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The Madras Provincial Co-operative Marketing Society, Limited.

582, Pycrofts Road, Triplicane, Madras.

(Registered Under Madras Act VI of 1932.)

Head Office ... 582, Pycrofts Road, Triplicane, Madras.
Fruit Branch ... 38, Bunder Street, G.T., Madras.

President: SRI T. A. RAMALINGAM CHETTIAR, B.A., B.L., M.L.C.

The following are the main objects of the society :

(a) to arrange for the sale of produce of the affiliated societies and other members to the best advantage; (b) to act as agent of members for the disposal of their produce; (c) to co-ordinate the activities of the various non-credit societies by getting them into touch with the market, places of production and the prices prevailing in the Presidency; (d) to serve as an information bureau of raw products available in the Presidency or elsewhere.

Commodities now available in the Head Office : 582, Pycrofts Road, Triplicane.

Hand-pounded raw rice, milled raw rice from Maipad, Hand-pounded raw rice, milled raw rice and the extra fine raw rice from Ramachandrapuram, Boiled rice from Chingleput and Tanjore, Rasipuram ghee, Koilpatti Butter, Honey, Tooth powder, Seekai and graded eggs from Ongole eggs Marketing Society.

Commodities now available in the Fruit Depot : 38, Bunder Street, G.T., Madras.

Kodur Sathugudi Oranges and Limes.

The Madras Provincial Co-operative Marketing Society, Ltd., was started in 1936. The society tries its best to bring the producer and the consumer in close touch by supplying the quality goods of the producers at a reasonable rate. Nearly half a dozen employees' societies in Madras city and about four students' hostels are purchasing the goods stocked in the society. We appeal to other societies also to avail of this opportunity and extend the benefit to their members.

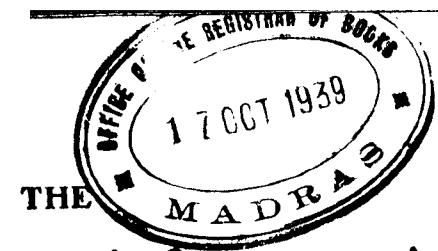
By eliminating the middlemen, the producers are benefitted considerably. Such of the loan and sale societies which have not become members are requested to admit themselves as members and derive the benefits by sending their goods for sale through the marketing society.

We also appeal to co-operative stores working in the province to purchase the articles available with the marketing society. The season for sathugudi oranges has commenced and the marketing society will be in a position to supply any quantity of fruits at reasonable rates.

Prompt attention will be paid.

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Editorial Notes.

War.

"Of all the forces making for world peace to-day, one may confidently say that co-operation is among the strongest." So declared Dr. C. R. Fay, Chairman of the Horace Plunkett Foundation, in his inaugural address at the second Imperial Conference of Agricultural Co-operation held at Glasgow in July last year. Few will question this statement, while regretfully admitting that the forces making for world peace are yet feeble, compared to the power of greedy militarist nations seeking self-aggrandisement at the expense of their weaker neighbours. In July last, on the occasion of the International Co-operators' Day, the International Co-operative Alliance appealed to the 70 million co-operators included in its ranks and also to other co-operators, to exert all their energy and every ounce of their moral influence "to prevent the adversaries of world peace and security from launching upon the world a conflict which would annihilate millions of us, and, in a large measure destroy civilization." That in spite of this appeal and the exertions of co-operators the feared war has begun, should not make us lose faith either in human nature or in the potentiality of co-operation. On the other hand, it should lead to greater propaganda on the part of co-operators so that the greater part of mankind, now numbering about 2000 millions, may be activated by co-operative ideals. The conflict between right and wrong, between

equity and greed, in the individual and national spheres, has been there always and perhaps will be there always. Without it there can be no human progress. Let us therefore not give in to defeat and despair but march on steadily to our goal.

Prices.

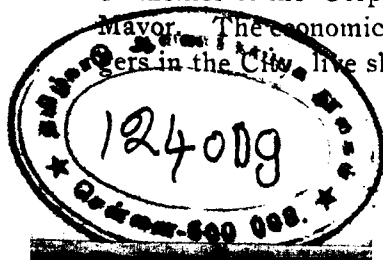
The moment England declared war against Germany, our traders, merchants and manufacturers all over the country gave a striking exhibition of their characteristic unco-operative 'profit-not-service' mentality by putting up the prices of all kinds of articles, irrespective of the circumstance whether they were produced and consumed entirely in this country or were imported. In fact, the dealers in imported goods did not behave so badly as those dealing in indigenous goods. They scarcely hid their joy at the declaration of the war. So apparent was their greed and so ruthless their exploitation of the consumer that the Central and Provincial Governments had to declare promptly their readiness to protect the latter by controlling prices and taking any other necessary action under the Emergency Ordinances. This has had the salutary effect of bringing down and steadying the prices of the necessities of life. It is not the case that in the few days in which the merchants and manufacturers put up prices they made much profit. Prices being unsettled and suddenly raised, buyers were cautious and made as few purchases as they could. At the same time, sellers thought they would be making larger profits presently by keeping back their stocks. So in those days of greed on the one hand and fear on the other, comparatively little trade took place and little profit was made. But the public were given an unforgettable demonstration of the antithesis of co-operation by the enemies of co-operation.

Usury among Scavengers in Madras City.

Our readers will be glad to see from Mr. Sami Venkatachalam Chetty's short article published in this number that he and the Madras District Andhra Congress Committee have taken up the task of rescuing the scavengers of Madras City, who are mostly in the employ of the Corporation, from the hands of usurious money-lenders and from the atrocities of their agents. Mr. Venkatachalam Chetty has been a Councillor of the Corporation for many years and was once also its Mayor. The economic and social conditions under which the scavengers in the City live should be quite well-known to him for a long

time. They are certainly known to the officials of the Co-operative Department and to non-official co-operators of the City for quite a number of years, as the co-operative society which is working under the auspices of the Corporation and to which Mr. Venkatachalam Chetty has referred, has been in existence for more than fifteen years. Unfortunately this society does not appear to have promoted thrift among its members, or to have given them any education in co-operation. On the other hand, before it became the present single amalgamated society and when several divisional societies were in existence, it was well known that those in charge of those societies were themselves exploiting the members and encouraging them to borrow from outside money-lenders at usurious rates of interest. In addition to this society, of which only Corporation employees may become members, there is another society called the Madras Adi Andhra Co-operative Society with its office in Krishnampet, which those who are not members of the Corporation society could join. This society is conducted on very good lines and very satisfactorily. Though giving loans to members is found among its objects, it is primarily promoting thrift by insisting on monthly deposits and by supplying rice to its members, getting it at favourable rates from wholesale merchants once a month. This society is also strict in the matter of admitting new members. We commend this society and its lines of work to Mr. Venkatachalam Chetty's attention.

Everybody will share Mr. Venkatachalam Chetty's indignation at the atrocities which the agents of money-lenders are subjecting their poor victims to. We do hope that as suggested by him the police and the public will take an interest in putting down the evil. But it should be remembered that they cannot succeed unless the victims themselves co-operate with them by complaining to the police and giving evidence when required to do so. At present even those who are members of the Corporation society and could get loans from it at a cheap rate of interest, go also to the money-lenders and agree to pay an illegally high rate of interest, either because they have already exhausted their credit with the society or because the purpose of the loan is not approvable. In fact, the borrower has to be saved from himself. The only way of doing it is by educating him in co-operation. We hope Mr. Venkatachalam Chetty and his committee will give the scavengers this much needed education and that it will not be confined to those who become members of the Congress Committee. For the effort to be really successful the motive should be humanitarian and not merely political. In giving this education



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he may well seek the co-operation of the Provincial Co-operative Union, the Madras District Co-operative Bank and the Harijan Sevak Sangh.

Co-operation in Godavari Agency.

A co-operative conference for the Agency or Excluded areas is a rare event. We are glad that the first conference of this kind for the Godavari Agency was held last month at Bhadrachalam, that it was presided over by the Hon. Mr. Ramadas Pantulu and that it was attended by the Registrar and several prominent Andhra co-operators. As Mr. Ramadas Pantulu has pointed out in his address, the policy of making a separate administrative unit of backward tracts has not justified itself, for even after generations of such separation they continue to be backward. They would certainly have made more progress if they had been amalgamated with the plains. The type of society which the Agency or hill people want is not the credit society but the purchase and sale society. For the Godavari Agency they want two societies through which the produce of the members could be sold and the goods needed by them could be supplied. The conference has requested the Registrar to spare two members of his staff to be in charge of these societies and has also appealed to the Provincial Co-operative Bank and the Provincial Co-operative Union to provide a non-official worker to educate the people in the objects of these societies. We hope these requests will be granted. The Provincial Union, one of whose objects it is to promote new types of societies, should indeed be glad to give the worker, who may not after all cost much. The people of the Kodaikanal Hills are being helped in the sale of their produce, which is mainly garlic, by the Madura Sale Society and in the supply of their requirements by the Kodaikanal Stores. A study of the work done in that area should prove helpful to the contemplated societies in the Godavari Agency.

The Committee on Co-operation.

We have published in this number the conclusions of the Committee on Co-operation reached during its sittings from the 10th to the 19th of August last. These sittings were devoted mainly to the consideration of Scheduled or Depressed Classes societies and artisans' societies. The conclusions of the Committee are not final but tentative. They will all be reviewed and wherever necessary modified. The Committee's proceedings are made open to the Press, according to its Chairman, Sir T. Vijayaraghavachariar, in order that co-operators in the province may think over them and communicate their views, if any, whether as individuals or as societies, to the Committee for its consideration before the report is written. We expect that in some matters the Committee will modify its tentative conclusions.

Regarding the Depressed Classes societies we should like to say a word about two recommendations of the Committee, viz., that they should be financed by Government and that their supervision should be transferred from the Co-operative to the Labour Department. Government is asked to finance these societies presumably because they cannot satisfy the conditions of central banks like other societies and therefore central banks are unwilling to finance them. But can Government be business-like in financing these societies which cannot offer properties as security but perhaps can offer only labour? The Government found it extremely difficult to collect the values of house-sites that were acquired and given to the members of Depressed Classes societies in Tanjore and other districts and had to write off amounts because the cost of collection itself was very heavy. The Committee will have to suggest means that would make recoveries fairly certain and that would prevent the tax-payer's money being lost. 60

Regarding the transfer of the supervision of these societies from the Co-operative to the Labour Department, we have to point out that the supervision was formerly with the Labour Department, that it was found very unsatisfactory and that it was transferred to the Co-operative Department at the request of the then Labour Commissioner—Mr. Slater, if we are not mistaken. He felt that not being in close touch with the co-operative movement he could not satisfactorily direct the supervising staff, although an assistant was given him from the Co-operative Department. We suggest that the circumstances which led to the transfer then should be fully examined by the Committee.

The Committee has made elaborate recommendations with regard to handloom weavers' societies. We are of opinion that they are all well-conceived. Perhaps the most important of them are those that advocate protection by various means for the handloom weaver against the competition of Indian and foreign mills, that suggest the prohibition of imports of artificial silk from foreign countries and that plead for a continuance of the Central Government's subsidy for the handloom industry for a further period of five years from 1940. With the help of the Director of Industries the Committee enquired into the state of many other cottage industries and has suggested that for their encouragement one or two Provincial Industrial Societies, similar to the Provincial Handloom Weavers' Society, should be started.

Barar Central Banks and C. P. Government.

In most of our provinces and States the co-operative movement is in difficulties. The steps taken by any province or State to meet the situation are therefore of interest not only to co-operators within that province or State but also to those outside. In Bihar, Bengal and Orissa the Governments have given a whole-hearted assurance that they would stand by the movement and do all that is necessary to rehabilitate it. But the Government of the Central Provinces has

adopted a somewhat different attitude towards the movement in Berar, as will be seen from the Government communique which is printed elsewhere and a close study of which we commend to our readers.

What happened in Berar was that on account of the growth of overdues in societies, the central banks had to depend more and more upon loans from the Provincial Bank for paying back their deposits. Some time ago the Provincial Bank refused to give loans to the central banks for this purpose, and since then they are unable to pay either the interest or principal to their depositors. Seeing this state of things, the C. P. Government appointed some months ago a Committee, with Mr. Gole as Chairman, (1) to report on the state of the movement in Berar in general and the finances of the central banks in particular; (2) to suggest ways and means for a more remunerative management of the lands acquired by the central banks; and (3) to make proposals for the financial accommodation of those central banks which are in need of it immediately or for some years to come. This Committee submitted its report to Government without much loss of time, but the latter took a pretty long time to consider its recommendations and has finally rejected them, for reasons which it is interesting to examine.

The position of the central banks in Berar, as reported by the Gole Committee, is briefly this. There are 12 of them and their total liabilities amount to Rs. 106.72 lakhs, whereas their total assets amount to Rs. 90.58 lakhs made up of :—

	Rs.	
Cash and liquid assets	22.19	lakhs
Land valued at	30.52	"
Debts classed good	37.87	"
	90.58	"

The area of the lands in possession of the Central Banks is nearly 50,000 acres. For the disposal of these lands the Committee made the curious suggestion that they should be sold by running a lottery in the first instance, and then by auction, hire-purchase or other systems later on. The Government has rightly rejected the recommendation to run a lottery for the sale of the lands, but we do not think it is justified in describing this recommendation as 'the central recommendation on which the whole scheme (of the Committee) turns.'

Gole committee's Recommendations.

The recommendations that deserve to be called central are these :—

- (1) All the present deposits should be compulsorily converted into debentures for a term of 30 years bearing 3 per cent. interest; and both the principal and interest on these debentures should be guaranteed by Government.

- (2) Government should make an annual grant of Rs. 1 lakh to the central banks to meet the deficit in running expenses, till their lands are disposed of.
- (3) The debts due from members of societies, working or under liquidation, should be scaled down by conciliation and the deficit caused thereby, estimated at Rs. 25 lakhs, should be borne by Government.

These recommendations are rejected on the ground that there is neither legal nor moral justification for making good the losses of the depositors at the expense of the tax-payer. Because the Government exercises through the Registrar some special control over all co-operative institutions including the central banks, can the depositors of central banks claim that their amounts and the interest on them should be guaranteed by Government? If the claim be allowed in the case of central banks, it would also have to be allowed in the case of the primary societies and the Provincial Bank, which also are under similar control by the Registrar. Obviously this claim of the central bank depositor, whether the depositor is a minor, widow or local body, cannot be admitted. If it were admitted, the Government would be taking upon itself unlimited liability for all co-operative societies. We think therefore that the Government is right in rejecting these recommendations of the Gole Committee. It is one thing to spend the tax-payer's money on the introduction, expansion or rehabilitation of the co-operative movement and quite another thing for the Government to become liable for the losses of the bank depositors.

Government's Scheme.

Having thus rejected the Committee's scheme the Government has put forward one of its own, which we think is well worth consideration. According to this scheme, the annual repaying capacity of each member of a primary society is to be examined and ascertained. The debt due from him to the society is to be scaled down to 25 times this repaying capacity, that is to say, to an amount which he may be expected to pay off in 25 years. The total of the scaled down debts will be taken as the assets of the primary society and its liabilities to the central bank should be scaled down to a sum equal to its assets. The liabilities of the central bank to its depositors and to the Provincial Bank will be similarly scaled down to the level of its assets. After making *pro rata* payment to depositors from the cash and liquid assets of the central banks, debentures will be issued for the balance carrying 3 per cent. interest, which interest alone and not the principal will be guaranteed, by Government. For the difference between a depositor's claim and the debentures issued to him, he will be given preference shares, on which dividend upto 3 per cent. will be paid in priority over ordinary shares.

With regard to the disposal of the land which has got into the hands of the central banks, it will be given out to the old owners, as far as possible, on hire-purchase system, or failing them to other

members of the society, and if that too is not possible, to other members of the public, provided the person to whom it is given is solvent and in a position to cultivate it. Land which cannot be given on the hire-purchase system will be sold or leased out.

This scheme, which is based on the voluntary conciliation of the claims of creditors to an amount which is within the repaying capacity of the members of primary societies, is to be placed in the first instance before the share-holders of each central bank. They may either accept the scheme or agree to the bank being liquidated. If they accept the scheme, then it will be placed by the Registrar before the depositors. They have the option to accept it or to ask for the liquidation of the bank. But it is expected that both the share-holders and the depositors will recognise that under the scheme they will get all that they hope to get by liquidation and something more.

If the scheme is accepted, for the first three years a grant of Rs. 50,000, instead of Rs. 1 lakh recommended by the Gole Committee, will be made to the central banks for meeting their working expenses; the management of the central banks will be entrusted, as recommended by the Gole Committee, to a special committee consisting of the representatives of the ordinary and preference share-holders and the nominees of the Provincial Bank and of the Registrar. The Registrar's hands also will be strengthened by giving him, among others, the power to levy surcharge in case of gross mismanagement or violation of the Act, rules and by-laws.

The Gole Committee, the Government and independent writers refer to the un-co operative acts of certain members of societies, who organised a boycott of auctions, withheld payments and did propaganda among others for withholding payments. Mr. N. K. Kelkar of Balaghat, a former Governor of the C. P. Federation and a former Minister, has suggested in an article in the *Hitavada* that the power to surcharge, to be vested in the Registrar, should be with retrospective effect, so that all the evil-doers who have brought the movement to its present condition may be caught and suitably punished. We are sure that any drastic action taken by Government against such persons will be supported by the public of the Central Provinces and Berar.

The depositors in the Berar Central Banks have formed themselves into associations and propose to put all the pressure they can on the Government to help them. While we fully sympathise with them, we hope they will see the justness of the Governments' contention that the tax-payer cannot be saddled with responsibility of repaying their deposits. Accepting this principle, they will do well to ask the Government to be more liberal and even generous in any particular matters. The Government have been criticised for not having published in full the Gole Committee's report, but for having published only a summary of it. In the interests of the movement it is certainly desirable that the full report should be published.

The Co-operative Movement in Madras.

(LINES OF RE-CONSTRUCTION)

BY DR. P. J. THOMAS,

Professor of Economics, University of Madras.

Is co-operation an exotic?

Although the co-operative movement in its present form dates only from 1904, the co-operative idea has always been prominent in Indian society. Most of the occupational castes of India were originally like guilds working for the mutual benefit of members. The joint family system is also essentially co-operative. The village community worked as a corporate body for road-making and other common purposes. The celebration of marriages and the building and repair of houses were considered legitimate objects of co-operative effort, at least within the caste, and hired labour was little used for these purposes. The chit and the nidhi arose for co-operative objects and the people have long been accustomed to them. Indian society, whether Hindu or Mussalman, is far from individualistic; in spite of the impact of an individualistic western culture, it still remains somewhat like mediæval European society. This has its good as well as bad points. At any rate, it must be said that this conception of society kept poverty and debt under control in former days. But conditions changed when the village community fell into decay, due largely to the centralized system of administration and the exotic system of law and judicial procedure introduced by the East India Company in the 19th century. From time immemorial, the cultivator and artisan had to borrow, but such borrowings used to be repaid from the fruits of their productive effort within a year or two, and it was rarely that such debt came to encumber their property. Loss of land by foreclosure was even more rare in early days; in the Punjab, it is stated that this was practically unknown till the Chief Court was established (1866). The village punchayat regulated these things in the common interest and did not allow money-lenders to take away agricultural land on account of debt. The system of law introduced by the British and the method of registering claims by mortgages, etc., were perhaps suited to the requirements of our commercial classes like the Marwaris, Multanis, Chettis, etc., but were not suited to the habits of the rural population of India. The opening of India to foreign markets raised the prices of our staples and much money came into the country. Partly owing to this and partly because of the definition of the rights on land, land values went up to high

evels. All this benefited the middlemen classes but was a doubtful blessing to the agricultural community.

A Government Agency.

The indigenous co-operative institutions were dead or dying at the dawn of the present century. Therefore when the co-operative societies were started in 1904, they came as an exotic institution. Thus the co-operative movement was not a spontaneous growth but came as Government policy: it was prescribed from the top and not created by the people themselves to meet urgent needs. Very different was the origin of the co-operative movement in most European countries. It was largely a people's movement, and popular leadership was largely responsible for its growth. In Catholic countries (e.g., Belgium) co-operation was woven into the web of parish life by the clergy taking it up as a part of their ministrations for the good of the people. India has no such local organisation and it was no wonder that the movement has continued to be largely in official hands.

One result of the official character of the movement is that the people considered it from the first as a State lending institution. The ryot was long accustomed to takavi, and when the co-operative society came in, he considered it merely as a variant of it, and resorted to it for loans, and only for loans. Although the early pioneers tried to impress on the people the ideas of self-help and thrift, these did not go home. Reckless and improvident borrowing continued and indebtedness has increased rather than diminished. Co-operation did not lead to better farming or better business, and as for better living, even its need has not been felt over vast areas.

Unco-operative Lending Transactions.

The technique of lending and recovering loans was from the first defective. Co-operative lending ought to have been restricted to mostly productive, and entirely short-term, purposes. This was apparently the intention of the early co-operators, but various circumstances conspired against its realization. Many ryots were already involved heavily in debt before they came into the co-operative movement, and it was found that only by redeeming them from prior debts could they be set going on the co-operative path. This was indeed a correct view, but the mistake lay in using the co-operative primary society to liquidate such debt. They should have either started special institutions for long-term credit, or previous debt ought to

have been written off or cut down and brought to a manageable size, before loans were given from the co-operative society. But this was not done; society after society was registered for needy persons and they went on taking loans. Nor were the societies too insistent about the loans being for productive objects only. The all-in purpose of 'domestic necessity' was composed largely of unproductive items, and often the amounts borrowed for marriages and other ceremonies were such as could not be repaid within a short period. The machinery for recovering loans was the crudest. In the early days, the office-bearers of the society seem to have kept some watch on the utilization of loans by borrowers, but later this was relaxed, and many of the societies got into the hands of unscrupulous men who wanted to bestow favours on their relations, or of calculating money-lenders who were looking for an opportunity for shifting their bad debts on to other shoulders. What was previously private debt was thus converted into co-operative debt. The average ryot is not dishonest; he has a sense of honesty which would put his urban confrère to shame, at least where law courts have not operated for long. But he is very unbusinesslike, and has never been accustomed to pay his dues without compulsion in some form. This was largely due to the age-old habits of the sowcar who recovered his dues by compulsory methods. Anyway, the ryot has become habitually unpunctual in repayment as he is often improvident in borrowing. The co-operative movement did not take this fundamental fact into account, and hence the mounting up of overdues even in periods of good crops and high prices.

The periodical slumps in prices made matters worse. Habitually unwilling to repay, the ryot found it impossible to pay his dues after a fifty per cent. fall in the price of his crops, as happened in 1930-32. Even in normal periods, there is a weather cycle operating; it has been found that in a period of three years, crops usually fail in one year in most parts of the Presidency, and in the Ceded districts crops are said to fail in two out of every three years. A system of land revenue or rural credit which does not take these facts into account is bound to cause hardship to the people. Hence the need for devising a technique of recovering dues, suited to the actual economic conditions of a tract.

A middle class movement.

The co-operative movement has spread over the whole area; apparently one out of about every five villages has a co-operative

society. But except in the case of the depressed class societies and the few weavers' societies, the great majority of members are landholders. Especially in the deltaic areas, the large proportion of agricultural families in a village cultivate leased land or are labourers. Their proportion has been growing in the last twenty years due to various causes. The co-operative movement has hardly touched this large class of people, and they still depend mostly on village money-lenders or neighbouring landlords. The need for co-operation is greatest among the small holders and labourers; but these classes have not yet found their way into the movement. They still depend on a neighbouring landlord or a village money-lender, and both charge excessive rates of interest. For raising loans from co-operative societies security is needed and in India land is the usual security. A man without land has therefore little security, however good his labouring capacity and his character. This is an undesirable state of things. Men of small means must be able to raise credit by standing as a body and on the security of their labour, and thus they ought to be able to make their labour efficient and fruitful. The co-operative movement in India has so far achieved practically nothing in this direction. It has worked on traditional lines and has cut little fresh ground. India is a land of teeming millions; its wealth consists chiefly in the large labour force and great natural resources. It must be the aim of co-operation to exploit such latent resources in the interests of the country and thus increase production and income. What Soviet Russia has done by drastic steps in the line of production could be achieved in India by a bold use of the co-operative method. The co-operative movement must take up such a high aim and thereby it may be able to save the country from injurious upheavals.

The success and failure of co-operation.

It will not be fair, however, to say that the co-operative movement in Madras has failed. The movement in this Province has certainly succeeded better than in most other provinces of India. It has brought down the rates of interest even in the interior parts. Where the money-lender formerly dictated his own terms he has now a formidable rival who can draw his sources from far and wide. While in other parts of India (e.g., Orissa, Bihar, Sind) the prevailing rates of interest are 25 to 30 per cent., the usual rates are between 9 and 15 per cent. in Madras. As for co-operative societies, rates have come down to 6½ per cent. in most parts of the Presidency. In no

other province in India are co-operative interest rates so low. This is due to the fact that the Co-operative Central Banks and the Provincial Bank have been able to attract ample funds from the urban investing classes; and perhaps such classes are more numerous and less extravagant in Madras than in most other provinces. It may be that the co-operative movement has captured only a small fraction of the total lending business in the Presidency. The facilities of co-operation are available almost entirely to the landed classes; and even among these classes, co-operative loans come to only a fraction, the great bulk of lending being still in the hands of the private lender. Perhaps the greatest failure of co-operation is seen in the persistence of unproductive borrowing. The chief purpose of co-operation, according to the early pioneers, was to control unproductive borrowing and thus prevent indebtedness. This object has not materialized to any tangible degree, and if it is to materialize, co-operation must operate in a more comprehensive field and in a more intensive manner.

As a Moral Agency.

The ultimate test of co-operation is not its success or failure as a business but its effect on character. The MacLagan Committee has emphasized the moral aspect of the movement. Co-operation is not merely a device to supply the credit and other needs of the ryot; it is a mission for improving his moral character, and thus making him a better citizen. This high aim has not been fulfilled to any tangible extent. On the other hand, the movement has been captured in many areas by unscrupulous and dishonest persons and is being used for self-aggrandizement. This is the view, not merely of outside critics but of highly respected persons who have worked the movement for long (e. g., Ramadas Pantulu, Vedachala Ayyar, Rajabadar Mudaliyar, and a host of others). Ample evidence is forthcoming to show that professional money-lenders, and large landholders have utilized the movement to rid themselves of their bad debts, and that corrupt office-bearers have prostituted co-operative credit to fill their prockets or bestow favours on their relations. Instances of fraud and embezzlement are numerous.

Government's Role.

This reveals a sad state of things. It calls for supervision and control of a careful kind. But if this burden is to fall on Government, a large expansion of the co-operative staff will be required, and the expenditure on co-operative service will increase enormously.

This is not desirable, on more grounds than one. Co-operation is essentially a people's movement and the control and supervision must come primarily from within. We may devise certain means for avoiding such evils and Government staff may be made more vigilant. But the real salvation lies in creating a strong public opinion and in training the co-operative general bodies to be more active and vigilant. The Government, however, cannot withdraw from the movement; it has especially a duty in regard to the societies intended for labourers and for the poorer and backward classes generally. It has a great duty to utilize co-operation for increasing the income from agriculture. To discharge such duties, the co-operative department must be manned by picked men, men trained not only in co-operation but in economic uplift generally, men who have sympathy with the poor and enthusiasm tempered by sound judgment. There is evidence to think that these objects have not been properly held in view by the Government of Madras for some time. There are some who still think that any efficient officer of the Civil Service could successfully carry on the work of the Co-operative Department. This wrong idea must be knocked out of their heads. The Co-operative service requires special training as much as the Agricultural or Veterinary. Hence the need for a professional College for the training of co-operators.

The Present Position.

Having analysed some of the defects of the movement, we may now proceed to chalk out certain lines of re-orientation:—

(1) The movement came from the top as a Government policy; it must now become part and parcel of our socio-economic system. Indian society has shown remarkable powers of assimilation in the past; if properly adjusted, co-operation can be woven into the web of Indian life. It is for us to see if the primary co-operative society can somehow be linked up with the reformed village panchayat.

(2) In western countries, co-operation came as a people's movement and threw up popular leaders to carry it on. In India it has been an official movement and still depends largely on officials. In certain Catholic countries (*e.g.*, Belgium) the clergy took up the movement under their care and the Parish priest has been a useful restraining influence. India has no such organization; we must create a new class of social workers by resorting to the 'asram' system which has lately been effectively used by Mahatma Gandhi. Centres of rural uplift must be created in all parts of the country

and they must be made to function like the benedictine monasteries of mediæval Europe which taught not only religion and piety but better modes of tilling, living and manufacturing.

(3) In India, co-operation has turned out a purely borrowing business; hence its comparative failure. It must be made a mode of economic life; co-operation must permeate our whole system of production and distribution. Borrowing from the co-operative society must be dependent on better methods of production being resorted to, and the borrower marketing his products through the movement and regulating his activities according to the directions laid down by the movement. This calls for some system of controlled credit, in which the co-operative sale society will play the central part. It cannot be expected that the whole control should come from officers; it must be chiefly an internal control, and the whole process of borrowing must be so regulated that those who take loans will use it almost entirely for productive purposes and will market their produce through the sale society. A large increase of warehouses will then be necessary.

(4) The increase of overdues was due not only to improvident borrowing but also to a defective system of recovery. The co-operative society must adopt a technique of recovery suited to the habits of the people and also to the actual crop conditions of the area. Where crops fail periodically, repayment must be adjusted to the cyclical trend of production. Recovery based on a sliding scale (*olungu*) may be devised, at least for certain tracts and kinds of societies.

(5) Co-operation has hitherto remained a landholders' or middle-class movement; it must now become a plebs' movement, a means whereby the abundant labour force of the country can be effectively utilized to raise the standard of living of the people. Co-operation can provide a less drastic and a more agreeable means for this than either Sovietism or Fascism. Small-scale industries must be planted in all rural areas so that the spare time of agricultural classes may be utilized to capital advantage, and the organization for this must be supplied under co-operative auspices.

(6) If co-operation is to be a success, it must be built on character. It is no use hiding the fact that the greatest deficiency of India is in this regard. While honest men are not rare in the rural areas, there are few able men of character who could guide the movement on proper lines. A possible remedy for this is the training