusive power to impose taxes on agricultural incomes. So no Provincial Governor can stand in the way of coming Ministers introducing such a measure almost immediately. It will be a case of their acting strictly within the sphere of their "constitutional activities."

The relief that the small agriculturists in the Province of Madras, whose incomes from land are below Rs. 2000, would obtain under this reform, would be about 25 to 50 per cent of the amount of land revenue now paid by them, according to the varying conditions of the different tracts of the Province. I expect that under similar schemes agriculturists of other provinces will obtain similar relief. Other schemes of Land Revenue reform will no doubt be forthcoming; but whichever scheme is adopted, the economic position of the small agriculturists with incomes of less than Rs. 2,000 from land cannot be improved without reducing the present incidence of their land tax by at least 25 per cent.

REVISION OF LAND TENURES.

Then comes the need for effecting radical changes in the various systems of land tenures in force in the estates. In dealing with the reform of the land revenue system I referred to taxing of unearned agricultural income of holders of temporarily and permanently settled estates. While it brings some revenue to the Provincial Governments it does not help to alleviate the economic condition of the ryots in those estates. They require protection from rack-renting and freedom from eviction. In many estates the ryots pay rents which compare very unfavourably with the land revenue levied by the Government from holders of lands of similar description and with similar advantages in the neighbourhood. The economic value of a holding which is burdened with such a heavy rent is practically nil. It is for this reason that the benefits of co-operation, specially of long term co-operative credit, are unavailable to the tenantry of the estates who are in a much more insecure position than the peasant proprietors holding directly under the Government. Legislation should be undertaken in each province immediately to bring down the oppressively high rates of rents to a fair and equitable level, abolishing all abwabs or exactions in addition to rent, and to vouchsafe fixity of tenure to the cultivator in areas where it is not yet. Whatever difference of opinion there may be in regard to the expediency or desirability of vesting these tenants with un-restricted powers of transfer and alienation of their holdings, there can be no question of the absolute necessity of making the holding heritable, and securing complete freedom from eviction, so long as the tenant paid the prescribed rent. Restraint on alienation is neither an unmixed good nor unmixed evil, and each Province must solve the problem for itself with reference to local conditions.

VILLAGE SELF-GOVERNMENT.

The present system of Local Self-Government introduced in the several provinces by the Acts which govern Village Panchayats, is utterly in-effective if not wholly illusory. The Statutary village panchayat must be made a live organisation, the centre of the corporate life and the arena of the civil activities of the villagers. It is only then that Movements like co-operation can thrive in our villages and properly subserve the economic needs of the villagers. The financial arrangements now in force in almost all provinces to enable these panchayats to carry on their administration are utterly unhelpful. These institutions cannot subsist any longer on the dwindling sources of customary fees, supplemented by niggardly doles from the Provincial Government and higher local bodies made out of the local rates. An adequate fraction of land revenue collected in each village must be left in the village to satisfy the administrative needs of the village and the cost of administration of the village must be made a first charge on that fraction of revenue.

ECONOMIC PLANNING AND DEBT LEGISLATION

In the closing years of the Montford Ministers' life there was abnormal output of activity in the field of rural economic reform. There were attempts at economic planning. In some provinces Provincial and District Economic Councils were set up. Debt Conciliation Acts and certain other enactments intended to relieve indebted agriculturists from the serious consequences of debt were also passed. Some legislation meant to secure a fair deal to the debtors at the hands of the moneylenders has also found its way into the provincial statute books. On closer examination, however, these measures will be found to be ineffective and not on the whole calculated to achieve the end in view. This is evident from the fact that they have not so far brought any tangible relief to the agriculturists. Debt Conciliation Acts cannot in my opinion prove effective without some element of compulsion being introduced to deal with refractory creditors on the one hand and without creating facilities for immediate payment of cash to the more reasonable and humane creditors who agree to receive reduced amounts in full discharge of their dues, on the other. Without stringent legislative and administrative measures to prohibit un-controlled and un-licenced moneylending, usury and other grave evils associated with the practices of moneylenders cannot be eradicated. The honest debtors who are willing to place their entire property at the disposal of their creditors to find peace in merciful economic death, in insolvency, relief, which must be both speedy and in-expensive to be useful, cannot be afforded without the enactment of a simple Rural Insolvency Act, on the lines suggested by the Royal Commission on Agriculture and the Indian Central Banking Enquiry Committee. In the case of this class of debtors there is no other conceivable method of freeing them from the effects of irredeemable debt. I don't share the apprehension of those who feel that measures like these will curtail the credit of agriculturists and work hardship to the very persons whom we want to benefit. On the other hand well conceived legislation undertaken with these definite ends in view, will benefit the agriculturist. The agriculturist will then be in a real position to profit by the co-operative movement.

CONSOLIDATION OF HOLDINGS.

The question of legislation to effect consolidation of holdings is perhaps more difficult than many of the other measures I have referred to. Sufficient attention has not been paid to this question and the possibilities of voluntary effort at consolidation have not been explored except in the Punjab and the Central Provinces and to a very small extent in the United Provinces. In the Punjab about 700 thousand acres have been consolidated and it has been estimated that the income of the villagers whose fields came under the scheme has increased by 10 to 25 per cent. In the Central Provinces about 500 thousand acres have been consolidated. Mr. Darling addressing the co-operators of United Provinces recently said: "In my judgment all measures of rural re-construction when put into one scale and consolidation of holdings in the other, consolidation will out-weigh others." The problem is one into which careful investigation with a view to take suitable action may be usefully initiated by the new Provincial Governments as soon as possible.

CO-OPERATIVE SOCIETIES ACTS.

In regard to the various Provincial Co-operative Societies Acts themselves, here is necessity to revise them. Many of those were passed in very distressing times and bear the impression more of emergency measures intended to deal with an abnormal situation, than of legislation intended for the development of a people's movement like Co-operation. In the last few years the alarming growth of arrears in co-operative credit societies has called for drastic remedial measures, which has overshadowed the normal ameliorative and beneficial activities of the movement. Every Provincial Co-operative Societies Act passed in this period was framed with the Registrar as the centre of the picture and not the Co-operative Society. In the obsession of the hour the main aim of the movement to promote initiative and enterprise was either forgotten or relegated to the background. No genuine co-operator will grudge the vesting of sufficient and effective powers of control and supervision over societies in the Registrar and his staff. But that is not what exactly those recent Acts aimed at. These Acts aimed at comprehensive and detailed administrative control involving interference even in internal management and normal day to day work of the societies. They have so radically altered the movement as to make every co-operative institution an antechamber to the Registrar's office and every non-official co-operator his unpaid subordinate. This new orientation is already having very undesirable effects on the Movement and the enthusiasm of a self-respecting co-operator for work in his society is on the wane. There is in my opinion a real need to revise those acts so as to restore to the Movement its original character as contemplated by the Government, when they set it up in 1904 and to make the Registrar more the friend, philosopher and guide and not the dictator and the inquisitor that he is under the later Acts.

There is more need to-day than at any time in the past to put fresh and more strenuous popular effort into the movement. It is admitted on all hands that co-operative credit, which has so long held the centre of the field can no longer thrive unbuttressed by other aids such as well regulated marketing of agricultural products, improvement of methods of farming, consolidation of holdings and the like. But in order that these efforts should be forthcoming the Law and Practice of co-operation and its daily administration must assume a very different look. I hope and trust that the Provincial Co-operative organisations will take the necessary steps to have the Provincial Acts suitably amended so as to accord with the true aims, objects and character of the movement.

LIQUIDATION OF ILLITERACY.

The greatest handicap of the co-operative movement is lack of education among the members of our rural societies. Education of the masses is perhaps the most neglected branch of the activities of the State in India. While the percentage of literates in most modern countries is between 90 and 100 India can boast of no more than 8 per cent. The free and compulsory Elementary Education Act associated with the name of our distinguished countryman, the late Gopala Krishna Gokhale, has yet to be put into force in many parts of rural India. The new Provincial Governments can render no greater help to co-operation and all other movements which aim at national re-construction, than the liquidation of the colossal illiteracy that prevails; and we co-operators can ask of our Governments for no greater boon than the spread of mass education. The co-operative education and training of the members of societies will be much easier and more fruitful task. The seed of co-operation will then fall on a fertile soil and our harvest is bound to be rich.

CO-OPERATION AND LEGISLATURES

In order to pursue such programme we must have the help of at least a handful of enthusiastic co-operators in each provincial legislature. Perhaps the time has not yet come in India for co-operators to set up candidates of their own in the elections to the provincial legislature to form themselves into co-operative parties in the legislature. But it should not be difficult to find a few legislators in each province who will be disposed to make co-operation a special subject of study and legitimate theme of beneficial legislative activity. They will soon find that they will be rendering eminently useful service to the rural masses.

A FIVE YEAR PLAN FOR RURAL DEVELOPMENT—COTTAGE INDUSTRIES.

The measures I have suggested will give a powerful stimulus to rural development and will result in an improvement in the standard of living of the agriculturist. Any scheme of rural development must necessarily include a programme of developing cottage industries, specially those which provide subsidiary occupations to peasants. The Reserve Bank of India in the report recently issued by them strongly emphasised the necessity of the Provincial Governments exploring the possibility of finding for the farmer and inducing him to follow suitable and profitable side-pursuits; "for the question of credit is intimately connected with the increase in the earning capacity and purchasing power of the farmer." The Royal Commission on Agriculture also drew attention to the importance of this problem, though they were somewhat sceptical about the ability of such industries to withstand the competition of organised large-scale industries. But the stimulus recently given to village industries by the Village Industries Association started by Mahatma Gandhi has revealed the possibility of reviving some of the rural industries. The reports of the Provincial Banking Enquiry Committees contain much valuable information on the several types of village industries which are capable of being preserved from extinction and development. The Provincial Co-operative Institutes may usefully collect the necessary data on this subject and submit their proposals to the Provincial Governments for necessary action.

The State aid to Industries Acts which were passed in some provinces did little to develop cottage industries and are patently defective. They must be radically amended to enable Provincial Governments to actively promote schemes for the development of village industries. The Economic Councils set up by the expiring Ministries in a hurry to prepare for the elections under the new constitution are not of much use. They have to be dissolved. The new Provincial Governments have to draw up a genuine and active five year plan for the improvement of agriculture and cottage industries and give in that plan an important place for Co-operation as an aid to better farming and to industrial organisation.

THE INDIAN STATES.

Whether the political Federation of India becomes an accomplished fact or not we co-operators have already got our own Federation, National as well as International. The Institutes and the Provincial Banks of some of our Indian States are the most valued members of our two Associations and our Institutes' Association is a member of the International Co-operative Alliance with a member on the Central Committee of the Alliance. All the measures of reform that I have suggested for the consideration of the Provincial Governments in British India are in my opinion equally called for in the Indian States. It is gratifying to note that some of the Indian States have already taken the field and initiated measures for the relief of agriculturists and redemption of indebtedness. In this endeavour to remove the phenomenal poverty and chronic indebtedness of the masses and to organise them as producers and consumers for better farming, better business and better living, co-operators in British India and the Indian States must collaborate and march together as pilgrims in search of the same promised land. In regard to the States our appeals must necessarily go forth to the Rulers and their Dewans, until the people of the States get responsible Government under constitutional rulers.

JOINT EFFORT OF THE PEOPLE AND THE GOVERNMENT.

I have perhaps taken you far away from the consideration of topics which are of immediate concern for us in our daily activities. But I was unable to resist the temptation of placing the co-operators' legislative programme before the new Ministries which are in the process of formation, for I could find no more suitable occasion for it. The Provincial Governments have so far looked upon co-operation and allied movements as merely objects of administrative adornments and formal adjuncts of the paraphernalia of modern Governments. But my plea is that it will not do and that the new Provincial Governments must have a living faith in the potentialities of co-operation and allied movements as instruments at their disposal for the economic rehabilitation of their subjects. The economic reorganisation of the masses which involves the promotion of Swadeshi, the development of village industries and agriculture and the creation of rural leadership without which no fruitful programme of rural re-construction can be accomplished will only be possible when there is a genuine sense of identity of political and economic interests between the people and the Government. The goal of a politically and economically free India can only be reached when conditions are forthcoming for genuine co-operation between the Government and the people.

Resolutions Passed.

1. *Condolence.* This joint meeting of the Standing Committees of the All-India Co-operative Institutes Association and the Indian Provincial Co-operative Banks Association expresses its deep sorrow at the death of Sir Lallubai Samaldas, the first President of the two Associations, and Sir Frederick Nicholson, Diwan Bahadur R. Ramachandra Rao, Sir Mocherla Ramachandra Rao and Sir Rajendra Mukerjee and places on record its sense of high appreciation of the eminent services rendered by them to the Co-operative Movement.

Put from the Chair.

2. *Reserve Bank.* (a) This meeting of the Standing Committee places on record its feelings of disappointment with the preliminary report issued by the Reserve Bank of India under Sec. 55 of the Act.

(b) This meeting is of opinion that the intention of the Act in creating the Agricultural Credit Department has not been kept in view by the Bank and urges on the Bank to so work Sec. 54, clause b, of the Act as to help Provincial Co-operative Banks with short term financial accommodation so long as the security offered for the loans is sound and no risk is involved in them, specially for the purpose of developing Sale and Supply Societies (Marketing Societies) on the security of promissory notes executed by the Provincial Banks supported by pledge of goods or documents of title to goods.

(c) This meeting resolves to request the Central Board of the Reserve Bank of India to invest in, or lend on, the security of debentures issued by Provincial Co-operative Banks and Land Mortgage Banks where the principal and interest thereof have been guaranteed by the Central or the Provincial Governments.

Proposed by *Rao Bahadur M. G. Deshpande.*

Seconded by *Mr. S. K. Chatterjee.*

3. *Recommendations of the Royal Commission on Agriculture.* This meeting invites the attention of the Provincial Governments to the following recommendations of the Royal Commission on Agriculture and requests them to give effect to them.

i. Larger contributions for expenses of the movement in backward tracts.

ii. Liberal assistance in the early stages to the more specialised forms of activity, such as consolidation of holdings, adult education, irrigation, etc.

iii. The desirability of appointing a special officer of the grade of Deputy Director of Agriculture to work under the Registrar.

iv. (a) Official and honorary workers should be encouraged to study co-operative developments in other provinces and given every facility in the matter of allowance, etc.

(b) Honorary workers willing to take advantage of the offer of training in technique and field work which are provided by the Horace Plunkett Foundation in London and the Irish Agricultural Organisation in Dublin respectively should be encouraged to do so by a grant from the Government towards the expenses incurred in a visit to Great Britain and Ireland.

v. Persons shall not be appointed Registrars unless they have had previous training in co-operation. There should be an officer under training in all Provinces to succeed the Registrar.

vi. Deputation to study the Co-operative Movement in Europe is desirable for the Registrars.

vii. No usufructuary mortgage of agricultural land should be permitted unless provision is made for automatic redemption within a fixed period of years, of which twenty should be the maximum.

viii. Where existing systems of tenure or tenancy laws operate in such a way as to deter landlords from investing capital in the improvement of their lands, the subject should receive careful consideration with a view to the enactment of such amendments as may be calculated to remove the difficulties.

ix. The case for a simple Rural Insolvency Act should be carefully considered in all Provinces.

Proposed by *Khan Mohd. Bashir Ahmad Khan.*
Seconded by *Mr. V. M. Thakore.*

4. *Legislation to improve economic condition of farmers.* This joint meeting of the Standing Committees is of opinion that unless Provincial Governments take adequate measures to increase the earning capacity and purchasing power of the agriculturist it will be impossible to improve his economic condition or relieve indebtedness and therefore urges on the Provincial Governments the necessity to adopt the following among other measures.

i. Radical change in the land revenue system in the ryotwari areas so as to reduce the burden of the land tax on small holders of land whose annual income from land is less than Rs. 2,000 by at least 25 per cent. and the imposition of a basic low flat rate on all land and of a graduated tax on agricultural income of over Rs. 2,000 per annum.

ii. Revision of the Tenancy Acts so as to reduce the high rent paid by tenants to a fair and equitable level and to secure to them freedom from eviction by conferring permanent and heritable rights of occupancy in the holdings.

iii. Establishment, by suitable legislation, of efficient self-governing local bodies (Panchayats) in the villages and to setting apart adequate financial resources from the land revenue collection to enable them to administer the affairs of their villages.

iv. Enactment of necessary legislations to efficiently control unlicensed money-lenders, and to protect the agriculturists from the evils of usury.

v. Promotion of schemes for consolidation of agricultural holdings.

Proposed by *Khan Ghulam Hassan Khan.*
Seconded by *Diwan Bahadur S. Aravamudu Iyengar.*

5. *Rural Development.* This meeting requests each Provincial Government and the Government of Indian States to formulate and execute a five-year plan of Rural development with special emphasis on the improvement of agriculture and promotion of cottage industries.

Proposed by *Rao Bahadur M. G. Deshpande.*
Seconded by *Diwan Bahadur S. Aravamudu Iyengar.*

6. *Cottage Industries.* This meeting reiterates resolution No. 5 passed at Fyzabad in regard to encouragement of cottage industries through co-operation and urges on the provincial co-operative organisations to draw the attention of the Provincial Governments and the Governments of Indian States and the Registrars to this resolution and to take necessary steps for suitable action being taken on it.

Proposed by *Mr. Shamsur Rahman.*
Seconded by *Mr. Mohammad Kasim.*

7. *Swadeshi.* This meeting exhorts co-operators to use only *swadeshi* articles in order to encourage cottage industries and to give preference as far as possible to such articles manufactured by co-operative industrial organisations.

Put from the Chair.

8. *Seed Societies.* The meeting recommends to the Provincial Co-operative Institutes to take adequate steps to help the Agricultural Departments in regard to the popularisation and distribution of improved seeds, manures and implements.

Proposed by *Mr. W. G. Urdhwarishe.*
Seconded by *Khan Mohd. Bashir Ahmad Khan.*

9. *Sugarcane Societies.* This meeting recommends that the Provincial Co-operative organisations should take steps to organise sugarcane growers' societies in localities where sugarcane is cultivated in order to improve the production of cane and to safeguard the interests of the growers.

Proposed by *Mr. Dip Narayan Sinha.*
Seconded by *Mr. S. K. Chatterjee.*

10. *Better Living Societies.* This meeting exhorts the Provincial Co-operative organisations to take steps to organise Better Living Societies in their provinces on the model of the Punjab Societies.

Proposed by *Khan Ghulam Hassan Khan.*
Seconded by *Mr. W. G. Urdhwarishe.*

11. *Co-operative Education.* This meeting regrets that in some provinces the Co-operative Institutes were not consulted in regard to the schemes of co-operative education formulated by the Provincial Governments in connection with the grant made by the Government of India for the promotion of co-operative education and that the work of such education has not been entrusted to the Provincial Co-operative organisations and once more urges on the Provincial Governments the necessity to entrust co-operative education to the Provincial Co-operative Institutes.

Proposed by *Mr. S. K. Lahiri.*
Seconded by *Rai Bahadur Durga Prasad.*

12. *Deofficialisation.* This meeting of the Standing Committees of the Institutes and Banks, reiterating its previous resolutions on the subjects, protests against the policy of officialising the Movement and vesting in the Registrars powers which destroy the popular and democratic character of the Movement and discourage nonofficial initiative and enterprise.

The meeting condemns in particular the provisions embodied in some of the Provincial Co-operative Societies, Acts empowering the Registrar:

(i) to interfere with the normal internal administration of Societies;

(ii) to supersede the committees of the co-operative Banks without the concurrence of the financing banks.

(iii) to remove officers and members from societies at his discretion;

(iv) to frame or modify the bye-laws of societies without the concurrence of the general bodies; and

(v) to surcharge members and past members of committees and officers and past officers of societies for acts done in their official capacity.

This meeting urges on the Provincial Governments and Governments of Indian States to deofficialise the Movement and to suitably amend the present acts so as to restore to the Movement its co-operative character.

Proposed by *Malik Noor Muhammad Khan.*
Seconded by *Dr. P. Gurumurthy.*

13. *Surplus in Central Banks.* This meeting is of opinion that the surplus funds of Central Banks may be usefully utilised for the following among other purposes.

(a) Issue of loans on the security of agricultural produce, proper precautions being taken about the custody of the produce pledged to the Bank.

(b) Provincial and Central Banks may take power to lend their constituents (members as well as non-members) on the security of the fixed deposits of such constituents in places where such loans are not now given and also to lend against Government Promissory notes, shares of the Reserve Bank of India and the Imperial Bank of India and such other Trustee securities as may be approved by the Registrar.

(c) Financing special type (crop loan societies) societies with limited liability, to be established where local conditions permit, for the special purpose of advancing loans to their members for raising crops.

Proposed by *Mr. S. K. Chatterjee.*
Seconded by *Rao Bahadur M. G. Deshpande.*

14. *Long-Term Loan.* (1) In modification of the resolution passed by the Committees at the Fyzabad meeting, in regard to grant of long-term loans by Central Banks and Rural Credit Societies, this meeting resolves that for the special purpose of giving extensions, for sufficiently long periods to members for repayment of arrears the Central Banks and societies may raise requisite funds by receiving long-term deposits or issue of debentures.

(2) If a separate organisation exists for the collection of arrears such organisation may raise the long-term funds for the purpose, instead of Central Banks and Societies.

(3) This committee is further of opinion that it is inadvisable for Central Banks and Rural Credit Societies to advance fresh long-term loans.

Proposed by *Rai Ratan A. G. Sherlekar.*
Seconded by *Mr. S. K. Chatterjee.*

15. *Reference to Associations.* Resolved to request the Central and Local Governments and Governments of Indian States to send for expression of opinion to the All-India Co-operative Institutes Association and the Indian Provincial Co-operative Banks Association all such measures before their Legislatures as are calculated to affect the interests of the agriculturists in general and co-operative societies in particular.

Proposed by *Mr. K. S. Shamsur Rahman.*
Seconded by *Dr. P. Gurumurthy.*

16. *Next Conference.* Resolved that the next sesssion of the All-India Co-operative Conference of the Institutes and the Provincial Banks be held at Bangalore on the 3rd and 4th July, 1937 and the next meeting of the Standing Committees be held there on the 2nd July 1937.

Proposed by *Khan Mohd. Bashir Ahmad Khan.*
Seconded by *Mr. V. M. Thakore.*

EXTRACTS

'THE SINGLE BRICK IN THE BOTTOM LAYER'

Why, it may be asked, if the condition is so grave, has there been so much complacency and a tangible measure of enthusiasm for the movement? The reason is two-fold. Firstly, there is at any point of time a small number of enterprises, connected with co-operation in a stage of efflorescence, brief no noubt at the same time noticeable. It is from this offlorescene that gratification springs and keeps on springing as the efflorescence passes from one lot of enterprises to another year by year. This obscures the fact that decay is the common and death the frequent end of most co-operative enterprises. The second reason of the misconception is the habit of measuring the progress of movement from the progress of banks. To the ordinary worker success in the co-operative movement is synonymous with the success of the central bank from collections. No doubt good collections are an index of the prosperity of the bank but they have no casual connection with the prosperity of societies. Actually, in all new societies collections are good but according to the alternative theory of the movement, good collections should be characteristic of well established societies. When collections get casually connected, that is, when the older societies have better collections than the newer ones, then only, can the financial success of a bank be regarded in the light of a triumph of co-operation. Otherwise it represents only successful banking of the same impoverishing kind as of the village money lender. This distinction in the success of banks, if made, would give no ground for the optimism which prevails. It must also be remembered that a central bank which lends money at a rate of interest 4 to 7 per cent higher than what it pays must make a profit unless the investment is very bad. To consider the bank's prosperity before the prosperity of the societies is to mistake the aim of the movement which is not so much to provide investment as to provid cheap credit to indebted agriculturists. This overshadowing of society by the bank forgets the earliest co-operative teaching that "It is the local society—the single brick in the bottom layer upon which the intended fabric is to rest—which makes for the safety of the organisation" (Wolff.) The movement stands or falls by the local society to which therefore our diagnosis first and remedies afterwards should be applied.

By J. M. Lobo Prabhu in *The U. P. Co-operative Journal, Jan. 1937.*

HOW TO KILL A CO-OPERATIVE ASSOCIATION.

1. Don't come to meetings. If you do come, come late.
2. If the weather doesn't suit you don't think of coming.
3. If you do attend a meeting, find fault with the work of officers and other members.
4. Never accept office as it is easier to criticise than to do things. Nevertheless, get sore if you are not appointed to a committee, but if you are do not attend the committee meetings.
5. If asked by the chairman to give your opinion on some important matter, tell him you have nothing to say.

6. Do nothing more than is absolutely necessary but when members roll up their sleeves and willingly and unselfishly use their ability to help matters along, howl that the association is being run by a clique.

—*The Co-operative Consumer*, Sept. 1936.

TRADE UNIONS AND CO-OPERATIVE MOVEMENT IN THE U. S. A.—A LESSON TO INDIA

One of the severest handicaps under which the Indian worker is labouring is the crushing burden of indebtedness. Various remedies have been suggested for affording him relief, of which the most important has been the supply of co-operative credit. It is true that co-operation is steadily forging ahead in India, but the principles of co-operative credit have made little progress among the masses of the industrial workers in this country. Much could be achieved in the direction of relieving the workers from the clutches of the money-lending Bania or Pathan if the trade union movement of the country were to take a live interest in the economic welfare of the workers in addition to watching the interests of Labour as a class. The necessity for the development of trade union activities in this direction has been stressed by the Whitley Commission in the following remarks:

"Most unions are at present hampered by having too limited a scope and too few activities. There is a disposition to regard a union as a mere agency for securing benefits from employers, and to overlook the valuable work that can be done in the way of mutual help. A widening of the sphere of activity is most desirable both because much is left undone that trade unions can do and because it will strengthen the movement to find, and even to create activities in which the members can participate. The selection of fresh activities must depend on local circumstances and will vary from province to province and from industry to industry . . . An extension of the co-operative movement by the agency of trade unions seems to offer a genuine opportunity in some centres. The provision of co-operative credit and the maintenance of co-operative stores, if properly managed, would advance the economic position of the members."

The trade union movements in other countries, notably in the U. S. A. have already recognised the importance of the co-operative movement in their efforts to improve the condition of workers and, indirectly, to consolidate their position on a firmer basis, is proved by the notes published from time to time by the International Labour Office in its Journal "Co-operative Information", which is devoted to the review of the progress of the co-operative movement all over the world. A recent note appearing in the "Co-operative Information" reproduces the following message sent by Mr. William Green, President of the American Federation of Labour, to the American Congress of the Co-operative League, held in October last at Columbus, Ohio:

"There is real danger in the United States, where powerful interests are constantly seeking to keep wages at the lowest possible level, that co-operative movement may become merely the means of helping low-paid workers to exist on a mere pittance. Wage standards must be buttressed by strong trade organisations if co-operators are to have income to spend in their stores.

Our Convention of 1917 made a basic point when it stated that the trade union and the co-operative movement are "twin remedies". They must go hand in hand.

Living standards must be raised both by wage increases and by the savings of consumers' co-operation.

The co-operative movement can do much to build up its alliance with labour by insisting that the goods sold in co-operatives are manufactured under fair labour standards, by demanding the union label and by encouraging employees of co-operatives to organise in unions.

The American Federation of Labour is ready to work with any constructive movement for consumers' co-operation. We realise what co-operation can mean to wage-earners and are anxious to see a strong and lasting movement built up in this country."

Another instance of the recognition by the trade union movement of the importance to the worker of the co-operative movement, also reported in "Co-operative Information", is provided by the prominence given to the latter movement in the agenda of the 56th Annual Convention of the American Federation of Labour which was held recently in Florida. The Executive Committee of the Federation presented to the Convention a report on Consumers' Co-operative Societies in which, after giving some data on the importance of the consumers' co-operative movement in the United States, states:

"Labour welcomes the growth of this movement. We are well aware of the benefit it can bring to workers, not only by returning to them profits of the middleman and preventing many of the wastes in our system of distribution which add to the price paid by the worker, but also because consumer control of distribution will mean a guarantee of quality in the goods sold. In looking to the future growth of the movement, we feel that closer co-operation between organized labour and the consumers' co-operative movement is essential."

The two foundation stones of the co-operative movement, the report points out, are sound business management and education of the members. As regards the extent of the benefits accruing to the members, the report states:

"In addition to retail stores, the credit union is a form of co-operative which has brought immense benefits to its members. There are to-day about 5,200 credit unions in the United States with 1,000,000 members and $100,000,000 in savings. These credit unions perform a twofold function by furnishing (1) a safe investment for shareholders, and (2) a means of borrowing money at an interest rate lower than through other mediums for this type of loan.

The labour movement should work in close alliance with the movement for the consumers' co-operatives and credit unions, so that co-operation may be fortified by strong labour organization and union members may be assured honest value when they spend their wages and may increase their purchasing power by eliminating waste and middlemen's profits. It is significant that today 58 per cent out of every dollar spent by the worker for food goes to middlemen and processors. A large portion of this 58 per cent. can be returned to workers through consumers' co-operation."

The International Labour Office, it will be remembered, is keenly interested in co-operation and maintains a Service, the function of which is to keep in touch with the latest developments in the co-operative movement throughout the world.

—*International Labour Office, Geneva (Indian Branch), Delhi.*

CO-OPERATIVE EDUCATION.

The Co-operative Movement is not merely storekeeping with the dividend as the bait to the consumer; it is also, as I have been arguing, a philosophy of life with obligations that arise from its acceptance. I want to say something, however inadequate, upon the educational aspect of that obligation. You will forgive one who is inescapably wedded to his vocation as a teacher if he emphasises that aspect of your work which is nearest to his own.

I begin by the recognition of how much you have accomplished. The work of the Co-operative Union and the Women's Guilds needs no eulogy from me; it has become an integral part of your life as a movement. I recognize gladly, too, the aid many societies in your movement have given to bodies like the National Council of Labor Colleges, and the Workers' Educational Association. The more ample the scale on which such aid is afforded, the more profound will be the appreciation of the co-operative spirit.

Co-operative literature lacks challenge. But is it not true to say that, taken as a whole, there has been a certain want of imagination in your effort at education and propaganda? Is it not a by-product of the Movement, a side-road, rather than the central highway? Are there classics of co-operative literature in the same way that there are classics of socialist literature to which we all turn for inspiration and instruction? Does the standard of your periodicals compare favourably with the best that capitalism produces? Is the level of instruction at the Co-operative College, the quality of its research, even approximate to that of the universities? Has there not been a tendency to satisfaction with the mere creation of organs of opinion and education instead of an eager devotion to the continuous improvement of the levels at which they work?

I speak as a careful student of your effort in these fields. Frankly, it is not adequate to the opportunities at your disposal. Co-operative literature, whether it is the book or the pamphlet or the journal, may stabilise the convictions of the converted; it does not make that universal appeal which is essential. It is, if I may venture the remark, invariably parochial in tone. **It lacks the note of fundamental challenge. It does not persuade the unknown that they may throw off their chains, that there is a world to win.** Often, no doubt, it is technically competent, careful, accurate, knowledgeable. But it lacks that power to strike, as a great American put it, at the jugular, which compels the attention of the Philistine.

This defect is the more arresting in an epoch where the nation awaits a lead. How much close thinking are you doing, in this field, to provide the lead that is required? You have an opportunity such as has hardly come to you in the whole of you history. Traditional values are in the melting-pot; habitual principles are at a discount. A great periodical, an important economic treatise, a pamphlet as vital as, say, were Blatchford's "Merrie England" or the "Fabian Essays," forty and fifty years ago, would have a new and eager audience all over the world. What are you doing to produce these things? Can you remain content, in an epoch so critical as ours, to stand by the ancient ways? Have you not the duty to restate, with all the power you can command, both the first principles of your Movement, and their practical application in diverse realms of immediate significance? A movement whose first principles are as seminal as yours ought to have created a great literature to express them. That literature is wanting. When are you going to make the organized and organic effort to produce it?

So, also, with the educational field. It is not enough to give spasmodic and sporadic aid. The claims of education are like the claims of love; you have to respond afresh to them every day. If it is the Co-operative College, I want to see it so staffed and so supported, that its teachers and its research are as pivotal in the discussion of social problems as Keynes and Pigou in this generation at Cambridge, as Marshall and Sidgwick in the last. I want the students of your college to be making contributions to co-operative philosophy and technique which are in the central stream of social thought, so that the student of these things turns to them as naturally as to the work of Mr. and Mrs. Webb, of Professor Tawney, or Mr. Cole. I do not think the authorities of your Movement have even begun to think in these terms. And I do not believe that Co-operation, as an ideal, will take the place to which it is entitled in the national economy until they do.

Co-operative Education Insufficiently Financed.—It is the same with educational classes. Broadly speaking, this aspect of the Movement has been peripheral, and not central, to its energies. Its leaders have not awakened to the perception that the larger investment they make in an informed membership, the greater is the strength of the Movement, it would have paid them over and over again to finance the Labour Colleges and the W.E.A. on such a scale that neither had to go cap in hand to other bodies picking up a few odd guineas where they could. The real tragedy of the working class is the tragedy that they are not conscious of their power. The highroad to that consciousness, as any citizen of Soviet Russia would tell them, lies in the possession of the keys of knowledge. And those keys can be bought and sold for the simple reason that **the goodness or badness of an educational system is almost wholly dependent on the amount of money spent upon it.** In Great Britain, Capitalism does its best to economise upon expenditure which might awaken the working class to a true realization of its position and its possibilities. You cannot blame it for this, since it is an obvious insurance against the risk of being found out. But the power of a great movement such as yours to repair, at least in part, some of the deficiences which Capitalism perpetuates from generation to generation is enormous; and I do not think it can be said truthfully that your Movement has risen to its opportunities.

Every Retail Co-operative should sell literature.—I take one small example. With your millions of members, why are the co-operative stores not, in their formidable volume, the greatest agency in this country for the sale of books? They are not less important than soap or chocolate or tobacco; yet we can count almost on the fingers of both hands the stores in which the sale of books is a normal feature of daily business. "Give me the making of a nation's ballads," said Fletcher of Saltoun, "and I care not who makes their laws." Give me the chance to sell the literature which, from Owen and Saint Simon, through Marx and William Morris, to Shaw and Wells and Webbs, has exposed the hollow sham of capitalist pretensions, and I think I can safely predict that within a decade the consequences would be profound. ***Your roundsmen ought to be selling books and pamphlets to his customers as naturally as he sells bread and milk.*** It is the sign of a defective imagination that the Movement has not availed itself of this opportunity.

Do not, I beg of you, think me unfriendly or critical to excess in what I have ventured to say. You are entitled to candour; you did not invite me here merely that I should repeat the stereotyped eulogies it would be so easy to make. I say what I have said on this theme because in attention to its implications there lies a good deal of the future of the Co-operative Movement. All efforts such as yours go through times when they need to be taken up on to an eminence and compelled to mediate not upon the daily urgencies, but upon the long-term possibilities which give reality its hope and its promise. And the proper time for such reflection is a period of grave social crisis like our own. Such periods always bring first principles into the foreground; and it is only by reflection upon their meaning that we can go forward.

You must often have been troubled, as I have been troubled, by the vast number of those in the army of co-operators to whom the Movement is little more than a system of shops which pay a dividend on purchases. They are the men and women with whom you have failed. And you have failed with them because neither your educational nor your literary effort made them aware of links between you and them far more substantial than the cash-nexus which is your present bond. It is for their conquest that you, as I, are concerned. Your power to bind them to you with a moral loyalty that is unbreakable is what Edmund Burke called the "commodity of choice" of which you have the monopoly. Fail here, and your Movement will pass into that phase of stagnation which attends all great movements which do not make an imaginative use of their opportunities. Your chance of creative adventure is supreme. Have the energy and the courage to seize it in the spirit of your pioneers.

For, by doing so, you will do something more than extend the boundaries of Co-operation. You will make its spirit a dominating part of our ethos as a nation. You will infuse every aspect of the Labour Movement with the quality of your determination. You will give it a new strength and a new purposive energy. The foes it confronts to-day are powerful enough to require from you the whole authority of your ideal if they are to be defeated. You cannot rest on your past achievement. You are the trustees of your pioneers' dream. You have to pass on undimmend the torch of its conscious life.

By Harold Laski in *Consumers' Co-operation*, Jan. 1937.

CIRCULATING LIBRARIES FOR CO-OPERATIVE SOCIETIES.

Notwithstanding the rapid growth of the "two-penny" libraries, it is still true to say that a circulating library can be a very valuable adjunct to any suitable business, and Co-operative Societies should give careful consideration to the latest facilities for such a service provided by the C.W.S. through its Stationery Department. The department is now in a position to supply any Society with one or more fully representative libraries in quantities ranging from 500 to 2,000 books, the stock being maintained in a thoroughly up-to-date condition by means of a system of monthly exchange parcels. A complete scheme, designed to give as little trouble as possible to the retail Societies, has been drawn up, and those who desire fuller details than it is possible to give here are advised to get in touch with the C.W.S Stationary Department in their particular district.

Broadly speaking, the library is placed in two categories: Class A, representing new books and all books not older than nine months from publication date and Class B, which includes all other books. Borrowing terms to the public are Class A, 3d. for seven days; Class B, 2d. for seven days. These charges are applicable to all books, new and old, the publication price of which does not exceed 8s. 6d. net. For dearer books a slightly increased charge is made.

The libraries are delivered free to Societies, except for carriage on the first consignment, and the extent of the monthly exchange parcels is governed by the net turn-over. The latter is recorded on statement forms provided for the purpose, and a commission on the gross turnover is allowed at monthly intervals. The question of losses has, of course, not been overlooked, and a very equitable arrangement in this connection has been formulated.

There does not seem any reason why such a simple, but none-the less ambitious scheme should not be taken up extensively by the movement. It will be interesting to see how far Societies are prepared to demonstrate their approval of the initiative of the Wholesale.

—*The Producer.*

CO-OPERATIVE TRADE EXPANSION IN 1936
PLANS EXCEEDED AND RECORDS BROKEN

The first returns to be published by Co-operative Wholesale Societies concerning their trading results for the past twelve months indicate that 1936 was a year of generally satisfactory progress, marked by the attainment of new high records in money and goods turnover.

Great Britain.—At the quarterly meetings of the English C.W.S., held on the 16th January, it was announced that the Society's turnover for the business year ending on the 9th January amounted to £107.6 million. This total is greater by £9.3 million, or 9.6 per cent., than the sales for 1935, over £2 million more than the inflated money turnover of 1920, and is the largest ever recorded in the Society's history. The expansion during the past twelve months was principally due to the increasing quantities of goods handled. The price increase in the grocery section, which accounted for approximately 60 per cent. of the turnover, was only 4.6 per cent., while in the drapery section there was no important change in the price level.

United States.—The Central Co-operative Wholesale Society, Superior Wisconsin, reports a record turnover of $2.83 million. This was over 29 per cent. greater than in 1935, and considerably exceeded the quota of $2.75 million which the Society planned to reach. During the autumn the Society opened its first branch warehouse, which has made a good beginning, and its latest enterprise, a fire insurance organisation known as the Mutual Insurance Association, has just received its licence from the State of Wisconsin and will shortly begin business.

—*I. C. A. Co-operative News*, 26th Jan. 1937.

CONSUMERS' CO-OPERATION IN FINLAND—ADVANCE IN 1936

Remarkable results in respect of turnover expansion, increases in membership and general business development are reported by the Finnish Consumers' Co-operative Organisations, whose progress has been assisted during 1936 by the rapid decline in unemployment and rise in the general level of wages.

For the Societies affiliated to the Central Union (K. K.), the total sales, as well as the establishment of new shops, set new records. Aggregate retail turnover of the affiliated Societies amounted to Fmk. 1,502.6 million, an increase of nearly Fmk. 160 million, or 11.9 per cent. over the preceding year, and the largest increase recorded since the beginning of the economic depression. The number of new members who joined the affiliated Societies was 18,562, and the net increase for the year was 8,008, as compared with 6,719 in 1935. These largely joined the Movement of their own initiative as special propaganda weeks were not arranged during the year. The total membership is now approaching 300,000. Simultaneously the distributive and productive equipment of the Movement was enlarged by the addition of 127 new shops, to make a total of 1,986; 12 cafes and restaurants to bring the total to 134; and 5 local productive enterprises, which now number altogether 161.

The improvement in the members' economic position in 1936 is also reflected in the growth of savings' deposits, which increased to Fmk. 118.5 million, as compared with Fmk. 103.9 million in 1935. Including interest, the total amount standing to the credit of depositors at the end of the year amounted to almost Fmk. 292 million.

The Wholesale Society, Otk also reports the largest money turnover in its history. Total sales for 1936 amounted to almost Fmk. 872 million, which surpasses the previous record, made in 1928, by Fmk. 58·4 million. As compared with 1935, last year's result represents an increase of Fmk. 95.2 million and, in comparison with the low level reached in 1931, a recovery in five years of over FMK. 300 million. The productive establishments of OTK had a total output valued at Fmk. 155.1 million, an increase of no less than 49.3 per cent. over 1935.

The "Kansa" Life and Fire Insurance Societies are also developing rapidly. The total sums insured in the branches now exceed Fmk. 1,000 million and Fmk. 2,000 million, respectively. The strong financial position of the Societies and Central Organisations affiliated to the K. K. Union is shown by the fact that they possess altogether Fmk. 400 million of own capital.

The Wholesale Society, S. O. K., whose turnover was confidently expected to exceed Fmk. 1,200 million, reports a total for 1936 of Fmk. 1,211.8 million. This represents an increase of Fmk. 110 million over the 1935 turnover of Fmk. 1,101 million, which was the previous record. The 1936 turnover exceeds that of 1929, the best before the depression, by Fmk. 157 million. The total value of S. O. K.'s own productive output was almost Fmk. 260 million last year, an increase of over Fmk. 47 million as compared with 1935.

—*I. C. A. Co-operative News*, 15th Feb. 1937.

A BROAD SURVEY OF THE CO-OPERATIVE MOVEMENT IN THE WORLD

The International Labour Office has just published a new edition of the "Year Book" which gives an annual survey of the principal social and economic problems and the progress of industrial and labour legislation.

As in previous editions a chapter is devoted to the development of the economic co-operative movement in its various forms, in different countries. We produce the chapter below:

"A large variety of forces are at work to react against economic dis-equilibrium and alleviate the consequent evils, and to prepare the way for a more ordered development of production and exchange. Some of these forces take the form of measures for supervision, regulation, restriction, and relief by means of agreements and treaties. The fact that they are put into operation by Parliaments, Governments, and large conferences keeps them before the public eye. But in the substructure of economic and social organisation, in the complex network of associations and groups in contact with the manifold problems arising out of daily life, other less obvious forces are at work. It is impossible to measure exactly their contribution to the general effort to adjust, readjust and reconstruct. Indirectly, some idea of their importance may be obtained by counting the bodies or institutions through which they act, and the number of households whose lives are affected by this activity in the different countries.

"As regards co-operative organisations, the 'Attempt to Compile International Statistics of Co-operative Societies,' published in the *International Labour Review* in June 1934, had sought to give as exhaustive an enumeration as possible. For the preparation of a new edition of the *International Directory of Co-operative Organisations* a more recent but partial enumeration has just been made, which relates to the most important and fully developed part of the co-operative movement, namely, the federated organisations and primary societies affiliated to them.

"It was found that in 57 countries the number of all kinds of co-operative societies in 1934 was 681,767, their total membership being 147,533,194. The total trade of these societies in goods alone (sales to members and marketing of members' products) amounted in the same year to 92,940,245,000 Swiss francs.* If a distinction is made between European and extra-European countries in order to allow for the different conditions of development, and if among the European countries the U.S.S.R. is taken separately, the above figures are found to be made up as follows:—

	European countries except U.S.S.R.	U.S.S.R.	Other countries	Total
Number of federated societies	227,791	345,515	108,461	681,767
Membership of federated societies	41,079,270	93,566,081	12,887,843	147,533,194
Total trade of federated societies (in million Swiss frs.)	13,584,535	76,107,870	3,247,840	92,940,245

(1) The conversion into Swiss francs is on the basis of the co-efficients for rough conversion of currencies according to the average exchange rates for the year 1934 published in the *Statistical Year-Book of the League of Nations*, 1934-35.

"As regards the central organisations, their commercial and financial activities were on a scale the importance of which appears from the figures given below (all of which leave out the data for the U.S.S.R|):

"The total trade of the wholesale societies and federal unions of the *distributive co-operative societies* amounted to 3,819,710,000 Swiss francs, of which 3,504,337,000 Swiss francs related to European countries. As regards the wholesale societies of European countries, the value of their production in their own industrial undertakings, including those of federated societies for special purposes, was 868,124,000 Swiss francs. The balance sheets of the co-operative banks run solely or mainly by distributive co-operative societies in European countries totalled 1,550,665,000 Swiss francs.

"The total commercial transactions (marketing and supply) of the general and special central organisations of *agricultural co-operative societies* amounted to 5,096,441,000 Swiss francs: 2,873,385,000 Swiss francs for European countries, and 2,226,056,000 Swiss francs for extra-European countries.

"The known value of the products marketed by the central federations of agricultural co-operative societies in all the countries considered was 2,886,093,000 Swiss francs. Here the extra-European countries had the largest share with 1,792,993,000 Swiss francs. The known value of the articles and foodstuffs needed for farming, and, in some cases, for domestic purposes, distributed by these central federations to their members was 1,606,765,000 Swiss francs (1,332,711,000 Swiss francs for European countries).

"The commercial activity of the central unions of *occupational co-operative societies* other than agricultural societies (workers' productive societies, handicraftsmen's societies, small traders' societies, fishermen's societies, etc.) is shown by their total trade figure of 548,524,000 Swiss francs (including 544,691,000 francs for supplies of raw materials, tools, etc.) realised almost exclusively by European organisations.

"The balance sheets of the central unions of *rural credit societies* totalled 3,963,784,000 Swiss francs, and their turn over 47,074,041,000 Swiss francs. The European rural credit societies, being much older and more numerous than those of other continents, are responsible for 3,495,428,000 francs and 47,003,481,000 francs respectively of the above two figures.

"As regards the central unions of *urban credit societies,* the balance sheets of the European organisations alone totalled 511,593,008 Swiss francs, and their turnover 24,730,150,000 Swiss francs.

"As regards the co-operative movement in U.S.S.R., the information given by the Statistical Department of the People's Commissariat for Agriculture shows that on 1st January 1934 there were 241,451 collective farms (kolkhozes) grouping 16,474,000 agricultural undertakings. The area at the disposal of these collective farms was 378 million hectares, including 142 million hectares of arable land.

"There was a noteworthy growth of other forms of co-operation during the same period. Thus, the number of occupational co-operative societies was 14,900, with 1,493,800 members and a total trade in 1934 of 18,360,000,000 Swiss francs. A special form of co-operation in the U.S.S.R. is that known as integral (multiple functions), which is to be found particularly among hunters in the northern regions. In 1934 the number of co-operatives of this kind was 1,291 with 238,600 members and a total trade of 485 million Swiss francs.

"The growth of the number of collective farms and their importance in the national economy of the U.S.S.R. led to the drawing up of a standard constitution to define the aims and tasks of the collective farms and the relations between the members and the association, to organise work within each collective farm, to establish the necessary bases for the calculation of wages, etc. By an Order of the Council of People's Commissaries of the U.S.S.R. and the Central Committee of the Communist Party, a standard constitution meeting these needs was promulgated on 17th February 1935.

"As regards the distributive co-operative movement in rural districts, a Decree of 29th September 1935 of the Council of People's Commissaries and the Central Committee of the Communist Party abolished the distributive co-operative societies in the towns, and transferred their stores to the Commissariat for Domestic Trade. The Central Union of Distributive Co-operative Societies, or "Centrosoyus," now devotes itself solely to the organisation and improvement of distributive co-operative societies in rural districts.

"In other countries, too, the period under review was one of considerable legislative activity. A brief summary is given below.

"In several colonial countries, existing and future co-operative societies were given full legal status. Thus, in French Equatorial Africa, French East Africa, the Mandated Territory of French Cameroons, and Morocco a whole series of Decrees introduced or reorganised mutual agricultural credit and entrusted additional functions to the Native welfare societies which brought them closer to co-operative sales and marketing societies. Similarly, in the New Hebrides an Order of 19 June 1935 laid the foundation for the organisation of agricultural credit, mutual aid, and co-operation. In Ceylon, Mauritius, and Nigeria co-operative legislation is being perfected. In Nauru Island itself, an atoll of only 20 square kilometres in one of the least frequented parts of the Pacific Ocean, an Ordinance concerning co-operative societies was issued on 2 February 1935, which in fact merely confirmed and regulated an existing state of affairs.

"In China a Decree of 1 July 1935 brought the Act on co-operation into effect. Elsewhere, legislation of more or less recent date was consolidated, completed, or adjusted to recent developments or new conditions. Thus, a Decree of 26 March 1935 modified the whole structure of the central co-operative organisations in Rumania, and other measures were an Act of 21 May 1935 on distributive co-operative societies in Germany, an Act of 8 February 1935 on popular credit in Mexico, Acts of 21 October 1935 on agricultural sales and credit societies and their federations in Turkey, a Proclamation of 1 November 1935 concerning agricultural credit in the Union of South Africa, and an Order of 23 November 1934 concerning protection for agricultural credit societies and their federations in Yugoslavia.

"Finally, as in preceding years, various Governments continued to call on the co-operative organisations to collaborate directly in tasks of general organisation in a variety of forms. This was the object, for instance, of the Estonian Act of 22 November 1935 setting up a Chamber of Co-operation and the French Decree of 22 March 1935 concerning the appointment of a Higher Council of Agricultural Co-operation."

—*Co-operative Information,* GENEVA.

CO-OPERATIVE NEWS AND NOTES

The All Travancore Co-operative Conference was held at Parur on the 8th to 10th February 1937 under the chairmanship of Dewan Bahadu K. Deivasikhamani Mudaliar, Retired Joint Registrar of Co-operative Societies, Madras. Extracts from the proceedings are published elsewhere in this issue.

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The Ninth All Coorg Co-operative Conference was held on the 28th February 1937 at Virajpet under the presidency of Dewan Bahadur K. R. Srinivasa Iyengar, President, Mysore Co-operative Land Mortgage Bank.

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The Second Rajputana, Central India and Gwalior Co-operative Conference was held at Ajmer on the 10th March, 1937 under the presidency of Dewan Bahadur Hiralal L Kaji, I.E.S., Vice-President, All-India Co-operative Institutes' Association.

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The sixteenth annual session of the Co-operative Central Banks in the province of Madras will be held at the premises of the Madras Provincial Co-operative Bank Ltd., Madras on the 17th April 1937.

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The new Orissa Provincial Co-operative Bank, which was registered recently, will it is understood, commence working from 1st April.

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The Central Provinces and Berar Provincial Co-operative Bank Ltd., Nagpur celebrated its Silver Jubilee on the 13th March 1937, and in commemoration thereof, the Bank has been issuing 10 year Silver Jubile Bonds of the aggregate value of Rs. 5 lakhs repayable in ten years from the date of issue. The bonds are issued in the form of fixed deposit receipts of Rs. 100 and multiples of that sum at Rs. 70.5 p.c. The bonds will be issued till the 15th of September, but if at any time before that date the limit of Rs. 5 lakhs is reached, the issue will be stopped.

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The Government of Mysore have, according to the recommendation of the Committee on Co-operation in Mysore, recently withdrawn the restriction imposed on Government officers and officials of obtaining the previous sanction of the Government for standing for election or re-election to committees of Central and Urban Co-operative Institutions.

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It is understood that the Orissa Government have undertaken a four year scheme for village welfare in the province. According to the scheme, they propose to open a model centre which will be easily accessible from Puri and Cuttack to the officers of the Agriculture, Public Health, Public Instruction and Co-operative Departments for introducing and carrying out a programme of village welfare and rural reconstruction work. The centre will comprise three to five villages conveniently situated; and a sum of Rs. 10,000 has been set apart for the scheme.

The first annual report of the Cochin Co-operative Land Mortgage Bank discloses that the membership of the Bank was 984 with a paid up capital of 67,070. The Bank sanctioned loans amounting to Rs. 1,27,585. Special loans due to Government amounting to Rs. 2,29,175 and carrying interest at 6 per cent were transferred to the Bank, on which the Bank need pay only 3 per cent. The Government also gave an overdraft accommodation to the Bank up to a limit of Rs. 3 lakhs at 3 per cent per annum. The Government nominated Rao Bahadur Sir C. V. Anantakrishna Iyer, Retired High Court Judge, Madras as the first President of the Bank, on whose resignation of such office, Mr. C. V. Antony has been nominated to the place.

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The January 1937 issue of *Sahakari Madhyabharata* publishes a scheme of *Arrears Bank* by Rai Ratan A. G. Sherlekar, Manager, Indore Premier Co-operative Bank. According to the scheme, the Arreas Bank would be the best solution of the problem of relieving co-operative central banks and primary societies of the responsibilities regarding recovery of frozen unremunerative credits, in these days of economic depression, without resorting to liquidation or sweeping process of uneconomic elimination. Such an organisation would free the central banks and societies to resume the business of short term advances for productive purposes to their deserving members and would also enable them to expand their business with new members. The societies can escape from the situation of selling assets at nominal values or taking over the lands in possession. It would also help the members to pay off their arrears in suitable instalments spread over a sufficiently long period. The scheme deserves consideration by all co-operative institutions and co-operators and the Governments.

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The Co-operative Department of the Punjab has been trying for some years past to organise the women of the province on a co-operative basis, and in January this year they started a class in Gurdaspur for members and office-bearers women's societies, to teach them principles of co-operation, household economy and other things. The class lasted for about 10 days and was attended by 72 students. The women staff of the Department handled the classes; and lectures were delivered by Mr. .F. L. Brayne, Rural Reconstruction Commissioner of the Punjab and Mrs. May, wife of the Sessions Judge, Gurdaspur. A proposal to start to women's co-operative industrial society was adopted, and 42 women enrolled themselves as members. The Society will undertake the work of sewing and knitting and produce goods of quality for the market.

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The Government of Madras have enhanced the limit of their guarantee of the principal and interest of the debentures issued by the Madras Co-operative Central Land Mortgage Bank Ltd. from Rs. 100 to 125 lakhs. The original limit was Rs. 50 laks in October 1934 and it was raised to Rs. 100 lakhs in November 1935.

SELECT CONTENTS OF CURRENT PERIODICALS

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ACKNOWLEDGMENTS

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