Indian

co-operative

Review

1939- July - September

VOL - 5, NO - 3

JL
XMm 2, N35
N39.5.3
.93716

OFFICE OF THE REGISTRAR OF BOOKS
14 NOV 1939
MADRAS

THE INDIAN CO-OPERATIVE REVIEW

Vol. 5 JULY—SEPTEMBER 1939 No. 3

CONTENTS

CONTENTS (*Contd.*)

JL

XM m2, N35

N39.5.3

93716

THE INDIAN CO-OPERATIVE REVIEW

Vol. 5 JULY—SEPTEMBER 1939 No. 3

EDITORIAL NOTES

THE WAR

Europe, after having suffered from a war of nerves for one year, has now plunged into a bloody war which threatens to be more disastrous than any previous war, thanks to the advance of science and the fall of spiritual values. By virtue of the colonial and other possessions of European powers, the people of other continents and of India have also been drawn or dragged into the mighty conflict. Co-operators assembled in national and international conferences have been condemning the mischievous propaganda for war, fomented in particular by Fascist Governments. They have time and again declared their faith in the co-operative system of economy and its social ideals which would be the best guarantee for future peace and progress. On the occasion of the International Co-operators' Day last July, co-operators all over the world were exhorted to exert all their energy and influence "to prevent the adversaries of world peace and security for launching upon the world a conflict which would annihilate millions of us, and in a large measure destroy civilization". These appeals have been of little avail, for this reason among others that in the aggressive States the Co-operative Movement has been suppressed or subordinated.

The western democracies of Great Britain and France have proclaimed their faith in democracy and freedom for all nations and individuals, and the occasion for war was the ruthless invasion of Poland. India has been for years demanding the right to live her own life and set up an independent government on democratic lines, though within the British Commonwealth. Co-operators all over the world should sympathise with this legitimate demand of India and help her achieve a status when she can contribute her mite in the fight that is going on to put down the enemies of democracy and co-operation.

It is too soon to say what repercussions the war will have on the internal economy of the country, on her import and export trade, on her agriculture and industries, and particularly on the co-operative institutions. We see that prices of provisions have already gone up, though agriculturists have not benefited by the rise yet; rates of interest on loans and deposits tend to rise; transactions in societies are going down. It may be the war will give a fillip to co-operative institutions, which abhor profiteering of every kind; but this is small compensation for the losses the community may have to suffer in this catastrophe.

CO-OPERATIVE SUPPLY AND SALE OF MILK AND MILK PRODUCTS

In this issue of the *Review*, we have brought together a number of contributions on the co-operative supply, production and sale of milk and milk products. Dairying was the starting point and is now the most developed branch of agricultural co-operation in several western countries. Our development in co-operative disposal of milk is a study in contrast. We have just a few city milk supply agencies; the most outstanding are at Calcutta and Madras, on both of which we publish authoritative accounts. The other articles emphasize the difficulties in the organization of milk supplies. More energy on the part of co-operators and good will on the part of consuming citizens are needed to displace the chaotic and dirty system of distribution of milk in cities. The Provincial Governments and city municipalities can easily help co-operative supply by setting aside some of the technical formalities and extending their patronage in respect of supplies to hospitals, hostels, child welfare centres, etc. Rural milk supply is an even more important problem which has yet to be taken up. There are advantages as well as difficulties which need a closer study before a co-operative organisation is attempted. The rate of production of milk in rural India is abnormally low; the rate of consumption is lower still, the urban area absorbing a larger proportion. Co-operation cannot succeed without great improvements in the breeding and feeding of milch cattle.

As for milk products, the demand for creamery butter is insignificant by the side of that for ghee in India. We need not, therefore, lament the absence of dairy societies of the Danish model, producing and selling butter. We are glad to note the rapid development in the organization of Ghee societies, in the United Provinces in particular within the last ten years. It gives us no small pleasure to hear that inspite of temptations, members of rural societies are making at home and delivering good ghee, which is tested and certified, and sent out for sale by the Unions. A more vigorous application of the law against adulteration, which we have a right to expect of democratic governments, will surely place the Ghee societies in a stronger position. It will be giving co-operation no favour but a fair field. Quicker and cheaper methods of analysis by Government and municipal analysts are also called for. It is a moot point whether large-scale manufacture of ghee at a central locality, as in the case of creamery butter, is possible or even desirable in Indian conditions. Milk is not yet economically produced; technical possibilities of manufacture of ghee direct from cream are in an experimental stage. Even if these difficulties are got over, the wisdom of replacing an important domestic industry is questionable in our present state of rural economy.

REHABILITATION OF THE CO-OPERATIVE MOVEMENT IN PROVINCES.

I. BIHAR.

Proposals for the rehabilitation of the Co-operative Movement have been under the consideration of the Government of Bihar for the past two years or more, but no definite action has so far been taken except in regard to the Provincial Co-operative Bank. After several preliminary investigations were made and opinions of some experts were obtained, the matter was referred to the Congress Party in the Legislative Assembly, under the Chairmanship of Babu Rajendra Prasad, for its views. The Party appointed a Sub-committee, which recommended to the Government an immediate grant of Rs. 10 lakhs as a loan to the Provincial Co-operative Bank of Bihar and also the appointment of a Board of Experts to advise the Government in regard to the several proposals of rehabilitation. The Government gave immediate effect to that recommendation and placed a sum of Rs. 10 lakhs at the disposal of the Provincial Bank. The Finance Minister in his budget speech also announced the intention of the Government not to recall the loan of Rs. 14 lakhs which the Provincial Bank owes to the Government, until such time as the finances of the Bank improve. Besides this financial accommodation, the Government also issued a press communique, which we publish elsewhere in this issue, assuring the public that they mean to fully back up the Provincial Co-operative Bank. This prompt action on the part of the Government has already had a salutary effect on the depositors and creditors of the Provincial Bank. Since the issue of the communique, the Provincial Bank has been receiving fresh deposits.

The Government, in pursuance of the recommendation of the sub-committee of the Congress Legislative Party, appointed a Board of Experts consisting of the following members: (1) Sir M. L. Darling, (2) The Hon'ble Mr. V. Ramadas Pantulu, (3) Dewan Bahadur K. Deivasikamani Mudaliar, (4) Mr. Dip Narayan Sinha, M.L.A., (5) Mr. Ram Charitra Sinha, M.L.A., (6) Mr. Binodanand Jha, M.L.A., (7) Khan Bahadur Saghirul Haq, M.L.A., (8) Rai Bahadur Shayamnandan Sahay, Managing Director of the Bihar Provincial Co-operative Bank, and (9) Mr. N. Bakshi, I.C.S., Registrar of Co-operative Societies

(Convener). As it was not possible for Sir Darling to join the Board, Mr. Vaikunth L. Mehta, the well known co-operative expert of Bombay and Managing Director of the Bombay Provincial Co-operative Bank, was requested to serve on the Board.

The Board met for the first time on the 26th September, 1939 and elected the Hon'ble Mr. V. Ramadas Pantulu as its Chairman. The Board completed its labours on the 6th October and submitted a unanimous report embodying its recommendations in regard to the rehabilitation of the Co-operative Movement. We await with interest the publication of that report.

II. BERAR.

The Government of the Central Provinces and Berar appointed in October 1938 a Committee with the following terms of reference: (i) to examine the position of the Co-operative Movement in Berar in general and of the finances of central banks in Berar in particular; (ii) to suggest ways and means for a more remunerative management of the lands acquired by central banks; and (iii) to make proposals for financial accommodation to those central banks which are in need of it immediately or for some years to come.

The Committee submitted its report promptly. On the 9th September 1939, the Government issued a press communique dealing with the report and setting out its own proposals for rehabilitation without publishing the report of the Committee. We wish the Government had published the report to enable the public to judge the recommendations made on their merits.

The position of the movement in Berar as disclosed by data collected as on 30th June 1938, may be briefly stated thus: There are 12 central banks in Berar, whose total liabilities amount to Rs. 106·72 lakhs while their assets aggregate to Rs. 90·58 lakhs, of which Rs. 22·9 lakhs consist of cash and liquid assets, Rs. 32·52 lakhs being value of immovable property and Rs. 37·87 lakhs debts classed as good. The total deficit is stated to be Rs. 16·4 lakhs. If the liability to shareholders, which is in the neighbourhood of Rs. 6 lakhs is left out of account, the deficit will be a little over Rs. 10 lakhs. A peculiar feature of the situation in Berar is that the central banks and societies are in possession of a large extent of lands purchased in the process of effecting recoveries of loans. The area of such lands is in the neighbourhood of 55,000 acres. The position, in the words of the communique, is "baffling and well nigh hopeless". An extraordinary feature of co-operative credit in Berar is the abnormally heavy finance advanced to a few individuals. It is said that 15 per cent. of the borrowers have monopolised 80 per cent. of the loans and 175 members owe a sum of about Rs. 20 lakhs, the average size of the loan being thus over Rs. 10,000 per member. The difficulties of the situation were greatly increased by the interlocking of short-term deposits in the purchase of lands which now form the bulk of the assets of the banks and the income from which is negligible and not even sufficient to pay the land revenue thereon.

In dealing with the report of the Committee, the Government of the Central Provinces emphatically repudiate their legal or moral responsibility to render any financial assistance to the movement, in order to rehabilitate it. The Government observe, "the role of the Registrar is that of guide, philosopher and friend, and the facilities provided by the Government in the way of audit and inspection do not saddle any financial responsibility on it." This statement, we are afraid, is only a half-truth. It is idle to pretend for any provincial government in India that the Registrar and his department had no hand in the regulation of the financial policies of central banks and societies. Very often they issue circulars which are considered to have binding force. In the province of Bihar, where we had an opportunity to study the position in some detail, we came across instructions from the Registrar of that province to central banks to return their deposits to the depositors and to borrow the necessary funds for the return of such deposits from the Provincial Bank. This has resulted in crippling the financial position of the Provincial Bank of Bihar which was otherwise a sound institution. In regard to the operations of the central banks themselves, the Registrars and their subordinates exercise and are still exercising considerable control and regulation which cannot certainly be described as guidance or philosophic or friendly advice.

Coming to their own scheme of rehabilitation, we are on the whole in agreement with the Government's suggestion for the scaling down of members' debts to their repaying capacity and expecting the depositors to make some sacrifices by bringing down their own claims on the banks. Keeping on the books of the societies fictitious assets in the shape of principal and accumulated interest of loans outstanding from members does no good to any body and any scheme of rehabilitation involving recovery from members to the societies anything more than they can reasonably pay is bound to be a paper scheme. We have examined some of the criticisms levelled against the Government in regard to the proposals, but we must say that they are based either on a far too technical or legal view of the depositors' rights or on a bias against the members of societies who are said to be themselves responsible for the present crisis or on an evident dislike of the political complexion of the Government which issued the communique. If the depositors want to insist on their legal rights, the only alternative to the rehabilitation scheme is wholesale liquidation of the banks and the distribution of the assets as and when realised among the depositors and creditors, which is all they are legally entitled to. We do not think that any one who has the interests of the movement or of the rural population at heart will press for such a remedy.

With regard to the Government's enunciation of what they consider to be the guiding principle on which the scheme of rehabilitation should be based, we must say that on the whole the principles laid down by the Government are sound. But the portion of the communique which deals with implementing those principles is disappointing in the extreme. Everyone will agree with the Government when they say that the scheme should carry within it germs for the revival and growth of the Co-operative Movement, so that if it is accepted and worked by the co-operators, there may be a chance of the movement to rehabilitate itself and fulfil its mission of promoting the moral and material welfare of the people. But we fail to see how this object can be achieved without providing for some tangible measure of relief to the depositors who, we agree, should be asked to make reasonable sacrifices and without providing for future finance by the central banks and societies. The Government offer to guarantee the interest on debentures issued for the balance of the scaled down amount of the liabilities of central banks, repayable in 30 years and bearing interest at 3 per cent. and to make up the working expenses of central banks up to a limit of Rs. 50,000 for a period of three years under certain stringent conditions and does not promise any help for fresh finance. This offer is patently inadequate to meet the situation and the Movement cannot be rehabilitated if that is all the extent to which the Government is prepared to go.

The Government's proposal in regard to the disposal of the lands in the possession of the central banks and societies follows in the main the Burma scheme of giving them out on hire-purchase system to old members, or to other members of the societies, and if that is not possible to the members of the public who are solvent and in a position to cultivate them. It remains to be seen how far it will succeed in the peculiar circumstances of Berar. The holdings that were put up for sale and purchased by societies and banks are fairly large and may be described as economic holdings from the standpoint of their extent. The fact that they were allowed to be sold for very low prices, however, shows that their cultivation was not remunerative and cannot be wholly explained away by the theory of combination of villagers not to bid at auction sales. In any case, we do not consider it possible to give effect to the proposals of the Government without a more substantial financial backing to the central banks.

III. BENGAL.

In Bengal we have to deal with a movement of much bigger size than either in Bihar or Berar, and it consists of the Provincial Bank with a working capital of Rs. 2·33 crores, 116 central banks with a working capital of Rs. 5·15 crores and 19,896 primary agricultural societies with a working capital of Rs. 5·94 crores. Though the position in Bengal is not really so bad as in Bihar or Berar, it is also in a bad predicament. The Provincial Bank has invested in central banks more than a crore of rupees, and the central banks in their turn have invested in agricultural credit societies over Rs. 3 crores. The recoveries for the last two years have been very meagre, the average recovery in the case of the Provincial Bank being 2 per cent, that in the case of central banks being 4 per cent. and in the case of village societies 8 per cent. In order therefore to recover their dues, if the recoveries continue at this rate, it will take 50 years for the Provincial Bank and 25 years for the central banks to recover their dues, provided there are enough assets to meet the liabilities. During the investigations conducted by the Registrar into the assets and liabilities of the societies, he has found that out of the sum of Rs. 311 lakhs due to central banks from agricultural societies, they expect to realise only about Rs. 243 lakhs, thus losing about Rs. 68 lakhs. The loss of course varies with each central bank and these figures do not give a correct picture, for the surplus in one central bank cannot be utilised to wipe out the deficit in a weak bank. Any way, the loss of Rs. 68 lakhs will have to be shared by the creditors of central banks, that is to say, the Provincial Bank and the depositors. In some cases, it has been found that the loss in a central bank amounts to as much as 60 per cent.

The problem of rehabilitation of the movement in Bengal involves more or less the same issues as elsewhere. The Bengal Government have been thinking of it for some time past. The Registrar of Bengal submitted certain proposals to the Bengal Government and his report is for the present confidential. But without going into details or the reasons for the several proposals, we may summarise the main proposals submitted by him to the Government on the basis of his enquiry, as follows :—

1. Scaling down of the outstanding dues of the members to their societies from Rs. 360 lakhs to Rs. 249 lakhs.

2. Reduction of the dues of the societies to central banks from Rs. 311 lakhs to Rs. 243 lakhs.

3. Maximum rate of current interest to be charged to the primary borrowers to be fixed at 7½ per cent.

4. Arrears of interest outstanding up to March 1938 from members to their societies amounting to about Rs. 250 lakhs, that from societies to central

banks amounting to about Rs. 108 lakhs and that from central banks to the Provincial Bank amounting to about Rs. 35 lakhs to be remitted.

5. The members of the societies should be given 20 years' time to repay the reduced amount of Rs. 249 lakhs with interest at 7½ per cent. in equated instalments. An equal period to be given to societies for repaying the reduced amount of Rs. 243 lakhs to the central banks at 6 per cent. interest.

6. The Provincial Bank to take over the outside debts of the central banks as are covered by good assets or such portion of the debts as are left unredeemed by the central banks and charge interest at 4 per cent. per annum on the debts so taken over.

7. The Provincial Bank to float debentures to the extent of actual realisable assets in the central banks, which are estimated at Rs. 348 lakhs so as to enable the central banks to pay off their creditors by means of debentures at a discount proportionate to the estimated loss of Rs. 68 lakhs already referred to.

8. The debentures should be for 30 years redeemable at any time after the expiry of 20 years and carry interest not exceeding 3 per cent.

9. The principal and interest of the debentures should be guaranteed by the Government and a sinking fund should be created for their redemption.

10. A cash credit to be granted by Government to the Provincial Bank to the extent of the face value of the debentures received by the Provincial Bank on account of its outstanding dues from the central banks.

The Registrar's scheme sets out various safeguards considered necessary to protect the Government's interest in regard to the liability to be incurred by it under the scheme, and also prescribes the conditions to be satisfied by the central banks to receive the assistance by way of the debentures.

The Government of Bengal have been making an annual grant of Rs. 2 lakhs to the Provincial Bank for the last two or three years to meet its loss of about Rs. 24 lakhs. It is gratifying to note that in the current year, the Government placed at the disposal of the Bank a sum of about Rs. 13·5 lakhs which is supplemented by the Provincial Bank by about Rs. 6·5 lakhs and this aggregate sum of Rs. 20 lakhs was advanced to the primary societies as crop loans for a period of nine months. During our visit to the Bengal Provincial Bank recently we noticed that these crop loans were kept separate from the old loans and were being advanced with caution and recoveries effected with care. We have no doubt that it will put fresh life into the movement, if this scheme is pursued in coming years. Rupees twenty lakhs is too small a sum to meet the requirements of cultivators in a large province like Bengal. We hope that the Government will place at the disposal of the Provincial Bank a substantially larger sum for crop loans in the coming years. The scheme of the Registrar deserves careful consideration of the Government of Bengal and we hope that speedy action will be taken on these proposals, for every day's delay means further deterioration of the Movement and liabilities which have to be ultimately met will mount up while the realisable assets will deteriorate.

CO-OPERATIVE MILK SUPPLY AND DAIRY SOCIETIES

BY

MISS MARGARET DIGBY,

Secretary, Horace Plunkett Foundation.

It has been said that agriculture is not an industry but a group of industries. The same might be said with equal truth of its important subordinate section, dairying, which is itself only a branch of livestock husbandry. The use of milk and its derivatives for human food is widespread throughout the world, though perhaps most important in those cooler latitudes where abundant natural pasture favours the keeping of cows with a continuous high milk yield. Dairying as a commercial enterprise divides itself into cheese-making (probably its oldest form) butter making, the sale of liquid milk (probably a later development coming with the growth of towns) the sale of cream and ice cream and (latest of all) the manufacture of condensed milk, dried milk, milk chocolate and the various artificial substances, from umbrella handles to wool, which are derived from processed milk.

Cheese.—Dairying has long been a field of co-operative activity. It may even be regarded as the original home of agricultural co-operation, since the earliest known examples of such activity are the Alpine *fruitières* believed to date from as early as the 12th century of the Christian era. The basis of the *fruitière* was simple. In summer the cattle of a village were driven to the high Alpine pastures where the grass was at its best and there tended by boys and girls who only occasionally returned to their homes in the valley. The milk yield was abundant, but no means of transporting to centres of population existed. It was consequently made into cheese, either for sale or for storage for winter use. The cheese making process is prolonged and delicate. An expert cheese maker is required and a large quantity of milk is desirable. Few farmers were both experts and owners of more than two or three cows. The custom accordingly grew up of appointing an expert cheese-maker and arranging that each day's milk should be brought to a different farmer's hut. The cheese made each day became, after payment of the cheese-maker, the possession of the farmer at whose hut it had been made.

This system still exists unchanged in a few isolated places. More frequently it has undergone modification. A common dairy, often quite primitive, has been constructed at which all cheese is made and stored. At the end of the season it is divided in proportion to the number of cows owned by each member and the number of days which they have spent on the common pasture. Later, the distribution of the cheese is abandoned. It is sold in bulk and the cash returns are distributed after the expenses have been met. Sometimes the cheese-maker is the paid servant of the co-operative society. Sometimes he rents the dairy premises, purchases the milk and afterwards resells the cheese to the society or a federation. Practically the whole of the very important Swiss cheese industry is conducted on these lines, with the additional federal organisations, provincial and national, which carry on the marketing and particularly the export of the cheese.

The cheese industry of Holland, though also largely co-operative, is on somewhat different lines, either more or less industrially advanced. The greater part of the important Friesland cheese is made in big co-operative factories equipped with the most modern machinery, ripening rooms and cold storage rooms, and federated in an export union. These societies have their own bank to finance them, their own rennet factory, their own supply of dairy machinery, their own jealously guarded quality mark. The well-known Gouda cheese, on the other hand, is still made on the farm, by farmers who are unwilling to surrender a traditional and honourable craft to the factory. It is sold, however, at least in part, through a single co-operative marketing society which buys from its members, grades, stores and sells in all parts of Holland and overseas, notably in the Netherlands Indies.

New Zealand and Australian cheese is to a large extent a product of co-operative factories, as is much that comes from Canada and the U.S.A. Ireland has never been a cheese-eating country and it is only recently that some of the larger creameries have begun the manufacture of packeted cheese as a sideline. This is an inferior product from the point of view of flavour and perhaps of nourishment, but it has the advantage of keeping well and being economical in use, qualities which have recommended it to the public. In France most of the traditional and excellent local cheeses are still made in the farmhouses. In England, two local types at least—Stilton and Wensleydale—have been successfully produced in co-operative dairies.

Butter.—Butter is a product more widespread both in production and consumption than cheese. Its production is also susceptible of a higher degree of mechanisation. It was this mechanisation, and notably in the invention of the centrifugal separator, which brought about the great

development of co-operative dairying in Denmark in the last quarter of the nineteenth century. Danish farmers had the wit to perceive that the new factory dairying might easily become the monopoly of private companies who would use it to take out of the farmers' hands any real control over their own industry. They acted in time, and the co-operative creamery, taking the whole milk supply of its members, making it into butter of a high uniform standard, and selling it through federal exporting agencies on the world market, is the result. The system has been imitated in New Zealand and Canada, in Ireland, Sweden, Finland and the States bordering on the Baltic. The Irish creameries have come to occupy so central a place in the agricultural economy of the country that they have become the focus of other co-operative activities—the provision of agricultural and domestic requirements, the sale of eggs and poultry and even the granting of credit.

It is noteworthy that nearly all the countries in which successful co-operative creamery movements exist have a surplus of butter over home consumption and are large exporters. It is considered by the International Labour Office that most of the butter which reaches the international market comes from agricultural co-operative organisations. Most of this is sold through federal bodies which are also co-operative, though in some cases (in New Zealand, for instance), marketing is more or less strictly controlled by the State. The reason for such control lies partly in the general competitive condition of the market, partly in the particular conditions under which butter is produced. In countries like Ireland and New Zealand, where natural grass forms the basis of the industry, there is a heavy fluctuation between winter and summer yields, resulting in great irregularity of supply; this is, in the case of countries distant from their markets, frequently aggravated by irregularity of shipment and by the temptation to speculative selling and still more to speculative storage. These perils the Danes have avoided by voluntary discipline, by stall-feeding, which has almost levelled up winter to summer yield, and by their proximity to all their principal markets. In the case of New Zealand, State control has done what co-operative control had not fully succeeded in achieving. In Ireland, a fiscal policy making for self-sufficiency has led to increased cold storage and sales on the home market, but the problem of winter dairying remains to be tackled.

In a few countries (Holland for example) the sale of farm butter is carried on co-operatively. The method adopted is that of the auction. Each lot of butter is auctioned separately, the co-operative accepting no responsibility for quality. In fact the result of competitive sales has been such a levelling up of quality that a large quantity of the butter is now sold through the medium of the co-operative by private treaty. In England, a considerable quantity of farm butter is or was co-operatively purchased, but the purchaser is the consumers' co-operative movement which uses its purchases for blending with imported butter in its factories. However, since the advent of the Milk Marketing Scheme in England, by which a uniform price is paid for all milk, whatever the purpose for which it is used, the making of butter on the farm has considerably declined.

Liquid Milk.—The sale of liquid milk to the public takes place usually through one of three agencies. It may be sold by "producer-retailers", farmers who peddle their own milk through the streets or by the rather similar small retail dairyman who probably has a few cows himself but buys a larger part of his stock-in-trade from others. It may be sold by a big company with numerous depots, probably bought up from small dairymen or producer-retailers. It may be sold through a co-operative society either of producers or consumers. In a few countries there are also municipal milk depots, but they are at present rare.

The producers' co-operative society selling liquid milk may be of more than one kind. It may be a depot in the country which collects milk, cleans and/or pasteurises it and dispatches it to a distributor, not infrequently a consumers' co-operative society. Such farmers' societies, which exist in France, England and elsewhere, not infrequently make cheese in the flush season as well as maintaining an all-the-year-round output of liquid milk. The society may on the other hand not only collect and pasteurise, but also distribute milk, generally through its own shops. It may add a trade in butter, cheese and even meat (the product of the pigs kept at the creameries to consume skim milk) to its main trade in milk. It may extend its services to the grading and bottling of milk and to frequent door to door deliveries Another type of society avoids pasteurised milk and concentrates on raw milk of the highest quality—Grade A, Tuberculin Tested, as it is called in England—suitable for consumption by children and invalids.

Probably the greatest incentive to co-operative organisation of the liquid milk trade has been the growth of great industrial centres remote from the countryside which supplies them and the higher quality demanded by the medical profession and later by the consumer. Long transport, complex problems of distribution and above all pasteurisation demand heavy capitalisation, and can only be carried out by a considerable private capitalist or a co-operative society. In Great Britain it is the consumers' co-operative society which has come forward, and co-operative distribution, inconspicuous 20 years ago, is now equal to over a quarter of the national milk trade. In other countries it is the farmers who have moved. State insistence on a pasteurised milk supply in Rome and in the big cities of Chile (to take only two examples) led immediately to the creation of important farmers' co-operatives. The Dairyman's League of New York is known by name far beyond the United States. A considerable portion of the liquid milk supplies of Paris comes from co-operatives in Eastern France. The German milk trade is coming more and more exclusively into the hands of farmers' co-operative dairies, though in this case the authority of the State has contributed to their ubiquity and the completeness of the control they exercise. Even in profoundly democratic countries like Norway, however, a well developed substructure of co-operative collection and distribution has been brought into a national scheme with a certain, though attenuated, element of compulsion, while in Great Britain, the Milk Marketing Scheme has virtually superseded a much less developed system of producers' co-operative marketing.

In some countries milk distribution by both producers and consumers has developed simultaneously and with equal strength, and competition between the two has been the unfortunate, if inevitable, result. This happened both in Sweden and in Switzerland, and in both a compromise of considerable skill was worked out by the two parties in conference. Sometimes this took the form of an agreement that each side should keep the trade it had already built up but should refrain from further incursions into what might be regarded as the territory of the other, (the consumers agreed to open no more collecting depots in the country, the producers no more retail shops in the town) ; sometimes a more interesting solution was reached, in the formation of a joint company owning the assembling and pasteurising plant, buying from local farmers' groups and selling to urban consumers' societies and distributed profits equally to both. Such a joint company has flourished for a number of years at Malmö in Sweden, and for a shorter, but still sufficient period, in Geneva. The conditions of price-fixing by negotiation in both these institutions are particularly interesting, and perhaps point the way to a time when the bulk of the trade on both sides will be in co-operative hands and prices will be settled in accordance with the interests of the ultimate producer and the ultimate consumer, rather than, as at present, by the play of capitalist and mercantile forces.

Cream.—The sale of cream is not usually of great intrinsic importance, though some consumers' societies do a fairly large trade and some farmers' creameries (in Ireland, for instance) specialise in the dispatch of carefully prepared cream to distant markets. This is generally a costly but profitable line of business. Ice cream is not, in fact, made with cream, except for the more expensive market, but with various forms of dried milk. It forms part of the trade of many of the larger and more enterprising consumers' societies.

Dried and Condensed Milk.—The dried and condensed milk business is very highly capitalised and is generally among the last to be undertaken co-operatively. The cheese factories of Friesland, to which allusion has already been made, run their own federal dried milk factory. A few other cases exist. In Ireland a group of fairly large factories was taken over some time ago by the government and run by a public utility company (the Dairy Disposals Company) in conjunction with a group of co-operative creameries from which it drew supplies of milk. There was some talk of transferring the factories to the federal ownership of the co-operatives, but it does not appear that anything has yet been done.

Dairying is by far the most important branch of co-operation in the processing and marketing of agricultural produce. The world co-operative output is probably at least £250,000,000 in value. In Austria, Australia, Denmark, Estonia, Finland, Latvia, New Zealand, Switzerland and Sweden, it accounts for something like 90 per cent of the national output. In Germany, Hungary, the Netherlands, Ireland and the U.S.A., it ranges between a third and two-thirds. With the general movement towards stabilisation of prices on the one hand, and increased attention to nutrition and particularly the hygienic character of food on the other, the process must either continue or, in those countries where co-operative organisation is still incomplete, be superceded by some form of State control. It is greatly to be hoped that this will not happen and that co-operation will show by its enterprise and adaptability, that it can worthily retain control of the field in which it has operated with such striking success.

CO-OPERATIVE MILK SUPPLY IN CALCUTTA

By

S. BANERJEE, M.Sc.,

Secretary, Co-operative Milk Societies' Union Ltd., Calcutta.

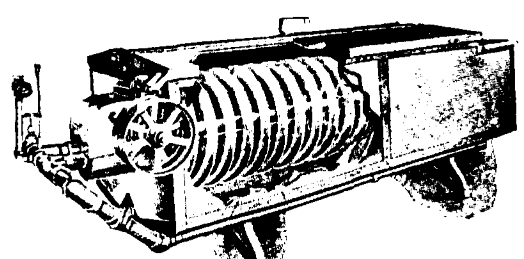
The problem of milk supply to consumers in large cities is the key-note of co-operative marketing of milk in most countries, but in Bengal the idea of uniting producers of milk with a view to ameliorating their condition was the nucleus of the organisation of co-operative milk societies. The milk societies in Bengal are thus mostly producers' societies. Producers' societies are generally seen to flourish under conditions of an organised market, whereas consumers' societies tend to create an organised market. Milk being an extremely perishable commodity, milk societies cannot thrive in a disorganised market. That is why some of the milk supplying organisations in Bengal could not thrive well. When the Calcutta Co-operative Milk Societies' Union, Ltd., was established, there was a good market for milk. At that time there was a great demand for milk which used to sell at something like Rs. 13 per maund. The successful working of the Calcutta Co-operative Milk Societies Union, Ltd., is unique in India. This institution has been described by some eminent visitor as the "Finest in the East". It is proposed to give below a brief note on the working of this institution.

The early history of the Calcutta Co-operative Milk Societies' Union, Ltd., is one of hard struggle. The only favourable out-look was the high sale rate then prevailing which alone could induce producers to combine. It was also a matter of necessity, as the pioneers tried to market their milk at Calcutta jointly, when they lost the services of their middlemen through a social quarrel. The Union was registered in 1919. At the initial stage the membership consisted of only 13 societies; but gradually it has increased upto 123 societies, the individual members of which number more than 8,000. It may be interesting to note that the premier society, viz., Dadpur Milk Society is said to have supplied only 3 seers a day at the beginning, which was the quantity the Union had to start with. The difficulties of collecting milk and transporting the same to Calcutta were many and varied.

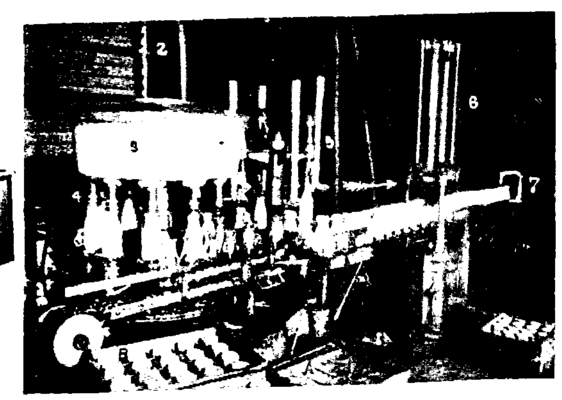
The regularity of supply was no less a difficult problem. It was not infrequently that the members stopped supply without notice, and the Union was faced with the difficulty of fulfilling contractual obligations in respect of milk supply. The task of seeing that the quality of the milk was not tampered with on its way from the cow's udder to the consumer was no less Herculean, particularly when the cows are milked at different places in rural areas and collected in collaboration with numbers of people. By patient endeavour and constant watch on the part of the Government officers attached to the Union, it has been possible to evolve a satisfactory system of working. In fact the keynote of its successful working is Government control and supervision. Co-operative Organisations are democracies. But all such democracies must have dictators to tell them what to do. The lower the standard of literacy of the people, the greater must be the control exercised by the dictators.

The aim of the Calcutta Milk Union in supplying pure and clean milk under proper sanitary conditions has been achieved by persistent effort. The Union has succeeded in replacing the old methods of milking, collection and distribution by more hygienic and scientific methods. The business has also increased singularly in the teeth of all adverse circumstances and competitive market. In the year 1921-22, i.e., only two years after the start, the quantity of milk handled was 9,000 maunds; and now it has gone up to 40,000 maunds. In the earlier years, milk used to be boiled in cauldrons before distribution, but to-day the Union has installed plant where regular pasteurisation of milk is done twice daily. It is really a remarkable step forward from the dirty and undesirable conditions in which milk is usually marketed by professional milk-dealers of the city. These milk dealers feed their cattle with unwholesome fodder and often resort to the abominable practice of *phookha* to obtain an abnormal yield of milk which is hardly worth that name. Then again they carry this milk in dirty and open containers with dirty straw or leaves at the top. From the chemical and bacteriological point of view, this contamination of milk is certainly most undesirable. Again the market conditions are such as to encourage adulteration of milk. Consumers generally want cheap milk, and the actual supply falls far short of the ever-increasing demand. Unscrupulous milk-dealers are never found wanting in the free use of all possible adulterants. They are also indifferent to the principles of economic dairying and cattle husbandry and they do not hesitate to destroy calves and dry prime cows because of the cost of maintaining them in the city. The Calcutta Co-operative Milk Societies' Union has greatly improved cattle husbandry, as its milk is produced from cattle kept in rural areas, where fodder is grown and where the dairy farmer feels it an economic necessity to keep his cow from year to year and to get calves from her as long as possible.

GROUP TAKEN ON THE OCCASION OF THE VISIT OF THE HON. V. RAMADAS PANTULU AND DEWAN BAHADUR K. DEIVASIKHAMANI MUDALIAR TO THE CO-OPERATIVE MILK SOCIETIES' UNION LTD., CALCUTTA ON 27-9-1939.



PASTEURISATION VAT.



AUTOMATIC BOTTLE FILLING MACHINE

Coming to the actual working of the Union, the entire organisation as it exists at present consists of two parts:—(1) the 123 rural societies which are the producing centres, and (2) the Milk Union which is the distributing centre. The rural society is the unit of organisation with an area of operation extending over one or more villages. The members of the rural society are primarily agriculturists with milk production as their secondary occupation. The affiliated societies are situated near about Calcutta, the longest and shortest distance of these societies from Calcutta being 48 miles and 12 miles respectively.

The Union is a pure-type central society and does not include any individual share-holder. The main functions of the Union are to supervise, control and finance the affiliated societies and to arrange for the distribution and sale of their milk in Calcutta. The Union also provides for the improvement of the cattle of the members by setting up breeding centres and distributing stud bulls. In fact the Union controls and supervises the entire mechanism beginning from the milking of the cow in the remote village to the distribution of the milk to the consumers in the city.

The producing centres, i.e., the affiliated societies are divided into several groups according to means of communication and convenience of supervision. These groups are placed under the charge of six Supervisors of the Union who look to the proper working of the societies allotted to them. There is a Government paid Veterinary Inspector attached to the Union who looks after the health and hygiene of the members' cattle and also sees that milk is produced under sanitary conditions. The milking is done by paid milkers to avoid chances of adulteration by members. In each rural society there is a manager whose duty is to look to the quality and quantity of the daily supply, and who is remunerated by the Union. The milk is subjected to lactometer test by the manager. It is then carried from the villages to the Group depots by paid carriers. Proper precautions are taken against possible contamination. Strainers are largely used at different stages of production and transport of the milk. The washing of the hands of the milkers and of the udder of the cows is insisted upon. The sterilisation of the carrying vessels and milk-pots is never ignored.

The Union takes delivery of the milk in standard-size cans at the collection depots through its depot-managers, who test the milk by lactometer, and sign the challans of the societies. Any milk below standard is rejected. The Depot-Managers transport the milk by Railway to the Dairy of the Union at Calcutta where a responsible officer again tests the milk and takes delivery of the consignment. A detailed and careful examination of the milk is made at this stage at the laboratory of the Union by qualified analysts. Testing is done for acidity, for fat percentage, for solid not fat, and for possible adulterants, e.g., sugar &c. No milk is accepted at the Dairy for distribution to customers unless it is found pure and good. Any milk found to be unsatisfactory is separated by means of cream separator and the skimmed milk is thrown away. Any surplus milk which is left unsold is also similarly dealt with. This, no doubt, means loss and wastage; but there is at present no other alternative. Skimmed milk may be profitably utilised in feeding pigs as is done in countries like Denmark. But in Bengal this is not possible due to the strong prejudice of the people. It is however contemplated to set up plants for converting surplus milk into dessicated or condensed milk.

The milk after being received at the Dairy is subjected to the process of pasteurisation. In western countries the health authorities insist on pastuerisation of milk, as it is a practical means of securing a supply which would be reasonably safeguarded against dangerous infection. Among the milk-borne diseases may be mentioned typhoid fever, tuberculosis and diphtheria. According to Dr. Rosenau, tuberculosis heads the list of the diseases commonly carried by milk, and it is considered as a greater menace than typhoid fever. The bacteria of tuberculosis are killed at a temperature of 139° F., those of typhoid fever of 137° F., and those of diphtheria at 131° F. Milk should not therefore be consumed unless it is effectively heated to 139° F., or to a higher temperature. Another point to be considered in connection with pasteurisation of milk is that the heating should be done so as to see that there is no change in the ingredients of the milk or in its food-value. Different authorities prescribe different limits of temperature and periods for holding the milk at such temperature. In the Calcutta Milk Union, the milk is held for half an hour at 146° F., and is then quickly cooled to 40° F. The pasteurisers at the Union are specially devised to see that no thick cream accumulates at the top of the milk and that there is no change in the flavour or food-value of the milk. In ordinary boiling or heating cream comes out at the top in thick solid form making the rest of the milk poor in food-value. The pasteurisation-vats are provided with arrangement for constant stirring so that no thick cream comes out at the top. The pasteurisation-vats of the Union are of the types known as Wizard Coil vat and Retarder vat. The cooler used at the Union is a tubular cooler. Brine cooled by liquefied ammonia is passed through the tubes. The milk trickles over the surface of the tubes so as to permit aeration in course of cooling. The cooled milk passes through a tube to a vessel wherefrom it flows through nipples into standard-size bottles, untouched by hand. The Union has set up an automatic arrangement for bottling the milk and

for applying discs, caps and rings to the bottles. The bottles are thoroughly washed and sterilised by means of a bottle-washing machine driven by electricity. There are other subsidiary machines. There are two boilers which are worked alternately to produce steam which is used both as power and for heating. There is a steam engine to run a shaft which works several pumps (e.g., milk-pump, brine-pump, water pump, &c.), and the bottle filling machine and other machines. There are a Haslam compressor and an Astra compressor for compressing ammonia. The Union possesses a complete refrigerating plant with condenser, brine chamber, motors, &c., and a big cold-storage. Besides all these there are a centrifugal clarifier and a pre-heater, through which the milk is made to flow before coming into the pasteuriser.

After pasteurisation and before issuing the milk to consumers, a sample of the milk is taken and tested. Milk is then issued in sealed bottles or in sealed cans according to requirements. There are several sale-centres within and outside the city area. The milk is conveyed to customers by paid carriers, in special-type hand-carts, cyle-lorries, barrows, lorries, and in some cases by rail. The Union supplies milk to all the Milk Kitchens and Child Welfare Centres started by the Calcutta Corporation. Almost all the hospitals in or about the city, numbering more than a dozen, get their supply of milk from the Union. The Union also caters to all the jails in or about the city. It counts among its numerous customers the big hotels of the city. The pasteurised milk of the Union has been found to agree remarkably well with the delicate stomach of infants and invalids. It is prized by all those who care for pure, safe and clean milk.

Among the manifold beneficial activities of this co-operative venture may be mentioned some of the benefits conferred upon consumers and producers. The consumers have been immensely benefited, as the Union has been able to bring down the retail sale rate from Rs. 13 to Rs. 10 per maund. The Union has also made it possible for the consumers to have pure and clean milk at all times. The producers have been benefited by being relieved of the clutches of middlemen. They are assured of a fair and steady price for their produce and all profits go back to them in the shape of dividend and bonus. The Union has spent a lot of money for general welfare work, e.g., construction of road, establishment of charitable dispensary, sinking of tube wells and subsidy to schools. There is also provision for the delivery of lantern lectures on sanitation, anti-malarial and anti-kala-azar work. There is an arrangement at rural centres for treatment by injection of members suffering from Kala-azar and malaria. The Union also organises cattle shows.

A few words may be said in conclusion regarding the future possibilities of this organisation. It is estimated that about 3,000 maunds of milk are consumed daily in Calcutta. The population of Calcutta is over 10 lakhs. The average supply available per head is thus very meagre, i.e., only 1 chittalk and a half. If we allow half a seer per head the daily minimum requirement comes to about 13,000 maunds. The quantity of milk supplied daily by the Union ranges from 100 to 200 maunds. There is thus ample scope for expansion of the activities of the Union. But there are certain difficulties which stand in the way. The chief difficulty is lack of control over the local milk market. If sale of adulterated milk could be stopped, if production of milk within the city area under insanitary conditions and with artificial means could be prevented, if consumers were more particular about the safety and purity of their milk, there would have been far greater progress in the Union's business. The major portion of the milk at the Calcutta market is usually sold on an average rate of Rs. 4 to Rs. 5 per maund and is purchased by sweet-meat vendors. A scheme is under consideration of the Union authorities to indent cheap, good and plentiful milk from remote villages at a distance of about 200 miles. There is an alternative scheme of setting up a big dairy on a commercial basis near about Calcutta. It is contemplated to undertake the entire milk supply of the city, and the generous assistance of legislative bodies and of the Calcutta Corporation is solicited.

We should be failing in our duty if we do not refer here to the great services rendered by the Co-operative Department of the Government of Bengal and the Calcutta Corporation towards the growth and development of this Union. In fact, the Union owes its origin to the initiative of the Co-operative Department. The Co-operative Milk Movement in Bengal will be ever grateful to the ex-Registrars, Mr. J. T. Donovan, I.C.S. and Rai Bahadur J. M. Mitra for bringing about this much needed Union which meant so much benefit both to the producers and consumers. The practical execution of the scheme was entrusted to a Departmental Officer Mr. N. N. Bose, who rose equal to the occasion and has brought about the present proud position of the movement in this province. The Union was faced with very difficult problems arising out of the general economic depression and fall of prices, but thanks to the sympathetic guidance of the present Registrar, Khan Bahadur A. M. Arshad Ali, progress could be maintained even in the most critical days. The Calcutta Corporation gave the Union a loan of Rs. 50,000 (Rupees fifty thousand) free of interest in its hour of need. This timely help made it possible for the Union to continue its activities inspite of great difficulties. The loan has since been paid off and outside liabilities of the Union have been reduced to a small fraction of its total liabilities.

The Co-operative Milk Supply organisation at Calcutta has been highly spoken of by distinguished visitors from far and near, and even in its earlier days it was honoured by the visit of an eminent person like Lord Linlithgow, now Viceroy and Governor-General of India. The crying need of Bengal, if not of India, is to bring about a proper balance between Industry and Agriculture. Milk societies in Bengal may be said to be showing the way of relieving pressure on the soil.

THE MADRAS CO-OPERATIVE MILK SUPPLY UNION
ORIGIN AND DEVELOPMENT

By

Diwan Bahadur K. Deivasikhamani Mudaliar, M.L.C.

The problem of pure milk supply to the citizens of Madras—Earlier attempts.—The question of supplying pure and unadulterated milk to the citizens of Madras was engaging the attention of prominent men in the city for a number of years. Various attempts were made from time to time to solve the problem but without success. A company on the joint stock principle was formed but it failed, probably because it was a proprietory concern and the method of work adopted was not conducive to the development of business. The company tried to maintain its own animals and had therefore to face the difficulty of looking after a very large number of them. There was also at that time no easy means of transporting milk in good condition from a distance.

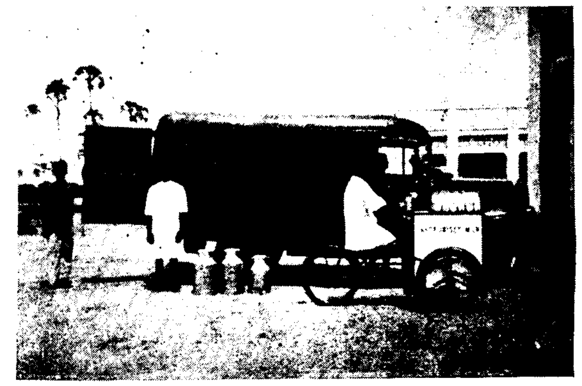
It was felt that the problem could be solved only in one way, viz., by starting societies of producers. The first attempt to organise milk supply co-operatively was made in the year 1912, but the attempt did not produce any tangible result although the enquiries then made were useful for later investigations. Attempts made in subsequent years also did not produce any result. In 1926, however, strenuous efforts were made to solve the problem. After studying the question once again carefully, particularly the failure of the joint stock company, the investigators came to the definite conclusion that the existing mode of supply should not be disturbed and that all that was required was to bring it under control to ensure the supply of pure and unadulterated milk. The supply was made in two ways: (1) the milkmen in the city supplied milk by taking their animals from house to house and milking them in the presence of purchasers; and (2) the villagers round about Madras sold their milk through middlemen to restaurants, coffee hotels and clubs. It was found that milkmen of Madras would not easily organise themselves into societies. Attention was therefore turned to villages where from milk was brought to Madras for sale. The trade was in the hands of a large number of small men who exploited the villagers and who adulterated the milk before sale in the city. The chief defect in this system was that the middlemen did not pay the milkmen regularly and sometimes absconded with the money.

Formation of Primary Milk Societies.—Among the areas from which milk was brought to Madras, Poonamallee was considered to afford facilities for formation of producers' societies. The Poonamallee area was therefore selected by us for organising societies. After experiencing great difficulties a few societies were brought into existence. The men already engaged in the business and a few others joined these societies and they bought better and good animals with the financial help given by the Co-operative Central Bank at Conjeevaram. The enquiries made at the beginning showed that milk could be transported through the buses running on the roads leading to Madras. It was also thought that milk could be sold to hotels and clubs. These hopes however could not be realised. But transport by buses was not satisfactory. We had to give up selling to hotels, and were compelled to sell to the public through sale depots, though we had no facilities at the time for this purpose. To sell to the public it was necessary to bring the milk to Madras at about 5 A.M. To do this, two things were necessary: (1) We must have a conveyance of our own, and (2) the suppliers should deliver their milk at 3 A.M. It was no easy task to get the delivery of the milk at 3 A.M. The members of the societies were too poor to raise any money with which to buy a motor van. We then knocked at the door of the Madras Corporation but in vain. We then approached the Government and got from them an old lorry from the Agricultural College. When giving the lorry the Government felt the difficulty of entrusting it to any one single society. This led to the immediate formation of a Union of then existing societies, although the Union would have come in the ordinary course a little later for the purpose of joint sale of milk.

Formation of the Milk Union.—The Union was registered on 26th December 1927 with 10 co-operative societies. The lorry proved to be another handicap. As it was old we had to spend much money on it for repairs but inspite of it, it refused to work satisfactorily with the result that much loss was caused to the societies. We had to go in for a new lorry. By this time our losses increased to such an extent that we could not pay the cost of the milk purchased. The members of the milk societies could never forget the generosity of the four gentlemen of Madras who came forward with a deposit of Rs. 500 each for help at this juncture. These were Mr. P. Ramanathan, Advocate, the late Rao Sahib P. Thiruvenkata Mudaliar, Dubash, Messrs. Volkart Brothers, Diwan Bahadur C. Arunachala Mudaliar, Zamindar of Chunampet and Mr. P. V. Nataraja Mudaliar, Municipal Councillor. But for the timely help of these gentlemen there is no doubt that the Union would have been closed. We approached Government for a grant to buy a lorry. The Government gave a loan of Rs. 15,000 to buy two lorries and milk vessels. It was therefore possible to organise a few more societies along the Madras-Nellore road. There were 21 societies in the Union about this time. Two lorries were running, one on the Madras-Vellore road and the other on the Madras-Nellore road, transporting milk from villages. A society of poor men will always find it difficult to raise money then and there whenever wanted. The Union had to face this problem at every stage from its inception. Its progress was therefore slow. It sold milk to the general public through its sale depots.

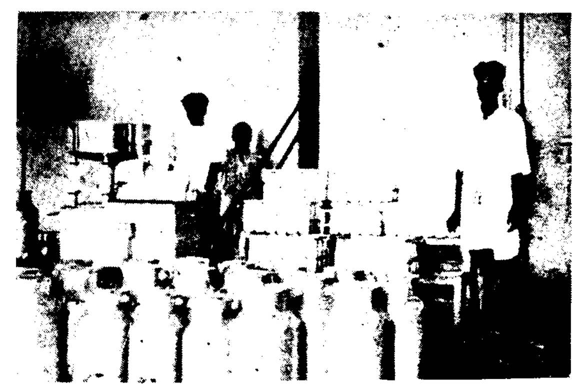
Supply of milk to Government Hospitals.—In the year 1929-30 the Union had to undertake the supply of milk to some of the State hospitals on account of a ring which was working among contractors even though the Union was not fully equipped for the purpose at the time. It was necessary to organise the milkmen in the city for this purpose. Four societies were registered and the contract for the supply of milk to four State hospitals was secured for them. The milkmen were making the supply regularly and satisfactorily for about six months in that year after which their disloyalty, fomented by outside agencies, began to be felt. There was the threat of a strike on the part of the milkmen in September of that year, but this was overcome by timely action. The outside agencies, however, did not give up their efforts to bring about the strike and they did succeed in their attempt. One fine morning in November 1929 the men stopped the supply. Undaunted and risking violence, the men engaged in reviving the supply succeeded in inducing the milkmen to supply again. This was after a lapse of a few days in the case of one hospital and a month or so in the case of others. The Union had to pay, however, damages to Government for this failure of supply to the extent of a little over Rs. 10,000 although the Union had been the means of bringing down the Government purchase price of milk from 3 annas 11 pies to 2 annas 7 pies a pint. The strike was found later to be a blessing in disguise. It created a strong bond of union among the reunited milkmen and their loyalty to the Union in subsequent years was found to be on a very firm basis. The men realised the advantages of a co-operative society which placed in their hands an appreciable sum of money, much more than what they could have got from the private contractors. The Union has been supplying milk ever since to some of the Government Hospitals and the men are loyal to the Union.

Business development.—We may now trace the progress made by the Union during the last 11 years. The total quantity of milk sold to the public of Madras did not in the first year exceed 17,408 measures. The following statement shows the quantity of milk purchased and sold year after year till the end of March 1939.



MILK-VAN

LABORATORY WHERE MILK IS TESTED



BOTTLING OF MILK

Year. (official)	Quantity of milk purchased. (measures)[1]	Quantity of milk sold. (measures)	Quantity of milk converted into by-products. (measures)
1928–29	184,500	146,473	38,027
1929–30	320,028	290,871	29,157
1930–31	345,412	328,440	16,972
1931–32	214,985	200,994	13,991
1932–33	186,873	172,741	14,132
1933–34	241,909	220,492	21,417
1934–35	319,818	289,704	30,114
1935–36	410,399	381,461	28,938
1936–37	581,911	548,359	33,552
1937–38	531,872	508,507	23,365
1938–39	660,840	617,907	42,933

1 Madras measure of milk weighs 4 lbs. and it is 2/5 of a gallon.

There was a very rapid development from the year 1936-'37. The Union buys at present about 2,000 measures of milk daily from its members and sells it to hospitals, restaurants and the general public. Half of this quantity is sold to the general public through sale depots opened in various parts of the city. There are 37 depots at present. Milk is also delivered at the doors of buyers through 10 delivery peons. Supply is made to five of the eight State Hospitals.

Pasteurisation of milk.—From the inception of the Union, its aim was to supply to the citizens of Madras pure and unadulterated pasteurised milk. Although it succeeded in giving pure and unadulterated milk all these years, pasteurisation of milk was delayed till the beginning of the current year solely for financial reasons. The attempts made in the earlier years to borrow money from Government for this purpose failed. The Union was carrying on its work patiently and saved some money out of its profits. With the help of this money and with a loan of Rs. 25,000 taken from the Government and with a paid-up share capital of Rs. 18,000, the Union was able to construct a building and to instal a pasteurisation plant in it. Pasteurisation of milk was necessary for two reasons: (1) to supply disease-free milk to the public and (2) to avoid milking the animals at untimely hours, which causes much trouble and inconvenience to the milkmen and to their animals. In February last the erection of the plant was completed and since then pasteurised milk is being supplied to our customers in sealed bottles.

Buildings constructed and their cost.—In addition to the building constructed to house the pasteurisation plant, the Union was able to provide three cattle sheds under sanitary conditions to house the animals of the members of affiliated societies. Three platforms have also been constructed to ensure milking of animals under proper supervision and sanitary conditions. Buildings have also been constructed for office purposes and for storing cattle food. The total amount so far invested in these items are as follows :—

			Rs.	As.	Ps.
(1)	cost of land	..	3,207	6	0
(2)	cost of buildings	..	50,911	0	4
(3)	cost of machinery	..	38,144	14	0
	Total	..	92,263	4	4

Purity of milk.—It has already been said that the aim of the Union was solely to supply pure and unadulterated milk. To ensure purity, strict supervision over milking is exercised. The animals are tied in rows and each Supervisor supervises the milking of a limited number of animals only. The milk so obtained is immediately put into cans and sealed. The cans are then taken to the Union's head quarters where the milk in every can is tested in a scientific manner by an apparatus provided for the purpose. The animals are washed daily and the men who milk the animals wash their hands before milking in the prescribed manner. All the vessels used are cleaned and sterilised before use. The pasteurised milk is put into sealed bottles and delivered at the doors of customers.

Benefit to milkmen.—The object of this Union is not merely to supply pure and unadulterated milk to the public but also to give a reasonable price for the milkmen. These are paid much more than the contractors and other middlemen pay. In addition to the higher price paid, a bonus on the value of milk supplied by each man is paid out of the profits every year. The bonus paid has varied from 1 pie to 6 pies in the rupee.

Future development.—There is much scope for expansion of our business. The Madras city requires at least 20 times the quantity of milk that we are able to supply. The bulk of the milk sold in the city is drawn from animals under most insanitary surroundings and sold after adulteration. The milkmen do not realise that the supply of pure milk will pay in the long run. The Union is trying its best to educate the milkmen to this effect. If its business has not developed as rapidly as one could wish, it is because of this reason. The Union hopes, however, that more men will be brought under its fold in the near future willingly submitting themselves to its discipline.

There is also one other direction in which the milkmen have to ie educated. They do not bestow much care on their animals. They lo not feed them properly. They allow calves to die of starvation, and vhen the animals cease giving milk they sell them to butchers for a iominal price. To ensure proper feeding, the Union has got an arrangenent by which it supplies cattle food to its members. But many have iot availed themselves of this privilege.

The Union has sent up proposals to the Government for maintaining the dry animals of our milkmen during the off season in grazing ireas in Chittoor or Nellore districts, with a view to prevent the slaughter of these valuable animals after they cease milking. If these proposals are accepted by the Government, it will be of immense benefit to the milkmen of Madras.

THE PROBLEM OF MILK SUPPLY IN CENTRAL PROVINCES

By

Mr. Takle,

Extra Asst. Director-in-charge of Animal Husbandry, C.P.

I. MILK SUPPLY IN RURAL AREAS.

The question of pure and adequate milk supply in any province must be studied and considered from two points of view viz. (i) Supply in Rural Areas, and (ii) Supply in Urban Areas. Considering the question from all India point of view the supply of fresh milk is both inadequate and unhygenic. Dr. Wright in his report on the development of the cattle and dairy industry in India says "The total output of milk in India is exceptionally large" and gives an estimate of gross output of milk at about 800 million maunds per year and the monetary value of this output he puts at 300 crores of rupees. He further states "Compared with other countries India stands second in volume of milk production, her output being exceeded only by the United States of America."

But the production of milk cannot be considered without reference to the needs of the population who have to subsist on it. It is here that India falls to the lowest place among those countries for which statistics are available which would be seen from the following table.

Country.	Total production of milk. 1930-34.	Human population.	Daily production per head of population.	Daily consumption per head of population.
	(Million gallons)	(Thousands).	(Oz.)	(Oz.)
New Zealand ..	870	1,559	244	56
Denmark ..	1,200	3,551	148	40
Finland ..	620	3,666	74	63
Sweden ..	980	6,233	69	61
Australia ..	1,049	6,630	69	45
Canada ..	1,580	10,377	66	35
Switzerland ..	607	4,066	65	49
Netherlands ..	970	7,935	54	35
Norway ..	290	2,814	45	43
U.S.A.	10,380	1,22,775	37	35
Belgium ..	651	8,092	35	35

Country.	Total production of milk. 1930-34	Human population.	Daily production per head of population.	Daily consumption per head of population.
	(Million gallons)	(Thousands).	(Oz.)	(Oz.)
Czechoslovakia ..	1,200	14,730	36	36
Austria ..	545	6,760	35	30
Germany ..	5,096	66,030	34	35
France ..	3,150	41,835	33	30
Poland ..	1,990	31,948	27	22
Great Britain ..	1,474	45,266	14	39
Italy ..	1,050	41,177	11	10
Roumania ..	382	19,033	9	9
India ..	6,400	3,52,838	8	7

The following table will throw light on the relative position of the Central Provinces in the production and consumption of milk among the Provinces of India.

Province.	Daily production per head (a) oz.	Daily Consumption per head (b) oz.
Assam ..	1·4	2·2
Bengal ..	3·1	1·9
Madras ..	3·6	1·6
Bombay ..	4·7	4·0
United Provinces ..	4·7	5·0
Central Provinces ..	6·1	0·8
Bihar and Orissa ..	6·4	3·2
Punjab ..	18·3	9·9

(a) Provincial Marketing Surveys.
(b) Sir John Megaw's figures.

Readers will note that in the Central Provinces the daily production of milk per head is 6·1 oz. and the daily consumption per head is only ·8 oz. which is really very very low, indeed the lowest as compared with the consumption in other provinces. The reasons for this are not very far to seek.

Looking from the dietary point of view, the minimum requirements to keep the body in perfect health and growth in the growing children, it is very necessary to have at least 15 oz. of milk per head per day to supply the necessary requirements of first class protein and this quantity of milk will also contribute to the supply of necessary minerals and other protective elements viz. vitamins.

It is often stated that economic circumstances and dietary habits of the people do not warrant the increased consumption of milk; this I think is a fallacy. There cannot be found a single individual who would not like to consume milk and its products if given to him, provided it is within his reach to pay for them; the question therefore arises that the supply must be adequate but within the reach of any individual and should not be a monopoly of a few individuals.

The next question arises how to proceed to increase this production? The reply is simple but very difficult to attain, as it is linked with the question of improvement of cattle population of the locality which could only be solved by improving the milk yielding capacity of milking cattle and at the same time without losing the efficiency of male stock to be efficient draught and trot bullocks.

Such system of breeding postulates the introduction of a reasonable amount of milk into the local cows and the cows of the recognised working breeds of cattle. It is admitted by scientific authorities and from the observations of experienced breeders of cattle that up to certain quantity of milk yields, this can be done without damage to the stock as work animals.

The average lactation yields of cows and of buffaloes in this province is stated to be 500 to 700 lbs. respectively, which is very very poor indeed as compared with the yields in other provinces where dairying has developed to some extent i.e. the Punjab where it is 1,400 and 2,160 lbs. respectively.

The average yield in Central Provinces cited above may be somewhat misleading and can be raised by about 10 per cent; but still it is low. The reason for such low yield is that in many of the jungle tracts and all over the province enormous number of cattle are born, reared and maintained, without any thought of getting work from males and milk from cows who merely suckle their calves which they produce once in two or three years. These cattle are frequently the property of *malguzars*, or jungle tribes who merely allow nature to have its way. In the former case they are maintained to supply manure, and in the latter case to provide living by the sale of young male stock, the hides of the dead and the few best animals of the lot. The breeding among these herds is carried on indiscriminately without any selection, the result being the propagation of a large number of their species mostly inefficient, and eating fodder which would otherwise go to the nourishment of efficient ones. The maintenance of lakhs of such inefficient cattle for reasons of sentiment causes a serious drain on the resources of the limited fodder supply of the province. It

is therefore very necessary to reduce this number of cattle either by sending them to public *Gourakshana* societies, or making some suitable arrangements where they can be maintained till death without propagating.

Amongst the great numbers of poor class cattle, there is a good number possessing potentially satisfactory milk strain, which requires further development by careful breeding and feeding.

The conditions in this province do not warrant the undertaking of a programme of any specialized type of breeding. There are very few cattle-breeders carrying on breeding work on any large scale. On the contrary every farmer or cultivator is a cattle-breeder within his own resources; he keeps a few cows to get manure from them, does not pay proper attention to their feeding especially when the grazing is scanty; for the supply of milk and ghee to the household, he keeps one or more buffaloes and when they go dry they are replaced by fresh purchases. No care is taken to improve the qualities of cows, they are mated to any entire male available in the village and no proper care of feeding is taken of the female calves, because he thinks that it will not be economical to feed female calves; instead, he makes up the number he requires by purchases. In this way the majority of the cultivators are caught in a vicious circle, and efforts will have to be made to get them out of it. The earlier this circle is broken the better. The best way to break this circle is to encourage the cattle-breeders to develop milk strain in their stock of cattle, feed them properly, take care of the young stock, both males and females, and then build up their herds gradually. It is no use working with imported stock; improvement in the local existing herds must be brought about by breeding and selection, and this could only be done by introducing selected and approved bulls for breeding purposes and by following the method of grade breeding for some years and then under changed conditions specialized breeding for true types may be resorted to.

In breeding cattle a good deal of credit is given to the bulls; and therefore it is always said that " the bull is half the herd." A good pure-bred bull scarcely fails to transmit his good qualities to his off-spring. An impure or grade bull though coming from the best cow is not much used in developing milk strain in his off-spring.

For the supply of such approved bulls Government has opened Cattle Breeding Farms in various tracts of the province from where selected breeding bulls of the types suitable to the tracts are issued to cattle-breeders at very reasonable prices and it is hoped if proper care is taken of feeding the stock, great improvement in the local stock of cattle can be brought about within reasonable time.

II. MILK SUPPLY IN URBAN AREAS

The milk supply in Urban areas comes through the following sources :—

(i) the production in Municipal areas.
(ii) the importation from semi-urban and rural areas.
(iii) the importation from rural areas.

The production of milk in municipal areas is carried out by :—

(a) the professional Gaolies.
(b) some organized institutions such as
 (i) Dairies managed by private persons.
 (ii) Gourakshana Societies.
 (iii) Government farms and dairies.
 (iv) Private cattle owners for their home consumption and surplus if any for sale.

The quantity and quality of milk supplied by these agencies is both inadequate and far from the prescribed standard of purity, except that produced on Government farms. There is hardly any municipal control or inspection, and a greater proportion of it is adulterated with water; this added water may be clean or dirty. There is no Government or Municipal control over the price; it can be sold at a price varying from 2 annas to 4 annas per seer in many of the towns. The supplies to the 'Halwais' or 'Sweet-meat makers' generally comes from rural areas. They pay advance money to the producers, buy the milk at very favourable rates and charge heavy interest too on the sums advanced.

Remedies.—To have an adequate and genuine supply of clean milk to the cities and towns at reasonable prices it is very necessary to organize co-operative societies in Urban as well as in rural areas. The milk production in these areas should be controlled and supervised by trained employees of these societies, collected at convenient central places and transported to the cities where it should be tested, processed and issued for delivery and consumption. By such arrangements the producers will get fair price for their products; consumers will get a reliable supply of the produce for the price they pay, and the real and steady improvement in milch cattle, their feeding, housing and the development of the industry will be effected in a short time.

The working of the *Telankhery Dairy Co-operative Society* can be cited as an example of this. This society was started in the year 1911-12 as a credit society with a membership of 13 persons and with 156 head of cattle. Since then it has been developed to the present stage, possessing 767 head of cattle and supplying on an average about 2,000 lbs. or 25

maunds of milk daily to the residents of Nagpur City. The cattle are grazed on Government land leased out to the society, housed in sheds rented by Government, and are milked under the supervision of Government servants and the delivery of milk is given at the consumerss' houses in sealed cans.

The position of this dairy society in the year ending 31st March 1939 was as follows :—

Members 18.

	Rs.	As.	P.
Paid up share capital ..	5,151	0	0
Total working capital inclusive of reserve fund etc. ..	14,879	13	0
Profits distributed during the year to the members ..	*25,859	5	0

(*This figure is arrived at after paying the charges of grazing, fodder and other feeding stuffs of the value of Rs. 32,527-1-3.)

The figure for net profit can be arrived at after deducting labour, interest and depreciation of live-stock etc. which could not be ascertained as the accounts were not yet audited.

Efforts are being made to organize many more co-operative dairying societies at various places where conditions are favourable in the province. Very recently three more societies have been organized at three district places, viz., Drug, Rajpur and Bilaspur in Chhattisgarh Division, and two more are likely to be organized at Jubbulpore and Hoshangabad towns.

GHEE SOCIETIES IN THE UNITED PROVINCES

BY

J. P. MISRA, M.A.,

Publicity Officer, Co-operative Department, United Provinces

Ghee forms one of the essential articles of food in Indian dietics for the maintenance of a satisfactory growth and health of the people. To a great many people its use is also a ceremonial necessity, while others attach great medicinal virtues to it! The result is that it is consumed in large quantities. It is estimated that over 2,30,00,000 mds. of ghee of the value of Rs. 1,00,00,00,000 is produced and sold annually within the country.

Production and Trade.—Ghee making is wholly in the hands of the agriculturists and is regarded as a supplementary source of income to them. In the western districts of U. P. such as Etawah, Mainpuri, Agra, Aligarh and Meerut, the production of ghee is of such importance that ghee merchants of Cawnpore, Calcutta and Rangoon have opened branches or have employed special representatives in some of the important ghee centres in order to ensure a regular and sufficient supply of ghee. Flourishing *mandis* have sprung up at Khurja, Chandausi, Hathras, Aligarh, Shikohabad, Etawah, Auraya and Bharthana, and there is almost a 'ghee belt' stretching from Meerut to Cawnpore. The importance of ghee trade can be judged from the fact that about 40,000 maunds of ghee are annually sent out from the Etawah market alone.

Adulteration.—And yet important as the value of ghee is from the health point of view, it is a pity that it is greatly adulterated with cheaper and inferior fats and oils. Adulteration is so largely practised that the public have rightly come to regard pure ghee as a thing of the past. Dr. N. C. Wright in his Report on the Development of Cattle and Dairy Industries of India, published sometime back, writes "Constant statements have been made to me that it is practically impossible to purchase unadulterated ghee on the open market. Official figures lend support to this view. From 7 to 65 per cent of the officially examined samples are classed as adulterated." The Report of the Public Health Commissioner to the Government of India just published reveals a state of affairs which is worse. It says "milk and milk products are everywhere adulterated. In one province, 73 per cent of the samples

of ghee examined, 50 per cent of the samples of milk and 45 per cent of the samples of butter, were found to be adulterated." It is not, therefore, surprising that people have come to consume large quantities of adulterated ghee which is in more than one way responsible for their poor physique and low vitality. The producers, viz., the agriculturists, on the other hand, do not get fair and reasonable prices at the hands of ghee merchants at the *mandis* or their representatives in the villages. They are paid Rs. 15 to 25 less per maund than the market rate and are further subjected to such malpractices as arbitrary deductions, fraudulent weighment and payment in driblets, etc.

Ghee Societies.—Any scheme, therefore, which makes available to the consumers unadulterated ghee, secures the highest possible price for the producers and frees them from the dictates of ghee dealers who are generally responsible for adulteration in order to increase their own profits, will be hailed as one of the most beneficial measures in the larger national interests. That this is possible of achievement has been shown by the co-operative ghee societies organised in the United Provinces. The first society was organised in 1929 at Chaubonkapura in the district of Agra. The success attained by this society led to the organisation of similar societies not only in this district but also in the adjoining districts of Mainpuri and Etawah. Of late, the districts of Meerut and Bulandshahr have come into the fold and some spade-work has also been done recently in the districts of Banda and Unao. There are now nearly 400 Ghee Societies with a membership of over 6,000 in the province. The total amount of ghee sold by these societies during the year 1938-39 is 5,500 mds., and the profits earned thereon amount to Rs. 28,600.

Better prices for producers.—The societies are organised on the principle of 'one village, one society.' Every person who owns a milch cow or she-buffalo (preferably the latter) or intends to purchase one can become a member of the society. There is no share system but every person joining the society has to pay an entrance fee of Re. 1. There is no joint liability for members for the debts of the society and the personal liability of the individual member is limited to Rs. 50 only for such debts. The society elects, from amongst its members, its own *panchayat* which manages its affairs with the help of the Supervisor-in-charge. As soon as a milch animal of a member calves, the society enters into a contract with him for a fixed quantity of ghee, generally from 1 to 2 maunds per buffaloe. The rate is fixed at Rs. 8 to 12 less per maund than the market rate in contrast to Rs. 15 to 25 less per maund given by the ghee merchants. The whole of the contract money is paid to the member in a lump sum which is very much appreciated by him while the merchants pay him in driblets or in kind much to the loss of the producer. The society is financed by the District Co-operative Bank of the locality, of which it purchases at least one share in order to become eligible for membership. The member on his part executes an agreement in favour of the society for the sale of ghee after he has received the contract money.

Fair Weighment.—The ghee is weighed every fortnight by the *panchayat* of the society and there are fixed dates for each society. The members assemble with their ghee at a central place where a weighman of the Ghee Union with his tin containers and pack-horse or cart is also present. One of the members of the Panchayat and usually the Sarpanch weighs ghee of each member and puts it in the ghee container. Only such ghee as is unadulterated and confirms to the proper standard is accepted. The Panchayat particularly sees that ghee is correctly weighed and that proper accounts are kept to the entire satisfaction of the members.

Patronage Refund.—As mentioned above the rates of ghee of the members are fixed by the society at Rs. 8 to 12 less per maund than the market rate. The margin of Rs. 8 to 12 covers interest charges on the money advanced, the management expenses, the creation of reserve and other funds. A part of this margin goes back to the members in the form of patronage refund or bonus on the basis of the quantity of ghee collected from them. Instances are not wanting to show where members are paid from Rs. 5 to 7 per maund and in this way they almost secure the full market price.

Unions.—Besides the Central Co-operative Banks which act as the financing agency, the societies are also federated into Central Co-operative Ghee Unions to which they contribute a small amount per maund of ghee contracted. The chief functions of these Unions are to arrange for collection and sale of ghee of the societies and to consolidate and unify their working. Such other activities as the introduction of improved breed of milch cattle, supply of fodder and the digging of silage pits for the dry season are also undertaken by them.

Consumers' Gain.—There are five such unions in the province, one each at Chaubonkapura (Agra), Etawah, Dadri (Bulandshahr), Shikohabad (Mainpuri) and Mawan (Meerut). All the ghee collected in the unions is weighed and tested before it is despatched to their *Arhat* shops in the *mandis* where it is purchased by the local ghee merchants or the representatives of merchants of other places. If it is sold to the consumers direct or to such dealers as sell directly to the consumers, it is heated, classified, tinned and sealed before it is delivered. It is thus that unadulterated ghee is freely available to the consumers at market rates. Proposals for opening agencies of the Unions in other towns in order to establish direct contact with the consumers are under consideration.

Legislation.—The bylaws of ghee societies provide for the imposition of fines and penalties on members if they are found to have adulterated their ghee. In practice, however, cases where members have actually indulged in adulteration are few and far between. Every precaution is taken to keep the purity of ghee intact while it is in transit from the societies to the Union. With the frequent sale of *banaspati ghee* in the *mandis,* it is apprehended that the members might, *perhaps,* be tempted to purchase it for the purposes of adulteration. In order to safeguard against this possibility, instructions have been issued by the Department to amend the bye-laws of the societies in order to provide for the heaviest deterrant punishment. The Government soon propose to introduce, in the Legislature, the Prevention of Adulteration Bill, the text of which has been published. The Bill gives powers to Government for destruction of ghee in particular if found to be adulterated and provides for deterrant punishments both for sellers and purchasers of Banaspati and other vegetable oils and *Charbi* for the purpose of adulterating it with or selling it as genuine ghee. A person guilty of an offence under this Bill, shall, in addition to the fines and cost of prosecution that he may be ordered to pay, be liable for the first offence to a fine of not less than Rs. 25 and extending up to Rs. 250; for the second offence to a fine of not less than Rs. 100 and extending to Rs. 1,000 or to imprisonment of either description for a term up to six months, and for subsequent offences with fine which may extend to Rs. 2,000 and to imprisonment which may extend to 2 years.

The Future.—The ghee societies have passed the stage of experimentation and have set themselves on the road to expansion and improvement. There is a great demand for them not only in the districts in which they operate, but in other districts as well where no work in this connection has been done. In order to cope with it, the Government have this year increased the annual grant of Rs. 12,500 to Rs. 25,000 for strengthening the staff. The additional staff will be pinned down to organise new societies mostly in the districts where the work is already in progress. The Prevention of Adulteration Bill when passed into an Act will greatly facilitate the working of ghee societies and will give a further impetus to their development on a much larger scale.

SOME ATTEMPTS AT CO-OPERATIVE MILK SUPPLY IN MYSORE

By

Y. Sreenivasaiya, B.A., LL.B.,

Advocate, Mysore.

There has been consumer co-operative activity to some extent, in the Mysore State ever since the co-operative movement was started here more than thirty four years ago. It was till recently confined mostly to the urban areas of the cities of Bangalore and Mysore, and is latterly extended to Bhadravathi which is a flourishing industrial town. Nevertheless no serious attempt has been made by the co-operators to supply the co-operative consumers with the milk they require. The stuff that is distributed by milkmen especially in the cities and towns is rarely pure and unadulterated. Very often diluted buffalo's milk is passed off as cow's milk to the credulous consumer. Latterly some dairies have been established in the cities of Bangalore and Mysore by private enterprise. Retailers buy the skimmed milk available in them and sell it to the final consumer as good milk. Prosecutions under the Adulteration of Food Act, though common, have not yet had sufficient deterrant effect on the vendors. Most of the people therefore are dissatisfied with the milk they get. Nevertheless they fell powerless to remedy the evil.

The cow-herds are also dissatisfied with their lot since many of them are obliged to sell milk generally to hotel-keepers or dairy-keepers at a rate cheaper than the market rate in consideration of advances, they take for buying cattle or fodder, or for house-hold purposes. They will welcome any measure that will prove profitable to themselves if the advantage is clearly demonstrated to them.

1. **The Kamadhenu Co-operative Bank** of Bangalore is an attempt both to provide cheap credit and market the milk produced by the members. It is a Society consisting of cow-herds, that was started in the year 1928. Its banking business has been satisfactory. It had a membership of 171 in June 1938, Paid-up Share Capital of 11,427, Deposit amounting to Rs. 23,434, Total Working Capital of Rs. 47,316, A Reserve Fund of Rs. 5,351. Its total transactions in 1937-38 amounted to Rs. 2,79,596. Though the members are all producers of milk, it is not essentially a producer's sale society as its main

object is not sale of milk produced, but supply of credit to the members.

It did, however, make an attempt, for a time quite successfully, to sell the milk produced by its members. It even succeeded in securing the contract for supplying milk to the Government Combined Hospitals of Bangalore, though unfortunately it lost the contract this January when a private enterprise secured it.

The comparative statement of the society annexed herewith shows the financial position of the society year by year and the degree of its success in the supply of fodder to its members and marketing of milk they produce.

The society started a fodder branch in the year 1932-33 to sell it to the members as cheap as possible. It has not been successful from a business point of view; for during the six years under review (vide Table) it met with heavy loss in the years 1935-36 and 36-37; and even during the years there was no loss, the profit made compared with the turnover was very negligible. The cause for this poor profit lies in the heavy proportion of the cost of establishment compared with the disproportionately small volume of business.

Milk trade was undertaken by the Bank only in the year 1936-37. As a result of the strong recommendation of the Registrar of Co-operative Societies, the Combined Government Hospitals of Bangalore accepted the offer of the Society to supply them the milk they required. While working the business, however, it was found that the supply of milk by the members was not always sufficient to meet the full demands of the hospitals. The society had therefore to buy it dear outside and supply at a cheaper rate to the hospitals. Sometimes the supply of the members was more than the hospitals required, and the society had to incur loss owing to wastage of the unsold quantity. Though, in the first year of its enterprise in 1936-37, it incurred a heavy loss of Rs. 580 on a sale of Rs. 17,118, the society however, undaunted by this reverses, strove hard next year and did business to the extent of Rs. 41,736 earning a net profit of Rs. 674. The facility afforded to the members by the Bank to market their milk stimulated membership. It rose from 142 in 1935-36 to 196 in the year 1936-37.

Again the fodder section which was dwindling year by year gradually improved with the introduction of milk sale. While the sale of fodder had fallen from Rs. 4,750 in 1933-34 to Rs. 1,263 in 1935-36, it rapidly increased during the succeeding years amounting to Rs. 8,014 in 1937-38.

When progress of these two sections was looking as though assured, as ill-luck would have it, the contract of supply of milk to the Combined Government Hospitals was lost in January 1939. This loss of the contract is a heavy blow to the Institution.

2. **Lalitadripuram Co-operative Society (Unlimited)**, at Mysore, has been trying this type of business for the past four or five years. It is a society consisting mostly of agriculturists, who enjoy the special and unique privilege of the patronage of H. H. The Maharaja of Mysore, who has lent it a heavy sum of money at a low rate of interest. The milk produced by the members of the Society was usually sold to the hotel-keepers of Mysore city, being taken to their shops, twice a day, once in the morning and once in the evening. The society tried to open a shop in the Vani Vilasa Market, Mysore City, and also to deliver the article from house to house, just as the milkmen do. The experiment which was tried for a few months did not succeed and ended in a heavy loss. The society closed its shop in the city about two years back. The original practice of selling it to the hotel-keepers at a cheaper rate than the retail market rate has been revived.

3. **The Chamarajapuram Co-operative Stores**, which is as its name suggests, primarily a consumers' co-operative society has been doing business on a small scale in this line since October 1938, as a result of an offer made by the Palace Dairy Farm, Mysore, to supply its surplus milk to the Stores on terms that admit of selling it at the market rate. This milk section is very popular among the members, the demand being far in excess of the supply. The reason for this unusual demand lies in the fact that the milk is of such good quality and is so fresh and pure that it can be safely given even to young babies and patients without any risk. The Rayanakere Dairy Farm, as the Palace Dairy is called, is a Department of the Palace and is run on the most up-to-date lines with modern equipment that removes the necessity of touching the milk with the hand at any stage. The milk is delivered at the premises of the Stores once in the morning and once in the afternoon in sealed cans. The Stores transfers the milk into its own cans which are then sealed and sent for distribution from house to house by two cycle orderlies. The milk is sold mostly on credit, the dues of a month being payable on the 1st of succeeding month. About one hundred customers are being served at present. The Statement annexed shows the progress of the business month by month.

Though the business is popular and developing, there is no guarantee of its continuance or permanence as the whole scheme will come to an end the moment the Palace Farm ceases to have a surplus to spare. But a custom has been secured and a good will has been built up for milk trade. What is required, therefore, is enterprise to discover fresh sources of supply to build up business on a larger scale.

4. Private dairies are now doing some business on a larger scale attracting the village milk to their shops in the city. There is a particular concern in Mysore which is equipped with the plant for pasteurization and cold storage and has been doing business on a pretty large scale for the last eight years or more. It is popular and has secured the contract to supply milk to the Civil Hospital also. It is said that due to the want of adequate supply it could not meet the demand of its customers. Here is an opportunity for the co-operators to study the question of milk trade in the city and follow the system adopted by this concern if it is found to be sound on business principles also.

Many of the cow-herds who vend their milk in Mysore City, live in blocks in certain parts of it, or in the neighbouring hamlets and villages. Propaganda is necessary to bring home to them that the marketing of their article on co-operative lines will be decidely to their advantage. But no one has been as yet interesting himself in this work of guiding the cow-herds. Unless propagandists go to the doors of these people and the advantages of selling their produce to or through a co-operative organization are driven home to their sceptical minds by means of facts and figures, the business is not likely to succeed. A band of propagandists who are genuine co-operators with burning faith in its principles and practices and ardent desire to guide and serve those who are in need of guidance should come forward to tackle the problem. But duly qualified propagandists are rarely born. They have to be trained for the job. Unfortunately there is scarcely any attempt worth the name that has been made to train men for co-operative service of this or any other type. It is not even realised by many that such a training of men is necessary; and in consequence, no use is made of the people who have shown a bent of mind in the direction of undertaking propaganda. In fact a large body of people feel that it is waste of funds to spend money on propaganda—a fact which will force itself upon one who attends the general meetings of many societies consisting even of persons of good official position or university degrees. Unless this wrong attitude of the bulk of the members is changed, and they are made to realise that co-operation can neither develop nor even remain steady without propaganda and dissemination of its principles amongst the people, it is impossible to undertake with hopes of success any venture that requires organization on a large scale, like distribution of milk which cannot succeed as a business unless it is organized on a large scale.

KAMADHENU CO-OPERATIVE BANK, LTD., BANGALORE.

Year.	Members.	Share amount.	Reserve.	Total Working Capital.	Fodder sale.	Profit from fodder sale.	Milk sale.	Profit from milk sale.
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
1932-33	136	11,005	3,106	—	4,121	66	—	—
1933-34	146	11,026	3,943	54,986	4,750	17	—	—
1934-35	136	10,955	4,608	62,280	3,042	4	—	—
1935-36	142	10,813	4,876	64,680	1,263	−358	—	—
1936-37	196	12,185	5,216	54,778	3,758	− 71	17,118	−580
1937-38	171	11,427	5,351	47,316	8,014	+ 26	41,736	+674

MILK SALE OF THE CHAMARAJAPURAM CO-OPERATIVE STORES.

Month.	Year.	Milk in lbs.	Value in Rupees.
October ..	1938	2,605	153
November ..	1938	4,900	295
December ..	1938	4,810	275
January ..	1939	5,393	296
February ..	1939	5,903	365
March ..	1939	6,840	418
April ..	1939	7,543	435
May ..	1939	8,046	490
June ..	1939	8,900	591

93216

PROBLEMS OF MILK SUPPLY AND DAIRY SOCIETIES IN INDIA

BY

K. C. RAMAKRISHNAN,
University of Madras.

The co-operative creamery or dairy was about the earliest, and is still the most outstanding, form of agricultural co-operation in several European countries—notably in Denmark, Sweden, Finland, Holland, Switzerland and Ireland—and in Canada, Australia and New Zealand, in all of which milk production is far in excess of home consumption. The co-operative movement in most of these countries, in Denmark in particular, was so intimately connected with the development of the dairy society that it is a common temptation for co-operative enthusiasts in other countries, less favourably situated for dairy development, to copy the Danish model or at least to feel apologetic on their inferior position in this field. Students of agricultural co-operation in India with an insufficient knowledge of our economic conditions are apt to be puzzled at the lack of a single successful dairy society on the Danish model in our country in spite of the fact that we have in India the largest number of milch cattle that any country has in the world, and we produce, according to an authoritative estimate,[1] 800 million maunds or 6,400 million gallons of milk per year (valued at Rs. 300 crores) which is exceeded only by the United States, while it is four times that of Denmark and seven times that of New Zealand. The puzzle will be partly solved, if it is understood that per head of population milk production in India is only 8 oz. per day while it is 148 oz. and 244 oz. in Denmark and New Zealand, and the per capita daily consumption of milk and milk products is only 7 oz. in India, but 40 oz. in Denmark and 56 oz. in New Zealand, leaving a large surplus to be converted into butter and exported. Other countries too, which are self-sufficing in respect of milk production but with a much higher standard of consumption—varying from 30 to 45 oz. per day—have successful dairy societies, though not so famous as those in exporting countries.

Distinction between the Milk Supply and Dairy Societies.—The term 'dairy society' is used in India in a loose, rather wide, sense. It is extended to milk supply societies organised on behalf of producers or

1. Dr. N. C. Wright, Report on the Development of the Cattle and Dairy Industries of India.

JL
XM m2, N35
N39.5.3

consumers and located in or near large towns. The distinction between a mere milk supply society of this type and a dairy of the Danish type is fundamental and should be grasped before any further study is made. The co-operative creamery, or dairy, in Denmark and other countries which have followed her is a *production* and sale society, which deals in an effective way on behalf of producers in rural areas with large quantities of surplus milk which cannot be disposed of with profit in any neighbouring or distant consuming centres of liquid milk and is therefore obliged to convert it in a central factory into butter for export to highly industrialised and urbanised centres abroad, returning the separated milk to members for feeding their pigs, whose rearing is a by-occupation of dairy farmers. The milk supply union in an Indian city which has a number of milk supply societies affiliated to it in villages round about—generally within a radius of 15 miles—is also run on behalf of producers of milk, whose main occupation is cereal growing for subsistence or sale, and whose standard of milk consumption is very low and who are anxious to find a sale for their milk at higher prices in cities, where generally some co-operative minded consumers organise the whole scheme in their, as well as the producers', interests. In only two or three Unions in the whole of India is all the milk bulked, pasteurised, bottled and distributed to consumers, among which state hospitals figure prominently. In the other Unions, milk is pooled and transported and distributed in apparently the same state as it is collected without any processing done. These Unions no doubt realise economies in milking, transporting and distributing and inspire greater confidence among producers and consumers, eliminating the profiteering middlemen who were exacting a heavy toll—especially from state hospitals. But milk supply societies and unions have problems of their own, some of them more difficult than those of pucca dairy societies.

Leading City Milk Supply Societies in India.—The Calcutta Milk Societies Union is the earliest and the biggest co-operative organisation for the supply of clean pasteurised milk to an Indian city. It was established 20 years back and it has now on its rolls 120 societies of milk producers in the vicinity of Calcutta and it sells about 40,000 maunds of milk per year. The daily distribution came up to 103 maunds or 8,240 lbs. according to the latest available administration report of the Registrar of Bengal. It claims to have reduced prices for consumers and enhanced them for producers by the elimination of middlemen. It has improved the lot of milch cattle by the supply of fodder, etc. It owes a good deal of its strength to the patronage of the Government of Bengal and to the Corporation of Calcutta. It supplies milk to 12 Government hospitals and to the milk kitchens and child welfare centres of the Corporation. But after all, it caters only for a little more than 3 per cent. of the total demand for milk in that premier city, while the major part of the supply still comes from the generally unscrupulous and unclean city milkmen and vendors.

The Madras Milk Supply Union was organised ten years back and has on its roll about 15 societies, almost all located in villages on the north of the City. It supplied in the last co-operative year 1,800 Madras measures (90 maunds or 7,200 lb.) of milk per day, a third of which went to 5 Government hospitals. It has increased since the installation of pasteurising plant last February its supply to nearly 2,000 measures or 100 maunds per day, which is very near the Calcutta level. It has 40 sale depots and has also undertaken house to house delivery. It has also received ample patronage from the Government, though at one time the latter was illiberal enough to insist on payment of damages when, due to the machinations of some middlemen who weaned away some of the supplying members, the Union could not fulfil its contract to supply the stipulated quantity to the hospitals. It has not been so fortunate as the sister union in Calcutta in respect of its treatment by the City Corporation, which is more anxious to test its milk than patronise it. The Madras Milk Supply Union caters at present for only 5 per cent of the demand in the city, including that of the hospitals. The citizens of Madras have yet to realise the benefits of pasteurised milk, which is sold at a slightly higher price than that of city milkmen who take the cow from house to house.

The Lucknow Milk Supply Union, which is the most important in the United Provinces, supplied in 1938 only 17 maunds (1,360 lb.) per day and it was expected to go up to 25 maunds. The Government gave a grant of Rs. 20,000 for "apparatus to keep milk fresh and safe." This could not be for pasteurising plant.

The Telinkheri Co-operative Dairy Society at Nagpur is the earliest of its kind in India having been started in 1911-12; it supplies 25 maunds of milk per day which is delivered in sealed cans. But the management and patronage are so much in the hands of Government that its co-operative character is questionable.

These four societies or Unions are the biggest in India; the other milk supply societies are 'tiny affairs'. All the seven societies in Bombay could not sell more than about 10 maunds of milk per day. Societies in Bengal, outside Calcutta—at Dacca, Darjeeling, Chittagong and Naogoan—were all positive failures. In Madras, the Coimbatore Milk Supply Union showed signs of promise with a sale of 12 maunds per day, half of it to the Government hospital; but it was embarrassed by the proportion of unsold milk, which had to be converted into milk products and sold at a great loss. The confidence of the consuming public has yet to be won. More societies are contemplated in Madras and other Provinces, but we are not quite sure if they will fulfil the expectations of enthusiasts. Societies attract members and customers in the first flush of enthusiasm, but these drop off early in many cases, and a number of societies show signs of arrested development.

Inherent Difficulties.—Let us examine the inherent difficulties of milk supply societies in general, and study Indian conditions in particular. Even in Western countries the co-operative sale of liquid milk has always been more difficult than that of production and sale of butter. The latter helps the conversion of a bulky commodity, which is a surplus in rural areas, into a clean and uniform finished product which is generally sold abroad or at distant home markets, of which the producer has little knowledge. The need for export through "a bottle neck", as it were, has contributed not a little to the strength of the co-operative dairy. In the case of a milk supply society, on the other hand, where neither a reduction in bulk nor export to a distant market is the service rendered, the temptation for many a producer to sell loose milk in the neighbouring city is often irresistable. Adulteration is practised with impunity as there are a large number of poor ignorant consumers who would like to have milk at a lower price. Producers farther away from big consuming centres and who have no easy access to them are better material for a supply society as they have no temptation nor capacity to find for themselves sale for liquid milk in the city and they have to depend more on an organisation.

There are, however, difficult problems that milk supply societies, located at distances of more than 15 miles from consuming centres in our country, have to face. Transport is a formidable difficulty as many villages are not connected with the railway or the trunk road on which alone motor vans may ply with ease. The jolting due to the rough surface of many village roads works havoc on milk, especially in a tropical climate, where milk gets sour within 6 hours while it may keep on for 24 hours without spoiling in a cooler climate. Freshness is next to impossible when milk has to travel in warm weather a number of miles, especially when the handling is not clean at the initial stages. Another nuisance is the untimely hour—3 to 4 A.M.—when the milking has to be done in the village, which is relished neither by man nor beast. The guarantee of freedom from adulteration is also hard to give under such conditions. With the best of intentions of organisers at the top, it may be difficult to ensure perfect working throughout all stages.

It is due to these real difficulties that the well-to-do customer in a city like Madras prefers the fresh milk drawn in his, or her, presence from the 'itinerant' cow which is milked in instalments to meet the demands of each buyer. There is, no doubt, the guarantee of freshness,

but purity or richness of milk cannot be so easily secured. Apart from the sleight-of-hand tricks practised by the adroit city milkman who can dilute fresh milk and deceive all but the very wary, the buyers of earlier instalments get milk poorer in butter fat. Even richer buyers of all the milk in a cow cannot get the best quality because of the lack of succulent fodder and the very insanitary conditions in which cows are kept in the cattle sheds of the city. With all these tricks and subterfuges and the miserable condition in which men and milch animals live in a city like Madras, the milk business has been pronounced a bankrupt industry by a dairy expert who investigated conditions in Madras 20 years back. The milkman could not according to him make both ends meet without adulteration and other tricks of the trade.[2]

Lines of Reform.—*It is essential from the point of view of the health* of the residents of the city, as well as of the welfare of the animals themselves and their economic upkeep, that the milch cattle should be removed from the city into the suburban and adjacent rural areas with ampler living space and pastures. Distances beyond 15 miles may create difficulties in a tropical country though milk is transported commonly from 50 miles and beyond to cities in colder countries. It is also necessary that pasteurisation and bottling should be done as near producing centres as possible and not done after the milk is transported to the city or its neighbourhood as the chances of contamination are greater at the earlier stages and transport in warm conditions spoils milk even before it is processed. Pasteurisation and bottling and cold storage are not only to ensure cleaner and disease-free milk but save the producers and their animals from the bother of too early milking, as milk can be kept safe, at least for 12 hours in our country, if they are subjected to the above treatment. But expert advice is that all this should be done soon after production and as near the producing centres as possible, if the pasteurised and bottled milk should not taste stale and the enthusiasm of customers in the city should not decline. Dr. Wright is inclined to doubt the benefit of pasteurisation in city premises to which milk is transported raw. "It is very questionable whether such pasteurisation has anything but 'sales' value".[3]

A great service that municipalities can, in fact ought to, render at this stage is to check more severely than they do now the adulteration that is rife in the supply of milk in their area. It is only then that the milk supply society can have a fair field to compete in. This is the least that municipalities and corporations can do, for which they have ample powers, but they do not for one reason or another exercise fully. The

2. A. Carruth, A Survey of the Madras Dairy Trade.
3. Report, p. 22.

number of samples analysed and the prosecutions launched are not adequate for the extent of adulteration practised; e.g., in Madras the Corporation Analyst reports only of 80 samples of milk analysed for the whole year, 1937, of which 27 were found to be adulterated and he complains the fines imposed by magistrates "are still far below the deterrant level" even in convictions for second and subsequent offences. Ultimately all the milch animals will have to be removed from the city to rural areas, and the Corporation should have testing stations in the different approaches to the city. Centralisation of milk supply is best done by co-operatives, though municipalisation or even joint stock enterprise may be tried, if only to see how the different schemes work.

Rural Milk Supply.—So far all attempts at the co-operative supply of milk in our country have been confined to a few cities and large towns. But as Dr. Wright says, in India "the largest potential market for milk is in rural area". Concentration on urban milk supply is allright in Great Britain, U.S.A. and other industrialised and urbanised countries, but not in India where only 11 per cent of the people live in towns, and only 3 per cent in cities of over 100,000 population, where alone difficulties of milk supply may be said to be so acute as to warrant centralised collection, processing and distribution, and where indeed the per capita consumption of milk is very low. It is perhaps not so well known or realised that most of our rural population do not get enough milk or milk products which are essential as 'protective foods', particularly when the diet of most of them contains little or nothing of other animal foods either. Many villages, at any rate in the non-deltaic areas, have more favourable conditions for the rearing of cows and buffaloes, and if the agriculturists willed it, almost all of them could make the maintenance of a cow or two—not only the she-buffalo—a paying proposition, utilising the waste products of the farm. It is not for us to suggest the necessary reforms in breeding and rearing of milch cattle and the growing of forage crops so as to reduce the cost of production of milk and bring it within the reach of the largest number. But we should point out here the difficulties of co-operative or any other system of distribution of milk in rural areas for those who do not produce milk. The demand for milk is at present limited and can grow only slowly. The economies of centralisation and bulk-treatment and distribution by motor vehicles are out of the question. The distribution of milk has to be organised on 'a village industry' basis. Small scale heating plants of "the jacketed container" type and distribution in cans with wide mouths and hinged lids as suggested by Dr. Wright—may be tried.[4] Chances of contamination and adulteration are undoubtedly greater in this system than in the elaborate and expensive pasteurisation and bottling system advocated for city supply; but we should trust to the greater honesty of the rural producer than the city vendor, while he should be taught hygienic methods of producing and conveying milk to the co-operative society, which can take charge of distribution.

4. Report, pp. 23 and 26.

Scope for Creamery Butter.—The greatest single use to which milk produced in India is put is the making of ghee for which there is great demand all over the country. It is therefore necessary to pay more attention to the organisation of ghee societies and their problems. But before doing so, the scope for the co-operative manufacture and sale of creamery butter in India may be briefly noted. The demand for it is insignificant by the side of that for ghee. In its manufacture, only ·15 per cent of the total output of milk is used up, while in the making of ghee 52 per cent of all the milk is used. The import of creamery butter is negligible; it is only one-tenth of that produced in the country. The consumption is confined to the very small European population and a few Indians with acquired European tastes. The demand, however, is slowly increasing and may go up with the development of cold storage facilities within the country. But before launching co-operative ventures in this line, it is wise to take note of the difficulties experienced by private established creameries. There are said to be 4,000 creameries in this country, as against 50,000 in New Zealand which produces only one-eighth of our output. But only a few make butter on any considerable scale and on modern lines. They complain of inadequate supply of good quality milk. The buffalo's milk, which has a much larger butter fat content than cow's, is said to be unsuitable for making first class cold-drawn butter; it lacks grain and looks greasy. The manufacture has to be carried on in warm atmosphere and cold storage is not everywhere available, with the result that butter becomes rancid and presents bacterial and mouldy growth. No wonder the price of Indian creamery butter is often lower than that of the imported product. Another serious problem is that of the market for separated milk. In all dairy centres in the west, where pig-rearing is a by-occupation of dairy farmers, the pigs consume the separated milk. This is out of the question in India as pigs' flesh is taboo to most of the Hindus as well as Muhammadans. The curd made out of separated milk does not keep and has often to be destroyed. The condition in which milk arrives at these creameries is often so bad that no use is made of it except the manufacture of casein. A fundamental difficulty in India is the unspecialised nature of dairy-farming; it is only subsidiary to agriculture and each peasant has only one or two cows or buffaloes in milk as against 9 in Denmark and more in New Zealand. The holdings are much too small, the majority being below 10 acres, while in Denmark the average dairy farm is of 40 acres and in New Zealand 150 acres. The average output of milk of a village is estimated at 1,500 lb. a day. The cost of collection and handling of milk and of the return of separated milk under such conditions can only offer poor prospects for co-operative creamery, except in regions of concentrated production of milk.

The Universal Demand for Ghee.—Ghee is far and away the most important milk product in India. 52 per cent of the milk output in the country is estimated to go into the making of ghee, while only 31 per cent is used as liquid milk. There are other indigenous products made by partial desiccation of milk, like *Khoa, rabree* and *mallai* which meet a local demand, particularly in Northern and Western India, while the demand for ghee is all over India. The habit of drinking milk or using it with tea or coffee is much more common in towns, though it is slowly spreading in villages too. The use of butter milk, on the other hand, is nearly universal. Fortunately for consumers of ghee, buttermilk is a by-product in the making of ghee with which most of the producers of milk are satisfied; indeed these might consider ghee a by-product of buttermilk which they need in their diet, while they could get the ghee sold for cash. Home-made butter-milk does contain some butter fat and the solids in milk and is therefore a first class protein food. If much of the butter fat is sold away in the form of ghee, it does not matter so much. Even the more prosperous Danish peasant was, until the Depression forced it on him, not a great consumer of butter but was taking more margarine and exporting his butter to more prosperous countries. A good cash return is very much coveted and it is often the perquisite of the peasant's wife who looks after the buffalo, which is par excellence the dairy animal in this country, as its milk contains double the butter fat of that of the cow. No wonder the she-buffalo is looked after better than the cow, which is kept more as a breeder of draught animals, and milk has been practically bred out of it in village conditions.

Economics of Ghee Trade.—A study of the economics of ghee trade in the neighbourhood of cities would reveal the absurdity of making and selling ghee, while the sale of raw milk, especially of buffalo's milk which can stand more dilution than cow's, would fetch three times the price. For instance, in Madras 20 lb. of buffalo's milk with 7·5 per cent butter fat, which is the average, would be required to make one lb. of ghee which at present retail rates would fetch 12 annas, while if sold as milk 20 lb. of milk would fetch Rs. 2-4-0.[5] There is, no doubt, the by-product butter-milk; but as against that the cost of fuel and labour charges

5. A similar conclusion was reached by a study of the 'Economies of Ghee Trade' at Coimbatore by Mr. D. Ananda Rao.—Madras Agricultural Dept. Year Book, 1919.

have to be reckoned. The temptation then to sell away all the milk as such is not resisted by milkmen in the city though some make even more money by skimming off part of the cream which rises to the top by a little heating and palm off the rest as whole milk to ignorant customers, though this cannot pass with professional buyers like proprietors of hotels and sweetmeat makers who make the *khoa* test.

Those who are far away from urban centres are obliged to convert most of their milk into ghee and consume the butter-milk. Difficulties of transport over long distances account for the low price of milk in remote rural tracts. It is even as low as one-fourth of the city price in some places. Ghee, on the other hand, is far easier to keep and to convey to the market or consuming centre. It is generally taken to the *shandy* or weekly fair by the producer, more often the woman as it is her perquisite and she feeds the animals from the proceeds. Where the market is very far away, the ghee producer has to store it for long or to sell it to the roving middleman who pays a low price and adulterates it before sale. There is thus no encouragement for product of quality, especially in the absence of any grading and testing by Government or co-operative agencies. Recent legislation—Agriculture Produce Grading and Marking Act of 1937—was intended to help in this matter, but a number of grading and testing stations have yet to be established. With the increase in the chain of intermediaries, adulteration is bound to increase. The chances of adulteration have also increased with the increasing production and import of vegetable fats, particularly the vegetable ghees—known by the name of Vanaspatine and Marvo. These are used not only with ghee but even with country butter to adulterate it, which many thought would be immune from adulteration. Animal fat, tallow, was the old adulterant with ghee. But this has become old-fashioned; it is also tell-tale. Crude vegetable oils also betray themselves. Hence 10 to 60 per cent of the butter and ghee examined contain the fashionable adulterant. The best way to check this adulteration is to punish severely the cases of adulteration detected. The production of this new substance within the country and its import from abroad should both be strictly regulated; distinct labelling or even colouring of these substances at the point of production as well as at sale should be insisted on. Factory made proprietory butter has been saved in these ways, from the menace of margarine competition in western countries. Home made ghee, tested and certified, deserves no less protection in a country so vastly vegetarian.

Co-operative Sale of Ghee.—It is a matter for great gratification to co-operators that a large number of co-operative societies for the collection and sale of home-made ghee have been organised in the last 10 years and are working well, particularly in the United Provinces. Both producers and consumers have benefited; the former realise higher prices than the middlemen paid, and the latter secure superior quality for the price they pay. Scrupulous care is exercised in the testing and packing of ghee at the primary ghee societies and at the Unions of such societies. Facilities for quicker and cheaper testing by a governmental or municipal agency may perhaps inspire greater confidence among customers. One may wonder if it is possible to sustain the reputation for purity and quality in a product collected from a large number of domestic producers scattered up and down the countryside. Are not the difficulties of the marketing of home-made ('country') butter, experienced not only in India but in the past in Europe, likely to be repeated in the case of ghee? Would it not be a rational solution to develop, as in the case of creamery butter, factory manufacture of ghee from out of the collections of surplus milk of all the producer in a compact area? Would not this ensure a cleaner and uniform product, not affected by individual ways of production nor the temptations for adulteration, which even villagers are not all able to resist?

Co-operative Manufacture of Ghee.—There are, however, fundamental difficulties in large scale manufacture of ghee even on co-operative lines. Some of them are also experienced by the large scale producers of creamery butter. But the most vital objection is that the ghee made from creamery butter has neither the outturn, nor the aroma nor the keeping quality of the hot process home-made ghee. We do not know what the experience of Bihar is, where ghee is said to be made in some of the districts from out of creamery butter. Another vital objection to the creamery method of making ghee is the inferior quality of the by-product, separated or skimmed milk, from which curd or buttermilk of the quality produced at home cannot be had—while the demand for good buttermilk is enormous. The return of such a bulky by-product in time to the members is also a problem.

It must be said, however, that the making of ghee by processes other than the traditional one are yet in an experimental stage. We learn that the Imperial Dairy Institute at Bangalore has been trying to produce ghee by alternative methods, e.g., the use of citric acid to coagulate fresh milk and then churning it and recovering butter and heating it. The latest report of the Imperial Dairy Expert affirms that the resulting ghee is "much superior in quality and quantity to the ghee made by the country method" of natural souring. Experiments are also made in getting ghee direct from cream by heating it in a special boiler. If these experiments turn out successful and can be introduced on a large commercial scale, without detriment to the quality of the by-product, they may bring about a revolution in the manufacture and sale of ghee, preferably by co-operative methods.

DEBT LEGISLATION IN THE UNITED PROVINCES

BY

SHITLA PRASAD SAKSENA, M.A., B.COM.,

Lecturer in Economics, Lucknow University.

Every cloud has a silver lining. The economic depression which brought untold sufferings did one little good to India. It brought the agrarian problems of our country to the forefront and proved that real India lies in the villages. The diversion of the city politicians to the countryside, the organisation of Kisan sabhas, the rural uplift programmes and pieces of agrarian legislation are proofs of this important change in the outlook of the governments and non-official public institutions working in India. The recent debt legislation is but a part of a comprehensive scheme for the amelioration of the condition of our countryfolk. The debt legislation should therefore be studied not as an isolated piece of legislation but along with other allied measures taken for the revival and rehabilitation of our villages. Most of the critics of debt legislation have ignored this close relationship between debt relief measures and other efforts for the improvement of agriculture. The entire thing should be judged in its full setting. One divorced from the other would give only a side view of the picture.

Another point which we should keep in mind is the vital position which agriculture and the agriculturists enjoy in the economic life of the country. It is to the interest of the country as a whole to maintain agriculture in an efficient condition. The nursing of this industry thus becomes an obligation on the State. The Businessmen's Commission on Agriculture in America emphasising this aspect of the question said, "Agriculture is not merely a way of making money by raising crops; it is not merely an industry or a business; it is essentially a *public function or service* performed by private individuals for the care and use of the land in the national interest; and farmers in the course of their pursuit of a living and a private profit are the custodians of the basis of national life. Agriculture is therefore effected with a clear and unquestionable public interest, and its status is a matter of national concern calling for deliberate and farsighted national policies, not only to conserve the natural and human resources involved in it, but to provide for the national security, promote a well rounded prosperity and secure social and political stability".

Viewed in this light, debt legislation would be an enactment for the preservation of the key industry—nay the only source of livelihood for about eighty per cent of the Indian population. For India, agriculture is the main source which provides succour to her teeming millions. Our international trade or, for a matter of that, the entire economic structure rests on the bed rock of agriculture. If this foundation is shaken, before the country can develop other equally important sources of livelihood, there is bound to be an upsetting of the present order of things including the relations between the creditors and the debtors to which the debt legislation primarily relates. In an era of disturbed economic order or a period of economic upheavel, old contracts will have to be reviewed and revised in the light of new conditions. All obligations are subject to one general and vital rule, namely, an ordered form of society and security of livelihood. People on the verge of starvation and economic ruin are not in a position to honour the obligations enjoined upon them. There is all the more the reason to revise agricultural debts in India, since the village Mahajans have always been on the look-out for opportunities to exploit the cultivators and in this endeavour they have often taken recourse to methods which are not at all justifiable morally or legally. The debtors are expected to repay the total claims of the creditors—principal, both real and fictitious, interest and compound interest calculated at exorbitant and usurious rates and forced upon the borrowers by their dire necessity and helplessness for which in many cases the cultivator could not be blamed. The actual results of the exorbitant and compound rates of interest can be visualised by a few illustrations. Mr. Darling has cited the case of a debt of Rs. 26 at 37½ per cent which swelled to Rs. 500 in ten years. Prof. Marshall once pointed out that at 5 per cent per month compound interest (the rate of interest in rural India is usually one anna per rupee, or 6¼ per cent per month and in certain cases even more) a debt of £1 would become £100 if allowed to accumulate for eight years. Few persons reflect on such arithmetical results, but the professional lender has always known them.

If in a famine year the cultivator had to incur debts, it is none of his fault. He cannot be held responsible for the failure of rains or for the floods which take away his whole year's produce. In the past, even the State did not take such measures as it ought to have done for the protection of the cultivators. Its activities were directed more towards the regular and fuller collection of rents than to the real economic well being of the rural masses. The State revenue policy has, in a way, been responsible for the poor condition of the peasantry at least in these provinces. Collection of rent in money irrespective of the fluctuations in agricultural prices added to the real

burden of the cultivators in a period of falling price level. The dilatory and inadequate takavi loans and the rigidity enforced in their recovery have further led to the necessity of borrowing from the Mahajans at high rates of interest. The failure of the Government to stop excessive and extra collections of the landlords, over and above the amount fixed by the State, has been a perpetual source of the weakening of the economic position of the cultivators and a corresponding rise in the heavy burden of debts. In the United Provinces the ratio between revenue and rent has been going down for the last 150 years. The table below is from the Report of the Congress Agrarian Inquiry Committee :—

Year	*State share in rent.*
1793 and near about	.. 90 per cent.
1822	.. 83 " "
1833	.. 66 " "
1855	.. 50 " "
1929	.. 40 " "

Even during the thirty years (1900-1930) the total revenue in these provinces has increased by Rs. 85 lakhs but the rent in this period has increased by Rs. 665 lakhs. And these figures do not include unrecorded collections and exactions in kind and in services.

The permanent partial unemployment of the entire agricultural population for a period as long as half the year is directly responsible for the cultivators' poor financial position. The decay and disappearance of village industries and handicrafts has led to overcrowding in the rural areas with consequent fragmentation of holdings and a general lowering of the annual incomes. The cultivator was already groaning under these hardships when the severest blow—the death signal—came in the garb of economic depression. Agricultural prices touched the lowest level and the index of prices came down by about 50 per cent. The income of the cultivator was reduced to half but the rent demand and the amount of debt he owed remained at the old figure, thus increasing the real burden of the cultivator by 100 per cent. This increase in indebtedness was due to the defective economic and social order for which our critics want the cultivator to pay. The creditor had done nothing to deserve this unprecedented and unearned income and he can have no grievance so long as his real pre-depression claims reckoned in terms of purchasing power are not touched. A cry against the scaling down of the debts is in effect a cry for securing this unearned income, or a desire to reap the benefits of the capitalistic class domination in the realm of production—a class to which the creditor himself belongs.

The situation in short was that the cultivator had been reduced to a state of pauperism and destitution. His income had fallen abnormally. He was in deep waters. The creditors finding that the securities which a cultivator could offer, namely his crops and land, had lost their value, began to press the debtors for an early repayment of loans. The debtors were placed in a very embarrassing situation—falling incomes and the Mahajans' insistent demand for the repayment of loans, instead of further monetary accommodation to tide over the crisis or to pull through by borrowed capital investment made them desperate. Temporary suspension of rent, arrears, repayment of loans, execution of decrees and the sale of land and property were the only alternatives to avoid a flat refusal to pay or, if further pressure was brought, to revolt. These relief measures were simply war measures and attempted to save the situation from deteriorating further and hastening the catastrophe. Sporadic cases of defiance of law, lathi fights, murders and shooting were only to be followed in due course by a concerted and planned action to challenge the capitalistic class. The Debt Acts of 1934 served as brakes and warded off the immediate conflict. The relief was devised just to ease the situation. Let us assume that the creditor under the Debt Acts got only a portion of what he claimed, though there is every justification for a close scrutiny of his claims. For the creditors the case would not have been different if the debtors had taken protection under the Insolvency Law. If a bank fails or if a business firm fails, the creditors receive but a dividend. Why should the creditors then take exception if the failure of agriculture—an industry widely spread—has reduced their claims ? Scaling down of debts, moratorium and non-payment of debts have taken place during this period of depression in most countries in Europe as well as even in the sphere of international indebtedness where the debtors concerned were fairly prosperous. In the present case, the measures were the outcome of absolute helplessness on the part of the agriculturists.

The new agrarian legislation taken in hand by the Congress Government in the United Provinces goes a step further and is a definite improvement over 1934 Acts. It has a dual purpose in view. On the one hand, it seeks to give immediate relief to the cultivators from the heavy burden of rent, taxes and debts; and on the other it fosters measures for the general improvement in the economic condition of the villagers which may lead to increased incomes and prosperity and may thus relieve the cultivator, as far as possible, from the necessity of incurring debts again. The attempt is to make the villagers solvent and to give them a fresh start in life with better facilities and new opportunities for economic restitution. The entire legislative programme for the rural areas is thus divided into two sections: (1) Relief from immediate and crushing burden of debt and taxes including measures to check fraudulent practices of the money-lenders and (2) ameliorative measures for the revival and improvement of agriculture as a paying industry.

The Debt Redemption Bill which provides, by conciliation or otherwise, for the scaling down of the present debt to a reasonable amount justified by the circumstances and the conditions of the debt and the paying capacity of the borrowers makes an attempt to lighten the present unbearable burden and check a further rapid accumulation of debts by fixing a proper rate of interest for future and by the introduction of the principle of *Damdupat* (the amount not to exceed a sum more than double the principal). Provision has been made for granting immunity against attachment to a portion of the produce necessary for the maintenance of the cultivator. The Money-lenders' Bill provides for a compulsory registration of the money-lenders and imposes certain conditions for the conduct of their profession. It aims at checking the fraudulent practices and requires proper keeping of the accounts. The cultivator thus is given an opportunity of realising that it is, once again, within his means to become solvent and to be free from debt, and this knowledge or attitude has a great psychological value. At present the cultivator knows that not only he but even his father and grandfather have all along been indebted and that there is no hope of recovery any day. It is an attitude of despondency and he lives on a policy of drift thinking that the situation is irretrievable. This change in mentality would itself be a most valuable contribution of the Debt Redemption Bill. To the creditors it secures a reasonable amount out of the whole sum which was practically lost to him and that too after excluding the sums which he had already recovered in the past years. The Government has reduced even its own share in the produce by lowering the rents, water rates and other taxes. What is more important is a change in the basis of the calculation of rents. The relation of rent to price level removes the hardship caused by an increased burden of money rents in the days of falling price level.

The ameliorative measures cover a wide field. Beginning from the general literacy drive and rural development programme which aim at the removal of ignorance and better living, there are the bills which directly help agriculture, such as the consolidation of holdings, regulation of marketing, organisation of multi-purposes co-operative societies and schemes for the revival and sustenance of rural and cottage industries. These measures are bound to add to the incomes of the cultivators. In additional earnings and reduced burden of liabilities lies the hope for rejuvenation of the crippled agricultural masses.

It is said that debt legislation amounts to an expropriation of the money-lenders and would check credit in future. In the light of the circumstances explained above such a criticism does not seem at all tenable. In so far as debt legislation averts an open clash between the few money-lenders and a mass of indebted agriculturists and provides for a conciliation between the two, the bill renders yeoman service to the creditors. In fact it saves the creditors not only from expropriation but from probable annihilation. Whether it would check credit or widen it is for the future to prove. At any rate, it will be admitted on all hands that in the past money-lender in his dealings was not guided by altruistic motives or by philanthropy. Money-lending has been his business and he has carried it on with the greatest possible profiteering, by means fair or foul. Further, the money-lenders advanced money to the agriculturists not because there were no other avenues for investment, not because he could not deposit this sum with the banks, not because he could not start new industries or open new factories (for there has always been a dearth of industrial capital in India) and not because Government loans were not floated then but because he preferred money-lending in villages to other forms of investment due to the lure of high returns and so long as this difference in comparative returns exists chances are that he would continue to advance money in rural areas. It is true that the rate of interest has now been reduced by law but the security value due to the expected general prosperity in the villages is also likely to increase and the two taken together would again offer greater net advantages in money-lending in the rural areas. The chances of recovery have now improved. The principal would not be insecure and yet even the reduced rate of interest is three times the current rate of interest paid on bank deposits.

In the United Provinces there is a scheme of securing the entire produce of the land and giving it over to the control of a co-operative society which would arrange for its marketing and repayment of the loan instalments on behalf of the cultivators. Repayment would thus be regular and more or less assured. If the scaled down debts are taken over by the co-operative credit societies then the loans get the backing of the total assets of all the members of the society according to the principle of unlimited liability.

Even if a few bankers suspend money-lending in villages there is another corresponding factor to be reckoned with. With debts scaled down, rate of interest reduced, better agriculture and organised marketing, the need for loans would also be curtailed to some extent. Low demand for loans would provide a good set off for the assumed reduced supply of capital. Quite a big slice of the present total agricultural debt represents the amount borrowed for the repayment of the old debts. After conciliation or according to the calculation of the debt under the Debt Redemption Bill, old debts would be considerably reduced and

hence there is likely to be a proportionate falling off in the demand for loans. Moreover, cheap and abundant credit in the past has been responsible for heavy indebtedness. One important feature of the loans advanced by the Mahajans was that most of them were taken for unproductive purposes. It would be a boon to the agriculturists if the Mahajans become a little strict in advancing loans, for then the unproductive loans would be the first to fall off. Mr. Darling has shown clearly that one of the causes of the indebtedness had been easy credit.

Then there is a third factor—the development of co-operative credit institutions. In the past retarded growth of the co-operative credit movement was due largely to the heavy burden of ancestral debts, extreme poverty, uneconomic agriculture, and reckless organisation of new societies. Ancestral debts compelled the cultivators to cling to the old Mahajans. Extreme poverty drove them to the money-lenders every now and then for further accommodation. A policy of extreme caution adopted by the Government towards the organisation of new co-operative societies is thus a very welcome change in the interest of the co-operative movement and forebodes lasting and better results. A society consisting of members only lightly indebted and with prospects of increasing their incomes would really be an association which can promote thrift and self-help. As against this, societies in the past were mostly borrowers' societies—each member being anxious to borrow as much as he can.

It is probable that in the transition period there may be some difficulty in the adjustment between the various factors and hardship may be caused temporarily to one class or the other but such incidents, however undesirable they may be, are inevitable in any economic measure of far-reaching good. It may be that some money-lenders—different from the common pattern—may have to suffer even though they cannot be charged with corrupt practices and usury in their dealings; but no legislation can take notice of individual cases. As between the two—the money-lenders and the cultivators—the latter always deserve sympathetic and loving care. As Goldsmith has said:

"Princes and Lords may flourish or may fade;
A word can mar them as a word hath made;
But a bold peasantry, their country's pride;
When once destroyed can never be supplied."

REORGANISATION OF CO-OPERATIVE BANKING IN THE UNITED PROVINCES

BY

MANI SHANKAR MISRA,
Personal Assistant to the Registrar of Co-operative Societies, U.P.

The Circular of the Reserve Bank of India on the subject of reorganisation of co-operative movement on banking lines is fairly illuminating. We must admit our banks are not being run on the modern conception of scientific banking. Fortunately, unlike Burma, Bihar and Berar, there has been no general crash of the movement in U. P. and our banks (except a very few) have in the past been able to repay or get renewed their deposits on maturity. Still the Central Banks have always been suffering from a sort of inferiority complex in the money market and have to a great extent failed in deriving full benefit of the present low bank rate. As has been pointed out in the circular, co-operative banks are not very different from joint stock banks. Our reluctance to follow the canons of joint stock banking is mainly based on an exaggerated sense of security dependent on wrong notions about unlimited liability and the failure to realise the results of enforcing that liability. The case of Hardoi Bank will show that in spite of repeated enforcement of joint and unlimited liability for a decade the Bank has not been able to pay back even 40 per cent of the deposits.

Our banks enjoy the confidence of the depositors; and the banks on the assumption that the deposits would be generally renewed fail to maintain sufficient liquid cover. The deposits are no doubt generally renewed but this is not so much due to the depositors' appraisal of the true financial position of the banks as to the comparatively lower rate of interest offered by joint stock banks. The depositors will no doubt continue to get their deposits renewed so long as they are assured of repayment of principal on maturity and periodical payment of interest; but if somehow the movement has to face a crisis and the depositors press for cash repayment of their deposits, it is doubtful whether the fragile financial structure of specially weaker banks would be able to withstand the crash.

The circular suggests more judicious spreading of assets in co-operative banks. It is advised that only 50 to 55 per cent. of the depos

should be invested (in societies) and the balance should be kept in the form of cash or Government securities.

The position in the United Provinces in respect of all Central Banks is as follows:—

Percentage of Liabilities to total Liabilities.		*Percentage of assets to total assets.*	
Deposits and loans (including interest)	55·9	Cash in hand and with bankers	12·8
Share capital	21·6	Fixed investments (Govt. paper, land, etc.)	16·6
Reserve Fund	11·8	Investments (loans advanced)	67·7
Other Funds	5·8	Stock	1·9
Accrued Profits	3·9	Misc. Assets	1·0
Misc. Liabilities	1·0		
	100·0		100·0

These percentages have been calculated from the figures available in the annual report of the Department for 37-38, which incorporates the balance of accounts as they stood on 30th June 1938. The cash balances on the last day of the financial year are generally highest during the year and therefore it should not be presumed that the banks maintain such a high percentage of cash throughout the year.

The proportion of banks' liability (to depositors) to assets is as follows:—

Cash in hand and with bankers	21·4
Fixed investments (land, buildings and Govt. paper)	28·3
Loans to societies and banks	51·3

This percentage does not compare unfavourably with that suggested by the Reserve Bank, but as has been pointed out above, the banks do not, or rather cannot, maintain the high ratio of liquid assets to deposit liabilities except during May and June. The stronger banks accept deposits whenever they need, but generally not in May and June when they have plenty of cash. The weaker banks have to accept the deposits whenever they are offered though money may have to be kept idle till needed. These deposits mature generally in months when cash balances are low. Fortunately these deposits are usually renewed, but if somehow they are not the banks may find themselves unable to repay them unless some accommodating financing agency like a provincial bank, which unfortunately has not yet been formed in U.P. comes to their rescue. We have to consider the desirability of fixing the maturity dates of all deposits in the last week of June or first week of July as this may greatly minimise the likelihood of the banks' inability to meet their liabilities during slack months.

The Reserve Bank's suggestion that the co-operative banks should invest 25 per cent. of their deposits in Government paper and pledge it with the Provincial Bank to secure accommodation in time of need also deserves our consideration. Though we have no provincial bank at present, it is likely to be formed in the near future. Moreover advances on Government paper can be secured from any joint stock bank. But if one-fourth of the deposits have to be kept ear-marked and unutilized, the actual cost of hiring the borrowed capital would be more than the interest paid to depositors as the yield on Government paper would generally be less than the interest paid to depositors. For example, if a bank borrows Rs. 100 at 4 per cent. and invests Rs. 25 at 3 per cent., the actual loss to the bank would be 3¼ per cent. and not 4 per cent.

That co-operative banks should finance only crop requirements of the member has also been suggested. The Townsend Committee on Co-operation in Madras had, in detail, discussed the question of short and long term finance in its report: it suggested separation of short and long term loan accounts in credit societies and expansion of land mortgage societies that could replace credit societies in the matter of long term finance. The system of controlled credit or short term advance on the security of crops has been successful at least in some districts of Madras. But conditions in U. P. are a bit different. About 80 per cent. (if I am not mistaken) of the rural population belong to the tenant and not zamindar class. Even the occupancy tenants have no alienable rights in land nor such rights are contemplated to be conferred in the near future. Therefore the land mortgage societies have a very limited scope in U. P. It is the credit societies that has to and shall have to meet both short and long term requirements of its members. We must admit our societies have so far supplemented and not replaced the Mahajans but due to contraction of rural credit as a result of Debt Legislation, the cultivator now looks forward to his credit society to meet his requirements in full. But advance of loans for meeting all the needs of the members may be very risky unless Government enacts some legislation whereby the crops of the borrowers are automatically hypothecated in favour of the lending societies.

The Reserve Bank also suggests that loans for periods longer than nine months should not exceed the owned capital of the societies. This may be practicable in case of old societies that have accumulated a good deal of owned capital but in case of new societies serious difficulty may have to be experienced by members in case they need intermediate and long term loans.

Attention has also been drawn to the widely prevalent practice of resorting to paper transactions. No doubt, this has been the main cause of the partial failure of the movement in some of the provinces, but efforts to check it have not been very fruitful anywhere. The Reserve Bank's suggestion that for certain periods during the year no loans should be allowed to remain outstanding against the members does not seem to be practicable, to my mind. The members cannot pay the dues of the society and zamindar's rent from one and the same crop. They usually pay the society first and borrow from the society after an interval of a week or so to pay the zamindar. But we shall have to think out some effective methods of preventing paper transactions, though we have not been able to do so in the past.

Re-valuation of the assets of the banks with a view to find out bad and doubtful debts included in the assets, and make provision for them, as suggested by the Reserve Bank deserve immediate attention. Our auditors do note down such figures in the audit notes of the banks but they are based more on conjecture than on any relevant data. The sooner we take stock of our position the better, lest we should have to face a crash like the one in Bihar.

It is also suggested that interest, the recovery of which may be considered as doubtful, should not be carried over to the P. & L. account but should be transferred to a suspense account. In U. P. such interest is included in the P. & L. account, but it is not included in the net distributable profits and the possibility of paying dividend out of capital cannot arise.

Current and savings banks business may also be taken up by the stronger banks. Some banks do carry on this business but on a very limited scale. In addition to gaining popularity the banks might also make some profits. Good joint stock banks do not offer any interest on current account, and the co-operative banks of standing may attract a fair amount of business even if they offer ½ per cent. on current and 1½ per cent. on savings bank account.

The Reserve Bank has also suggested that the co-operative banks should not accept deposits for more than a year or two at the most; otherwise they may not be able to take full advantage of the falling bank rate. I may point out that fixed deposit rules have been revised by most of the banks in U. P. and the new rules provide for the banks' option of repaying the deposits after giving 6 months' notice. This period of 6 months may be reduced to 2 or 3 months in the case of future borrowings. Instead of accepting deposits for 1 year, it would be more prudent to accept deposits for 3 years or more with an option to repay them after giving 3 months' notice. If war breaks out in Europe, the bank rate would naturally rise and long term deposits on present rate of interest would prove to be more economical.

The suggestion to increase the reserve fund contribution to one-third of the profits needs no comment.

REVIEWS

INDUSTRIAL LABOUR IN INDIA. International Labour Office, Geneva. Price 7s. 6d.

This study on industrial labour in India is undoubtedly a useful compilation. It brings together within two covers a mass of information gathered mainly, but not exclusively, from the masterly report of the Royal Commission on Labour and the evidences submitted to it and has the further advantage of explaining the action taken by the Government of India and of Provincial Governments with a view to implementing the recommendations of the Royal Commission. The study follows in its plan and arrangement of chapters the usual method familiar to readers of the Labour Office reports. All the available data are analysed, the facts correctly docketed and each chunk is fitted into its proper frame. It will indeed be difficult to find another book where such useful and necessary information on Indian labour questions has been so well arranged in its proper place and setting.

Where so much has been given, it would seem ungracious to complain. And yet one feels a sense of disappointment after going through the volume. It arises not merely because the facts are presented in a matter-of-fact and dry manner; but mainly because nowhere in the whole book is there any discussion of the issues involved or an attempt to throw fresh light upon the problems familiar to students of Indian labour problems. Everything is sacrificed to mere narration. There is little attempt at interpretation, critical judgment and lively discussion. To cite one instance only, the recommendations of the Royal Commission are set forth in their baldest outline, and even where the minority have differed from the majority on some points this volume is content with the recording of both sets of recommendations. Judgment and criticism are, one would imagine from a perusal of this book, apparently taboo in the Labour Office publications.

The book opens with an introductory chapter explaining the background against which Indian labour problems should be studied. Then follows an account of the distribution of workers among various kinds of industrial occupations, plantations, mines, factories, transport, etc., and in different provinces. Chapter III dealing with labour legislation will be read with great profit; for there one can find the most up-to-date account of all industrial legislation in the provinces and All-India. In Chapter IV one of the most lively questions relating to labour has been examined, and the evolution of trade-unionism in India, its characteristic forms and features and the causes of industrial unrest and disputes have been dealt with. The book endorses the view of the Royal Commission that the prevention of disputes and the machinery therefor are even more important than the setting up of machinery for their settlement. The changed outlook for employment in the post-war years has been brought out in the next chapter where following the report of the Royal Commission it is stated that no longer can the worker have the whip hand in the future, because the former scarcity of industrial labour has now given way to abundance.

Of the other chapters in the book it is necessary to mention specially two which are of the greatest interest to the readers of this journal. Indebtedness receives in this volume, as it undoubtedly did in the report of the Royal Commission, the attention it deserves. In the words of the Royal Commission "The majority of the industrial workers are in debt for the great part of their working lives." After setting out the causes for such debt, the volume presents in outline the legislative measures taken to protect the workers against molestation and intimidation by the money-lenders. The amended Code of Civil Procedure in 1936 prevents the imprisonment of debtors except where the debtor is likely to obstruct or delay execution of the Court order. Again by another legislative enactment it has been laid down that the wages not exceeding Rs. 100 of industrial workers should be totally exempt from attachment for debt. The chapter on Standard of Living and on Housing reveals the still low and poor conditions under which Indian workers live. Every one will surely endorse the view that "there is need for increased help and activity on the part of Local Governments, municipalities and important semi-public bodies such as port trusts" in order that the standard of living and efficiency of Indian workers may be improved within a reasonable time.

Though the book lacks the human interest of the report of the Royal Commission, it should be widely welcomed at the present moment when, thanks to the working of provincial autonomy and of the labours of the All-India Planning Committee, labour questions have once again come to the forefront of Indian economic problems.

P. S. LOKANATHAN.

CO-OPERATION FOR ECONOMICALLY BACKWARD COUNTRIES. By W. K. H. Campbell (Technical Collaboration with China, League of Nations, 1938).

Mr. Campbell was for 10 years the Registrar of Co-operative Societies in Ceylon and had occasion to study the movement in India—(the Punjab, Bombay and Madras)—Ireland, Italy, Yugoslavia and

Roumania. He was selected as Adviser in Co-operation to the Chinese Government in 1935 by the League of Nations. He made an extensive tour in the provinces and an intensive study of several types of societies. The report under review was drawn up after this preliminary survey which, unfortunately, could not be followed up on account of the disturbed conditions of China. Mr. Campbell gives a number of 'tips' of great value to those who are engaged in the first establishment of co-operative institutions in economically backward countries. He draws liberally, and candidly, lessons from his own mistakes made in Ceylon and does not, therefore, put on an air of sermonising. He has a vigorous, sprightly style and presents a penetrating analysis of a variety of types of societies.

Credit, according to him, is the easiest and the earliest of tasks that should be attempted by co-operative organisers in any agricultural country. It is only on a good foundation of credit that trading societies could be built. Unlimited liablity, he advocates, for all rural credit societies; it is a 'terrible' form of liability but it is the 'keystone' of co-operation. If well understood, he says, it is innocuous. But who understands it well? He himself points out the dangers of this liability in certain contingencies, which are not remote. He insists on small area, rigorous selection of members, equal status among them. He expects far too much of personal knowledge and the will to be impartial and vigilant in every case on the part of the Committee. He cites, however, interesting cases of ingenious frauds perpetrated with the connivance of the Committee men in Ceylon, China and the Punjab. He is, as a rule, against multipurpose societies with which China is infested, though in exceptional cases he would permit the supply of some goods on indent. He cautions marketing societies from taking all sorts of risks and particularly against advances for cultivation. He does not approve of Unions of credit societies undertaking supply of goods direct to individual members of societies and to non-members, which has become the practice in China. The problems of consumers' stores in rural and urban areas are summed up: attention is drawn in particular to the exacting work that devolves on honorary office bearers and the temptations open to the poorly paid staff.

The novel feature in China of Commercial Banks helping co-operative societies of all types is dealt with at some length. Credit is given to their good intentions but the dangers of over-rapid organisation of societies and interference in their internal affairs are pointed out. He pays a tribute to the character of the Chinese peasants whose repayments are 'miraculous' in the circumstances. He would like commercial banks to confine their help to co-operative central banks.

He emphasises the need for special training of the Registrar and his staff—particularly the field staff. He has not much to say on the training of employees for societies. He sums up the need for proper personnel piquantly: "What is wanted is men who regard their salaries as a means of doing the work rather than the work as a disagreeable necessity for earning a salary." This is one of the several epigrams found in this fascinating study.

K. C. R.

LEGISLATIVE PROTECTION AND RELIEF OF AGRICULTURAL DEBTORS IN INDIA. By K. G. Sivaswamy. (Gokhale Institute of Politics and Economics, Poona, 1939, Rs. 4.).

Mr. K. G. Sivaswamy is a well-known member of the Servants of India Society and has been doing a lot of rural reconstruction work at Mayanur in South India. He was for sometime intimately associated with the working of the Madras Provincial Co-operative Union. In the book under review, he reveals not so much his personal knowledge of rural economic conditions as the wealth of material that he has gathered from an arduous study of all relevant literature on Rural Credit and Debt Legislation in recent years. He has analysed all the laws passed in the provinces and subjected them to severe criticism; he is indeed hyper-critical on occasions. He has brought out very clearly and forcibly the abuses to which almost every benevolent measure has been subjected and the demoralisation of the borrower as well as the creditor in the attempts to evade the law. He has not refrained from offering a number of suggestions to rectify what he considers defects. Some of them are so radical and will affect such a large proportion of population with vested interests that they will not be easily accepted; and even if accepted, they will only share the fate of similar legislation so successfully evaded. For instance, Mr. Sivaswamy would like to give no quarter to rent-receivers, and he abhors all absentee landlords. It is neither necessary nor desirable to rule out tenancy altogether; there are various forms of it which are helpful to the tenant as well as to the owner of land; and tenancy need not be so exceptional. The Revenue Officer is, according to our author, to be invested with a lot of powers which frighten us and might well frighten a conscientious officer.

As regards recent moneylending legislation in the Provinces, Mr. Sivaswamy finds that moneylenders have not been considerably affected, as they know too well how to dodge the law, taking advantage of the dire need of borrowers who are only ready to play into the hands of creditors for the sake of immediate relief. Here again, the need for one or more executive officers is stressed. We do not know whether it is easy to find among the ranks of administrators men of abounding sympathy and insight into the needs and conditions of the poor; our officers have been too long trained in the exhibition of firmness and summary processes of recovery. Mr. Sivaswamy is far from satisfied with the working of the Agricultural Relief Acts enacted in some Provinces. He criticises the lack of an upper limit for relief and the want of protection to the labouring classes as such. We feel that if the Congress Governments continued to work in the Provinces, they would amend the acts and enact new legislation to grant relief to the deserving.

The Madras Act is criticised for exempting co-operative societies from the operation of the Act; but the author does not fail to note that in its practical working the financing banks and societies have acted, wherever possible, in the spirit of the Act, as advised by the Registrar.

Mr. Sivaswamy seems to have less faith in Co-operation than he used to have—so far at any rate as the landless labouring classes are concerned. They may require a special type of organisation and a good deal more of the human touch which we believe a missionary agency of the type of Servants of India Society itself or the Ramakrishna Mission would better afford than "a well-paid agency controlled from the top"—be it official or non-official.

The book is as stimulating as it is informing and we commend it heartily to the attention of all co-operators. It keeps up the high standard set by the earlier issues of the Economics Series of the Gokhale Institute.

KOOTTURAVU (Co-operation—in Tamil) by A. Muthia, (Putharivu-Pathippagam, Tyagarayanagar, Madras, Rs. 2).

Mr. Muthia, who is an Assistant Professor of Economics in the Pachaiyappa's College, Madras, has rendered a valuable service to the Tamil reading public in writing this work on Co-operation in his mother-tongue. The University of Madras has awarded him a prize of Rs. 750 for this work by way of encouragement of publications in vernacular on modern subjects. Mr. Muthia writes with ease in Tamil and he has a great love for the subject. But we are afraid that he has unnecessarily encumbered the book with a multitude of historical details, which cannot be easily followed by readers. Consumers' societies of various kinds and industrial workers' societies of Christian Socialist origin and the creamery societies and bacon curing co-operatives of Denmark receive too much attention, while the scope for co-operative manufacture of sugar and sale of ghee and products of cottage industries is not adequately discussed. Mr. Muthia is not evidently posted with the latest developments and crises in the co-operative banking institutions of some of the Northern Indian Provinces; nor is he aware of the disappearance of some sale societies in the Madras Presidency itself.

He is generally balanced in his treatment of current controversial topics. He is, on the whole, inclined to favour limited liability in the rural credit societies but accompanied by 'controlled credit'; and he is not quite in favour of the much advertised multi-purpose society. We have drawn attention to some of the weaker points in the book with a view to help him bring out a more attractive revised edition, when he can spare the time for it. Meanwhile, we are sure this edition will be read with a great deal of interest and profit by the intelligent Tamil public.

STATE BANKS FOR INDIA. By Anwar Iqbal Qureshi (Macmillan. 12s. 6d.).

By the term 'State Banks,' the author refers to banks, the working capital of which is either entirely or partially provided by the State, or if it is subscribed by individuals, the State guarantees the repayment of capital and payment of interest. While the author is aware of the mess which the State makes in meddling with economic factors, he believes that in the field of banking, state interference may yield good results.

He describes the State banking systems of British Dominions and America with a view to show how such institutions may mobilise the scattered savings of lower middle class people and make them available for economic purposes. He recommends the establishment of Provincial State banks which can do both deposit banking business and investment banking. The usual objections to the mixing up of commercial and investment banking business can be met by having two separate departments, one doing the business of a savings bank and the other getting long-term capital by the issue of debentures and making advances for long periods.

In view of the limited measure of success of our commercial and land-mortgage banks, the creation of state banks becomes necessary. The author's proposal need not appear revolutionary in these days, when socialisation of banking is advocated by even orthodox economists.

L. N. G.

CO-OPERATIVE SOCIETIES AT WORK IN INDIA

BOMBAY.

Extracts from the Report of the Registrar of Co-operative Societies, Mr. M. D. Bhansali, I.C.S., for the year ending 30th June 1938.

General Progress.—The Co-operative Movement passed through another year, which was characterized by unsatisfactory agricultural conditions prevailing in several parts of the Province. The prices of agricultural produce continued to be very low. The following statements record the progress made during the year:—

PART I.

Types of Societies.	No. of Societies. 1936-37.	No. of Societies. 1937-38.	No. of Members. 1936-37.	No. of Members. 1937-38.
Central Banks (including Provincial Bank and Provincial Land Mortgage Bank) ..	15	14	15,144	15,472
Agricultural societies ..	4,035	4,030	2,71,091	2,63,792
Non-agricultural societies ..	891	916	2,95,609	3,22,546
Unions ..	127	131	..	..
Insurance societies ..	2	2	4,859	6,027
Total ..	5,070	5,093	5,86,703	6,07,837

Agricultural Credit Societies.—The subjoined table gives the salient figures with regard to the agricultural credit societies excluding land mortgage banks:—

	1936-37.	1937-38.
Number of societies ..	3,718	3,702
Membership ..	1,98,203	1,95,749
Working capital ..	Rs. 2,94,67,992	Rs. 2,98,13,081
Reserve and other funds ..	„ 72,90,847	„ 79,73,424
Members' deposits ..	„ 30,78,742	„ 25,47,235
Share capital ..	„ 25,44,320	„ 29,98,552
Bank loan outstanding ..	„ 1,39,95,605	„ 1,42,73,512
Other outside liabilities ..	„ 21,20,779	„ 20,20,358

A combination of various factors such as ignorance of the agriculturists in the principles and practice of co-operation, defective organisation of societies, paucity of public-spirited and honest workers, defective supervision in the initial stages coupled with indiscriminate finance, bad agricultural seasons and continued agricultural depression has been responsible for the present state of affairs of societies. The whole problem has been engaging the attention of co-operators, who so far as it lies in their power, continue to make efforts to bring about the rehabilitation of

PART II.

Types of Societies.	Share Capital.		Reserve and other Funds.		Working Capital.	
	1936–37.	1937–38.	1936–37.	1937–38.	1936–37.	1937–38.
Central Banks (including Provincial Bank and Provincial Land Mortgage Bank) ..	43,89,660	44,17,315	35,36,227	38,56,084	5,44,56,283	5,27,95,529
Agricultural Societies (including primary Land Mortgage Banks) ..	33,46,645	38,61,264	87,05,581	90,41,092	3,31,22,834	3,42,51,539
Non-Agricultural Societies ..	1,35,89,929	1,44,46,734	83,26,986	90,10,475	6,52,31,423	6,88,88,831
Total ..	2,13,26,234	2,27,25,313	2,05,68,794	2,19,07,651	15,28,10,540	15,59,35,899

the movement by removing causes of stagnation and deterioration. The lines on which this process of rehabilitation could be worked out have been laid down and during the year under report, a beginning in this direction was made. The supervisors, bank inspectors and auditors were instructed to examine the outstandings of each society with the object of determining the extent of its frozen, doubtful and bad debts. These investigations were completed in the case of 3,392 societies out of the total number of 3,702 societies.

The process of rehabilitation aims at making the position of the societies as clear as possible regarding the reality of their assets in the form of loan outstanding. With a view to facilitate the recovery of loans, the concessions offered to debtor-members were substantial according to the nature of the debts classified. Liberal remissions of interest are allowed after examination of each individual case. In the case of doubtful debts, it is laid down that all recoveries should be credited to principal and accrued interest shown in a suspense account and recovered later if and when possible, and the concession to stop further accrual of interest on doubtful debts should be allowed individually, if there is a genuine attempt to make repayments. In order that the agriculturists may not lose their lands or may get them back even after they have passed into the hands of societies, societies were asked to enter into hire purchase bonds with members if adequate assets and repaying capacity existed for the purpose. In the case of bad debts, societies were advised to obtain sanction for writing off such bad debts against reserve fund. The total losses written off during the year amounted to Rs. 55,591. The measure of success in this task of rehabilitation depends to a large extent upon the sympathy and readiness of the central financing agencies to lend a helping hand to the financially weak societies by granting concessions to them commensurate with the concessions which the societies are advised to grant to their indebted members.

The policy of the grant of concessions to members of co-operative societies should not be construed as an encouragement to contumacious defaulters. With a view to not to leave any room for such misunderstanding, Government issued a press communique after the close of the year, making it clear that it was not the desire of Government that debtor members of co-operative societies should withhold repayment of their loans and that Government would take necessary steps to effect recoveries from contumacious defaulters.

Under the Small-Holders Relief Act which is an important piece of legislation affecting vitally the economic welfare of the agriculturists, benefits in regard to the sale of lands are given to small holders as defined in the Act and they have also been extended to agriculturist members of co-operative societies; and accordingly debtors of co-operative societies, who are small-holders, are entitled to stay of proceedings for sale of lands on payment to the society one year's interest on the amount for the recovery of which the land is sought to be sold. The benefits were extended even to those agriculturist members of co-operative societies, who are not small holders, but the standard of minimum payment for their eligibility for the benefits was fixed higher, i.e., two years' interest on the amount due for recovery.

The Bombay Provincial Co-operative Bank continued to charge preferential rates of interest of four per cent on old outstandings, and in the case of weak societies a further reduction was allowed on the basis of repayments on a sliding scale.

Constitution of Rural Primaries.—The year under report witnessed an orientation in policy with regard to the constitution and functions of rural primaries. In the revised model bylaws of primary agricultural credit societies, several important changes have been introduced though the fundamentals of the existing organisations have been preserved as far as possible. The standard of outside borrowing limit as compared to members' assets and share capital has been revised so as to permit outside borrowing on a restricted scale. The lending business is restricted to short-term loans and intermediate term loans for peroids not exceeding five years. The bylaws also aim at a broadening of the basis of the primary so as to increase its utility to its members. Provision is accordingly made in the bylaws that the members should sell their produce through a co-operative marketing agency, wherever available. The thrift aspect of the institution is emphasized by a provision for compulsory deposits at harvest time.

Multi-Purpose Societies.—The multipurpose societies constitute a further stage in the evolution of agricultural credit societies. The Joint Report (of Mr. V. L. Mehta and the Registrar) recommended the organisation of multipurpose societies and suggested that where marketing facilities or suitable bazars were available in the immediate neighbourhood, a multipurpose society for a group of villages within a radius of five miles could be registered on an unlimited liability basis. Government have accepted this recommendafion and ordered that it should be implemented in an experimental way.

The past experience in this province has shown that the credit dispensed by the credit society cannot be properly controlled, if it is divorced from supply and sale. The objects of the multi-purpose society have, therefore, been kept wide, so as to include supply and sale, though with regard to credit, its sphere of operation is restricted to finance for normal cultivation needs and intermediate finance to a limited extent. In addition to the provision for credit, the Society aims at supplying such agricultural requisites as seed, manures, feeding stuffs, etc., and also domestic and other requisites to members and at organising arrangements for the joint sale of produce.

Supervision.—The number of District Boards of Supervising Unions stands at 16. Ninety-five supervising unions and one Society have been affiliated to these Boards. The staff of these Boards consists of 2 senior supervisors, 112 supervisors and 19 assistant supervisors. The control of these Boards over the supervising unions has been useful to a certain extent in regulating the work of the latter.

The number of supervising unions stands at 95 with 3,051 agricultural and 58 non-agricultural societies affiliated to them. During the year under report, the Unions helped considerably in the classification of loans into frozen, bad and doubtful on the lines laid down by the Registrar.

Land Mortgage Banks.—The number of primary land mortgage banks working in the province at the close of the year was 13. There was steady increase in the business of the land mortgage banks during the year under report. In the case of the old land mortgage banks, (Dharwar, Pachora and Broach) the work done was mostly in respect of revaluation of cases which were proposed to be transferred from the Provincial Co-operative Bank to the Provincial Land Mortgage Bank. The share capital of the land mortgage banks increased from Rs. 1,99,673 to Rs. 2,27,390. The subjoined table shows the position with regard to the working of land mortgage banks :—

		For the year 1937-38.	Up to the end of 1937-38 since the start.
Number of members :			
Borrowing ..		3,276	3,276
Non-borrowing ..		690	690
B. Class members * ..		3,688	3,688
Share capital ..	Rs.	2,27,390	Rs. 2,27,390
Loan applications received :			
Number ..		1,284	4,230
Amount ..	"	22,92,770	" 79,32,036
Loan applications recommended :			
Number ..		688	1,775
Amount ..	"	11,42,283	" 29,39,361
Loans sanctioned by the Bombay Provincial Land Mortgage Bank :			
Number ..		526	1,178
Amount ..	"	7,32,920	" 16,33,350
Loans advanced by the Bombay Provincial Land Mortgage Bank :			
Number ..		490	939
Amount ..	"	6,73,255	" 13,03,830
Loans disbursed by primary banks to individuals :			
Number ..		508	976
Amount ..	"	6,95,398	" 13,60,470
Loans outstanding on 30th June, 1938 ..	"	16,63,344	

* B. Class members are those who, being co-parceners with the borrowing members are required to join in the execution of mortgage deeds passed in favour of the land mortgage banks.

The number of applications received by some banks showed a tendency to decrease while the rigidity of the test applied by the land mortgage banks in granting loans to the applicants may scare away a certain class of borrowers. The banks in their own interest have to make a thorough scrutiny of the cases coming before them in order to safeguard their funds. No loans are recommended unless there is sufficient security and also adequate repaying capacity to ensure punctual payment of loans and the title to the lands taken as security is certified to be clear and marketable. These precautions are necessary in order that the banks may maintain their credit with the investing public from whom funds are raised through the Provincial Land Mortgage Bank. Attempt is made to conciliate debts and the total amount of remissions obtained by conciliation effected during the year in respect of debts redeemed with the help of loans given by the banks amounted to Rs.1,06,297.

The Bombay Provincial Co-operative Land Mortgage Bank.—The paid up share capital of the bank rose from Rs. 3,74,300 to Rs. 3,94,700 during the year. The increase in the share capital was mainly due to the purchase of shares by the primary banks in the proportion of five per cent of their borrowing from the Bank.

During the year, the Bank received 633 loan applications for Rs. 11,20,570 out of which 526 for Rs. 7,32,920 were sanctioned and 31 for Rs. 1,17,355 were rejected. 115 loan applications for Rs. 2,38,438 were pending with the bank at the close of the year. The total loans advanced by the bank up to 30th June 1938 was Rs. 13,03,830. The loans advanced by the bank were mainly for redemption of debts and in a very few cases loans were given for land improvement and purchase of lands. The majority of loan applications sanctioned were for sums less than Rs. 2,000.

Sanction was received during the year from Government to the debenture trust deed authorising the bank to float its first series of debentures of Rs. 20 lakhs. Though it was originally intended to float debentures at 3 per cent, it was decided in view of the change in the condition of the money market, to offer the debentures at 3¼ per cent. The debentures were issued to the public. Response was very encouraging. The co-operative banks have subscribed to the extent of Rs. 3,80,600 and the rest, viz. Rs. 12,74,600 have been subscribed by insurance companies, bank and private individuals during the period the debentures were kept open for subscription by the public.

Cotton Sale Societies.—With the registration of a new society the number of such societies stands at 29. Except the Hubli Cotton Society, all others have maintained the progress made. The Gadag Sale Society sold kapas worth Rs. 7,09,976, made profits of Rs. 11,123 and earned commission aggregating to Rs. 13,249. The Purushottam Co-operative Ginning Society ginned 86,987 maunds of cotton. During the course of the year, it installed 18 additional gins, worked on the motive power of electricity. The ginning charges earned by the Society amounted to Rs. 23,278 and it made a profit of Rs. 9,772. The societies in Gujarat have been able to sell 12 per cent of the cotton grown in the area.

Fruits and Vegetables Societies.—The are six such societies. The Rahuri Taluka Fruit Sale Society is progressing satisfactorily although it caters for the needs of petty merchants only. It has made marketing arrangements by opening a shop in Bombay. The Raver Taluka Co-operative Fruit Sale Society sold plantains valued at 2,189 and oranges worth Rs. 16,385. The Belgaum Gardeners Produce and Sale Society is maintaining its progress. It sold vegetables worth Rs. 15,000 and seed worth Rs. 3,000. The Southern Gujerat Vegetable Growers Association works more as a transport society than a sale society. It earned an income of Rs. 717 by export of mangoes. It made a profit of Rs. 665.

Cattle Breeding Societies.—There are 14 such societies in Karnatak Division and 4 in other divisions. The total membership of these societies was 628. These societies maintained 14 stud bulls and 601 cows. The number of calves born during the year was 136.

Dairy Societies.—There was no increase in the number of dairy societies, but the membership increased from 831 to 897. The total number of milking animals owned by these societies was 1,342. The quantity of milk supplied by members during the year was 3,77,277 lbs. The aggregate profit of these societies was Rs. 709

Fencing Societies.—The total number of such societies was 16 as against 15 last year. The membership totalled 1,510. The length of fence or wall was 77,249 yards and the area protected by fence was 19,663 acres

Crop Protection Societies.—The number of these societies increased from 20 to to 23. The societies have invested small amount in guns, spray pumps, nets and other articles used for protection of crops. The income of these societies during

the year was Rs. 25,620 and expenditure was Rs. 17,346. The societies earned a profit of Rs. 1,910. Most of these societies are in Khandesh Division and proving very beneficial to villagers.

Land Improvement Societies.—The number of these societies was 10 as against 8 of the previous year. The number of members was 547 and the area covered by such societies comprised 4872 acres. The area improved during the year was 30 acres at a cost of Rs. 1,643. The cost of management was Rs. 1,362 and the profits earned amounted to Rs. 2,548

Machinery and Implement Societies.—Their number increased from 24 to 30. The machinery used consists of power-crushers, etc., and implements used were ploughs, drills etc. of the improved type. The sales effected by these societies amounted to Rs. 5,568 and total commission earned on consignment account was Rs. 319. Profits amounted to Rs. 1,187

Manure Societies.—These societies sell oil cakes, fish manures, bone meal, chemicals etc. The value of manure sold was Rs. 2,523. The cost of management of the societies was Rs. 472 and the profits earned totalled Rs. 328.

Taluka Development Associations.—Only 2 associations were registered during the year,, bringing the total to 105. The total membership of the associations was 30,641. Their income consists of subscriptions from members, societies, grants from Government, donations from local bodies etc. Comparatively extensive areas of operations and loose membership have limited the utility of the Associations for intensive work. They have been trying to introduce improved methods of agriculture, to improve the breed of cattle and poultry and to do other rural uplift work. Several of them receive grants from village uplift committees and subsidies from Government. The total expenditure on these associations was Rs. 76,605.

The Bombay Provincial Co-operative Bank.—This Bank had another year of successful working under the able and distinguished guidance of Sir Chunilal Mehta, the Chairman, and Mr. V. L. Mehta, the Managing Director. The following table shows the comparative position of the Bank :—

		1936–37.	1937–38.
1. Number of members	..	3,053	3,140
		Rs.	Rs.
2. Non-withdrawable long term capital	..	42,91,162	43,24,674
3. Withdrawable short term capital	..	1,93,14,264	1,73,05,023
4. Working capital	..	2,31,88,234	2,12,20,419
5. Loans due from societies and banks	..	88,59,101	1,04,17,414
6. Arrears due from societies and banks	..	16,59,347	24,58,599
7. Cost of Management	..	3,20,444	3,26,793
8. Profits	..	98,742	1,08,890

The year under report witnessed a further decline in the working capital of the Bank to the extent of Rs. 20 lakhs on account of : (1) withdrawal by School Boards and Local Boards from their savings deposits to the extent of Rs. 7 lakhs in view of orders of Government that the provident fund of their employees should be invested in government securities; and (2) reduction of deposits from co-operative societies. The reduction, however, in deposits from co-operative societies and banks indicates growing ability on the part of the affiliated institutions to utilise a larger portion of their funds in their own normal business.

It is gratifying to note that there was a larger demand for investment of the Bank's funds in the movement itself which is evidenced by an increase of nearly Rs. 15 lakhs in advances by way of cash credits and overdrafts. The position of the bank in respect of its liquid resources continues to be satisfactory. The total demand liabilities of the Bank in current and savings accounts amount to Rs. 94 lakhs and the time liabilities to Rs. 75 lakhs. Against these liabilities, the Bank held at the close of the year Rs. 9·5 lakhs in cash on hand and in banks, Rs. 22 lakhs in deposits at call and for short periods with approved banks and Rs. 70·5 lakhs in Government and other authorised securities.

Notwithstanding the fall in the working capital the profits of the Bank increased to Rs. 1,08,890 as against Rs. 98,742 of the previous year. This is due mainly to the increased use of the bank's funds in advances and the prevailing low rate of interest on deposits owing to continuance of easy money market conditions. The Bank declared a dividend of 5 per cent which is the same as in previous years.

The Deccan Canal Tract continues to cause anxiety to the Bank, as a large amount is locked up in societies in liquidation in this tract and there has been no appreciable progress in the recovery of the frozen loans in this area. The total outstandings from societies in liquidation in this and other areas amount to Rs. 18,90,865, as against Rs. 17,90,174 at the end of the previous year.

District Central Banks.—The following table gives figures relating to the operations of these banks:—

	1936–37.	1937–38.
1. Number of District Central Banks ..	13	12
2. Number of Members:		
Individuals ..	8,421	8,752
Societies and Banks ..	2,949	2,854
	Rs.	Rs.
3. Paid up share capital ..	27,16,960	27,22,765
4. Reserve and other funds ..	18,92,016	21,68,374
5. Working capital ..	3,06,52,950	2,95,38,091
6. Deposits from:		
(Individuals) ..	2,24,95,054	2,10,42,324
Societies ..	32,24,028	24,98,025
7. Loans and deposits from Provincial and Central Banks ..	3,24,892	11,09,116
8. Loans due from societies ..	1,08,91,580	1,08,00,816
9. Loans due for repayment ..	93,75,775	1,18,64,456
10. Arrears:		
Authorised ..	18,29,970	24,49,597
Unauthorised ..	36,17,173	35,56,810
11. Profits ..	4,73,656	5,38,278

The decline in deposits is naturally reflected in the corresponding reduction in the working capital.. Notwithstanding the reduction in deposits, these central banks have a plethora of surplus funds. It will be noticed that out of the total working capital amounting to Rs. 295·38 laks only Rs. 108 lakhs are on loans with societies, which is a clear index to the fact that the bulk of agricultural societies for whose benefit the central banks are primarily intended are too weak to absorb

and employ a major portion of these funds. The financing agencies would therefore be well advised in interesting themselves in the organisation of arrangements for the supply of agricultural and domestic requisites and sale of agricultural produce so as to extend the maximum economic benefit of the large funds they possess to the agriculturists. This aspect of the problem has been considered by the government and they have recommended the formation of purchase and sale societies at suitable market places with a view to encourage crop loans and advances in kind. It has been further suggested that pending the formation of such societies, these banks might themselves undertake the work strictly on a commission basis.

Nominal membership for advancing against produce and valuables is now permitted to a central bank in the case of members of its primaries, other than urban banks and sale societies affiliated to it and representation of one member on their behalf allowed..

Section 37 of the Co-operative Societies Act permits investments in immoveable properties under section 20 (e) of the Indian Trusts Act. Government have now directed that such investments should not be made unless they became necessary in the process of recovery of the normal dues of the banks or for the purpose of construction of a building for their own use with the prior sanction of the Registrar. All central banks have accordingly been advised to take steps to adopt a suitable bylaw.

Banking Unions.—The Joint Report made specific recommendations with regard to the organisation of banking unions which would focus and guide all the co-operative activities in a taluka in addition to providing finance. The membership would consist of agricultural primaries and also individuals who require finance for agricultural purposes in excess of the absolute limits laid down in the case of primaries. The Government have expressed their readiness to give such assistance as may be necessary to introduce banking unions of this type in one or more taluks experimentally.

Non-Agricultural Credit Societies.—The year under report witnessed a further increase in the number of societies from 653 to 665 and in the total working capital from Rs. 537,98,687 to Rs. 566,71,354. The position in respect of recoveries is on the whole satisfactory. The increase in the members' deposits from Rs. 246,03,222 to Rs. 257,51,861 is an indication of their growing popularity and the position they occupy as banking organisations.

The urban banks in particular have contributed considerably to the development of trade and industry by provision of adequate finance and grant of facilities for remittance of funds and have popularised banking habits in urban areas. The number of these banks has decreased from 81 in the previous year to 47 in the year under report. This is due to the innovation introduced during the year with regard to the classification of urban banks, in the light of the Government order that the use of the word, 'bank' should be restricted to societies which do the business of banking as defined in section 277-F. of the Indian Companies Act and have a paid up share capital of not less than Rs. 20,000. The working capital of these banks was Rs. 2,33,68,236 as against Rs. 2,52,61,173 of the previous year.

Salary Earners' Societies.—These societies are growing increasingly popular and fulfil an important role as thrift and credit organisations. Their success is in a large measure due to the facilities that exist for recovery of their dues through pay-sheets and the interest taken by the administrative heads of the department or office. A noteworthy feature of the working of these societies is the provision adopted by several societies particularly those situated in Bombay providing that every borrower shall take a life insurance policy at least up to the amount of his borrowing. Such a provision while emphasising the thrift aspect of the institution gives some protection to the surety from the incidence of contingent liabilities.

While the urban credit movement has shown considerable vitality and is showing signs of further development, the need for certain safeguards cannot be overestimated. The urban banks in particular have undertaken varied types of business such as godown business, advances against agricultural produce, and valuables and exchange business. It is therefore necessary that individual and total limits for individuals should be provided for in the bylaws and strictly adhered to. Another factor which threatens to thwart their smooth working is the evil resulting from overlapping membership and finance. Government have, therefore, decided that a second urban society doing banking business should not ordinarily be started within the area of operations of an urban society doing banking business, unless satisfactory arrangements can be made for exclusive membership, prevention of overlapping of finance and d[illegible]marcation of areas.

The Bombay Co-operat[illegible]rance Society.—During the year under report the Society acquired its own buildin[illegible] one of the prominent localities in the Fort area in Bombay at a cost of Rs. 3 lakhs. Proposals amounting to Rs. 20 lakhs were accepted bringing the total business to nearly Rs. 50 lakhs at the close of the year. The life assurance fund records an increase of Rs. 1,20,104 from Rs. 2,46,327 to Rs. 3,66,431. The income of the society from premia amounted to Rs. 2,68,720 which together with Rs. 18,242 from rent, interest on investiment and memberships fees brought the total income to Rs. 2,86,963 against which the total expenditure amounted Rs. 1,32,654.

The Indian Insurance Act which has been recently passed gives a special privilege to the co-operative insurance society inasmuch as it is permitted to issue policies for amounts less than Rs. 500. It is, therefore, all the more necessary that the society should make vigorous attempts at popularising insurance in rural areas.

The Ratnagiri District Co-operative Motor Association had another year of successful working. There is an increase in its membership from 97 to 112. The total insurance fund amounts to Rs. 61,620. The Association has come to be regarded as a model institution of the type in the province and should serve as an impetus for the formation of similar associations in other districts.

Co-operative Stores.—The following is a comparative statement showing the operations of these societies :—

	1936–37.	1937–38.
Number of societies ..	25	25
Number of members ..	5,773	6,068
	Rs.	Rs.
Working capital ..	1,53,722	1,69,829
Total sales ..	5,62,624	5,96,368
Total purchases ..	5,10,376	5,16,482
Cost of management ..	58,951	45,566
Profit ..	12,129	8,809

In these societies, it is diffifficult to secure the loyalty of members. The two Stores Societies for the railway employees of the Northern Division, viz. Page Co-operative Stores and Bulsar Railway Co-operative Association are functioning satisfactorily. The Gujerat Ladies Sahakari Mandal continues to do useful work. It concentrates its activities on sale of hand-woven and hand-spun cloth in conjunction with other "Women's Associations" and the All India Spinners' Associations. Its turnover for the year amounted to Rs.25,500 and it made a profit of Rs. 632.

Separate consumers' societies have not thrived in the villages. With the growth of village multi-purpose societies consumers' societies will not be necessary as it is expected that the multi-purpose societies would be able to supply domestic needs of villagers.

Housing Societies.—The number of societies increased from 85 to 93 during the year with a membership of 6,331, and Ahmedabad continues to be the centre of housing activities. The working capital of these societies was Rs. 108·46 lakhs while the share capital and reserve and other funds amounted to Rs. 30·39 lakhs.

The main causes which have contributed to the present deterioration in the housing societies in Bombay and its suburbs are : (1) the buildings were constructed during the boom period when the cost of building materials was comparatively high ; (2) the economic depression which subsequently set in has considerably diminished the demand for tenements and consequently curtailed their income by way of rents. The fact that accommodation at cheaper rates on modern lines is now available has further aggravated the position in this respect; (3) the large area of land acquired by the societies during the period has also embarrassed their position as the societies are experiencing considerable difficulties in disposing of the plots. A combination of these and other factors have affected the position of these societies, which are confronted with the double difficulty of balancing their budgets and meeting their liabilities punctually. During the year an examination of the financial position of the societies financed by the Government was made and it is found that there is urgent necessity for granting substantial relief to some of the societies.

Weavers' Societies.—There has been a set back in the working of these societies. The number of these societies has fallen from 47 to 42, membership from 2,601 to 2,418, working capital from Rs. 2·43 lakhs to Rs. 2·14 lakhs, value of sales from Rs. 1·32 lakhs to Rs. 1·10 lakhs and profits from Rs. 2,877 to Rs. 1,682. Most of the societies are not working properly and are unable to produce manufactured articles of the variety that could stand mill competition.

The Bombay Provincial Co-operative Institute.—The membership of the Institute showed an increase of 35 in the number of society-members and a decrease of 43 in individual members. Of the total number of 762 individual members on its roll, 4 were patrons, 8 life members, 25 associates and the rest ordinary members.

The financial position of the Institute showed no improvement. It received Rs. 33,206 as subscriptions from its members as against Rs. 40,885 last year and Rs. 18,750 by way of grant from Government. The position with regard to the mortgage of its building continued to be unsatisfactory, and the Institute with its limited resources is unable to pay regular instalments. The loan outsanding is Rs. 1,59,000.

During the year under report, the Institute organised 19 co-operative conferences and conducted 15 training classes for training secretaries and 90 classes for training Managing Committee members.

Co-operative Training Scheme.—The scheme continued to be in the second stage. This part of the scheme contemplates training of departmental staff and the employees of central co-operative banks. The departmental staff is deputed for training batches of 17. Each batch consists of 4 auditors, 5 sub-auditors, 7 clerks and 1 agricultural organiser. The period of training of each batch is fixed for four months. Side by side with this class for four months, other classes of shorter duration are also organised for secretaries and managers of urban banks, honorary organisers and land valuation officers.

Co-operative Enquiry.—The Government appointed Mr. Vaikunth L. Mehta, Managing Director of the Bombay Provincial Co-operative Bank, and the Registrar of Co-operative Societies to examine and report on the present position of the co-operative movement in the province and to make specific recommendations regarding future lines of development. The terms of reference were: (1) the proper method of dealing with such of the assets of agricultural credit societies and their central financing agency as have become frozen; (2) the system of education and propaganda, finance, audit, supervision and official and non-official control; (3) The development of non-credit co-operation, especially for the purpose of better farming, the marketing of agricultural produce and the organisation of secondary occupations and cottage industries. The joint report was submitted to Government in October 1937 and the Government also passed orders in March 1938. In matters which lay within the authority of the Registrar, action was taken immediately. In other matters action followed Government orders.

Conclusion.—As usual, agricultural co-operative credit societies continued to demand the utmost attention of the Department, central financing agencies and non-official co-operators. Whereas on the one hand, the steps taken for the classification of debts and treatment thereof clarified the position of agricultural credit societies and financing agencies in regard to the nature of this class of their assets, and opened the way for dealing with them in an appropriate manner and thus held out hopes of stimulating recovery work, on the other hand, the stoppage of all coercive processes except during the harvest season and the relief granted to agriculturist members of co-operative societies on the lines of the Small-Holders' Relief Act served as handicaps to progress of recovery.

With the advent of debt legislation in regard to debt composition and regulation of moneylenders, the demand for co-operative credit will tend to be on an unprecedented scale. Steps will have, therefore, to be taken to expand credit in rural areas as much as possible, but it will have to be seen that most of the credit is really short term and based on more reliable and readily realisable security in the form of crops. Marketing will have to be an invariable concomitant of such credit and therefore the agricultural society of the future will be the multi-purpose society.

ASSAM.

Extracts from the Report of the Registrar of Co-operative Societies, Mr. S. L. Mehta, I.C.S., for the year ending 31st March 1938.

General Progress.—The movement passed through another year of struggle. It seems that the present economic depression which is continuing unabated for the last eight years has come to stay. Various measures of improvement including reduction in the rate of interest and writing off bad debts are being adopted and continued, but without any substantial improvement. The statement appended (next page) shows the general position of the movement in the province.

Type of Societies.	No. of Societies.		Membership.		Working Capital.		Reserve Fund.	
	1936-37.	1937-38.	1936-37.	1937-38.	1936-37.	1937-38.	1936-37.	1937-38.
					Rs.	Rs.	Rs.	Rs.
Provincial Bank ..	1	1	82	84	3,34,066	3,67,186	27,450	30,200
Central Banks ..	18	18	1,861	1,865	23,47,107	23,56,745	1,13,275	1,19,543
Milk Unions ..	2	2	70	71	8,155	8,124	..	459
Agricultural Societies ..	1,296	1,320	43,335	42,775	31,23,687	30,39,926	11,57,849	11,48,162
Non-Agricultural Societies* ..	124	149	16,807	15,737	32,36,257	27,68,918	2,67,562	2,62,455
Land Mortgage Banks ..	..	5	..	1,893	..	4,79,381	..	23,505
Total ..	1,441	1,495	62,155	62,425	90,49,272	90,20,280	15,66,136	15,84,324

* In previous years, the figures for Land Mortgage Banks were included in those of Non-Agricultural Societies.

The Provincial Co-operative Bank of Assam.—The Provincial Bank continued to maintain its satisfactory position as before. The Bank has 33 preference and 51 ordinary members, the latter being composed of 18 central banks, 31 non-agricultural credit societies and 2 non-credit societies. The paid up share capital of the Bank was Rs. 1,10,400 as against Rs. 1,07,820 of the previous year. Deposits from members and outsiders also increased from Rs. 1,89,046 to Rs. 1,98,067. The position must be considered to be extremely satisfactory and indicative of public confidence, as there is regular influx of deposits inspite of the fact that the Bank allows no interest on current deposits and pays up to 4 per cent only per annum on fixed deposits. The working capital of the Bank increased from Rs. 3,34,066 to Rs. 3,67,186.

The total loans issued during the year amounted to Rs. 1,01,500 as against Rs. 51,000 in the preceding year. As a result of the reduction in the rate of interest on loans from seven to six per cent, ther ewere more demands for loans during the year. It, however, appears that most of these loans were taken for refund of deposits bearing higher rates of interest and as such the position of the central banks with regard to fresh investment in loans was almost the same in the past few years. The recoveries during the year amounted to Rs. 50,761 leaving a balance Rs. 2,61,097 at the end of the year of which Rs. 1,04,559 was overdue. The Bank earned a net profit of Rs. 9,201 as against Rs. 10,792 in the previous year. The Reserve Fund of the Bank stood at Rs. 30,200.

Central Banks.—The total number of central banks stood at 18 as in the previous year. The central banks have 674 individual and 1191 society-members. The paid up share capital decreased from Rs. 1,95,989 to Rs. 1,94,070, but the working capital recorded an increase from Rs. 23,47,107 to Rs. 23,56,745. The loans and deposits received from individuals and other sources decreased by Rs. 63,201 but loans from the Provincial Bank increased by Rs. 47,227 to Rs. 2,07,611. The central banks being unable to meet the dmands of the depositors had to fall back upon the resources of the Provincial Bank. The total reserve and other funds also increased from Rs. 2,57,009 to Rs. 2,81,450; of these the statutory reserve fund increased from Rs. 1,13,275 to Rs. 1,19,543. The loans outstanding against societies were Rs. 16,16,470.

The central banks on the whole did their best to maintain their respective cred't and confidence in the midst of adverse circumstances But it is an admitted fact that due to the continued economic depression and introduction of the Assam Moneylenders' Act and the operation of the Debt Conciliation Board in certain quarters, the credit side of the movement has suffered very much with the result that most of the central banks are now finding it extremely difficult to work with a balanced budget. A serious crisis is apprehended in the working of the central banks, if the proposed Assam Moneylenders' Amendment Bill, which is now under the consideration of the Assam Legislature is promulgated and is made applicable to the co-operative societies. It is now desirable that the Provincial Co-operative Bank of Assam should take a lead and formulate a policy in the matter of giving long term credit, where necessary, to deserving central banks, so that credit of these institutions may not be impaired.

Supervision.—It is essential for the movement that the central banks should maintain efficient and requisite number of supervisors to ensur eproper supervision and due collection from the affiliated societies. All the central banks are now employing their own supervisors. In all, there were 44 supervisors employed by the

central banks. These banks had in all 1,186 affiliated societies and an annual expenditure of Rs. 20,759 as against 1,167 affiliated societies and annual expenditure of Rs. 22,020 in the previous year. Due to decrease in collections and profits, the central banks had to economise expenditure on this head and Government contribution also decreased considerably. The present critical position of the rural societies requires far more attention from the financing banks and the strengthening of the supervising staff of the central banks is of vital importance. The central banks themselves are passing through financial difficulties and it is not possible for them to incur further expenses on this account, unless Government contribution increases.

Agricultural Credit Societies.—The total number of agricultural societies with unlimited liability increased from 1,274 to 1,289. In organising new societies, the policy of cautious expansion and consolidation had to be followed, though there is no dearth of suitable localities for new societies. The number of members of these societies fell from 42,901 to 42,383. This decrease in the membership of rural societies is rather deplorable as it may lead one to believe that co-operative societies were not successful in rural areas. The present stagnation in the movement is, however, due to the effects of the world wide depression and other contributory causes and it need not scare away people. It is an admitted fact and recognised by all agricultural countries that co-operative society is the only agency which satisfies the requisite conditions for agricultural finance.

The working capital of these societies fell from Rs. 31,12,487 to Rs. 30,34,776. The loans issued during the year amounted to Rs. 92,277, recoveries Rs. 1,61,814 and the balance outstanding at the end of the year was Rs. 17,81,114. The overdues amounted to Rs. 16,73,966 or about 94 per cent of the outstandings. The position does not show any sign of improvement and it is evident that it will take years to clear up this position which represents accumulated overdues of several years past. The Department is continuing in its effort to help the members of the rural societies to supplement their agricultural income by taking up other subsidiary occupations. The officers of the Weaving and Sericulture Departments are also co-ordinating with the Co-operative Department in introducing weaving and sericulture which is meeting with some success in some areas . The repaying capacity of the members must be improved to reduce the indebtedness.

Non-Agricultural Credit Societies.—During the year under report 24 new societies were registered, thus bringing their number to 112. The total number of members of this class of societies stands at 13,337 with a working capital of Rs. 26,42,249. The paid up share capital of these societies was Rs. 3,46,742 and reserve fund Rs. 2,42,534. The loans issued to members during the year amounted to Rs. 8778,124, and recoveries to Rs. 8,03,540. The total loans due to these societies at the end of the year stood at Rs. 18,71,948. Some of the old town banks are rather struggling hard to recover the long overdue outstandings. The salary earners' societies are continuing to show satisfactory progress.

Land Mortgage Banks.—The number of land mortgage banks was 5 as in the previous year. These banks are still passing through critical times. Due to the depression, the prices of the agricultural produce were abnormally low and consequently the agricultural lands also faced the same result. The assets of these land mortgage banks have become frozen and the banks are now taking coercive measures to restore their position. The banks could not meet the depositors' demands and have lost all public confidence. The position of the working capital of the land mortgage banks as compared to the previous year is shown below :—

		1936-37.	1937-38.
1.	Share capital ..	89,123	88,787
2.	Deposit from members and non-members ..	3,07,927	2,55,803
3.	Borrowings from Provincial and Central Banks ..	8,283	5,563
4.	Government ..	67,700	51,650
5.	Reserve funds ..	21,372	23,505
6.	Other funds ..	73,805	54,073
	Total ..	5,68,210	4,79,381

It will be seen from the above statement that the working capital is fast deccreasing due to the fact that the Banks are only collecting their assets to repay the depositors. The land mortgage banks started with the object of enabling the agriculturists to redeem their lands, liquidate their old debts and make further improvements in their activities made the fundamental mistake of financing members other than the agriculturists without looking into the repaying capacity of the borrowers and issuing long term loans without securing any corresponding long term capital.

Stores.—During the year, one stores society was liquidated and the number of societies at the end of the year was 11. These societies had a capital of Rs. 94,191, effected sales to the extent of Rs. 1,68,817 and earned a net profit of Rs. 5,982.

Milk Societies and Unions.—There were two milk unions, one at Gauhati and the other at Sylhet, and 20 milk societies. There are five societies affiliated to the Gauhati Milk Union. The total quantity of milk received and dealt with by the Union was 1,436 maunds. The Union earned a profit of Rs. 187. It is a matter for regret that in practically every centre where co-operative milk production and sale have been started, losses and difficulties have been caused by negligence and dishonesty in the local employees of the co-operative concerns. The financial position of the Gauhati Union and its societies is still sound. The Sylhet Union and its constituent societies did not function during the year..

Sylhet Women Thrift and Home Savings Society.—It is the only society of its kind in the province, though there are some more amongst the women dealing in weaving. Every member of the society is supplied with a home saving box in which she is expected to save something every day from her household expenditure money, so that the total savings of a month may not be less than Re. 1. At the end of the month the savings are collected and deposited in the accounts of the members concerned. The savings deposits are compulsory. Besides there is also provision for voluntary special deposits for special objects such as marriage of children, education of sons and daughters, etc.

Resources.—The problem of finding long term credit for the co-operative societies still remains unsolved. We were looking forward to the Reserve Bank for such finnancial accommodation. High expectations were entertained regarding the part the Reserve Bank would take in agricultural finance but the high hopes appear to be shattered as will be evident from the statutory report of the Reserve Bank. The report goes to show that the Bank is not going to make any special accommodation for the co-operative banks and that the co-operative banks like commercial banks will have to stand on their own legs and obtain their normal finance from deposits and cannot except the Reserve Bank to supply it or to act as the apex bank of the movement. Evidently, the movement cannot expect to get any relief

from that Bank for the long term credit. We shall have to devise means to solve the problem and question of reorganising our land mortgage banking system should be taken as early as possible.

Audit and Inspection.—As there is no separate staff, there is increased difficulty in completing audit in time. The question of efficient discharge of audit duty which is a statutory obligation on the part of the Government is rather proving a heavy burden on the existing inadequate staff. I have been pointing out the immediate necessity for a separate audit staff for proper audit of the accounts of the societies and to relieve the inspecting staff to do their normal work in societies which are passing through abnormal difficulties. When the Government are levying audit fees it seems only fair that the audit fees at least should be earmarked for maintaining a separate staff for efficient audit of societies. Most of the other provinces are maintaining separate staff, and in several cases the Provincil Governments are supplementing the audit fees by further provision to meet the audit charges. It may be interesting to note that in Orissa, the cost of audit staff comes to Rs. 46,565 for 38 auditors, realising Rs. 36,354 as audit fees only. In Bombay, United Provinces, Madras and Bengal, cost of audit staff comes to Rs. 1,72,031, 68,000, 66,829 and 3,57,874 respectively for 62, 52, 46 and 284 auditors; realisation of audit fees being Rs. 82,000, 35,000, 77,258 and Rs. 4,20,580 respectively. Assam having an audit fee assessment of about Rs. 14,000 a year might equally claim to have a separate audit staff at least out of this amount.

Rural Development.—It is now an admitted fact that credit however necessary, cannot by itself solve the question of economic self-sufficiency of a man. The solution lies in striving to improve the material and moral atmosphere of the man as a whole and not piecemeal. A comprehensive scheme of reconstruction naturally includes the programme of changing the angle of vision of the rural masses in all spheres. This rural development can only be effectively tackled through co-operative organisations. The Department is striving to do some useful work in this respect by organising some better living and village welfare societies.

There were two village welfare societies at the beginning of the year and six more were registered during the year.

General.—A comprehensive programme of reconstruction and revitalisation of the entire movement would no doubt entail further financial commitments from the public exchequer, but considering the importance and urgency of the problem, the question should not be delayed any further even at some risk. Unless the necessary funds are forthcoming, it is no use to launch up a comprehensive and bold scheme of reconstruction. What other provinces are doing, Assam is also capable of, provided sufficient men and money are placed at the disposal of the Department and the public take keen interest in the management of the societies. This is a movement of the people, by the people and for the people, and they must co-operate disinterestedly for its welfare.

Though the number of non-officials associated with the movement is too small, I do hope that more and more non-officials will join the movement and take interest in the welfare of the agriculturists on whom mainly depends the strength of the nation.

CO-OPERATIVE MOVEMENT IN BERAR

GOVERNMENT ORDER ON THE GOLE COMMITTEE REPORT.

The Berar Co-operative Enquiry Committee was appointed by the Government of the Central Provinces and Berar with the following terms of reference:—

TERMS OF REFERENCE

(1) To examine the position of the co-operative movement in Berar in general and of the finances of central banks in Berar in particular;

(2) to suggest ways and means for a more remunerative management of the lands acquired by central banks; and

(3) to make proposals for financial accommodation to those central banks which are in need of it immediately or for some years to come.

The circumstances which led to the appointment of the Committee are well known, and it is not necesary to recapitulate them in this Communique.

Briefly, the position, as disclosed in chapters III and IV of the Report, is that about half the societies in Berar are under award or liquidation, and almost the whole amount due from them is overdue, and over 80 per cent. is under recovery from members and societies under coercive proceedings. The total liabilities of all the 12 central banks amounts to Rs. 1,06,72,000 while the total assets aggregate Rs. 90,58,000, consisting of cash and liquid assets amounting to Rs. 22·19 lakhs, immovable property valued at Rs. 30·52 lakhs, and debts classed as good amounting to Rs. 37·87 lakhs. The total deficit of all the banks amounts to Rs. 16·14 lakhs, and if the liability to share-holders is not taken into account the deficit is Rs. 10·12 lakhs. The area of land in possession of the central banks amounts to 49,712 acres and that in possession of societies to 4,798 acres, the multiple value of which is estimated to be Rs. 25·57 lakhs and Rs. 2·77 lakhs, respectively. Except Pusad, Darwha and Mehkar banks whose profits were only nominal, the remaining banks were running at a loss, the annual income falling short of the expenditure by Rs. 2·7 lakhs. The assets of 5 banks were less than the liabilities, and the other 7 banks on paper showed some excess of assets over liabilities. This was the position on the 30th June 1938. It has probably undergone a change for the worse since in some respects. The causes which have brought the banks to their present deplorable condition are, according to paragraph 23, chapter IV of the Report, as follows:—

CAUSES OF DEPLORABLE CONDITION

"(*a*) Heavy financing before and during the boom period and more on the basis of assets than on the paying capacity.

(*b*) Failure to strike the overdues on the head, the moment they appeared.

(*c*) Speculative reliance on a possible appreciation of land value and lifting of the cloud of depression in the near future.

(*d*) Fall in the values of lands beyond all expectations. As a corollary to fall in values of land, the letting values also have gone down, thus adversely affecting the banks which had large areas of land to lease out.

(*e*) Interlocking of the short-term capital derived from deposits in the purchase of lands which now form the bulk of the assets of the banks.

(*f*) Fall in cash recoveries partly owing to depression and partly owing to factions and mischievous propaganda, and partly owing to deliberate withholding.

(*g*) Income from land is negligible, being not sufficient even to pay land revenue.

(*h*) Many banks are reduced to such a strait that they depend upon borrowings for their annual expenditure, for payment of deposits and interest thereon, for land revenue and for their contributions to central institutions such as the Berar Co-operative Institute.

(*i*) Dependence upon the provincial Bank for financial accommodation. So long as it was forthcoming, banks could carry on; and the moment it was withdrawn the crash came."

OTHER CAUSES

Elsewhere in the Report the following causes are also specified:—

(i) Concentration of large loans in the hands of a few big borrowers. From the Annual Report on the working of the Co-operative Department for 1937-38, it appears that 15·3 per cent. of the borrowers have monopolised 80 per cent. of the loans, and 175 persons owe the large sums of Rs. 19·96 lakhs.

(ii) The unfortunate importation into elections of party factions and sometimes even of communal spirit, which has come in for severe animadversion from the Committee; and

(iii) Unco-operative action of the members themselves who tried to defraud the societies by disposing of their land, creating encumbrances on it, forming local combines to boycott auctions, and various other un-co-operative devices.

Thus the report of the Committee shows abundantly that the present state of the movement in Berar has been brought about by the combined operation of three causes, viz., unfavourable seasons and low prices—which were beyond the control of co-operators—and also by the unbusiness-like methods, and unco-operative attitude of the members.

SOME IMPORTANT RECOMMENDATIONS

In order to meet the situation, the Committee has made several recommendations. The more important of them are summarized in paragraph 20 of Chapter IX and are as follows:—

(1) "(*a*) Suspension of the constitution of all central banks till the disposal of the land in their possession by an order passed under rule 14(*i*) by the Registrar, and management of the affairs of the banks by a Central Board consisting of Registrar or his nominee, the Managing Director of the Provincial Bank or his nominee, and four persons from amongst the shareholders of the central banks in Berar to be nominated by the Registrar.

The affairs of each central bank to be placed in charge of an officer-in-charge, assisted by local advisory committees consisting of the officer-in-charge, the Registrar or his nominee, and three persons to be nominated by the Registrar."

(2) "The liability to share-holders, viz., the share capital and the undistributed dividend should for the present not be taken into account as a liability for the purposes of estimating the deficits. If eventually, after the claims of all the present creditors are met there is any surplus, the value of the shares will be restored; but till then the value of the shares should be considered as nil and they should not be redeemed. It is not necessary to write off the share capital from the books immediately."

(3) 'The Provincial Bank should for the present write down its claim by Rs. 10 lakhs. It is not necessary to write off this amount permanently, but it should be understood that the central banks will pay this amount only after all the remaining liabilities to the present creditors have been met in full and there is a surplus. Till then, it follows, that no interest will be charged on this amount."

"This amount of Rs. 10 lakhs should be distributed among the weaker central banks in proportion to the present estimated deficit in their assets after ignoring the liability to the share-holders."

(4) "In future, the interest on the remaining debt due to the Provincial Bank should be reduced to 3 per cent," and this debt to be compulsorily converted into debentures as described in the next paragraph.

(5) "All the present deposits should be compulsorily converted into debentures, for a term of 30 years .... The interest on these debentures should be 3 per cent. Both the principal and the interest on these debentures should be guaranteed by the Government." The Committee has stated that if Government is not prepared to give such a guarantee, it would prefer immediate liquidation of banks to deferred liquidation by the process of conversion into debentures without such guarantee.

(6) "The lands owned by the central banks at present should be sold by running a lottery. Even after that, it is possible that some lands will remain and some more lands will have to be acquired in future. These lands should be sold by auction, failing that, on the hire-purchase system, and, failing even that, they should be leased out till it is possible to sell them."

(7) "The Government should make an annual grant of Rs. 1 lakh to meet the deficit in the running expense of the central banks till the lands are disposed of by the central banks."

(8) In paragraph 11 of Chapter X of the Report, the Committee has made another important recommendation, namely, that the debts due from members, not only of working societies but also of societies under liquidation should be scaled down by a process of conciliation. The Committee has suggested that the additional deficit caused by this conciliation, which is estimated at Rs. 25 lakhs, should be borne by Government.

Government has given full and earnest consideration to the recommendations of the Committee and has also made every effort to consult institutions and persons in a position to give authoritative advice. Government regrets that the main recommendations of the Committee are neither feasible nor in the best interests of the co-operative movement itself. They also impose an undue burden on the general tax-payer. Government is not, therefore, prepared to accept them. The main reasons for this decision are set forth briefly in the following three paragraphs of this Communique:—

WHY GOVERNMENT REJECTS

(1) The Committee has stated that its recommendations "should be treated as an organic whole" and should not be mutilated. The central recommendation of the Committee on which its whole scheme turns is the disposal of land by the expedient of lottery. The various serious objections to this course, legal, ethical and economic are obvious. The proposal is also unworkable in practice, for it would involve the sale of tickets whose number would run into several lakhs. Disposal of so much land by lottery will also have a very unsettling effect on the prices of land in Berar, as most of the winners would hasten to convert their land prizes into cash. Amongst all the criticisms and suggestions which Government has seen, not one has been in favour of this recommendation, and Government has no hesitation in rejecting it.

(2) With the rejection of the lottery scheme, the whole edifice of the Committee's scheme collapses. However, a few more observations may be made on the other recommendations. According to the Committee, the burden which Government is expected to bear on behalf of the general tax-payer is as follows:—

(i) Guarantee of the principal and interest of debentures, the amount of which may easily be over Rs. 80 lakhs. At 3 per cent. the annual interest charges alone would be over Rs. 2·4 lakhs.

(ii) An annual grant of Rs. 1 lakh until the lands are disposed of.

(iii) The entire loss caused by the scaling down of the debts due from members, which the Committee estimates at Rs. 25 lakhs.

(3) Government is clearly of opinion that it cannot, in the interests of the general tax-payer as well as of the co-operative movement itself, undertake this liability. As much has been said in the Report, in the Press and on the public platform regarding the responsibility of Government for making good the losses to depositors, it is desirable to reiterate the position of Government. So far as the legal responsibility of Government is concerned, the Committee has conceded that there is none. Government is equally convinced that no moral obligation either rests on it. The position of the Government, *vis-a-vis* the co-operative movement, has been always very clear. A reference may be made to the Resolution on the King Committee's Report which contains a lucid exposition of the Government's position. In paragraph 25 of its Report, that Committee stated as follows:—

KING COMMITTEE'S RECOMMENDATION

"We think that Government ought, in the interests of the co-operative movement itself, to disclaim unequivocally all future responsibility for the provision of financial assistance to co-operative institutions." In accepting this recommendation, Government, in paragraph 4 of its Resolution laid down its future policy in the following terms: "...........in the interests of the co-operative movement itself, Government must disclaim responsibility for the provision of direct financial assistance to co-operative institutions." A reference was then made to the large amounts held by banks in deposits, and it was pointed out that it was "evident that the Local Government cannot accept financial liability for operations of such magnitude." A little further it was stated again "it is obvious that the Local Government is unable to give an assurance that in any future crisis it will be able to provide the large sum of money which might be required." Neither the Committee nor any advocate of Government's responsibility has been able to point to any statement or act of Government which even suggests a departure from the policy so unambiguously laid down. No analogy can be drawn from the assistance rendered by Government to the Provincial Bank in 1921. The circumstances then were entirely different. The Provincial Bank then needed only temporary accommodation to a limited extent, unlike the heavy responsibility lasting over 30 years suggested by the Committee now. The role of the Registrar is that of "guide, philosopher and friend" and the facilities provided by Government in the way of audit, inspection, etc., do not saddle any financial responsibility on it. Consistently with its responsibilities to the Province, therefore, Government regrets very much its inability to admit that it is under any obligation to make good the losses of the central banks.

It is not necessary to examine the scheme of the Committee at greater length. The present position of the co-operative movement in Berar is baffling and well-nigh hopeless, and there is a considerable volume of authoritative opinion in favour of the view that there is no alternative but to liquidate the banks. Government, however, is averse to taking this course if it can possibly be avoided. It has to be remembered that in approaching this problem Government has to look to the interests not only of the depositors but also of the members of societies, as well as of the general tax-payer. The criticism that is often heard that the scheme prepared by the Committee—entailing as it does a crushing burden on the general tax-payer and selling up of a large number of members of societies, most of whom are as much the victims of natural forces and world-wide causes as of personal delinquency—has been conceived in the depositors' interest, is not without force. Liquidation too would involve the selling up of practically all the members and the total destruction of the co-operative movement at least for a generation. This is an eventuality which every well-wisher of the country and every true co-operator would endeavour to avoid. If liquidation is to be ruled out except as a last resort, then the only alternative is to evolve some methods of reorganization and rectification, which would by a process of voluntary conciliation bring the liabilities of the members and banks within their repaying capacity and realizable assets.

PRINCIPLES OF REORGANIZATION

The principles on which any scheme of reorganization and rectification should be based are, in the opinion of Government, the following:—

(1) That the conciliation of liabilities should be in the main voluntary and should not be forced on any party, though Government may be prepared to facilitate conciliation by enacting legislation as in some other provinces.

(2) That every effort should be made to limit the losses to depositors as far as it is practicable to do so, and that Government may be prepared to help them to a strictly limited extent, so long as the position of Government that it is under no libaility to make good the depositors' losses is clearly understood.

(3) That the scheme should carry within it the germs for the revival and growth of the co-operative movement, so that if it is accepted and loyally worked by the co-operators there may be a chance for the co-operative movement to rehabilitate itself and to fulfil its mission of promoting the moral and material welfare of the people.

Bearing these principles in mind, Government has, after careful consideration and consultation with the various interests affected and authorities on the subject, devised a scheme which in its opinion fulfils the above requirements and affords the co-operative movement in Berar a chance of rehabilitating itself. The salient features of the scheme prepared by Government are briefly outlined below.

SALIENT FEATURES OF GOVERNMENT SCHEME

It is obvious that any scheme involving recovery from members of societies more than they can reasonably be expected to pay in their present circumstances is foredoomed to failure. Even by liquidation it will not be possible to recover more than the present value of the assets. The first step, therefore, of any scheme of rectification must necessarily be to determine the repaying capacity of each member. The case of each individual member should be considered on merits and his repaying capacity determined in the light of all the circumstances without blind adherence to any preconceived rule of thumb. At the same time it is necessary that members who have been guilty of flagrantly unco-operative or dishonest actions and whose continued membership would be a source of weakness rather than of strength to the reorganized societies should be weeded out, e.g., members who formed societies to take big loans themselves, which they have deliberately declined to repay. The joint responsibility of members should also be taken into account while determining their liability and the amount payable by them. The period over which repayments by members should be spread should be 25 years. It is necessary to liquidate the present chapter of the co-operative movement in Berar as early as possible. It is equally important that more loss than is absolutely necessary should not be caused to the depositors. After careful deliberation, Government considers that 25 years is the longest period during which the members may fairly be expected to repay their present liabilities. It is, therefore, intended that the present debts of members should be reduced to the amount which they can repay in 25 years on the basis of their repaying capacity. In return for this, the members would be required to surrender the land in their possession which would, however, be given back to them again on hire-purchase system, so that, if they continue to repay their instalments, the land would eventually be theirs on a nominal payment. It may be necessary to require that the other immovable property of members should also be mortgaged for the repayment of the instalments. Members who do not agree to this proposal will have to be proceeded against coercively for the recovery of the sum outstanding against them. It is intended that along with working societies, societies whose liquidation proceedings are still in progress should be brought within the ambit of this scheme, if possible.

After determining the amount that can be recovered from the members, the amount which each society can pay to the central bank in 25 years will be ascertained, and its liabilities conciliated for the amount. In return for this the societies would be required to assign mortgages or surrender land in their possession to central banks. Societies which do not agree to a reasonable proposal will necessarily have to be liquidated. It may also be necessary to liquidate societies which have been flagrantly unco-operative or dishonest in the past.

APPEAL TO CREDITORS

In this manner it would be possible to make an estimate of the amount which each bank may hope to be able to recover out of its outstandings against societies in 25 years. The present value of this amount at 4 per cent. interest would then enter into the calculation for ascertaining the value of realizable assets of each central bank. The next step would be to approach the creditors of each bank, including the Provincial Bank, to agree to conciliate their dues so as to bring them within the total value of the realizable assets as determined above. It is not intended that the difference between the liabilities and the conciliated amount should be written off.

For this amount the creditors would be given preference shares in the respective banks. The preference shares would be entitled to priority of dividend up to 3 per cent. out of the net profits. The surplus, if any, would be utilized for making payment of dividend up to 3 per cent. to ordinary share-holders.

If there is still any surplus left after making both of these payments, it would be utilized in paying dividend equally to the ordinary and preference share-holders subject to such maximum limit regarding the amount of dividend as may be prescribed by law and the rules for the time being. In the event of liquidation, preference shares would have priority. These shares would be redeemable at the option of the banks, and they would carry no guarantee by Government. As has been stated already the conciliation would be voluntary and the depositors would be given the option of choosing between this scheme and the only other alternative, viz., liquidation. Government would, however, be prepared to facilitate conciliation by introducing legislation providing that, if creditors to whom 66 per cent. of the liabilities are due accept a scheme, it would be binding on the rest. Similar provision exists in the Bihar and Orissa Co-operative Societies Act. For obvious reasons, it is not contemplated that items like dues to commercial banks, Provident Fund of employees, land revenue arrears, which are small, should be liable to conciliation as described above.

After the voluntary conciliation of the liabilities, cash payment *pro-rata* would be made to the creditors equivalent to the cash assets of the banks and their reserve funds. The reserve funds of working societies or recognized societies cannot obviously be utilized for this purpose. The balance of the scaled down amount will then be converted into debentures repayable in 30 years and bearing interest at 3 per cent. and carrying Government guarantee as to the payment of interest for 30 years, but no guarantee as to capital. It would be open to the banks to redeem the debentures before the expiry of 30 years, if they wish to do so.

EFFECT OF THE SCHEME

The effect of this scheme would be to bring the present liabilities of the banks within their repaying capacity and to give them a period of about 25 years to shake off the legacy of the past and to start a new chapter. The problem of the management of land is proposed to be tackled, as far as possible, by giving it out on hire-purchase system to the old owners, or failing them, to other members of the society, or if that too is not possible, to other members of the public, provided the person to whom land is given is solvent and is in a position to cultivate it. Land which cannot be given out in this manner would be sold or leased out or otherwise managed in the best possible manner.

FUTURE MANAGEMENT.

As regards the future management of the banks, Government is averse to any increase of official control. As stated in paragraph 3 of the Resolution on King Committee's Report, "the ultimate goal which Government has before it is the development of a genuinely co-operative organization self-contained, self-governing as regards its internal affairs, and independent of money contributed by the general tax-payer." But it has been strongly pressed on Government that in the present circumstances it is essential that official control should be strengthened. The Berar Co-operative Enquiry Committee has also made similar recommendations. In some quarters the suggestion has been made that the movement should be completely officialized.

This course does not commend itself to Government, which is anxious to retain in the movement at least a nucleus of co-operative element which may in the fulness of time sprout and develop into a fine tree. In deference to the views that have been pressed upon it and also as a necessary concommitant of the Government guarantee regarding interest, Government considers that for some years at least the management of the central banks should lie in the hands of a Committee composed of the representatives of share-holders, both ordinary and preference, and the nominees of the Provincial Bank and of the Registrar. The hands of the Registrar are also proposed to be strengthened by giving him the following powers:—

POWERS TO REGISTRAR

(1) Authority to change the bye-laws of societies and banks or to suspend the operation of any resolution if it be contrary to the interests of the society.

(2) Statutory power of superseding the management of any society. This power is already enjoyed by the Registrar under rule 14. It would, however, be better to give statutory powers to the Registrar.

(3) The power to levy surcharge in case of gross mismanagement or disregard of the law, rules and bye-laws.

If the above scheme is accepted by the banks and depositors, the income of the banks would be appropriated in the following order:—

(i) to pay the land revenue charges;

(ii) to pay the interest charges on debentures, including interest of the previous years which may have remained unpaid and which may have been paid up by Government;

(iii) to meet the working expenses; and

(iv) to meet the charges that may be needed for putting in the sinking or debt redemption fund whichever may be adopted.

It is only after these items and such other deductions as may be required to be made by law or the rules for the time being have been met that any amount would be available for distribution of dividend on preference or ordinary shares. Government, however, recognizes that after the inauguration of the scheme for a few years it may not be possible for the banks to meet their working expenses. In the first three years, therefore, Government would be prepared to make up the working expenses of the central banks up to a limit of Rs. 50,000 a year, provided the banks carry out all measures of retrenchment which the Registrar considers necessary and reasonable. If the scheme outlined above is accepted by the co-operators in Berar, Government would be prepared in collaboration with the Provincial Bank to explore the situation and devise some method to make arrangements for the future expansion of the movement.

As has been stated above Government does not wish to force the above sche on either the share-holders or the depositors. It is, therefore, contemplated that the above scheme should be put first to the share-holders of each bank for acceptance. If the share-holders of any bank do not agree, there will be no alternative but to liquidate the bank. If, however, as is hoped, the share-holders accept it, the creditors would be called upon by the Registrar to make an election between the above scheme or liquidation. It is, however, hoped that the above scheme would be acceptable to the crditors also, for under it they stand to get all that they would in the event of liquidation and something more. After the creditors of a bank have also accepted the scheme, arrangements for the necessary enquiries will be made with the least possible delay, so that the banks may be able to start functioning again as early as possible. Government would also be prepared to introduce such legislation as may be necessary in the next session of the Assembly to implement the above scheme.

Only the bare outlines of the scheme have been given above. Government is still firmly convinced that co-operative movement conducted on the right lines is a very potent weapon in the fight against poverty and ignorance, and that it has great potentialities for the moral and material regeneration of the people, and for solving the problem of rural finance. It is in the hope and desire that the movement may be extricated from its present moribund state and flourish once more that the above scheme has been conceived, and Government feels that if it is accepted and worked in the right spirit a healthy and vigorous co-operative movement would still re-establish itself with consequent benefit to the people and the province.

The Committee's report, containing as it does a valuable analysis of the present position of the co-operative movement in Berar and the causes that have led to it, has been of the greatest assistance to Government, and Government desires to tender to the Chairman and the members of the Committee its warmest thanks for their arduous labours.

* * * * *

The above communique of the Government of the Central Provinces and Berar was referred to Mr. G. L. Subhedar, Barrister-at-Law and Retired Additional Judicial Commissioner, C.P. and Berar for opinion by the Association of Depositors in Central Banks of Berar. Mr. Subedhar submitted a 'critical' note on the merits of the scheme devised by the Government for the rehabilitation of the Co-operative Movement in Berar. At a meeting of the Association of Depositors, held on the 24th September 1939, the note was considered, and the following resolutions were passed :—

1. Resolved unanimously that the members of the Association regret, but without meaning any disrespect to Mr. Subedhar, their inability to accept the advice given by him in which it is suggested that, in a spirit of co-operation, the depositors should forego five per cent of their dues and agree to the repayment of the balance in 30 years with interest payable at 3 per cent half yearly, provided the Government is willing to guarantee the repayment of principal and interest.

2. Resolved unanimously that the members of the Association do not agree to the scaling down of any portion of their deposits, and that they would agree to conciliation only if the entire principal, with all arrears of interest, if any, as well as future interest thereon at three per cent, is guaranteed by the Government by the issue of negotiable debentures making the principal (along with the arrears of interest aforesaid) payable in about ten years in equal annual instalments along with interest at the above rate accruing due every year.

3. Resolved unanimously that the above period would, in the opinion of the Association be sufficient for the rehabilitation of the Co-operative Movement, if it can at all rehabilitate itself, and that if the Government is not prepared to guarantee payment both of deposits and interest, the members of the Association prefer liquidation to conciliation on any other terms and conditions.

4. Resolved unanimously that, since most of the co-operative banks have, on the advice or order of the Registrar, suspended payment even of interest, resulting in severe hardship and inconvenience to depositors, the Government be requested to permit the Registrar to release, without delay, sufficient amounts from their Reserve Funds to enable the banks to make immediate payment of the accrued interest to the depositors, in order to prevent the depositors from precipitating matters before the Government has had time to arrive at a final decision.

5. Resolved unanimously that this Association is seriously opposed to any legislation being enacted to protect the Berar Central Banks from involuntary liquidation, as suggested in the meeting of the office-bearers of the central Banks and Berar Co-operative Institute held recently at Akola, unless the Government guarantees payment of principal and interest.

REHABILITATION OF THE CO-OPERATIVE MOVEMENT IN BIHAR

GOVERNMENT COMMUNIQUE, DATED 19TH AUG. 1939.

The following communique has been issued by the Director of Information, Government of Bihar:—

At the last Co-operative Federation Congress, held at Patna on the 6th April 1938, the Hon'ble Minister of Education and Development, speaking on behalf of the Government declared the decision of Government to rehabilitate the Co-operative movement as early as possible and to take adequate steps to ensure its future expansion on sound lines. Government also appointed a Co-operative Rehabilitation Committee consisting of official and non-official experts of the province, to advise Government on all matters connected with rehabilitation. An enquiry into the assets, liabilities and repaying capacities of members of co-operative societies was undertaken for the purpose of reconstructing such societies as were fit for reconstruction. The enquiries have since been completed in 16 Banks and Unions and are pending in 8 banks. On the basis of these enquiries and in consultation with the Rehabilitation Committee and the Hon'ble Mr. Ramdas Pantulu, a draft scheme of rehabilitation was prepared by the department. The scheme was further examined by the Congress Party in the Bihar Legislature. The Congress Party appointed a sub-committee to report on the proposals of rehabilitation. The sub-committee recommended that the movement should be rehabilitated and reconstructed according to a detailed programme to be worked out by a Board consisting of experts and other suitable members. It also made certain recommendations for giving immediate financial assistance to the Provincial Co-operative Bank and to approved Central Co-operative Banks and Societies, for making suitable amendments in the Co-operative Societies Act for expediting the disposal of liquidation proceedings, for making provisions for an independent audit and other matters. The Congress party in the Bihar Legislature at the meeting held at Patna on the 7th August 1939 adopted the recommendations of the Sub-Committee subject to the following modifications:—

(1) That full assurance should be given to the Provincial Co-operative Bank that Government will stand behind it and that they assume such control of the Provincial Co-operative Bank as they may think necessary for the purpose.

(2) That the proposed Board of experts should be constituted as promptly as possible.

(3) That steps should be taken to prepare a draft bill for amending the present Co-operative Act at the earliest possible date.

On due consideration of all the facts and circumstances of the case, Government have decided to accept the recommendations of the Congress Party and advance a loan of Rs. 10 lakhs forthwith to the Provincial Co-operative Bank and take all other necessary action as soon as possible including the appointment of the Board of Experts.

CO-OPERATIVE CONFERENCES AND MEETINGS

THE XXI BIHAR CO-OPERATIVE FEDERATION CONGRESS, MUZZAFERPUR, 5th AUGUST, 1939

Extracts from the Inaugural Address of the Hon'ble Mr. Anugrah Narayan Sinha, Minister of Finance, Bihar.

Before you, veterans, I need not dilate at length on the history of the movement in the Province. Many of you have been the pioneers of the movement and have grown grey in service. The chequered history of the growth and decline of the movement is well known to you. From small beginnings it grew in dimensions within a fairly short period so that we have at present 53 Central Banks, a Provincial Co-operative Bank and about 7,000 societies. Well, about 10 per cent of our villages are concerned with the movement and about 2 per cent of our population. We were able to attract depositors from even outside the province and, I believe, some of the Central Banks were able to pay 7 per cent on the deposits. It may be that the movement was over-capitalized—you know best whether it was so. The fact remains that, because of causes I need not go into at this stage, a decline set in and was aggravated by far by the unprecedented depression through which our country along with the world has been passing. Nowhere in the world were the effects of the depression more marked than in an agricultural country like India. With prices falling to the tune of well over 50 per cent you can imagine the havoc wrought on the peasantry by this cataclysmic fall in prices. No wonder recoveries deteriorated and a state of affairs set in that threatened the basic stability of the movement. The Hubback Committee, after careful enquiry, recommended reconstruction and rehabilitation but it is a pity that action was delayed with the result that we are faced with a serious crisis in the affairs of the movement involving thousands of depositors and many more thousands of members representing the backbone of the movement. It would be safe to assume that the total liabilities of the various Central Banks would amount to well about 1 crore 50 lakhs. Gone are the welfare activities associated with the movement. To preach any longer to the persons affected the value and beneficence of thrift will be, in the conditions obtaining, in the nature of adding insult to injury. The movement is to-day in a moribund condition.

What next, is naturally the question of questions before us. Shall we leave the movement to its fate, to fend for itself as best as it can? Or shall we all put our shoulders to the wheel and push it out of the morass it has got into? Is the movement capable of being resuscitated? These are the questions before us. Government's answer to these questions has been given more than once and their policy clearly defined in various speeches and statements. The Hon'ble the Prime Minister, while speaking in a meeting of the Central Bank at Hajipur, observed "that the Government is determined to revive the movement not only to keep it alive but also to make it beautiful so that the life of the villagers may be fuller and richer in every way."

The Hon'ble Dr. S. Mahmud in the course of his speech at the Co-operative Federation Congress at Patna last year, reiterated on behalf of Government his confidence in the future potentialities of the movement and declared that Government had decided to rehabilitate the co-operative movement as early as possible on sound lines so that it might in time develop into a truly national organisation capable of making rural life richer and fuller in every way. In this view of the Government Sir Maurice Hallett, the then Governor, entirely agreed. In my last Budget Speech I dealt with the question of rehabilitating the co-operative movement in the following words:—

"This question has been receiving the anxious attention of Government. A committee of selected co-operators was appointed to advise Government on this most complex problem. As a result of the enquiries undertaken into the conditions of a few selected central banks and after considering the recommendations of the Rehabilitation Committee, Government have decided, subject to the approval of the House, to reconstruct those central banks and co-operative societies that can yet be revived and to rehabilitate the movement as a whole so that it can develop on sound lines. For this purpose Government may have to take over the control of the Provincial Bank and give such financial assistance as may be necessary for meeting its losses in carrying out the scheme of rehabilitation. The success of the movement depends to a great deal on the employment of suitably qualified and trained hands of whom there is a great dearth in the province. Steps have, therefore, been taken to select young men and give them intensive training in the new Co-operative Training Institute at Pusa."

Government, therefore, stands committed to rehabilitate and reconstruct the movement. Any other policy would be a crime against the province if there is any real potentiality in the movement. As you are aware, very careful enquiries have been in progress of late and the investigations have yielded valuable data for judging the potentialities of the movement. Roughly speaking, we may classify the Central Banks and their constituent societies into three categories. Some of them are thoroughly sound and some of them are hopelessly involved and in between these two extremes there are others which may be described as border line institutions. Now, I for one have no doubt that you will agree with me that very little can be done for those that are past redemption. But I am equally clear in my mind that assistance should be forthcoming in cases where it is likely to bear fruit. Apart from the sound banks and societies, the border-line cases should be carefully and closely investigated with a view to finding out if it is possible to stimulate atrophied repaying and productive capacity of those concerned. I believe it is possible to create an atmosphere which might enable the arteries to function and the blood to circulate properly.

Now, what practical shape this scheme of rehabilitation and reconstruction will take has not been definitely laid down. It must, however, be within the knowledge of those who are keeping themselves in touch with the newspapers that the Congress Legislative Party recently has clearly defined its attitude towards this movement. It is definite that this movement is to be rehabilitated, and reconstructed and as a first step towards the attainment of this object it has been decided that Government should give assurance to the Bihar and Orissa Provincial Co-operative Bank that Government stands behind it; further, Government should also sanction a loan of Rs. 10 lakhs to the Bank in order to meet its immediate demands. Having placed the Provincial Bank on sound footing, it is intended to rehabilitate as many of the Central Banks as can be rehabilitated. It would necessarily mean rehabilitation of the village societies which will involve rehabilitation of its primary members. It is difficult for me at this stage to place before you the full picture of the scheme of reconstruction of the entire movement. But from what I have said above, it should be evident that Government is anxious to rehabilitate and reconstruct the movement and this must be done—and I have no doubt will be done—within the

shortest possible time. I do not want you to go away with the impression that any movement of such a vast proportion can be reconstructed without considerable spade-work. You know that this is being done and with the materials already collected, it may be possible for us to start work of reconstruction immediately. Government will anxiously wait for your suggestions and, I doubt not, after you have deliberated upon the various aspects of the question which must necessarily be engaging your attention, it will be possible for you to draw up broad outlines on which according to you the movement ought to be reconstructed. Your conclusions will receive due consideration at the hands of the Government. I shall be failing in my duty, however, if I were not to tell you that we have got to be a little more practical and realise the difficulties that any scheme of reconstruction is bound to involve. No Government agency can possibly succeed in achieving any degree of success unless willing co-operation is forthcoming from non-official agencies. As I have said before, many of you have given the best in you in the service of your country through this movement and the ripe experience and judgment which you now possess will enable you to carve out in practical and suitable outline the scheme which may ultimately lead to further expansion of this movement.

No country can achieve Swaraj until it has succeeded in ameliorating the economic condition of its people. We must, however, be very clear in our mind as to the line of this economic programme. Our province being mainly an agricultural province, it will not be enough for us to make an attempt merely to supply cheap credit to our villagers. It should be our duty to assist them towards supplementing their resources by increasing their productive capacity. It seems that no attention has been paid to this aspect of the movement, or at least not in an adequate degree. The future of the movement will be justified by such measures as are calculated to improve the capacity of the people not only to repay their debts but also to enable them to make their lives richer and fuller in all directions. I fear from the very beginning the movement has been regarded as but an agency for supply of cheap credit and I dare say this has been no little responsible for the collapse which confronts us to-day. Our effort, therefore should be, in the words of the Prime Minister, "not only to rehabilitate and reconstruct the movement but to make it more beautiful and convert it into an instrument for making the life of the village communities fuller in every way." I claim to be a practical idealist and I envisage reconstruction as a means to reorganise life in the country-side with the villages as the centre and focus of organised progress. At present there is no little overlapping of activities in the villages involving multiplication of agencies and involving needless waste of money and energy. Supply of credit for agricultural development must, of course, continue to be the function of the movement in view specially of the Money-lenders Act and other similar measures that may be enacted. But I feel strongly that the co-operative organisation might well be integrated into a well-thought-out scheme of village reorganization. There is no reason why villages should not once more be the forum for settlement of petty disputes necessitating recourse to courts at no little cost to the parties concerned. There is no reason why the activities of the agricultural, veterinary and other development departments should not be co-ordinated with and fitted into the scheme of rural development with the co-operative movement as the basic foundation, indeed the backbone, of the entire edifice. Gentlemen, there is a soul of goodness in things evil. The darkest of clouds has a silver lining. The complicated problems of co-operative rehabilitation which baffle us to-day will have really proved a blessing in disguise if as a result of our collective judgment, we are able not only to reconstruct the movement but broad-base it on the life of the people in its many and varied aspects. That, Gentlemen, is the need of the hour, the issue of issues before us.

Extracts from the Presidential Address of Dr. Radhakamal Mukerjee, Professor of Economics and Sociology, University of Lucknow.

Planned Co-operation.—Since co-operation touches the social tissue no success can attain the efforts of the co-operator unless co-operation forms a phase of a many-sided advance, a part of an entire rural reconstruction movement. In those spacious days of early co-operation we were on the whole, more anxious for records of the number of co-operative society and of membership, without paying due heed to real stability and solidity of the movement, rooted as these are in better living and farming and improvement of business methods and of credit-worthiness.

Not merely the forces responsible for a quick mushroom growth of Co-operative Societies were largely responsible for the present debacle, but the agricultural depression reduced the cultivator's source of income and credit in Bihar between 1928 and 1933 by more than 58 per cent as compared with the reduction of 35 per cent for the cultivator of the United Provinces.

In other countries the Government has stepped in by a forward currency and agricultural policy, reduction of the interest rate on loans and State aid to crop finance and marketing to overcome the economic effects of the slump, but in India nothing effective was done in this connection; and in Bihar the effects of the agricultural depression were aggravated by the disastrous earthquake and the cumulative effects of violation of both business and moral principles in co-operative finance.

Speaking to the co-operators of this province on the eve of the final formulation of the scheme of rehabilitation I would like to stress the need of Planned Co-operation. Planning is essential not merely for the rehabilitation of the bankrupt societies, for their integration into improved societies, and for reorganising the arrangement and agencies for short-term and long-term credit but also, and what is more essential, for relating the Co-operative Movement to the improvement of crop practice, crop marketing and rural reconstruction generally.

Rehabilitation of Bankrupt Cultivators.—A Co-operative Movement which aims at strengthening the economic position of the weak by association with the strong will be untrue to itself if it seeks to eliminate the weak from its protection in a drastic manner. Instead of ousting the cultivators who have now become insolvent and are likely to be so without adequate means of life, efforts should be made to rehabilitate and restore them to the care of the Co-operative Movement. The extent of relief to such distressed farmers can only be guaged by a careful economic investigation of the repaying capacity and the value of land of each member of the society, which will be preliminary to assessment of the repaying capacity of the societies and the assets of the Central Banks. It is noteworthy that while the United Provinces, Bengal and the Central Provinces have found that a not inconsiderable proportion of the debt of members to the societies is unrealisable; it is only in Bihar that a thorough investigation of agricultural costs and profits, land values and repaying capacity of the cultivator has been undertaken by the Co-operative Department in several representative regions. Under present conditions agriculture is a submarginal occupation offering no profits for about half the cultivators in the crowded regions of the Ganges Valley, where holdings have become uneconomic due to continuous sub-division. It is probable that members of co-operative societies are better off than the average cultivator and that those who are now bankrupt will not represent half the farming population. But since the proportion of bankrupt cultivators will be considerable we have to rehabilitate their credit by means of subsidies, by reduction of the burden of mortgage and other loans, and other measures.

While it is certain that we can no longer permit the bankrupt to drag down the well-to-do cultivators to a common doom spelt by the ruin of the Co-operative Movement, it is equally definite that the Government must enable the bankrupt cultivators to make arrangements with the co-operative societies and outside creditors and afford them facilities for reduction or conversion of old debts regarded as too onerous or irredeemable. The recent debt legislation of Denmark where the farmers' indebtedness had led to the collapse of farms is worthy of serious consideration not merely in Bihar but also in the other provinces of India. The Danish Government has in the first instance relieved the farmers by the establishment of Crisis Funds for the grant of subsidies to the most distressed farmers in order to put them in a position to pay their mortgage and fiscal charges. Forty-two million crowns were distributed among 135,000 farmers, i.e., 67 per cent. of all the farmers in the country. Another country in Europe which has paid a direct subsidy to the distressed farmers during the agricultural depression is Italy. Short-term loans have here been converted to long-period debt, and the State undertakes to pay a part of the repayment instalments to the extent of 2½ per cent. The State has also granted a contribution towards the payment of interest for loans payable in five annual instalments obtained from agricultural banks.

It seems to me necessary that in order to avert the present crisis for the cultivators, and the stampede of credit caused by the emergent debt legislation the Government should find money for the creation of a Rehabilitation Fund like that of Denmark to lighten the burden of mortgage debt and of interest and rent payable by distressed tenants to be distributed among the latter according to determined principles. Secondly, the Danish Government has by law facilitated the conversion to loans at a lower rate of interest of the loans granted by the mortgage credit companies. The application of the Danish and Italian precedents to Bihar conditions may be as follows:—The Government after reducing the claims of co-operative societies and outside creditors by, say, 50 per cent. on the ground of the fall of agricultural prices which calls for revision of contractual obligations will contribute a portion of the repayment instalments. The Government will also grant loans covering the remainder of the liability to the bankrupt cultivators on the basis of mortgage of their holdings to the State on these conditions: freedom from payments for ten years, and afterwards, payment by instalments, and a rate of interest not exceeding 4½ per cent. The Government will raise money by issuing debentures on the basis of the mortgaged properties. To obtain the loan, the tenant's debt must exceed the mortgage value of the holding by at least 10 per cent, while the loan itself cannot exceed 25 per cent. of the mortgage value of the property and must be guaranteed by a mortgage not exceeding 10 per cent. of the value of the property. In lieu of the subsidy and facility of credit offered by Government it may be insisted upon that in the succession the tenants' holding should pass undivided to one person (the preferred heir). The charges burdening the succession (including the mortgage debt) must be met as far as possible out of fortune other than the landed property. No new debt can be incurred without the consent of the co-operative society or the land-mortgage bank which has rehabilitated the credit of the cultivator.. Loans out of this Rehabilitation Fund will be granted also to co-operative societies and private money-lenders in order to enable them to meet the difficulties that may arise in consequence of the. application of the law on the moratorium. The present debt legislation of the major Provinces of India, which only provides for compulsory scaling-down of debts and rate of interest and application of a moratorium, and too greatly sacrifices by creditors without making any arrangement for the financial recovery of the bankrupt cultivators aggravates the crisis of agricultural indebtedness. In the debt relief legislation in many agricultural countries in Europe importance was given as much to the adjustment or conciliation of debts as to the conversion of loans guaranteed by mortgages on farms with a view to the repayment of debts to creditors by instalments over a series of years and contribution by the State towards the re-payment of instalments and the payment of interest.

In Bulgaria where the law has reduced both the amount of interest and the amount of debt of farmers, and exempted from sale the debtor's land up to 5 hectares, the reduction of debts is made up out of an Amortisation Fund to which the State assigns the proceeds of the tax on vocations and the supplementary tax on total income. In Switzerland the Confederation and the Cantons both pay 5 million francs a year as subsidy to an Amortisation Fund created for the relief of indebtedness. In Bihar it is worthy of serious consideration whether such an Amortisation Fund could be created out of new taxes on industry and professions, the resources of which could be utilised both for subsidy to distressed farmers and the conversion of debts and re-payment to money-lenders who renounce a part of their credit.

Credit and Consolidation of Holdings.—A more effective and permanent method of rehabilitating credit for the bankrupt cultivators is to make their cultivation profitable through consolidation of holdings and of croppings and through co-operative or collective farming. Many prejudices have to be overcome, many old customs abjured before we can eliminate the present serious drawbacks of fragmentation of holdings. The Government should take practical steps through legislation and otherwise to make agriculture economical for small tenants who now distribute themselves between farming and agricultural labour, and for agricultural partners and hired farm hands, who are landless but who crowd on to the land for eking out a bare living. The intractable feature of the present agricultural crisis in Bihar is that probably half the number of holdings, at least in the northern districts, have become uneconomical. The average size of holdings is estimated to be only 1·33 acres in Saran; 1·41 acres in Patna, 1·82 acres in Muzaffarpur and 1·85 acres in Darbhanga. The minimum subsistence holding for the cultivator's family cannot be less than 4 to 5 acres in North Bihar. Vast sums of money sent by emigrants from Bengal and Assam to the villages are the mainstay of cultivation of under-sized holdings in North Bihar. But of late the tide of emigration has ebbed, the number of emigrants being reduced from 15 lakhs in 1901-11 to 13 lakhs in 1921-1931; while the rate of population increase has tended to accelerate, increasing the proportion of uneconomic holdings through fractionalisation.

Small tenants in undersized holdings are hardly occupied for more than 200 days in the year. Intensive farming is the only method available for the masses of people in Bihar for the improvement of income and credit. But intensive farming is jeopardised by the excessive fractionalization of holdings, which more than any other single factor is responsible for the poverty of debt-ridden cultivators, and the deterioration of soil fertility and animal power through the abolition of

the practices of fodder cultivation and fallowing which formerly aided towards nitrogen fixation in the soil. There is no possibility of rehabilitating intensive farming except by overcoming the handicap of sub-division of holdings by either consolidation of holdings or consolidation on the basis of crops. The village will have to be divided according to the crops cultivated and each cultivator will be given, say, two compact blocks, one in the low-lying rice land and the other in the relatively high land which grows *rabi*. This will ensure both security and the economic advantage of compact farming. In the tube-well region in U. P. and in other areas as well, consolidation of cropping converts the appearance of the village area to that of a single farm consisting of fields of cane, wheat and other crops instead of the chess-board appearance of the land of most villages. The individual still owns his particular portion of any one block and he may still farm it as a separate unit; but close association of persons growing the same crop invariably leads to co-operative work on the block as a whole; it makes the utilization of co-operatively owned implements easier, and it facilitates the demonstration of improvement and stimulates rivalry towards better production.

Consolidation of cropping is easier than consolidation of holdings by co-operative societies though the latter has achieved remarkable success in the Punjab, where there are now about 700 Co-operative Consolidation Societies, and the area consolidated from 1921-37 was about 800,000 acres. In U. P. there are now about 130 co-operative societies and the total area consolidated so far is 56,000 bighas. The Punjab has deputed one Assistant Registrar and 15 Inspectors of co-operative societies and 180 Sub-Inspectors to this phase of the co-operative movement.

Co-operative and Collective Farming.—Co-operative and Collective Farming Societies should also be organized which should pool bullocks, ploughs and seeds and undertake agricultural operations in common. It has been the practice of small cultivators in the province to borrow seeds and bullocks from among themselves when they cannot obtain credit from the money-lender. As the latter has become shyer due to the recent debt relief legislation, the cultivator has curtailed his expenses for the preparation of the land and is geeting a lower-crop-yield, and here and there land also remains fallow. The situation can be successfully tackled through the establishment of the Collective Farming society through which the small tenants may organize themselves for joint-ownership of cattle, joint cultivation and an equitable sharing of the produce in consolidated holdings according to the quota of labour from each family estimated by some pre-determined form or standard.

Co-operation and the Land-less Class.—But such collective farming societies would be even more necessary for the landless classes. Bihar is perhaps the only province in India where we have whole villages of entirely landless populations, who eke out a scant living on makai in favourable months and are unemployed and starve in lean months. In Bihar and Orissa the number of agricultural labourers is 39·7 lakhs; these increased by 19 per cent between 1921 and 1931, and now form 19 per cent of the total agricultural population. For every 25 non-cultivating landlords and tenants, there are about 725 agricultural labourers in Bihar as compared with 200 labourers in the U. P. As the pressure of population on the soil increases and holdings become sub-divided and uneconomical, more tenants join the vast army of agricultural labourers or become earth-diggers and road-menders or leave for Bengal and Assam for domestic service, plantation and other labour. Many coolies who do earth-work in winter are also agricultural labourers, and if such unspecified labourers be included, the agricultural labour population would be not less than 50 lakhs out of 133 lakhs of agriculturists. The population of females is high, 75 per 100 male labourers in this group. For one-fifth of the agricultural population, destitute of land, semi-slave and land-hungry, far-reaching and drastic economic measures have to be undertaken lest the dissatisfied and evicted tenants unite in common resentment with the landless peasant population against landlordism and the present social and economic structure generally, and bring about an agrarian revolution. Discontent is keen at present among the lower economic strata in the Bihar villages manifesting itself in sporadic agrarian riots. The path of liberal reform which may forestall a communistic programme is straight and clear. All debts of *harawahas* and *kamias* extending beyond, say, five years should be extinguished. Debt liquidation societies should be established for this purpose. The success of debt liquidation cannot be achieved without special legislation making it penal to keep bond-servants serfs. Hereditary serfs still persist with a burden of debts going back to 3 to 5 generations not merely in South Bihar and Chota Nagpur but also in such districts as Bhagalpur, Monghyr and Darbhanga.

Public opinion should be so focussed and mobilised on this problem that all landlords and tenants declare on a fixed day that they set free all their bond servants as it has recently been done for the Dublas in Bombay. Agricultural wages paid in kind should be standardised, and perhaps a minimum wage fixed at 5 as. per diem. It will be necessary also for Government to start a Re-settlement Department, as in Italy and the U. S. A., for opening out new lands in Champaran, Purnea and Bhagalpur and also in Chota Nagpur for colonization by the discharged serfs. Co-operative reclamation and settlement societies in the uncultivated wastes under the supervision of Government will be helpful. The experience of the co-operative colonisation scheme at Gosaba in the Sunderbans should have its lessons for this province. Finally, Collective Farming Societies should be established in villages wherever the landless population form more than a fifth of the total population, and these would obtain land on tenant lease from the Zamindars and parcel it out among the land-less classes for their joint cultivation. I have dealt on co-operation as a factor in stabilizing bankrupt tenants and agricultural labourers because in my view of planned co-operation the reorganization of primary societies is impossible without rehabilitating many members, who have now lost solvency and this necessitates organisation on a wide scale of collective farming for bringing up the latter to the line of normal credit.

The Multiple Purposes Society: Enforcement of Co-operative Marketing.—With the rehabilitation of the weaker members the Primary Societies will gain in strength. As their outstandings will be reduced by writing off a portion of their dues, the Central Banks will also have to reduce their dues from the Primary Societies *pro tanto*. Where the societies become too small after weeding out the undesirables their size may be expanded to include as many well-to-do cultivators in the village as possible. Old members whose debts may be scaled down would require a reasonable period for the repayment of their loans. It will be necessary in my view in the interest of ensuring prompt re-payment and avoiding chances of default to prevent private sale of crops by the members. The co-operative societies themselves will have to organise the storage and sale of the major crops. In other words, the mere credit society will have to transform itself into a Multiple Purposes Society, backed by legislation prohibiting cultivators from utilising the sale-proceeds of their produce without first paying off the societies' debts, subject of course to the prior claims of land revenue and rent. The English Agricultural Credits Act, 1928, includes a provision making it illegal for members to dispose of the crops before meeting the dues of the Co-operative Societies. In lieu of the assistance which cultivators and Primary Societies will obtain from

the public exchequer the cultivators cannot reasonably object to their being compelled to dispose of crops only through the Co-operative Sales Society. In several agricultural countries in Europe crop finance or short-term credit from season to season is given on the basis of the bank or co-operative society having a lien on the crop, and warrants, backed by agricultural produce, have currency as simple commercial bills. In Egypt the agricultural credit establishment of the Government grants loans in cash or in kind in the form of seeds and fertilisers, such loans being secured on the crops themselves. Crops are sold through the agency of this establishment. I was delightfully surprised to find in the villages of France during a visit to their co-operative societies that hardly any crop worth anything is bought and sold privately, such being the hold of the co-operative organisation on the farmer's life. In Hungary the form of advances is known as 'green credit' i.e., credit granted against standing crops. In South Africa the law lays down that where in any area 75 per cent of the producers are co-operatively organised and handle 75 per cent of the product, the Minister may, at the request of such organisation, prescribe that all producers of that agricultural product within that area shall sell their product through the co-operative society or company. In India as in the case of compulsory restripment and consolidation, the percentage should be brought down to a much lower figure, say, 33 per cent of the producers, who may force upon the rest marketing through the co-operative sales organisation. It will be expedient to run the marketing side of the co-operative society on a limited liability basis, introducing not merely well-to-do cultivators but also banias and money-lenders who have so far fought shy of co-operative societies because of the principle of unlimited liability. It will be to the interest of the bania when co-operative marketing is forced on the village to build a warehouse or godown which may earn some rent from the co-operative society. On the other hand, the co-operative society will gain both from the bania's experience and investment of share capital. Some societies in the U. P. combine both the principles of limited and unlimited liability for different functions. In the rectification and re-organization programme we should not make a fetish of the unlimited liability principle as we did in the past, but should organize the Multiple Purposes Society on the limited liability principle retaining unlimited liability for the credit side of the business of the society.

In a system of organized warehouses where the cultivators' crops may be stored from season to season the co-operative society will lend money against warehouse receipts, and the banias who are members of the society may materially help the successful working of the warehouses due to their long and intimate connection with the grain markets of the country.

Necessity of Land Mortgage Banks.—In the province many credit-worthy members of Primary Societies can get over the present difficult situation if they can convert their scaled-down or existing short-term loans into long-term loans. In other provinces Land Mortgage Banks have been established with substantial State aid. In Madras the Government has guaranteed the principal and interest for these Land Mortgage Banks to the extent of Rs. 175 lakhs. The co-operative experience in other countries indicates the necessity of differentiating between methods and institutions for meeting short-term and long-term credit needs. In any rehabilitation scheme the reorganisation of Land Mortgage Banks should be a part of the programme assisting cultivators to repay old debts to purchase land or make permanent improvements and extending the scope of their activity by advancing loans to small Zamindars who have good security to offer. In spite of the fact that substantial State aid is now sought for putting the finances of the Central Banks in order such aid must be deemed essential at this juncture also for establishing Land Mortgage Banks with as much expedition as is compatible with sound organization.

Rectification of Central Banks.—When the repaying capacity of each Primary Society is carefully ascertained and along with it the total loans the Central Banks can recover many Central Banks will have to be liquidated, but some may persist through amalgamation or merger into a new Central Bank that may be established at a more suitable centre. From the funds available from the Central Banks a part payment should be made immediately to depositors and the remaining balance converted into Debentures guaranteed by the Government at a reasonable rate of interest. It will of course be necessary to bring down the claims of the creditors in some measure under Section 24-A of the Act.

It is the Provincial Bank that will issue debentures covering the amount due to the depositors in the rectified Central Banks. The realisable assets of the Central Banks and their lands or their value and of the Provincial Banks will be used as security; a sinking fund started and due payment of the interest on the deposits safeguarded. To the extent that the Central Banks write off the portion of their dues in favour of the Primary Societies the Provincial Bank should also write off a corresponding portion of its dues from the Central Banks. Behind all such transactions will be the financial backing and good-will of the Government to safeguard the rural credit structure from the effects of the present debacle.

Government Aid to the Provincial Bank.—It is estimated that the loss of the Provincial Bank on account of bad investments in the Central Banks amounts to about Rs. 25 lakhs out of its total advance of Rs. 70 lakhs. It is absolutely certain that the recovery of the Provincial Bank and the part it can play in the rehabilitation of rural credit depend upon substantial financial assistance from the Government. The extent of such assistance, again, is determined by immediate financial resources of the Government, but it is necessary to reiterate the long-period view, *viz.*, that unless the Government's forward financial policy creates fresh confidence amongst the public that money invested in agricultural finance is not bad money but can be duly and safely realised, agriculture will be starved of capital and the money of the peasant that keeps the Government going will not be forthcoming. There is further justification for the Government giving considerable financial assistance to the Provincial Bank for enabling it to command the confidence of the money market and attract adequate deposits. The present Government's measures for the control of agricultural money-lending and money lenders for scaling down debts have been unaccompanied by any provision for the creation of alternative sources of credit. Thus though the money-lender has been hit, the agriculturist is on the whole hit harder. It is, therefore, all the more incumbent on the Government whose action has indirectly contributed to give a rude shock to the rural credit structure to take adequate measures for the recovery of agricultural credit in the first instance through restoration of the services of the Co-operative Movement.

A Special Agricultural Credit Section of the Finance Department.—It is on the whole desirable that the constitution of the rehabilitated Provincial Bank should be changed so as to convert it into a true Apex Bank in which the federated units may have a real voice. It is expected that experienced financiers and business men

in Bihar will be represented in its Board of Directors, for without their aid the co-ordination of working of all the Central and Land Mortgage Banks and the provision of working capital by issue in the market of debentures or other bonds cannot be satisfactorily undertaken. The suggestion is worth consideration that the Government's supervision over rehabilitation and the agricultural credit policy of the future can be best undertaken through the creation of a special Agricultural Credit Department under the control of the Finance Department. The Agricultural Credit Department should be manned by expert financiers, having a good deal of experience of co-operative and joint stock banking and agricultural marketing and should be assisted by an advisory board consisting of representatives of the Co-operative Movement, trade and finance in the Province. The Agricultural credit section of the Finance Department should also take over departmental audit, and means should be devised of obtaining the best class of men for the audit staff of the Government. Gradually the work will devolve upon public auditors, chartered accountants recognised by the Government but not Government officials.

Need of Grouping of Co-operative Societies and Panchayats.—For securing co-ordination and efficiency, we should have, for instance, Union Panchayats, High Schools, Health Unit Circles, Unions of Co-operative Societies, Central Banks and Warehouses dealing with a homogeneous group of villages. Thus the Panchayat, which should be the nucleus of developmental activity for agriculture, co-operation and sanitation of the isolated village, should be linked with, or expand into, central institutions and agencies. The efficiency of the rural movement in India would thus depend not merely on the capacity of the Panchayat to renew ancient village solidarity and economic authority and management but also on the ease by which Union Panchayats or Boards could implant themselves and transfer the foundations of social planning from Government initiative and guidance to the firmer basis of rural public opinion. The corporate life of the rural masses is to be revived not merely in the village but also in groups of villages. And, indeed, it is the absence of strong intermediary bodies between the district authorities and organs of the village, whether co-operative societies and schools or village panchayats, which has stood in the way of that co-ordination and integration without which developmental activities would be too costly and unduly dependent upon inspection and inspectors. The intermediary bodies, uniting, co-ordinating and directing the activities of the village will be different and their circles of jurisdiction will extend according to their types of activity. The success of Japan in modernising and mechanising the village and improving its culture, self-government and general tenour of life is very largely due to the organisation of various kinds of intermediary bodies that form essential links between Government developmental activity and village life. Each village in Bihar is expected to have its own Panchayat, co-operative society,, seed store and primary school. But as peasant life develops and expands, a Middle or High School will cater to the needs of, say, fifteen villages, reacting powerfully on the efficiency of the Primary Schools and the removal of illiteracy. With Co-operative Societies multiplying, the Union of Primary Societies and the Cenral Bank will be necessary to integrate and supervise credit operations, and this would embrace fifteen to twenty villages. Similarly as Sales Societies crop up in the country side, a Co-operative Marketing Board will inevitably emerge and this will maintain and develop standards of better farming, business and living. In the countryside as Seed Stores are established and improved crops and methods are demanded a Model Agricultural Farm will similarly be set up as the centre of field demonstrations and agricultural propaganda, distribution of improved agricultural implements and machinery and breeding bulls of the area, Union Panchayats and Boards will supervise the work of the Village Panchayats and initiate all activities, which could not be taken up as yet by any special functional bodies and agencies. It is thus through the delicate arts of concentration and co-ordination that the entire range of activities coming under rural reconstruction could be successfully directed and integrated. That is essentially the meaning of rural planning.

Co-operation, an Offensive on All Fronts.—One of the striking instances of linking agricultural, marketing and credit improvements together is afforded by the Cane Growers' Co-operative Societies in the U. P. and Bihar. Under the Cane Development Scheme of the U. P., the Co-operative Societies supplied 8·34 crore maunds of cane to the factories; about 19 lakhs maunds of seed of new varieties, 80,000 maunds of the various fertilizer mixtures, and 4,000 improved implements were distributed. The co-operative societies have also proved most successful in financing the cane growers, who have shown hardly any outstanding arrears. In Bihar progress in these directions has not been so striking; but an all-sided programme, including improvement of seeds, manuring and agricultural implements, construction of roads, marketing and the building up of 'a common-good fund' has been kept in view. All this is a heartening example of crop-planning, finance and marketing combined in the same co-operative agency. But surely a concerted offensive has touched only the fringe of agriculture. All the major crops and not merely the cash crops should be brought under the scope of the Co-operative Multiple Purposes Society for agricultural production, credit and marketing. Finally, the social and economic aims of co-operation are vitiated if the peasantry multiply without restraint, outreaching not merely the out-turns of their fields but also the facilities of education and sanitation that may be provided. Thus planned co-operation must be an offensive on all fronts. Weakness or indefensibility in one sector will establish the foe in no time within the entire territory. The peasant's life with its inefficiency, simplicity, fear and ignorance is one undivided whole, and that rural programme succeeds which can improve him from all sides, economically, socially and morally. He cannot be progress-minded in one direction and conservative and superstitious in another.

Finally, the vast ignorance and colossal helplessness of the rural masses imply that a co-operative programme cannot succeed if we do not send out into the countryside groups of itinerant workers, whether Congress officials, peripatetic teachers, co-operators or medical men with a social message. In China the Fong Hsin experiment begun in 1934 has obtained phenomenal success in the liquidation of rural illiteracy and the rural reconstruction movement has been the outgrowth of the mass education movement. The remarkable success of the adult literacy movement led by the intelligentia of Bihar under the inspiration of the Hon'ble Dr. Syed Mahmud will itself be the greatest prop of co-operative rehabilitation. It is the idealism and sacrifice of the younger generation of the intelligentia which can best prepare the younger generation of peasant for an intelligent adjustment to the complex social and economic situation that now confronts them.

Co-operation and the Class Struggle.—The present situation is full of grave risks to peace and harmony in the village. Our ancient village harmony is to-day disturbed by new conflicts between castes and between religions and communities, which have come upon the village with the new Constitution. It is even more profoundly upset by new class antagonisms which have emerged as the result of an irresponsible, effete landlordism that has shown its failure in the multiplication of rent-receivers and intermediaries, on the one hand, and of the land-

less class, on the other. In no other province in India has the class cleavage been so acute and chronic as in Bihar. In the U. P. the small tenants and Khet mazdurs have been assimilated into the same Kishan movement which has been the bulwark of the rights of tillers against landlords. In Bihar there is a further class cleavage between the tenants, who would not till the land because of social prejudice or superiority and the agricultural labourers whom they treat sometimes even more harshly than big landlords. A tripartite division of economic interests in the land betokens a more serious agrarian crisis in Bihar than has developed anywhere else in India. If that crisis has to be averted Zamindars and Kishan leaders, ryots and Khet mazdurs must have to combine in a common resolve and movement for the welfare of the tillers of the soil. No movement is richer in its potentialities for comradeship in work for the tillers than the Co-operative Movement with its ideal of economic justice and collective business. Class strife spreading in the countryside and roused to fury may sweep away not merely the vested interests, often too stubborn to be serviceable, but also the essential virtues of patience, forbearance and neighbourliness which an ancient agricultural civilisation has nurtured as indispensable spiritual assets of peasant farming. These latter have now to be mobilised for the sake of peace in the village, peace between Zamindar and tenant, between money-lender and debtor, between tenant and hired farm-hand. And that peace can be insured only by the entire agrarian population, irrespective of class distinctions, participating in a common task of improvement of credit, cultivation and co-operation. The ancient seers have told us that whenever the earth is stricken by natural calamity, and society suffers from man's greed and folly, God becomes incarnate in the spirit of a common aspiration for the social good, and saves earth and humanity. "I am the binder. I am the golden link between man and man, between class and class. I am the saviour of the species, the common channel of wealth, work and happiness. I am the embodiment of the arts. I am the power and grace of wealth. I am toil. I am the fruit. I am justice. I am peace". That is the message which the ancient wisdom of India breathes into the Co-operative Movement and into the souls of the co-operators of the present generation.

THE BOMBAY PROVINCIAL CO-OPERATIVE BANK LTD., ANNUAL GENERAL MEETING, 25TH SEPTEMBER, 1939.

Speech of Mr. R. G. Saraiya, Chairman of the Bank.

Before I submit for your adoption the 28th Annual Report of the Directors of the Bank and the balance sheet and profit and loss account for the year 1938-39, I propose to refer briefly to the present world conditions which have undergone a veritable transformation since the Report was written. The British Empire is at war with Germany. There has been a rise in the Bank of England rate from 2 to 4 per cent., and a steep decline in both Rupee and Sterling securities. Although the Reserve Bank of India have so far not raised their re-discount rate, signs are clear that the period of low interest rates will soon be a thing of the past and the Reserve Bank may be forced to raise their re-discount rate in the next busy season. As this Bank is primarily a farmers' bank and as the agriculturist's interest is almost always a borrower's interest, I must sound a note of warning here to the effect that the co-operative movement must be prepared to meet a period of rising interest rates and that the Government of Bombay would be well-advised to take such a period into account in the agrarian legislation under contemplation.

Simultaneously with the fall in securities, there has been a rise in commodity prices, particularly in commodities like cotton and oil-seeds which have an international market. It is yet too early to say whether this advance in commodities is permanent. The testing period of prices will come when the marketing of India's staple crops assumes larger proportions, next session. *But if, as a result of world factors, commodity prices do rise, I must strongly urge that the full benefit of such a rise is allowed to be passed on to the agriculturist-producer in India, and that no hindrance is placed in the way of the same by speculation, deflation, exchange manipulation or undue Government regulation.* Ever since 1931, the bulk of India's raw produce has been sold under cost of production—witness the piling up of co-operative overdues, the increase in the number of societies in liquidation, the plight of co-operative banks in Berar and Bihar—it is said that wheat was selling at a record low level for centuries ;—the American Government have had to spend billions of dollars to prevent the price of cotton in America from falling to a level which would have meant virtual bankruptcy to the whole farming community. Provincial Governments all over India have had to come forward with a large number of legislative measures for the protection or relief of the farmers. But it must be admitted that no legislative measures can transform the deficit economy of the farmer into a surplus or even a balanced economy, so well as a rise in prices. If the pendulum is now swinging the other way, and if the prices of commodities produced in India do rise, it is the duty of the co-operative movement and of the authorities in India to see that no undue checks are placed on such a rise.

It may be recalled at this stage that at the out-break of the Great War of 1914 there was a steep decline in prices, which was followed by a steady rise to very high levels. History need not necessarily repeat itself, and I would be failing in my duty if I did not make it clear that all I recommend is free unchecked marketing of our crops at prices justified by world conditions. Farmers and producers should not be encouraged to hold up their supplies for higher prices, which may or may not be realised. It is their duty, and their advantage also to supply the needs of this country and the British Empire. On the other hand it is the responsibility of the authorities to see that they get an adequate price without artificial restrictions.

Turning now to the Report and Accounts of the Bank, you will find a number of important details about the record of the Bank's work during the year. The growth in its resources from Rs. 2·24 crores to Rs. 2·34 crores is welcome and so is the reduction in the aggregate amount of loans outstanding from Rs. 98 lakhs to Rs. 90 lakhs. The latter figure indicates that, despite the continuance of low price levels—except for gul—recoveries were such as to lead to a decline in the loan balance. There was a similar reduction in the amount of overdue interest, brought about mainly by better recoveries in the Deccan canal areas. But a disquieting feature is the increase that has occurred in the loans due by societies in liquidation. The Board find that the progress in realising the Bank's dues from these societies is extremely slow, and the appointment of the Bank's staff as joint liquidators has scarcely yielded the results that were expected, principally because of the defectiveness of the procedure for the execution of the orders of the liquidators. The Board have brought the matter specially to the notice of the Co-operative Department, and they trust that as the outcome of the arrangements under consideration in the coming season the results will be more satisfactory.

Owing to the increase in the Bank's resources and the decline in outstanding loans, funds had to be invested on a larger scale, than in the previous year, outside

the movement. The balance held with approved banks in current accounts and by way of short term deposits increased by about Rs. 22 lakhs, as compared with the previous year. The Bank's investments in Government and other trustee securities which amount to Rs. 68-1/3 lakhs represent about 37 per cent. of the deposit liabilities of the Bank. The time liabilities, apart from the debentures, amount to Rs. 81 lakhs and the demand liabilities to Rs. 101 lakhs. At the close of the year the cash on hand and balances in Banks amounted to about Rs. 16 lakhs which is over 15 per cent. of the demand liabilities of the Bank. These figures are exclusive of short term deposits with approved banks amounting to Rs. 37 lakhs.

These figures are more or less in consonance with correct standards of banking, such as were recently brought prominently to the notice of co-operative banks by the authorities of the Reserve Bank of India. The rates of interest that the Bank pays on its deposits are also on a par with those paid by the leading banks, both Indian and foreign. There is a fair margin between the borrowing and the lending rates, but unfortunately on 22 lakhs due from societies in liquidation, that is, on nearly 30 per cent. of its lendings, the Bank earns no interest. In addition, the concessions in interest allowed to societies in the Deccan canal areas, which are continued from year to year, also lead to a further reduction in the income from interest. It is due to the combined effect of these factors and of the additional expenditure on the special staff engaged during the year for the work of improvement of societies that you find that the profits remain the same as in the previous year.

You will observe that the Board's proposals for appropriation of the profits differ from those of the previous year. There are two main reasons why the Board have recommended a dividend of 4 per cent. instead of 5 per cent. as in the previous year. The first is the change that the Bank's holdings in securities has undergone during the year. The Directors have thought it prudent to convert the premium securities into discount securities, as with the approach of the dates of the maturity of the former securities, the premium at which they were originally purchased was bound to disappear. In the process of conversion, and due to the decline in security prices, the difference between the cost price and the market price has practically disappeared. In future years, moreover, the income from this source may be on a lower scale than in the past few years.

The second factor responsible for the adoption of a lower dividend basis is the need for reviewing the position in respect of bad and doubtful debts. As has been reported to the shareholders from year to year, the Board re-examine the position every year and make appropriate provision for the bad and doubtful debts as estimated at the close of a year. The re-examination this year was even more thorough-going than in the past, in view of the Board's desire to take all possible steps to assist in the process of liquefying the frozen debts of societies financed by the Bank. This process has naturally involved the scaling down of interest and the compounding of claims. Compromises likely to be effected with members on this basis have to be taken into account in framing accurate estimates of doubtful debts. Moreover, two co-operative banks have gone into liquidation, and the possibility of bad debts occurring in these has to be guarded against. It is after consideration of these and such other cognate factors, that the Board desire to recommend that a substantial addition be made to the Reserve for Doubtful Debts out of the profits for the year.

In making these estimates, the Board have not taken directly into account the probable influence of the debt relief legislation now under consideration by the

Provincial Legislature. The Government of Bombay will deserve the gratitude of all interested in rural welfare if the bold and comprehensive legislation they propose to enact is such as to lead to an improvement of the rural standard of life. The Bombay Agricultural Debtors' Relief Bill is an important and far-reaching piece of agrarian legislation, and the working of co-operative societies and their central financing agencies is bound to be very considerably affected by its operation. The problem of debt overshadows almost all other problems in our rural economic life although the view may be taken that a state of indebtedness may represent a symptom rather than the disease. Without, however, entering into the details of the Bill, I may give expression to the gratification of co-operators at Government having agreed to recognize that debts due to co-operative societies stand on a different footing from those due to individual lenders. The rates of interest and other terms on which a co-operative society conducts its business are governed by detailed rules and regulations prescribed by Government, and the accounts and transactions are further subject to audit and inspection by Government. In the agricultural credit societies, the borrowers themselves control the financial operations and in their corporate capacity they represent the lenders. Even in this Bank, which is the Apex Bank of the Province, deposits from co-operative societies exceed Rs. 93 lakhs, against deposits from individuals Rs. 85 lakhs, and of its 3199 members, 1982 are societies. In the course of the discussions that the representatives of your Bank and of other co-operative banks have had with Government in the last six months, we have emphasized the view that this essential distinction that Government have accepted in framing the structure of the legislation should also be kept in mind in enforcing it.

That this point of view has not been overlooked by Government is obvious from the last Budget Speech of the *Hon'ble Finance Minister*. The Hon'ble Finance Minister, Mr. Lathe said: "Government have decided to stand by these financing institutions and support them in every possible way as it will be on them that in the coming days Government will have to depend for financial assistance to the rural population." This is necessary, first because these agencies owing to the various restrictions that have been placed on their business have not been able to build up any large reserves from which they can manage to meet losses that may arise. Secondly, it is Government's desire to see that credit is provided by some regulated agency, preferably of a co-operative type, in future, so that the redeemed debtors may not incur further liabilities on usurous terms and that the flow of credit may be well controlled and directed. To enable co-operative central financing agencies to play this important part, in future, in the rural credit structure of the province, it is essential that their financial stability is not impaired and that the confidence reposed in them by their depositors remains unshaken.

As I said above, the problem of debt cannot be solved merely by legislative enactments. The Government of Bombay seem fully to appreciate that efforts in this direction must necessarily be accompanied by the adoption of various other measures for the conversion of our agricultural industry from a state of deficit to that of a balanced if not a surplus economy. The creation of a Rural Development Department is thus a step in the right direction, and I hope it will lead to vigorous and allround action to increase the income from the land and to supplement such income by savings through the organization of marketing and earnings from the introduction of subsidiary industries. The organization of marketing is by itself a vast undertaking. According to the provisions of the Agricultural Debtors' Relief Bill, it is incumbent on a debtor who has obtained *an award in respect of the scaled* down debts not to sell his produce without the permission of the resource societies or approved associations or individuals from whom crop finance has been derived. In order that this restriction should not operate as a hardship on the individual agriculturists concerned, it is essential that well-devised arrangements are provided for the gathering in the sale of the produce of petty agriculturists in scattered villages. Although our Bank is ready to offer its services in organizing these arrangements, the undertaking involves expenditure without compensating returns, which the Bank, with its limited resources, can scarcely be expected to meet.

The reference to the organization of marketing brings me to the thesis propounded by the Reserve Bank of India that the duty of co-operative central financing agencies does not end with the lending of money. In their own interest, co-operative banks should take in hand the work of organizing marketing and the supply of requisites and should aid in schemes for the improvement of agriculture and the development of local industries. These are aspects of our rural economic development in which the Bank had interested itself in the early *stages* of its growth, before other local organization took over these activities from the Bank's branches. We at this Bank agree, therefore, that the operations of co-operative banks should be more broad-based and we also agree with the Reserve Bank's insistence on the separation of short term from long term credit. The analysis of the figures of frozen debts in societies has been in progress for some time past and after it is completed, the Board will decide what further action is possible. In the meanwhile steps have been taken to see that in the future operations of the Bank clear differentiation is made between the purely short term and other operations. The Board of the Bank have been in touch with the authorities of the Reserve Bank of India and have discussed from time to time the lines on which changes are necessary in the methods of finance or in the documents obtained so as to bring the Bank's operations in conformity with the requirements of the Reserve Bank of India Act. The Agricultural Credit Department of the Reserve Bank of India has already published, for the guidance of co-operative banks all over the country, the terms and conditions on which provincial co-operative banks may be able to secure financial accommodation from that Bank. As the figures of our reserves and our investments show, this Bank does not stand in need to-day of any outside credit. But the role that it has to fill in the rural credit structure of the future is of such importance that the call on the Bank's resources may well be expected, in course of time, to be considerable. You will agree that it is proper that we look ahead and plan for the future, and it is from this point of view that I *propose* to carry on negotiations with the Reserve Bank of India,, so that a link can be forged, through co-operative agency, between the agriculturist borrowers at the bottom and the central bank for our country at the apex.

Before concluding, I deem it my duty to refer to my predecessor in office, Sir Chunilal V. Mehta, who was connected with the Bank for well-nigh 25 years. Sir Chunilal Mehta was Chairman of the Bank when he was appointed one of the first Ministers under the Montagu-Chelmsford Constitution. He resumed his place on the Board on his retirement as Finance Minister of the Government of Bombay in 1929. During the last ten years, he guided the fortunes of the Bank with his noted business acumen. It is indeed unfortunate that in the strenuous times that lie ahead of us we have been deprived of his wise counsel and his shrewd judgment; but the calls on his time were so *insistent* that Sir Chunilal could not be persuaded by my colleagues or myself to continue his active association with the Bank. Through the Bank and in other capacities, the distinguished services that Sir Chunilal has rendered to the co-operative movement have earned for him the deep gratitude of all interest in rural welfare.

BROADCAST TALK ON ADULT EDUCATION

Broadcast Talk on Adult Education on August 12, 1939. By A. B. Mande Adult Education Officer, Co-operative Societies, U.P.

Adult Education is the topic of the day and as such, it is not surprising to see people expressing divergent and sometimes vague views on the subject. It is not for me to criticise these views, though I feel that in a short time, a sort of reaction regarding the efficacy of Adult Education as a weapon of national regeneration is likely to set in as a result of the failure of the innumerable Adult Schools which are being recently started without plan and without any clear cut idea about the purpose which the Adult School has to fulfil in the Social Economy. I will confine myself to the conception of the Adult School, the purpose it is to serve, its organisation, the methods of teaching and the agency which it desires to employ to impart instruction in the Adult School, according to the accepted policy of the Co-operative Department of the United Provinces.

When an idea of starting an Adult School stands before us, we are apt to think in terms of notions which are most common in the general public. According to these notions, an adult school is an institution of a temporary character specially meant for the spread of literacy amongst the grown up population, with evenings for hours of instruction, with an experienced teacher preferably a District Board teacher engaged as a part-time worker for the purpose and wherein text books approved by the Education Department for introduction in the Primary Schools are being taught. The popular idea is to liquidate illiteracy by extention of the system of Primary Education to the adult populace. In this sense an adult school is a repetition or duplication of the primary school with this only difference that in the adult school, grown up men are under instruction instead of children and that instruction in the 3 Rs.' is imparted in the evenings instead of during the day. I submit the adult school of the U. P. Co-operative Department stands on a totally different footing. In this discourse I intend to clarify some of the features of the U. P. Co-operative Adult School.

Aims of Adult Education.—Adult Education is often confused with adult literacy and though under the special circumstances obtaining in India adult literacy has to accompany the adult education, adult education is some thing more than the teaching of the three Rs.' It is rather teaching the people the values of life. In adult education there has to be more emphasis on teaching the people the art of living rather than the art of deciphering a few alphabets on the printed page. Therefore in contrast with an overemphasis on the literacy attainments, rapid skill in calculation and memorisation of a number of facts accurately; the Co-operative Adult School has its own objectives to attain. The co-operator measures these in terms of health efficiency, economic efficiency, social efficiency, civic efficiency and efficiency to spend the leisure profitably. His approach to curriculum making is, therefore, sociological and he does this by a process known as 'group analysis' i.e. by analysing the group activities from the various objectives, I have referred to above.

Conception of a Co-operative Adult School.—It is true that some 30 or 40 village youths are brought together every evening for six months for purposes of adult literacy and that literacy is effectively given during this period, but the co-operator does not miss this opportunity to bring about a sense of corporate life

amongst the adult scholars. The adults get together for literacy but gradually the activities branch out and the adults form themselves into scout troops and physical culture Associations. Again from the very start the Co-operative Adult School assumes the role of a social institution rather than an instructional one. At the close of its normal life of six months in a village, it emerges as a Bhajanmandal, music-club or a reading-club. In its transformed nature it stays in the village as a gathering of grown-ups for recreational purposes, as a rendezvous where the inhabitants of the village after day's toilsome labour meet to exchange thoughts on matters of every day importance. The sanctity of the Co-operative Adult School is not violated by the intrusion of the Hukka or the smoking pipe in it. The Co-operative Adult School keeps a varied programme. In it music and song relieves the dull monotony while it educates, enlivens, and makes the people literate. In it extracts from news-papers and magazines are read and dramas and dialogues by the adults encouraged. The co-operator starts his adult school in a village as a step to introduce progressive forms of co-operative acticity. This then is the conception of the Co-operative Adult School and the purpose it is ultimately to serve.

Agengcy for Imparting Adult Education.—When the Co-operator has clearly defined his purpose of starting an adult school as an harbinger of a bright and cheerful corporate life in a village, with his conception of an adult school as a social institution, the choice of the adult school teacher is self-evident. The Co-operator is after attainment of certain social objectives. He has to make members of his society improvement-minded, to inculcate in them a bias for corporate life, a readiness to solve their problems by joint action and in a self-reliant manner. He has to replace the petty and factious-mindedness of the cultivator by an appeal to his enlightened self interest. In a new village, he starts an adult school as a co-operative society and before long, he persuades the elders of the village to start a Better Living Co-operative Society. The activities of this society expand and become dynamic, demanding co-operative finance and marketing of agricultural produce. The Co-operative Adult School run on the Shantipur Literacy plan is very popular amongst the villagers. The co-operator keeps a long range view and aims to work on this popularity to establish a 'multi-purpose' co-operative society to meet all the needs of village people. He, therefore, stands in need of a local literate man, who would keep up the continuity of the adult school, which after its normal life of six months would be converted into a Bhajan Mandal or a reading club and also to attend to other activities of village improvement including account keeping. In other words, he gives preference to a teacher who is a potential member secretary of his "multi-purpose" Co-operative Society, a village-guide in Rural Reconstruction and who would serve as a 'living demonstration' in the village in matters of improvement. He is not much enamoured of a teacher with high educational qualificatons or normal training. Instead he wants a type of man, full of life, capable of leadership and with a special liking for games, music and song. There is a large number of young men on the country side who have either passed the Vernacular Final or have studied up to it, whom he can get hold of. Experience has shown that sons of well-to-do families who are otherwise idling away their time or spending it in doubtful ways, prove very capable adult school teachers and village guides in Rural Reconstruction.

Standard of Education.—When adult education is defined as a means for enhancing the efficiency of the cultivator in his walks of life, the standard of educational attainment and examination tests can also be fixed. Thus reading is taught to enhance the cultivator's recreational efficiency and his ability to read news papers, if they happen to be in simple language, to make him fit from the civic point of view. In the Co-operative Adult School Sundar Kand from Ramayan and

Mado Garh ki Larai from Alha are introduced as text books in Poetry. If at the end of six months teaching, a scholar can read an unseen passage from Ramayan and Alha, he passes test in poetry reading. Three prose books dealing with civics and every day affairs of village life are taught. If the scholar can read an unseen passage offering no literary difficulty, he passes the test in prose. If he can write a letter in his dialect barring spelling mistakes of short or long (ह्रस्व and दीर्घ) he passes the test in writing and lastly if he can write accounts in the Rokar Bahi prescribed by the Co-operative Department for the treasurer of the primary Co-operative Society, if he can add, subtract and calculate balances in it, he passes the test in Arithmetic. These tests are based on common sense and the business of testing the progress of the adults and Final Examination is entrusted to men of good education and not necessarily to the school master, who is wedded to Grammar, Geography and other school subjects. Co-operative Department of U. P. thinking of issuing literacy certificates to adults educated in its school.

Training of Adult School Teachers.—The Co-operative Department of U. P. runs an Institute at Gorakhpur for the training of adult school teachers. In addition to intensive course in the principles and methods of adult education, short courses in the principles of co-operative organisation, accounts, agriculture, veterinary public health, scouting and group singing are given. Candidates deputed by the Rural Development Associations of Benares, Jaunpur, Azamgarh, Ballia, Behraich, Gorakhpur and other Eastern districts of U. P. as well as those of the Cane Development Department are trained here. Pandit Radhe Lal Chaturvedi, our Registrar, has long been of the view that in order to complete the structure of adult education there should be two institutions of the Danish Folk School pattern one each for the eastern and western parts of U. P.

Methods of Teaching.—The failure of the night school is largely due to the dull, monotonous and lifeless methods adopted for the instruction of adults from whom plasticity and docility of mind have vanished, giving place to certain definite attitudes and habits of thinking. Our success would lie in adapting our methods of instruction to suit the 'mental set' of the adult. The Shantipur Literacy plan is based on adult psychology. In it, music has been utilised to introduce the adult into the letters of alphabet and to accelerate his speed of reading. Such passages in Hindi and Urdu are selected as would make a special appeal to the scholar in the teaching of these respective scripts. It is not possible to discuss here the psychological principles behind this literacy plan. I will content myself by giving an actual demonstration of the method of teaching. This is the first lesson in the adult class.

Lesson 1. राम लछमन जानकी ।
जय बोलो हनुमान की ॥

Lesson 2. जहाँ सुमति तहँ संपति नाना ।
जहाँ कुमति तहँ बिपति निदाना ॥

Steps.—(1) This is sung by the teacher and is in turn taken up by the adult scholars in a Chorus—like manner. (2) Every word is clearly read by the teacher and is in turn read by all the scholars moving their finger under-neath the words. (3) The teacher reads every word splitting it into syllables (or letters) and the scholars read them putting finger under-neath the syllables.

This is known as 'sentence method' of teaching. Instead of trying to write sentences and stories to create an artificial interest in reading, it will be noticed that such couplets and songs are selected for reading as have a volume of meaning for the scholars, while these possess an inherent interest in them rather than one artificially worked up.

EXTRACTS

THE BRITISH CONSUMERS' MOVEMENT—TEN YEARS OF PROGRESS

The statistical summaries relating to Co-operative Societies in Great Britain, just published by the Chief Registrar of Friendly Societies, throw an interesting light on the development of the Movement during the ten years from 1928 to 1938. The figures illustrate both the increasing consolidation of the Movement and the growth of its trade and resources.

Retail Societies.—During the ten years the number of Retail Societies has diminished, almost entirely through amalgamation, by 13·6 per cent from 1,329 to 1,168. At the same time, the aggregate individual membership has increased at the rate of over 250,000 per annum from 5,844,573 to 8,357,774. Turnover, which was slightly rising up to 1930 and diminishing from then until 1933, reached a record figure of £262·4 million in 1938, or over £51 million more than in 1928. The real advance was in fact somewhat larger, since the 1938 price level, as revealed by the official index of the cost of living, was some 6 per cent lower than that of 1928. The surplus on the year's working, which last year for the first time exceeded £ 30 million, was also about 25 per cent greater than ten years before. The Societies paid over £ 5·1 million in interest on shares and almost £ 23·6 million in dividend on purchases, as compared with £ 4·2 million and £ 19·2 million respectively. The expansion in their capital resources is even more remarkable. Share capital, which in 1928 had not quite reached £ 100 million, in 1938 exceeded £ 154 million, while loan capital, not including small savings' deposits, was almost doubled, rising from £13·6 million to £26·8 million in the ten years. Reserves and other disposable sums which totalled £ 25·4 million in 1938, show an advance of almost £ 1 million per annum. Whereas the Societies' stocks had not increased in value proportionately to the increased turnover, but in both the first and last years totalled between £ 19 million and £ 20 million, the value of the buildings and real estate used for business purposes increased by nearly £ 16 million, and investments were almost doubled, rising from £ 72·3 million to £ 141·6 million. The total assets of the Retail Societies in 1938 were £ 228·9 million, as compared with £ 140·2 million in 1928.

Wholesale Societies. —The same tendencies are reflected in the statistics of the C.W.S., the S.C.W.S., and their joint enterprise, the English and Scottish Wholesale Society. The combined trade of these 3 Organisations, £ 153·5 million in 1936, was quite half as large again as in 1928, since the lower price level in the later year makes the ten years' increase of £ 49 million underestimate the real growth in business volume. At the same time the proportion of wholesale to retail turnover shows a marked improvement. The financial resources of the Wholesale Societies also show enormous growth. Their total assets have risen in ten years from £ 53·3 million to £ 118·8 million and this increase is apparent, not so much in the higher values of stocks, real estate and investments, as in the "other", i.e. liquid assets which amounted to £ 86·5 million in 1938, or over three times their value in 1928. The accumulation of the surplus funds of the Societies in the wholesales is indicated by the rise in the liabilities to depositors from £31 million to £74 million and in loans from £3·4 million to £7·6 million. Share capital has increased from £ 9·2 million to £ 16·7 million and reserves from almost £ 6 million to over £ 12 million during the period.

DENMARK.

The Federation of Co-operative Dairies in 1938-39.—The report presented at the annual meeting of the Federation for the year ending in May, 1939, showed that there are now 1,418 dairies affiliated to the Federation, or 16 more than in the previous year. Out of this total 1,364 are Co-operative and 54 private Dairies. The affiliated Dairies represent 91 per cent of the total Danish milk production and 94 per cent of all Danish milk producers. Denmark's milk production in the year under review was 5,321 million kg. against 5,334 million kg. in the preceding year. During 1938-39 the Federation made efforts to co-ordinate the activities of the entire dairying industry, with the primary object of carrying out a scheme for the rationalisation of the sale of milk and dairy products on the home market. At the preceding annual meeting a change in the rules was approved, making it possible for dairies outside the organisation to collaborate in the plan. Similar changes in the rules have been made by all the affiliated Dairies with the exception of one, where the necessary majority was not obtained. The question of rationalisation has also been discussed at general meetings in most of the Dairies and 1,144, or 80·1 per cent, of the Federation's members, representing 83·9 per cent of milk production and 89·1 per cent of milk producers, have now given their written approval. Some difficulties have been met in regard to the adherence of the urban Dairies to the plan, but these are now on the way to a satisfactory settlement.

NEW ZEALAND

Co-operative Dairies in 1937-38.—The Annual Repart of the National Dairy Federation shows that during the year ended July, 1938, the total amount of butter fat supplied to the Co-operative Dairy Factories was 383,037,467 lbs. against 406,841,958 lbs. in 1936-37. The total value at the factory door was £ 27,767,288 as compared with £ 26,868,643 in the previous year. The decrease in production was due to adverse climatic conditions, and to a falling-off in dairy farming on some of the poorer land. The number of suppliers was 67,316 to 438 factories as against 71,643 to 469 factories in 1936-37. The average amount received by each supplier was £ 360 compared with £ 324 in 1937-38.

During the year a number of conferences were held with the Government with a view to obtaining exemption for Co-operative Dairy Societies from the price-fixing regulations relating to such commodities as petrol and fertiliser. Such conferences have already resulted in Government recognition of the right of the Dairy Societies to distribute dividends from surplus in the same manner as other co-operative trading organisations, on the basis of suppliers' purchases, and not on that of butterfat content. It still remains illegal to give rebates or discounts on petrol or fertilisers, owing to the price-fixing regulations, but profits from the sale of these goods may be included in a general distribution of dividend covering all purchases.

—*I. C. A. News Service*, Aug. 15, 1939.

CO-OPERATIVE NEWS AND NOTES

A scheme for the formation of a provincial co-operative bank in the United Provinces is at present under the consideration of the Government. A sum of Rs. 50,000 has been provided in the budget for 1939-40 for meeting the cost of management and for meeting the Government guarantee of dividends. The main objects of the establishment of the bank are to grant loans to central banks, to grant long-term loans to land mortgage societies, to make advances to co-operative societies or their members on the security of agricultural produce brought by them for sale through the bank on commission, etc. The Bank will also serve as a balancing centre for district banks as also a clearing house for co-operative societies in the Province.

* * * * *

The Government of Madras have increased the limit of guarantee in respect of the debentures issued by the Madras Co-operative Central Land Mortgage Bank from Rs. 200 lakhs to Rs. 250 lakhs. The limit was raised to Rs. 200 lakhs in September 1938.

* * * * *

The Punjab Government will introduce in the forthcoming session of the Assembly a bill to develop cottage and village industries through State aid. The Bill will give power to the Government to give subsidy to cottage industries for research work or for purchase of machinery.

* * * * *

The Government of Travancore have sanctioned the establishment of a co-operative colony for backward classes in Veliyathunad Kara on a site comprising 31 and odd acres of which 1·5 acres have been assigned to the Rev. B. O. Crowley of the Alwaye College, to start a free dispensary. Thirty-five houses and a common building will be built in the colony at Government cost. The management of the colony is vested in the Department for the Uplift of Backward Communities.

* * * * *

A Bill to amend the Bombay Co-operative Societies Act has been promoted, the object of which is stated to be to effect a radical change in the Movement, so that co-operative societies may play an important part in the matter of financing and marketing agricultural produce. One notable change is that under the new Bill co-operative societies would be used for the adjustment of debts as contemplated in the Agriculturist Debtors' Relief Act. An additional responsibility is cast on the societies namely, that of granting crop finance to all members whose debts were compounded. The societies are to be protected against loss in respect of these transactions by providing that these loans are recoverable by resort to special summary procedure.

* * * * *

Side by side the industrial development in the State, the Government of Mysore are also taking measures for the promotion of rural and cottage industries. A three-year plan has been prepared in this connection and it may involve an expenditure of Rs. 150,000. A sum of Rs. 30,000 will be spent this year and of this sum, Rs. 4,540 will be on Khadi centres, Rs. 1,800 for hand-paper making, Rs. 4,800 pottery manufacture and Rs. 2,950 coir industry. This special expenditure is in addition to the usual items of development and demonstration work, the expense on which normally amounts to Rs. 15,000 per annum.

* * * * *

The Government of Madras have passed orders specifying the rates of interest on loans and advances made by the Government during the year 1939-40 to Local Bodies and other institutions. Loans under the Agriculturists' Loans (Madras Amendment) Act will carry interest at 5½ per cent, loans under the Agriculturists' Loans Act of 1935, 6¼ per cent., advances to co-operative societies other than depressed classes societies and to land mortgage banks 4½ per cent, and loans to co-operative societies and individuals for acquisition of house-sites for scheduled castes 5½ per cent.

* * * * *

With a view to devising ways and means for affording credit facilities to the agriculturists who will be benefited by the new Cochin Agriculturists' Relief Act a mixed committee of officials and non-officials was formed in the Cochin State As per the contemplated scheme, the Government will issue credit bonds to the agriculturists and the loan amounts will be collected in instalments. The interest charged will be only 5 per cent., which is much lower than that charged by the land mortgage banks.

* * * * *

The Bombay Government have instructed all Collectors and other officers concerned to give all possible help to officers of the Co-operative and Rural Development departments to start grain banks in areas inhabited by backward classes. These banks give loans in kind and charge an interest of 25 per cent., whereas sowcars charge 50 to 100 per cent. interest for similar loans.

* * * * *

The Standing Committees of the Indian Provincial Co-operative Banks' Association and the All India Co-operative Institutes' Association will meet at Madras on the 27th and 28th October 1939. The main item on the agenda is the consideration of the circulars issued by the Reserve Bank of India in regard to terms and conditions to be satisfied by co-operative banks for obtaining financial accommodation from the Reserve Bank and reorganisation of the Co-operative Movement on banking lines. Proceedings of the meeting will appear in our next issue.

* * * * *

The twenty-sixth session of the Mysore Provincial Co-operative Conference will be held on the 19th October 1939 under the presidency of Mr. K. V. Anantaraman, Member of Council, Government of Mysore. The proceedings of the Conference will be published in our next issue.

* * * * *

The twenty-third session of the Madras Provincial Co-operative Conference is convened for the 29th October 1939. Rao Bahadur S. V. Narasimha Rao Pantulu of Kurnool will preside and Sir T. Vijiaraghavachariar, Chairman, Committee on Co-operation, Madras, will open the Conference.

* * * * *

The Madras Provincial Co-operative Union is celebrating its Silver Jubilee on the 28th October 1939. The Hon'ble Mr. T. Prakasam, Revenue Minister to the Government of Madras, presides over the function. A Report of the proceedings of the Provincial Co-operative Conference and the Silver Jubilee Celebrations will appear in our next issue.

SELECT CONTENTS OF CURRENT PERIODICALS

Review of International Co-operation, London.

Aug. 1939 : Religious Implications of Consumers' Co-operation by Rev. James Myers.

Agriculture, (Journal of the Ministry of Agriculture), London.

Aug. 1939 : Accredited Milk by W. T. Price and R. J. Fleming.

Consumers' Co-operation (U.S.A.), New York.

July 1939 : A Co-operative Economy by E. R. Bowen.

The Co-operative Review, Manchester.

Aug. 1939 : Employees have ideas by Norman Bamforth.

The Madras Agricultural Journal, Coimbatore.

Aug. 1939 : Sugar Industry in Madras by R. V. Sundara Reddy.

The Mysore Journal of Economics, Bangalore.

Sep. 1939 : Co-operation in Bombay by 'P.R.O.'

The United Provinces Co-operative Journal, Lucknow.

July 1939 : Marketing by Co-operative Societies by Dalip Man Singh. Dairy Industry in India by V. N. Agarwal.

The Madras Journal of Co-operation, Royapettah.

Aug. 1939 : Land Mortgage Credit and Insurance by the Hon'ble V. Ramadas Pantulu.

Sep. 1939 : The Co-operative Movement in Madras by Dr. P. J. Thomas.

The Bombay Co-operative Quarterly, Bombay.

Sept. 1939 : Rural Development by C. M. Gandhi and D. L. Sahasrabuddhe.

ACKNOWLEDGMENTS

Journal of the Ministry of Agriculture, London.
Scientific Agriculture, Ottawa.
Consumers' Co-operation, U.S.A.
Monthly Bulletin of Agricultural Economics and Sociology, International Institute of Agriculture, Rome.
Agricultural Economics Literature, Washington, D.C.
The Co-operative Review, Manchester.
The Countrywoman, London.
The Co-operative News, Manchester.
Journal of the Colonial Institute of Amsterdam.
The Westralian Farmers' Gazette.
The Nagpur Agricultural College Magazine.
The United Provinces Co-operative Journal.
The B. and O. Co-operative Journal.
Journal of the Annamalai University.
Journal of the Madras Geographical Association.
Indian Journal of Economics.
The Bombay Co-operative Quarterly.
The Bengal Co-operative Journal.
The Madras Journal of Co-operation.

Indian Economics by Jather and Beri—Sixth Edition (Oxford University Press).

JL
XMm2, N35
N39.5·3
93616