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# THE INDIAN CO-OPERATIVE REVIEW

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# THE INDIAN CO-OPERATIVE REVIEW

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## EDITORIAL NOTES

### THE XXIV MADRAS PROVINCIAL CO-OPERATIVE CONFERENCE

We publish elsewhere the Addresses delivered and a brief account of the proceedings of the Conference. The question of official interference with the affairs and activities of the co-operative organisations loomed large in the Welcome Address of Mr. T. A. Ramalingam Chettiar, President of the Madras Provincial Co-operative Union and the Inaugural Address by Prof. V. G. Kale who opened the Conference. Dewan Bahadur K. Deivasikhamani Mudaliar who opened the Industrial Exhibition and who also presided over this year's celebration of the International Co-operators' Day at Madras, touched on the same topic. The cumulative effect of the testimony coming from three such independent and competent sources cannot be lost on those who read the speeches with an open mind.

Mr. Ramalingam Chettiar's Welcome Address caused considerable stir among certain sections of the delegates and a resolution to the effect that the Conference emphatically and completely dissociates from the views regarding the co-operative department expressed by Mr. Chettiar was moved. An attempt to expunge from the proceedings the portion of Mr. Chettiar's address containing his views on official interference has not succeeded. The discussion on the resolution occupied the best part of the two days' session of the conference and the rest of the long agenda was gone through expeditiously in a brief post-lunch session lasting about a couple of hours on the afternoon of the second day, when all other resolutions were formally moved and passed with little or no discussion. Before putting what turned to be the main resolution to vote, the President read out to the Conference the letter (which is published elsewhere) addressed to him by Mr. Chettiar who had to leave Madras on other public duty.

In that letter Mr. Chettiar not only adhered to what he said in the Welcome Address but offered to prove his statements if a necessity for it arose. The resolution is reported to have been carried by a majority, considerable number of delegates, however, remaining neutral.

We are sorry to have to state that from all accounts we have read and heard, the proceedings of the Conference appear to have been marred by some unfortunate incidents and that at more than one stage it looked as though the Conference would break or end in a fiasco. It must be a matter of deep regret to the well wishers of the movement that the atmosphere of co-operation, dignity, and decorum so long associated with the sessions of the Provincial Co-operative Conference should be so sadly lacking at this session. It is even more painful to be constrained to say that the unpleasant scenes enacted at the conference cannot be attributed to any sudden provocation justifying a temporary loss of equanimity on the part of a sensitive audience but had a sombre background. Seeds of the trouble that came to the surface at this conference were really sown at the Andhra Provincial Co-operative Conference held in April last in Bhimadole, West Godavary District. It is reported that at least 11 officials* above the rank of inspector besides several inspectors of the department, attended that conference and in a tense atmosphere a resolution was carried expressing satisfaction on the cordial relations existing between the Registrar and the officials of the department on the one hand and the non-official co-operators on the other. It obviously looks like protesting too much. At the close of the conference in the course of his reply to an address presented to him, Dr. P. Gurumurthy, President of the Andhra Sahakara Sammelanam, is reported to have said "It is time for us to step out of this tumultous environment for a while and place the entire burden of carrying on the movement on the shoulders of the Government and department, while extending from a distance such co-operation as we can." It is impossible to overlook the significance of such a statement, coming as it does from a co-operator of the eminence of Dr. Gurumurthy with a reputation rarely equalled for courage of conviction, integrity, and spirit of sacrifice and service. Does not what Dr. Gurumurthy said come to very much the same as the question put by Prof. V. G. Kale in his Inaugural Address at the Mylapore Conference? Prof. Kale asked 'Would it be wrong and unfair to say here that the Registrar wants the co-operators to hold the department's baby?'

* The Registrar; Joint Registrar; 5 Dy. Registrars; 2 Asst. Registrars; 2 Sub-Dy. Registrars; and several inspectors.



What happened at the Madras Conference was really a continuation of what was started at Bhimadole. The attendance of a large number of departmental officials and their actively interesting themselves in resolutions and motions bearing on the question relating to departmental activities, is a new technique, which is assuming unprecedented proportions.* Mr. Chettiar in his letter mentioned above referred to the attendance at the conference of a large number of Deputy Registrars and Delegates who came from the areas in charge of those Dy. Registrars. We do not, of course, say that the mere attendance of the departmental officers at such conferences, is in any way objectionable by itself. In fact, it was welcomed in the past and will always be welcomed. Nothing would be more helpful than a friendly mixing and mutual collaboration of the official and the non-official co-operators in the solution of the problems on which the conferences are expected to deliberate. But the wisdom of large numbers of departmental officials being mustered on occasions where the main interest centred round resolutions expressing confidence in the departmental officials or motions censuring those who criticise the department, is open to doubt. The value of the resolutions like those passed at Bhimadole and Mylapore will thereby suffer considerably; at any rate, may not carry the weight which they ought to carry when passed in a free and normal non-official atmosphere. It is worthwhile knowing how many of the departmental officials remained in the conference pavilion after the vote was recorded on the controversial resolution and during the business session held on the afternoon of the second day and if they did remain, what contribution they made to the discussions of the business resolutions at the conference; but we regret that published reports of the proceedings of the conference do not contain any information on either of these points. In these circumstances, we feel it is difficult to justify the burden which the tax-payer is called upon to bear in the shape of expenditure incurred on such large official attendance at these conferences.

If it is necessary for us to assess the implications of this resolution, for our part, we refuse to believe that it is a vote in favour of official interference. At best it may be taken as a record of opinion by a majority of those who voted that the accusations made by Mr. Chettiar were not well founded. In either case it cannot in our opinion be regarded as an expression of *accredited non-official opinion of the province.*

*For particulars, see proceedings published elsewhere.

Coming to the main question in controversy, we would like to make our own position clear in regard to the proper sphere of official direction and control. While we do not believe and never believed in state-dominated and state-regimented co-operation, we have all along realised and advocated the need for and the value of well defined statutory powers vested in the Registrar and the department. We hold that while legitimate statutory control supplemented by constructive advice and guidance is to be readily welcomed, unjustifiable and stifling interference is to be emphatically deprecated. It is not difficult to draw a line between the two. It must at the same time be remembered that control involves a large amount of discretion and the public and the Government cannot be too watchful in preventing legitimate control degenerating into an arbitrary exercise of power bringing into play the idiosyncracies and likes and dislikes of the controlling authority. To contend that direction and control of the movement must continue to remain in the department until "right men" come up to take up the responsibility is to argue in a vicious circle. If the forty years of experiment with control and direction in official hands has not created such men it is hardly likely that they will spring up into existence in the near future. We repeat what we said at the Joint Session of the All India Associations at Bombay in January last that, unless and until we build anew the whole structure of the co-operative movement and transform the Registrars into friends, philosophers and guides of people, we shall not be able to achieve the aims and objects with which the movement was started.

We are sorry to say that the ideals, traditions and methods pursued and fostered by administrators like Sir P. Rajagopalachari, Dewan Bahadur R. Ramachandra Rao, Messrs. Hemingway, Gray, Hood, Strathie, and Austin have of late received a rude shock. It is inevitable that in the present conditions some who have been brought up in those traditions and who devoted themselves to the service of the movement, in the spirit of those ideals and methods should step out at least for the time being. But whatever else they may lose thereby they retain their most precious possession, the soul of the co-operator. There is an unlimited field for service in the co-operative movement still open to them in which they can toil more usefully and effectively, breathing an atmosphere of freedom to give honest expression to their views on men and matters without the dread of being victimised. It is gratifying to note that two of the present advisers to the Governor are among those who administered the department in the past on right traditions and ideals and we feel no doubt that they and the other advisers to the Governor



will endeavour to restore normality and revive the old genial atmosphere. It will be unfortunate if the impression gets abroad that many things which are now being done to the detriment of the movement are being done with the knowledge and approval of the Government when it is not a fact.

However, the immediate problem confronting the movement in Madras to-day is not so much the drawing of a precise line of demarcation between the relative spheres of official and non-official actions as the ending of internecine strife among the non-official co-operators themselves. Unfortunately, a spirit of intolerance on the part of groups and individual co-operators is becoming increasingly manifest towards those who differ from them or whose actions they disapprove. The existence of mutual distrust and suspicion resulting in conflict among non-officials themselves will indeed itself furnish a handle for official intervention in matters which are purely concerns of the non-officials themselves. Human nature being what it is, it will be surprising if such differences are not exploited to the disadvantage of both parties to the quarrel.

No movement much less the co-operative movement can thrive in such an atmosphere. Many who are outside the fray ask the question 'What next?' We can perhaps only answer it by repeating Mathew Arnold's aphorism 'Things are as they are and their consequences will be what they will be.' But we cannot look on silently in a spirit of stoicism. Our earnest appeal therefore to our fellow co-operators in Madras is 'Pray: do not quarrel over the bed side of the sick mother; compose your differences and unite in the cause of the movement, for the service of the poor which you owe them.'

## CO-OPERATIVE ACTION IN RURAL LIFE.

Dr. B. V. Narayanaswamy Naidu of the Annamalai University in his learned Presidential Address to the 24th Madras Provincial Co-operative Conference, had some interesting observations to make on the social aims of co-operation. He rightly observes that "rural poverty will not cease with rural credit; it must be exorcised with the wand of enlightenment which will drive away ignorance and apathy, which now obstruct the material and moral progress of the villager." He wants organised co-operative effort to improve farming so as to yield increased incomes and development of subsidiary occupations, especially those which can be linked up with production of principal crops, to further supplement those incomes. Added incomes will in their turn tend to advance the standard of living. In other words he wants planned co-operation and a comprehensive programme of reconstruction of rural life based on the three fold aim of the Irish Co-operators namely "better farming, better business and better living." None in this country will differ from Dr. Narayanaswamy Naidu's vision and objective. But why has it remained a *vision* after four decades of effort? The causes for the failure, or very limited success of the movement—some real, some doubtful, some imaginary,—have been frequently discussed in the past and we do not propose to cover that ground now. We however feel that one factor which goes to the very root of the matter has not received the attention which it deserves, namely, whether the soil of Rural India on which the non-indigenous seed of Co-operation was sown by the officialdom in the beginning of the 20th century was suited to receive it, so as to help it to grow and bear fruit eventually. We think not. At the commencement of the 20th century, in fact some decades before that, on the one hand, the old village community life with its local self-governing institutions and self-sufficient simple economy was virtually obliterated, and on the other, even after a century and half of British rule, modern democratic institutions of the kind which the self-governing countries of the west developed by that time were not introduced, to replace the indigenous institutions which have disappeared in the wake of the British administrative and land revenue system and industrial revolution which destroyed the traditional handicrafts, subsidiary rural occupations, and cottage industries. Few vestiges of corporate rural life were left. A ruthless system of individualistic and competitive economy had stuck deep roots in the soil of the Rural India by 1904. It was into such an environment that the co-operative movement was called into being. We do not deny that the early pioneers introduced the movement with the best of intentions and with a genuine desire to help the rural masses out of the grip of the money lenders and other exploiting classes. We owe a deep debt of gratitude to men like Sir Frederick Nicholson, Mr. Dupernex, Sir Daniel Ibbotson and Mr. Henry Wolff. But the official idea that the Indian Co-operative Movement could be successfully started on the 25th day of March in the year of grace 1904, with an unbuttressed primary credit society, at the point where Raiffeisen commenced his experiment half a century before that date in Germany, under conditions and circumstances very dissimilar to those of Rural India, must appear to be strangely anachronistic to students of economic history of India. As is aptly said: "The old tree was allowed to wither away and the grafting that was done has brought forth fruits which the intended beneficiaries neither relish nor long for." So, the very foundations of our rural economy may have to be relaid and a new socio-economic



structure erected if we really expect movements like the co-operative movement to succeed so as to organise rural population to solve the varied problems of their lives themselves, through genuine co-operative management of their institutions.

We therefore hope that when the law governing the formation and administration of statutory village panchayats and other higher local self-governing bodies is recast in the various provinces of India, efforts will be made to ensure due co-relation of the activities of the villager in all spheres of his simple but indivisible life and to once again infuse corporate life into the villages. We have tried on former occasions, through the pages of this journal, to place before our readers our views in regard to the right type of statutory village panchayat, which should function side by side with the co-operative society. We are glad to find that the articles we published on the subject attracted the attention of Mr. Harold H. Mann from whom we received a letter (portions of which we are delighted to publish below) * not only appreciating the humble

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30th July, 1941.

In the course of his letter Mr. Harold H. Mann says: "I am glad that even in the present disturbed times, there is still enough interest and enthusiasm in the co-operative movement to allow of the issue of a Journal like this.

I am particularly interested in the article on Village Panchayats in the Madras Presidency, and have noted the wise remarks which the author makes in this connection. I wish the central authorities would trust, far more than they are willing to do, the village people. But we suffer in England from exactly the same lack of trust of the smaller local administrative bodies. I am very glad that you yourself have resisted the proposal to confuse the Panchayat, which is an administrative body, with the village co-operative society, which has economic functions.

On the whole, the outlook for the co-operative movement as hitherto organised and as shown by the various reports summarised in this number of your Journal, makes me rather doubtful as to whether a very different attitude is not required to the movement by the authorities than has been the case in the past. But that is a matter which requires a longer discussion than can be given in a letter such as the present.

With again my very sincere thanks for sending me the numbers of the Journal.

Yours sincerely,

(Sd.) HAROLD H. MANN.

work done by this Review but also the views expressed therein in regard to the lines on which action is to be taken in India to reconstruct the village panchayats and the co-operative institutions.

Schemes of rural reconstruction on a co-operative basis are in progress in more than one province in India as will be seen from some interesting extracts we have published in this issue. The report on the working of the Alamuru Rural Bank is indeed informing. The bank has a membership of 1,272 drawn from the ranks of various rural occupations and several castes. The most striking feature of this institution is that the Harijans form the largest single community in its membership. They number 403 that is, about 1|3 of the total number of members. Judging from the transactions of the society these Harijan members do not seem to have suffered in any way on account of their being landless and much poorer when compared with other communities. Incidentally this experiment explodes the belief that if a co-operative credit society is organised on limited liability basis there will be no place in it for poorer classes. The position which Harijans enjoy in this society is a complete answer to that belief.

A co-operative scheme for land settlement in Madras, recently started by the Provincial Government, is an another example of co-operative action in rural life which has a certain amount of promise in it. The scheme is being tried in select areas and recently a fourth settlement was started in the Salem district. The following is a brief account of the scheme: "The Government of Madras has made provision, in the provincial budget for 1941-42, for a land settlement scheme on a co-operative basis. This scheme originated in the fact that a good deal of the land which the government assigned in the past to the landless had soon found its way into the possession of rich and influential neighbours. The Government has therefore decided that a special attempt should be made to ensure that land assigned to the poor is retained in their ownership and their utilisation. To this end, a recent Government communique points out that assignment will no longer be made to individuals but to groups of settlers formed into co-operative societies. Assignments will be made of compact blocks of land, each block being allotted to one or more co-operative societies consisting of members of the landless poor specially organised for the purpose. The main objects of these societies will be: to hold land from the Government, divide it according to a settlement scheme approved by the Government, and distribute the holdings among the members; to arrange for the reclamation of lands, if necessary, and to ensure their cultivation; to purchase or own implements, machinery, and cattle for hire to members; and to borrow funds from the central



co-operative banks or others, on the security of the land assigned to them to be utilised for granting loans to members for agricultural expenses, including reclamation of lands." But such experiments can succeed on any appreciable scale, only when the village life itself is reorganised on the basis of self-governing community basis.

The co-operative movement is often subjected to the criticism that rural credit dominates it. We were never able to appreciate this criticism. No one overlooks the importance of non-credit activities. But credit to the agriculturist is still the main desideratum of our rural economy. It is a mistake to suppose that it is only in India that the tiny village bank occupies a very important part in the co-operative movement. In the very interesting account of 'Co-operative Action in Rural Life' published by the League of Nations, the following observations are to be found in regard to the credit societies in Europe. "Co-operative societies which, with or without accessory functions, organise and attempt to satisfy the need for credit in rural districts, are by far the most widespread type." With reference to the figures collected in about 22 countries in the continent of Europe for the year 1936-37, it was found that there were 59,000 rural credit societies with a membership of over 7½ millions. It is said "often these tiny village banks have no other premises than the secretary's or treasurer's home, and there is no external sign of their existence. The operations they conduct are modest when considered one by one, but they are numerous and the total transactions amount at the end of the year to a considerable figure." The brochure proceeds to observe "the growth of rural co-operative credit societies not only proves the imperious need for short and medium term credit felt by the small-holders; it also brings out the eminent fitness of co-operation to satisfy this need... Credit co-operative societies have done more than anti-usury laws—which are too easily evaded, with the connivance of the borrowers themselves—to suppress the usurer, who, were it not for co-operation, would in many countries be the sole and therefore the indispensable supplier of the credit required. Where he still exists, the usurer is as a rule not only a money-lender but also the village trader, who collects and markets the crops of his debtor-customers and provides them with the consumption goods, seeds and fertilisers which they need. He can be eliminated only on condition that he is replaced, and replaced, not only in one of his functions—supplying credit—but in all the useful functions he performs."

If it was so in European continental countries, it must be obvious that it applies with greater force to conditions of rural India. We therefore still strongly hold the view that in any scheme for the reform of co-operative movement the reform of the village credit society with or without accessory functions should occupy a predominant place. When the village panchayats are reconstructed so as to foster the community life of the rural masses and the village co-operative societies are re-formed and strengthened, the growth of other more or less specialised and homogenious co-operative institutions to deal with the special needs of the villager will follow as a matter of course. Perhaps the most promising and fruitful line of action in our future programme of planned co-operation is the development of co-operatives for promoting cottage industries. The example of China with its 30,000 industrial co-operatives specially in its western provinces, handling numerous cottage industries, open to us a vast field of research to be followed by action suited to our rural economy.

## ADDITIONAL REMITTANCE FACILITIES TO CO-OPERATIVE BANKS

We publish in this issue the portions which deal with the actual remittance facilities to Provincial Co-operative Banks embodying the revised scheme of the Reserve Bank of India. It is gratifying to note that the Reserve Bank, as a result of further representations made to it by the Provincial Banks, has deleted a clause incorporated in the original circular which has given rise to much dissatisfaction among the Provincial Co-operative Banks. The clause in question which was sub-para 5 of para 5 of the scheme ran as follows: "If any of the Provincial Co-operative Banks or affiliated Central Banks enjoying the above facilities works on lines not approved by the Reserve Bank, the above facilities would be withdrawn from it in consultation with the Registrar." It is now deleted.

A further important modification consists of the following addition made to sub-para 3 of para 4 of the original scheme. "A branch of the Provincial Bank or any affiliated Central Bank at a place where there is no branch of the Imperial Bank will be granted the facility of making remittances under sub-paras 2 and 3 from an account which it maintains with a branch of the Imperial Bank at a nearby place. This facility will be available only from one branch of the Imperial Bank and will be granted on the Provincial or Central Bank declaring to the office of the Reserve Bank at which the principal account is maintained, the place at which it is to be enjoyed." Provincial Banks which join the amended scheme thus promulgated by the Reserve Bank will have also the following facility. "An amount of Rs. 10,000 or a multiple thereof between the accounts maintained by the Provincial Co-operative



Banks at the offices and branches of the Reserve Bank, free of charge; this facility will be available only between Banks joining the scheme."

We are gratified at the changes mentioned above. But we still feel that the Provincial Co-operative Banks are not placed "more or less on the same footing as the Scheduled Banks, for the purposes of remittance facilities," even under the modified scheme as the circular professes to do.

For instance it is not clear why the Reserve Bank should use its power of granting and withdrawing remittance facilities to compel Co-operative Banks to prepare their balance-sheets in the form suggested by the Reserve Bank. While it may be useful for Co-operative Banks to evolve a common standard form for the preparation of balance-sheets and audit certificates, the matter must be left to the Co-operative Banks themselves to evolve a suitable form and not for the Reserve Bank to dictate. Another condition that is imposed also seems to us irksome and unnecessary. It contemplates withdrawal of remittance facilities from Co-operative Banks should they use those facilities for what may not be deemed 'bonafide co-operative business.' The term is not defined and we know that in practice it lent itself to different interpretations in the past. The business of the Co-operative Banks is regulated by their own constitutions and by-laws. In so far as the concessions given to Co-operative Banks are merely those enjoyed by the Scheduled Banks and no more, it is difficult to understand why the Reserve Bank should make the enjoyment of these concessions liable to withdrawal from Co-operative Banks if the facilities were used for what may not be deemed bonafide co-operative business, especially when the Provincial Co-operative Banks are now being called upon under the scheme to maintain free balances with the Reserve Bank of India on a 50 per cent scale prescribed for the Scheduled Banks.

This discrimination apart, we feel that the scheme is one which the Provincial Co-operative Banks in India should join. The treatment of Central Banks affiliated to Provincial Banks as its branches is a valuable concession. It is a recognition of the fact that the Central Banks and the Provincial Bank form integral parts of the same financial structure and that they cannot be looked upon as independent units. We understand that the Bombay and the Punjab Provincial Co-operative Banks have already joined the Scheme and Madras has also agreed at the last Board Meeting to join the scheme.

## EXCESS PROFITS TAX AND CO-OPERATIVE BANKS

Under section 60 of the Income Tax Act, the profits of a Co-operative Society from *business* as distinct from investments are exempt from income-tax by virtue of a notification. But such profits are liable to Excess Profits Tax. The All India Co-operative Associations at their meeting held at Jubbulpore in April 1939 passed the following resolution. "This meeting, while recording its grateful thanks to the Central Government for the relief given to co-operative societies in respect of supertax and income-tax, requests the Government to exempt co-operative societies from the operation of the excess profits-tax, for the levy of such tax will considerably reduce the ability of the banks, which are working on low margins, to serve the interests of the agriculturists by keeping the rates of interest charged by rural societies to the members at the present level."

The intention of the Government in giving exemption to Co-operative societies in respect of income tax is that co-operative societies require special relief from taxation in order to promote and foster the movement in India, which mainly serves the agriculturists and the poorer urban classes. The same consideration ought to apply to a much heavier tax like excess profits tax. Moreover, we believe the main aim of the levy of excess profits tax in India, *at present*, is to secure to Government the benefit of additional profits which accrued in business and industries on account of the war. We need hardly point out that the position of the co-operative societies stands on a different footing in this respect from business and industrial concerns. In as much as they conduct business for service and not for profit co-operative societies have not extended the scope of their operations because of the situation created by the war. If in any co-operative institutions the profits have expanded, such expansion of profits is due entirely to circumstances unconnected with the war. It may be due to the normal progressive development of the business or to the undertaking of business operations of types or in areas not hitherto covered.

We believe the All India Associations when they meet next, take up this question again and submit suitable representations to the Government of India and the Central Board of Revenue.

## PAID SECRETARIES FOR CO-OPERATIVE BANKS: NEW MADRAS RULE

We publish elsewhere a new rule framed under the Madras Co-operative Societies Act which is to be numbered as Rule No. XXVII-a.



It provides for paid secretaries being appointed by every financing bank and every society with Limited Liability with a working capital of not less than Rs. one lakh and every mortgage bank which has advanced loans to the extent of not less than Rs. 3 lakhs. We are in general agreement with the aim and object of this rule. We subscribed to the recommendations made on the lines of this rule as a member of the Townsend Committee, 1928, and the Madras Committee on Co-operation, 1939-40, and we adhere to those recommendations. The advantages of having a qualified paid secretary for institutions of these types are obvious and the case for the amendment does not require any elaborate argument.

We, however, suggest one or two modifications to the proposed rule. The words 'every registered society with Limited Liability' apply to societies other than credit societies like urban banks, for instance to loan and sale societies and consumers' stores of which many are still in an undeveloped condition. Their transactions may amount to a lakh of rupees, but it is difficult to say that all of them can afford to employ a qualified paid secretary. We think that it is desirable to confine the application of the rule for the present to financing banks, urban banks and land mortgage banks.

In regard to financing banks there is no bank in this province with a working capital of less than Rs. 3·92 lakhs. But in the case of urban banks the limit prescribed may be slightly altered so as to make the rule apply to urban banks with a working capital of *over* Rs. one lakh. This will give relief to urban banks which are just on the margin.

In regard to land mortgage banks, while the test laid down is on the whole a satisfactory one, cases may arise which will legitimately call for exemption. Of the 119 primary land mortgage banks in the province, 28 banks or roughly 22 per cent of the number have a loan business of Rs. 3 lakhs, and more. From a study of the balance-sheets of these banks it will appear that the profits made by them do not always depend upon the size of the loan business. *Two* of these 28 banks make a profit of under Rs. 1,000 each, while 8 others make a profit between Rs. 1,000 and Rs. 2,000. The other 18 banks make a profit of Rs. 2,000 and more each. It may also be added that 41 primary land mortgage banks, roughly a third of the total number are working at a loss. Even among the bigger banks it may be noted that profits do not follow the size of the loan business. For instance a bank with a loan business of Rs. 8·3 lakhs (Bhimavaram) made a profit of Rs. 3·5 thousands whereas a bank with a loan business of Rs. 7·19 lakhs (Alamuru) made a profit of Rs. 4·7 thousands. These banks have to carry the prescribed proportion of the divisible profits to the statutory Reserve and pay their members a dividend of 5 per cent to maintain their stability and popularity. They are also now to pay for services hitherto lent free by the Government. So the test laid down may not always justify the expenditure which will necessarily be involved in maintaining a qualified paid secretary. We are not suggesting the abandonment of the application of the rule to land mortgage banks. But we suggest that power may be given to the President of the Madras Central Land Mortgage Bank, in consultation with the Registrar, to give exemptions in proper cases to such primary banks whose financial position may not enable them to command the services of a paid secretary.



# THE WORKING OF THE RESERVE BANK OF INDIA

BY

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The period after the war of 1914-18 witnessed the emergence and growth of Banks of Issue. The International Financial Conference held at Brussels in 1920 passed a Resolution that in countries where there was no Bank of Issue, one must soon be established. This policy was widely given effect to, and the existing Central Banks were reorganised, while new ones were established in the midst of the Depression. The Reichbank was reorganised according to the Dawes Scheme and new Central Banks were established in South Africa, the South American States, Austria, Canada and India.

The main reason for the establishment or reorganisation of Central Banks was the necessity to stablize the currency system and to exercise an adequate control over the banking system. In India the need for establishment of the Reserve Bank was felt for a long time. Sir Basil Blackett, introducing the Reserve Bank Bill in 1927 remarked: "We shall see the development of a discount market and acceptance business, of increased facilities for the marketing of produce, and, in short, a gradual mobilization of India's immence potential capital for the development of India's own resources." The Royal Commission on Indian Currency and Finance in this connection remarked: "The evidence has clearly brought out the inherent weakness of a system in which the control of currency and credit is in the hands of two distinct authorities whose policies may be widely divergent, and in which the currency and banking reserves are controlled and managed separately one from the other. It has brought out the necessity of a unity of policy in the control of currency and credit in a modern financial organisation, if monetary stability is to be achieved ........ . It is only through the establishment of a central banking system with the facilities of re-discounting it affords, that this end can be achieved.*

It will thus be seen that the object of the establishment of the Reserve Bank of India was the co-ordination of the banking and

*Vide paragraph 83 of the Report.

currency system of the country and the development of a discount market. The success or otherwise of the Reserve Bank must, therefore be judged with reference to its achievements in these fields.

The Reserve Bank of India was established on 1st April, 1935, in accordance with the provisions of the Reserve Bank of India Act, 1934. It is a shareholders' bank with a share capital of Rs. 5 crores, divided into shares of one hundred rupees each, fully paid up. The whole of the share capital is owned by private shareholders, with the exception of shares of the value of Rs. 2,20,000 alloted to the Central Government for disposal at par to Directors of the Central Board of the Bank who seek to obtain the minimum share qualification

There are separate registers of shareholders at Bombay, Calcutta, Delhi, Madras and Rangoon. Each of these registers serves a separate area, and there is provision in the act for the transference of shares from one register to another, subject to the restriction that no person shall hold shares of the face value of more than Rs. 20,000. Each shareholder has one vote for every five shares, subject to a maximum of ten votes. Persons domiciled in India or Burma who are subjects of His Majesty's Government and subjects of Indian States can be shareholders. British subjects ordinarily residing in India or Burma and domiciled in the United Kingdom or in British Dominions, where no discrimination is made against Indians, can also be shareholders. The same provisions apply to companies or firms which can also become shareholders.

The business of the Bank is conducted by a Central Board consisting of 16 directors—a Governor, two Deputy Governors appointed by the Central Government after consideration of the recommendations of Central Board, four directors nominated by the Central Government, eight directors elected by the shareholders, and one Government official nominated by the Central Government. There is a local Board for each of the five areas consisting of (a) five members elected from amongst themselves by the shareholders concerned and (b) not more than three members nominated by the Central Board from amongst the shareholders on the register of that area.

**Functions of the Bank.**—According to the preamble of the Act the Bank was constituted to regulate the issue of bank notes and keep the reserves with a view to secure monetary stability in British India and generally to operate the currency and credit system of the country to its advantage. Hence the Bank is entrusted with the powers usually possessed by Central Banks. *Firstly*, the Bank has the sole right to issue bank notes in British India. *Secondly*, it holds the cash balances



of the more important commercial banks. The latter have to maintain with the Bank a balance of not less than 5 per cent, of their demand liabilities and 2 per cent of their time liabilities. *Thirdly*, the Bank is under an obligation to sell sterling at a rate not below 1sh. $5\frac{19}{64}$d. and to buy sterling at a rate not higher than 1sh. $6\frac{3}{16}$d. for a rupee. Thus it is required to maintain the stability of the external value of the monetary unit. *Fourthly*, it is the Banker of the Government and holds their cash balances and does all banking business of the Central and the Provincial Governments.

In addition to the above functions, the Bank is authorised to transact other business usually transacted by Central Banks, e.g., accepting money on deposit without interest, rediscounting of bills and making of loans and advances under certain conditions issue of demand drafts, purchase and sale of securities, and making of agency agreements with other Central Banks. The Bank is also under no obligation to supply, in exchange for currency notes of rupees five and upwards, notes of lower value or other coins which are legal tender, in such quantities as may, in the opinion of the Bank, be required for circulation. It also gives advice to banks, Government and the public on banking and financial matters, and finally, it shapes its day to day currency and credit policy in the light of the prevailing financial conditions.

The Bank was formally inaugurated on the 1st April, 1935. It had to do much preliminary work, and its first official Bank rate was announced on the 4th July 1935 and it established statutory contact with the scheduled banks on the following day.

## II

The Bank's working will now be examined under four main heads: (a) its control over the currency system of the country, (b) its position as a Bankers' Bank, (c) its policy in relation to the provision of agricultural credit, and (d) exchange control.

**Control over the currency system.**—The Bank has been entrusted with the sole right to issue bank notes in British India. According to the Burma Monetary Arrangements Order of 1937, the Bank has also the sole right to issue bank notes in Burma. In the interests of stability, the issue of and control over, currency should be in the hands of a Central Bank. It is not impelled by the profit motive, and at the same time it is required by law to maintain an adequate proportion of reserves against its note issue. The Reserve Bank has a separate Issue Department for this purpose and it has adopted the model of the Bank of England. Of the total assets, not less than 40 per cent must consist of gold coin, gold bullion or sterling securities, and the amount of gold should not be less than Rs. 40 crores in value. The rest may be in rupee coins and rupee securities. With the previous sanction of the Central Government, the gold holdings of the Bank may be less than 40 percent, for limited periods, provided that it pays a specified tax on the deficiency. In actual practice a far higher percentage has been maintained by the Bank, the average percentage being 57·41.

Expansion of currency can be effected by increasing any of these forms of assets and issuing equivalent notes from the Issue Department. Contraction can be done by withdrawing notes from circulation and reducing any of the assets. The expansion of currency is ordinarily done by transferring rupee or sterling securities or both from the Banking to the Issue Department or by creating *ad hoc* treasury bills. Contraction takes place in the reverse circumstances. Sometimes currency is expanded or contracted on account of the revaluation of securities held in the Issue Department.

The note circulation increased towards the end of 1936 on account of the gradual lifting of the World Depression. Thereafter currency expansion took place following the outbreak of the War when there was increased industrial activity. Before the outbreak of the war, there was a gradual withdrawal of rupee coins from circulation; but after the outbreak of the war, the demand for coins increased, particularly for hoarding purposes. Hence the Government had to issue a Notification in June, 1940, penalising the acquisition of rupee coins in excess of personal or business requirements. This led to much inconvenience and to meet the growing demands of the public for coins of small denominations, the Government issued one rupee notes in July, 1940, under the Currency Ordinance 1940.

**Its Position as a Bankers' Bank.**—The Reserve Bank keeps an approved list of banks and grants to them direct rediscounting facilities. Banks having a paid-up capital and reserve fund of Rs. 5 lakhs or over and registered under the Indian Companies' Act are included in the second schedule of the Bank. Their number for India and Burma on 31st March, 1941 was 64. These banks have to maintain with the Reserve Bank a balance of not less than 5 per cent against demand liabilities and 2 per cent against time liabilities. The main object of these reserves is to enable the Central Bank to exercise control over the banking system. In 1940 the Reserve Bank was empowered by law to prohibit defaulting banks from accepting fresh deposits during the continuance of the default and to penalise directors and other officers, who are



knowingly parties to such default. The scheduled banks have also to submit a weekly return to the Bank and to the Government.

These banks are allowed financial accommodation in the shape of rediscount of eligible bills or loans and advances against eligible securities from the Reserve Bank. In extending credit to the scheduled banks, the Reserve Bank has to take into consideration not only the nature of the security offered but also the general character of the investments of the applying bank. The Bank can call for such information as it thinks necessary in this connection, and a scheduled bank requiring such assistance has to supply the information called for. The Reserve Bank has the discretion to refuse to rediscount the paper of any bank without assigning any reason.

The Reserve Bank can rediscount any promissory note or bill of exchange of a scheduled bank, if the instrument arises out of *bona fide* trade or commercial transactions, if it bears two or more good signatures, one of which is that of a scheduled bank, and if it has a fixed maturity not exceeding 90 days. A bill of exchange payable on demand should be accompanied by a separate written agreement to render it acceptable to the Reserve Bank. It is necessary to fix the maturity of the bill of exchange, and hence it is in consonance with central banking practice. The reduction of duty on usance bills to two annas per thousand rupees should cause no inconvenience to the borrowing banks.

Loans can also be made to scheduled banks against trustee securities and against promissory notes supported by documents of title to goods. Under section 17 (4) (d) the Reserve Bank is authorised to make to scheduled banks loans and advances repayable on demand or on the expiry of fixed periods not exceeding 90 days, against the security of promissory notes of a scheduled bank or a provincial co-operative bank, supported by documents of title to goods which have been transferred, assigned or pledged to any such bank as security for cash credit or overdraft granted for *bona fide* commercial or trade transactions, or for the purpose of financing seasonal agricultural operations or the marketing of crops. It will be noticed here that loans can be granted against promissory notes and bills of exchange supported by documents of title to goods. It means that the scheduled banks must obtain from their customers documents of title to goods and not goods themselves as security for loans. In the latter case the scheduled bank would have to create documents of title which it cannot do because it is not his mercantile agent. It follows, therefore, that the scheduled bank must have given an advance to its customer against documents of title to goods and not against goods themselves if it is to pass his paper to the Reserve Bank for obtaining accommodation from it.

**Control over the money market.**—The Bank can also undertake open market operations in emergency cases and vary from time to time the minimum rate at which it will discount eligible bills of exchange. This control is limited, because the scheduled banks are not large borrowers. The control can be exercised by the Reserve Bank when the banks approach it for financial assistance, because they will then be prepared to subject themselves to voluntary inspection. So far these loans and advances have not been high. It can also exercise control by appropriate changes in the amount of treasury bills offered, in the amount of sterling purchased and in the amount of money in circulation; but their methods are not very effective owing to the peculiar character of the Indian banking and currency system.

To a certain extent it is also possible for the Reserve Bank to influence the credit policy of the scheduled banks through variations in their cash holdings by purchasing or selling Government securities in the open market. Purchases of securities by the Reserve Bank, other things being equal, would enlarge the cash reserves of commercial banks and enable them to expand loans and advances. Conversely open market sales of securities would tend to reduce the cash balances of the banks, thereby forcing them to reduce their loans. The Reserve Bank also exercises control by changing its Bank rate.

The Bank keeps itself in touch with non-scheduled banks also. By an amendment to the Indian Companies' Act in 1938 the Bank began to receive a copy of the statutory returns sent by the banks to the Registrar of Joint Stock Companies. The Bank also gives advice to non-scheduled banks asking for it. It has indicated the manner in which it is prepared to give advice and guidance to these banks. It is also helping these banks by giving them special remittance facilities at concession rates. They must be doing banking business in British India and registered under the Indian Companies Act, and they must have a minimum paid up capital of Rs. 50,000 to entitle them to special remittance facilities.

In regard to agricultural credit, the Reserve Bank Act provides for assistance to Agriculture on the usual central banking principles. Firstly the Bank cannot directly make advances to agriculturists. It can grant accommodation only through scheduled banks or the provincial co-operative banks. Secondly, it cannot finance the long term need of agriculture. Agricultural bills which it may rediscount must be drawn for seasonal agricultural operations or for the marketing of crops. Finally, the maximum period for which it can grant loans cannot exceed nine



months. Hence it can lend money only for short periods for tiding over a seasonal shortage of funds.

**Rural Credit Department.**—The Bank has a Rural Credit Department which is not directly entrusted with funds. It collects material on rural credit and gives advice to agencies engaged in the business of rural finance. In its Statutory Reports, it has described the special features of rural finance in India. The bulk of the finance in the country is supplied by the moneylenders and to a small extent, by the co-operative societies. The finance supplied by the moneylenders is costly, and the latter are not directly interested in the manner in which the cultivator utilizes the funds. To control the rates of interest, the reports suggested legislation for regulating moneylending business. It was opined that the co-operative movement could play its proper part in supplying agricultural credit, if it was properly reconstructed and revitalised. The need for developing the co-operative movement is paramount in view of the contraction of credit caused by the debt relief legislation.

Reserve Bank has made it clear that it can assist the reorganisation of rural credit only if the co-operative movement conforms to the conditions laid down by it, namely, the co-operative banks must realise their overdues and the future loans must be made for productive purposes only. The co-operative banks should maintain liquid assets consisting of cash, balance with bankers and Government Securities, which should be at least 40 per cent of their liabilities. They should confine their business to short-term loans which in normal times should be repayable within 9 to 12 months and these loans should not become long-term. If it is done, the societies cannot make profits. Hence this condition is very strict.

To be entitled to rediscounting facilities a provincial co-operative bank should maintain a cash balance of not less than 2½ per cent of its demand liabilities and one per cent of its time liabilities, and it should submit periodical statements to the Bank. The bills must be drawn in proper form, they should bear two good signatures, one of which should be that of a provincial co-operative bank, and their date of maturity should not exceed nine months. They should be drawn for current agricultural operations and for the marketing of crops.

**The Exchange Control Department.**—This Exchange Control Department was opened in 1939. It exercises control over all dealings in India in foreign exchange, gold and securities. It frames rules and regulations regarding the control of dealings in foreign exchange. It acts as the licensing authority for dealings in foreign securities, the export and import of gold and sovereigns and the export of money and jewels. It has also to keep in touch with the developments in exchange control in other empire countries.

Under the Defence of India rules dealings in foreign exchange, gold and gold securities are controlled and the control is exercised by the Reserve Bank of India through its Exchange Control Department. For this purpose the transfer of funds is allowed within British Empire countries, but parallel restrictions are imposed on conversions into outside currencies in each Empire country. Foreign exchange dealings are allowed only with persons authorized by the Reserve Bank of India. These licensed bankers are allowed to operate subject to certain conditions. Remittances can be freely made from India to the countries of the sterling area. No remittance can be made to an outside country unless the remitter completes an application form stating the purpose for which remittances are allowed. Remittances are allowed for payments of *imports, petty private remittances, travelling expenses,* other trade purposes, e.g., (freight, profits, and royalties), and capital remittances.

Banks cannot sell foreign exchange except to residents in India. This step ensures that foreign exchange is sold only for financing trade and for certain other approved purposes. There is further an export control scheme for certain trades to ensure that the proceeds of exports are returned to India and that exports are financed in certain specified ways so that the maximum exchange value is obtained.

The above are the activities of the Reserve Bank of India. It has to be seen now as to how far is the Bank serving as a true control bank and how far has it succeeded in providing rural credit? As seen above, the Bank is a Government Banker and manages the public debt of the country. Thus the borrowing programme of the Central and Provincial Governments is arranged and planned by it. Hence the financial activities of the Government do not cause such a great disturbance in the market of the country as they did before the establishment of the Reserve Bank of India.

Secondly, it is prohibited from competing with the constituent bankers: but its Bank Rate cannot be said to be as effective as that of other Central Banks. The main reason is that it exercises only a limited control over the money market of the country. Indigenous bankers in whose hands the supply of funds is very large have not yet availed themselves of the direct rediscounting facilities. They are not prepared to give up their non-banking business without which they cannot be granted direct rediscounting facilities by the Reserve Bank. The Reserve



Bank made proposals to them in accordance with the recommendations of the Central Banking Enquiry Committee; but these proposals are not acceptable to them. Hence the bazaar rates are still different from the rates of interest prevailing in the organized money markets of the country. Thirdly, the Bank has not yet been able to develop a discount market. Banks do not present bills for rediscounting to the Reserve Bank of India. Owing to the special facilities given by the Reserve Bank for rediscounting treasury bills, the larger banks have preferred this form of borrowing. The duty on usance bills has been reduced; but the Bank does not get bills for rediscounting. Unless the Bank develops a bill market, it cannot be called a Central Bank in the real sense of the term.

Fourthly, the currency system of the country has not yet been made adequately elastic. There has been an expansion of currency during the War on account of expansion in business and industry and the supply of war requirements. Before the War currency expansion did not take place because of the overvalution of the rupee in sterling.

Fifthly, beyond reiterating its faith in orthodox central banking practice, the Bank has not so far been an active agency for supplying rural finance. Its Rural Credit Department is not directly entrusted with funds. It is only an agency for collection of information, and for giving advice. In other agricultural countries Central Banks are directly entrusted with funds with which they develop rural credit. The practice of those central banks must be followed by the Reserve Bank of India, and a departure from the orthodox theory of Central Banking is necessary.

The advent of the war has prevented the Bank from recommending a separate legislation for Banks in India, which is necessary for a sound banking system in the country. This legislation was proposed to regulate banking business, but it has been held in abeyance on account of war. The Bank has been in operation for about six years and during this short period of time it cannot be expected to do things which Central Banks in other countries are doing. Perhaps the currency and the banking system of the country would not be able to withstand the shock of the war without the Reserve Bank.

# CO-OPERATIVE CENTRAL BANKS IN MADRAS

## A SURVEY OF THEIR ACHIEVEMENTS AND PROBLEMS

BY

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### CO-OPERATIVE CENTRAL BANKS IN INDIA AND THEIR ROLE IN THE CO-OPERATIVE CREDIT MOVEMENT

It may not be out of place to state briefly, by way of introduction, how the co-operative banks differ from the joint stock banks, the position of Co-operative Central Banks in India and their role in the Co-operative Credit Movement.

The question is frequently asked, what is a co-operative bank and how does it differ from other kinds of banks? The co-operative banks and the joint stock banks, broadly speaking, serve the same economic purpose, namely, providing facilities for saving and borrowing. But each has its own distinctive role to fulfil in the sphere of banking. They are complimentary organisations intended to serve the needs of different interests and sections of the community. The co-operative banks mainly serve the needs of the cultivating and the labouring classes and the joint-stock banks serve the needs of industry and trade. This is the main functional difference between the two. The real difference lies in the types of borrowers and the consequential variation in their methods of dealing with them. In a co-operative bank the borrower has an effective voice in the management of the lending bank which is an association of borrowers, actual and potential. Dr. Barou, the author of *Co-operative Banking*, described the functions of a Co-operative Bank in these words.

> "The Co-operative Bank spreads the services of the modern financial machinery to sections of the population which would otherwise remain outside the scope of banking. The accumulation of the savings of the masses, their proper management and utilization for the co-operative and individual needs of the working population, are the tasks of co-operative banking. It endeavours to develop co-operative enterprise and extend banking facilities to them."

This description will apply equally to India if we include agriculturists in the expression 'the working population.' In India, agriculture is more a mode of living than a business. 75 per cent of the people in India live in the villages, subsist on their hereditary occupation of husbandry and work on their holdings. As the Hon'ble Mr. V. Ramadas Pantulu put it, "The Joint Stock Banks in India, generally speaking, do not handle Rural Credit which involves cutting up the resources of the Bank into hundreds or thousands of small loans and collecting them in instalments so fixed as to suit the repaying capacity of the borrower and to make due provision for the vicissitudes of the season and other risks associated with agricultural industry." The Co-operative Banks undertake that task. The main functions of Co-operative Central Banks in India are:—(1) to act as a clearing house for the primary credit societies' surplus funds, relending such funds to societies which could employ profitably more money than they could locally secure; (2) To attract deposits from public—individuals and institutions with surplus money to invest—for financing the member societies which has now become the more important function; (3) To provide a safe place for the investment of the reserve funds of societies; and (4) To supervise the working of the member societies.



We have 594 Co-operative Central Banks in India—484 in British India and 110 in the Indian States. The Punjab has the largest number of Central Banks 120; Bengal has 117; United Provinces have 70; Bihar and Orissa together have 68. The total number of banks in those five Provinces is 375 out of 484. Central Provinces have 35; Assam 20, Bombay 11, and Madras 30. In Bombay, the Provincial Bank finances primary societies direct in six districts. In Sind, there are no Central banks at all; the Provincial Bank finances the societies in the Province. The policy in Northern India has been to have small Central Banks which will both finance and supervise member societies. In the Central and South India, the revenue district is generally the unit for a bank. They finance societies but supervision is left to unions. Out of 493 supervising unions in British India, Madras had 263, Bombay 128 and Sind 53—total 444. The ten other Provinces had 49 unions. The Reserve Bank of India's publication relating to Banks in India for 1939 and 1940 prints an instructive map of India showing the distribution of financing banks.

The paid-up share capital of all the Central Banks in India was Rs. 262 lakhs, the reserve and other funds Rs. 403·23 lakhs, the borrowed capital Rs. 2276·96 lakhs and the working capital Rs. 2942·19 lakhs. Of the Rs. 30 crores of their working capital they have lent Rs. 20 crores to primary societies. Of the 484 banks in British India, only 17 have an owned capital of Rs. 5 lakhs and over (share capital and reserve fund together); 162 banks have an owned capital of over Rs. 1 lakh, but under Rs. 5 lakhs. Five lakhs is the minimum requirement for a bank to be included as a Scheduled Bank and there are 42 such Scheduled

Banks in India (excluding Exchange Banks). Out of the 17 in the first category Madras has 7; Bombay 4; Bengal 1; the Punjab 3; and Central Provinces 2. The other Provinces have none. Out of 162 in the second category, Madras has 22; Bengal 44; the Punjab 36; Central Provinces 25; United Provinces 12; Bihar 10; Orissa 7; and Bombay 6.

In the last quinquennium there has been much activity in the sphere of banking in India. There has been an increase in the number of joint stock banks as well as in their resources. At present, there are 64 Scheduled Banks and 1421 non-Scheduled Banks with resources amounting to about Rs. 350 crores. At the same time, several joint stock banks have failed, particularly in the last three years. In India as a whole, 73 banks failed in the year 1938, 86 in 1939 and 60 in 1940; and their aggregate paid up capital was round about Rs. 50 lakhs. Of these failures, the Province of Madras accounts for 37 in 1939, and 18 in 1940. Co-operative banks in India have also had their vicissitudes. In Bihar, Orissa, Bengal, and Berar the co-operative banking machinery is now actually in a paralytic state. There was also a crisis in the Co-operative Movement in Sind but it has since been tided over.

## CO-OPERATIVE CENTRAL BANKS IN MADRAS

**History.**—The first Central Bank to be started in this Province was the Madras Central Urban Bank, now called the Madras Provincial Co-operative Bank. It was registered in November 1905 and was the 18th society in the Province. The membership of the Bank consisted of individuals and the object was to finance only co-operative societies. The Bank progressed from year to year and was able to meet all the demands for loans from primary societies in the Province. As societies increased, the need for a financing bank in proximity to them was keenly felt. Dewan Bahadur R. Ramachandra Rao, the second Registrar of Co-operative Societies conceived the idea of starting *District* Central Banks. The Salem District Urban Bank which was registered on the 25th January 1909 was the first *District Central Bank* to be started. The Trichinopoly District Urban Bank, the Coimbatore District Urban Bank and the Guntur District Bank, Tenali, were registered before the close of 1910, in the regime of Dewan Bahadur Ramachandra Rao. Their bylaws were modelled on those of the Madras *Central* Urban Bank, but the area of operation was confined to the districts. Membership of the banks was confined to individuals, and they could lend only to societies. In 1912, a new Co-operative Societies Act was passed superseding the Act of 1904, and it permitted the registration of secondary societies. Advantage was fully taken of this Act, and the Department registered Central Banks in the other districts also. By 1920, every revenue district had a Central Bank. The later Central Banks were all of the "mixed" type, that is, both individuals and societies were admitted to membership. The older Central Banks also changed their bylaws enabling societies to become members. After the completion of the organisation of District Central Banks, the Madras Central Urban Bank was converted into a federation of Central Banks from 1st July 1920. Its name was changed to Madras Provincial Co-operative Bank in June 1931 when its Silver Jubilee was celebrated.*



**Distribution of Central Banks.**—We have now in the Governor's province of Madras 30 Central Banks, though the number of the revenue districts is 25. One district, Nilgiris, has no Central Bank, but the societies therein are financed by the Coimbatore District Urban Bank. There are four banks in East Godavari District, two each in Vizagapatam, Krishna, and Tanjore Districts. These are big and fertile districts; there is a proposal to amalgamate the Godavari Banks into two. Nine of the Banks have opened 11 branches inside their areas. Central Banks have their offices in 40 places in the Province. The branches are a sort of deposit-gathering offices; societies close by are also enabled to remit their funds and draw their loans from the branch offices. The loans are sanctioned and handled at the Head Office.

**Size of Banks.**—The total number of societies affiliated to the banks is 11,656 of which the agricultural credit societies number 9,258. The bank at Coimbatore has the largest number of affiliated societies, viz., 745. Nine banks have over 500 affiliated societies; 9 have between 300 and 500; and 12 have under 300 societies. Of the 30 banks, 9 have a working capital of over Rs. 25 lakhs; 10 have a working capital of over Rs. 15 but under Rs. 25 lakhs; 8 have over Rs. 5 but under Rs. 15 lakhs; and 3 have under Rs. 5 lakhs. They are exhibited in the following table:—

CLASSIFICATION OF BANKS ACCORDING TO WORKING CAPITAL

| CLASS I. Over Rs. 25 lakhs. | Rs. (In Lakhs). | CLASS II. Over Rs. 15 lakhs but under Rs. 25 lakhs. | Rs. (In Lakhs). |
|---|---|---|---|
| Coimbatore | .. 52·50 | Conjeevaram | .. 23·87 |
| Guntur | .. 39·61 | Vizianagram | .. 22·30 |
| Krishna | .. 38·15 | Ramachandrapuram | 20·42 |
| Madura | .. 37·78 | Bezwada | .. 20·24 |
| Trichinopoly | .. 37·00 | Tinnevelly | .. 17·94 |
| Salem | .. 34·14 | Amalapuram | .. 17·01 |
| West Godavari | .. 28·26 | South Kanara | .. 16·06 |
| Nellore | .. 27·64 | Kumbakonam | .. 15·61 |
| Vellore | .. 26·42 | South Arcot | .. 15·19 |
| | | Anantapur | .. 15·00 |

* For its detailed history, vide Mr. T. Raghavendra Rao's article in the January-March issue of the *Indian Co-operative Review*, 1941.

| CLASS III. Over Rs. 5 lakhs but under Rs. 15 lakhs | Rs. (In Lakhs). | CLASS IV. Under Rs. 5 lakhs. | Rs. (In Lakhs). |
|---|---|---|---|
| Malabar | 13·53 | Chicacole | 4·87 |
| Cocanada | 11·66 | Srivilliputtur | 3·94 |
| Cuddappah | 11·46 | Rajahmundry | 3·92 |
| Hospet | 10·61 | | |
| Madras | 10·19 | | |
| Kurnool | 9·49 | | |
| Tanjore | 9·19 | | |
| Chittoor | 9·16 | | |

**Note.**—The figures against Banks are their actual working capital as on 30-6-1941.

**Resources.**—The consolidated Balance Sheet as on 31st December 1940 of the Central Banks is exhibited below:—

| *Liabilities.* | | Rupees. (In Lakhs) | *Assets.* | Rupees. (In Lakhs) |
|---|---|---|---|---|
| 1. Paid up Capital | | 49·79 | 1. Cash | 16·95 |
| 2. Reserve Fund | | 35·16 | 2. G. P. Notes | 48·98 |
| 3. Other Funds | | 25·48 | 3. Debentures of C.L.M.B. | 27·93 |
| 4. Deposits and Loans:— | | | 4. Deposits in the Provincial Bank | 48·51 |
| (i) Current & Savings Bank | 69·98 | | 5. Loans to Agricultural Societies | 306·81 |
| (ii) Fixed and other deposits | 292·38 | | 6. Loans to non-Agricultural Societies | 38·38 |
| (iii) Provincial Bank loans | 68·15 | 430·51 | 7. Loans due from liquidated Societies | 30·72 |
| | | | 8. Other items | 22·66 |
| Total | | 540·94 | Total | 540·94 |

The year-war progress of working capital is given below:—

(In Lakhs of Rupees.)

| Year end. | Share Capital. | Reserve Fund. | Borrowings. | Working Capital. |
|---|---|---|---|---|
| | Rs. | Rs. | Rs. | Rs. |
| 1934 | 54·83 | 29·29 | 425·63 | 509·81 |
| 1935 | 54·05 | 30·92 | 394·61 | 479·58 |
| 1936 | 50·99 | 31·76 | 384·73 | 467·48 |
| 1937 | 50·32 | 33·13 | 384·79 | 468·24 |
| 1938 | 49·67 | 33·52 | 416·38 | 499·57 |
| 1939 | 49·95 | 34·22 | 423·79 | 507·96 |
| 1940 | 49·79 | 35·16 | 430·51 | 515·46 |



The working capital now round about Rs. 5½ crores has been practically stationary during the last seven years. The amount borrowed from outside the Movement, on 31—12—40, was Rs. 230·47 lakhs, and from within the Movement Rs. 200·04 lakhs. The owned capital was Rs. 85 lakhs (not including other funds) and the borrowed capital Rs. 430 lakhs.

Comparing the working capital with that of other provinces, we find Madras coming second. The Punjab is the first with Rs. 6½ crores; Madras is second with Rs. 5½ crores; Bengal is third with 5¼ crores; and Bombay is fourth with Rs. 3 crores. The Scheduled Banks having their *registered offices in Madras Presidency* number 10; and their paid up share capital was Rs. 86½ lakhs, reserve fund Rs. 33¼ lakhs and deposits Rs. 943 lakhs. Compared to Scheduled Banks, our Central Banks appear small. That is because we count each bank as a separate unit, though they are really parts of one organization with the Provincial Bank at the top. The resources of the Provincial Bank and the Central Banks together are about Rs. 8 crores to-day.

The maximum rate of interest that Central Banks now offer is 3½ per cent which is the rate at which they can borrow from the Provincial Bank. The lending rate of most of the banks is between 5 and 6½%

**Liquidity.**—The demand liabilities (current and savings accounts) amounted to Rs. 70 lakhs and is almost covered by cash and Government Promissory notes which total Rs. 65 lakhs. Time deposits and loans from the Provincial Bank which total Rs. 360 lakhs are invested in loans to societies and other minor investments. The deposit maturities and expected loan repayments are given below:—

| Year. | Deposits maturing. (excluding co-operative deposits) | Estimated Loan Repayments by societies |
|---|---|---|
| | (In Lakhs of Rupees) | (In Lakhs of Rupees) |
| 1941 | 92·79 | 190·61 |
| 1942 | 30·57 | 87·82 |
| 1943 | 11·96 | not available |
| 1944 & beyond | 9·95 | not available |
| | 145·27 | 278·43 |

The loans due for repayment in 1941 is almost double the returnable deposits maturing in that year; loans repayable in 1942 are almost thrice the deposits payable. But in both cases a large proportion of repayable loans represents overdue loans. It must be remembered that the reserve funds of the primary societies amounting to Rs. 105 lakhs have been invested in the banks and these are non-withdrawable practically.

**Statutory Regulations.**—The Government has prescribed regulations for observance by the co-operative banks. A Central Bank's maximum borrowing is limited to ten times its share capital and reserve fund. By a recent amendment to the rules under the Act, the Government have empowered the Registrar to raise, on application, the maximum borrowing limit to twelve times, provided the additional borrowing is utilised for financing loan and sale societies and certain conditions are observed. The Government has also prescribed the scale of fluid resources to be maintained in respect of liabilities—50 per cent of Current Deposits; 25 per cent of Savings Deposits and 50 per cent of Fixed Deposits maturing in the next 30 days. The fluid resources may take the form of cash, government paper or cash credit granted by the Imperial Bank of India. The cash credit granted by the Madras Provincial Co-operative Bank on the security of Government Paper, Debentures of the Madras Co-operative Central Land Mortgage Bank, and on fixed deposits of the Bank, is also allowed to be reckoned as fluid resource in respect of 'outside' liabilities. Fluid resources have also to be maintained for inside liabilities like the cash credits granted by central banks to primary societies. Fifty per cent of the undrawn amount has to be maintained. The cash credit granted by the Madras Provincial Co-operative Bank on securities including the demand promissory notes of primary societies is allowed to be reckoned as fluid resource in respect of cash credits granted by central banks to the societies. A daily fluid resource register has also to be maintained showing the liabilities to be provided for and the fluid resources available. According to the figures on 31-3-1941, the central banks had to maintain fluid resources as follows:

| | | |
|---|---|---|
| For Current Deposits | .. Rs. | 16·89 lakhs |
| For Savings Bank Deposits | .. Rs. | 4·34 lakhs |
| For Fixed Deposits | .. Rs. | 11·66 lakhs |
| Total | .. Rs. | 32·89 lakhs |

Only three banks failed to maintain the requisite resources on that day.



The Government has also limited the maximum dividend payable by a central bank to 5 per cent. The central banks are audited by the Government staff, private audit not being allowed. The audit fees are recovered from them according to the scale prescribed by Government, the Registrar being given power to show some concession in fit cases. The banks are regularly inspected by Deputy Registrars at the end of every half year. The Provincial Bank occasionally inspects Central Banks, by deputing the directors.

**Investments of Reserve Fund.**—The statutory reserve funds of central banks amounted to Rs. 36 lakhs of which Rs. 33 lakhs were invested in the Provincial Bank and about Rs. 3 lakhs in the Debentures of the Central Land Mortgage Bank. The other reserves amounting to nearly Rs. 25 lakhs are practically invested in the business itself. There is now a proposal to increase the statutory quota to ⅓rd the net profits from ¼th the net profits till the reserve fund reaches the level of the paid-up share capital.

**Loans to societies.**—This is the main business of Central Banks and is shown below:

| Year. | | Loans to Societies. Granted during the year. | Outstanding at the end of the year. |
|---|---|---|---|
| 1934-35 | .. Rs. | 87·10 lakhs | 302·92 lakhs |
| 1935-36 | .. „ | 109·97 „ | 303·44 „ |
| 1936-37 | .. „ | 105·88 „ | 280·62 „ |
| 1937-38 | .. „ | 142·25 „ | 304·56 „ |
| 1938-39 | .. „ | 201·08 „ | 350·45 „ |
| 1939-40 | .. „ | 202·70 „ | 353·00 „ |
| 1940-41 (roughly) | .. , | 325·00 „ | 426·00 „ |

The total loans granted by Central Banks since their inception amounts to Rs. 38 crores, the largest amount issued (prior to 1940-41) in a single year being Rs. 3 crores in 1926-27. The number of societies that are indebted to Central Banks is 9,242. If even half of them were good and efficient, we should be lending Rs. 5 crores a year. During the year 1940-41, 5 banks lent over Rs. 20 lakhs; 7 banks lent between Rs. 15 and Rs. 20 lakhs; 3 lent between Rs. 10 and Rs. 15 lakhs; 3 lent between Rs. 5 and Rs. 10 lakhs and 12 banks lent under Rs. 5 lakhs. Some banks that used to lend Rs. 7 or 8 lakhs a year are now lending a lakh or two. In the Circars Banks (the northern Telugu Districts) there has been a great increase of lending in recent years owing to grant of loans on produce. Out of Rs. 92 lakhs lent by the Provincial Bank in 1940-41 for produce loans, Rs. 80 lakhs went to the Circars Banks.

The maximum period for which loans may safely be granted by Central Banks has long been a matter of controversy. Some favoured loans up to 7 to 10 years. We started with the long term loans and the emphasis has been shifted to short term loans only in recent years. A mortgage banking organisation has also been brought into existence. However, in some parts of the Province, the demand for long term loans from Central Banks is persistent. The present policy is not to grant loans beyond two or three years. In fact, a statutory rule is proposed to be enacted that no co-operative bank, other than a land mortgage bank, shall grant loans for periods exceeding 3 years. A long-debated question will at last be settled by a rule. Much might be said on both sides of the question.

**Overdues and Bad Debts.**—This is our sore point. Out of 9,242 societies indebted to Central Banks, 5,597 societies have overdues amounting to Rs. 110 lakhs under principal, and Rs. 2·45 lakhs under interest. A statement showing the demand, collection, balance, and overdues in Central Banks for the year 1940-41 is appended.

According to the Registrar's Report for 1939-40, the total bad and doubtful debts, including loans due from societies under liquidation, amounted to Rs. 40·77 lakhs, as estimated at audit. The bad debt reserve of the Central Banks amounted to Rs. 19·59 lakhs, while their statutory reserve fund amounted to Rs. 34·67 lakhs. Both together more than cover the aggregate bad and doubtful debts. During that year, Rs. 1,23,109 was written off as irrecoverable. The bad debt fund is not separately invested nor it is periodically used to write off bad debts. The recent Committee on Co-operation made some recommendations regarding its investment and use.

**Cost of Management.**—The cost of management of the central banks; including supervisory staff, was Rs. 8·59 lakhs in 1939-40. The net profits of 28 banks was Rs. 2·86 lakhs and the loss of one was Rs. 3512. One bank neither earned a profit nor sustained a loss.



**DEMAND, COLLECTION, BALANCE, AND OVERDUES IN CENTRAL BANKS AS ON 30—6—1941.**

| Name of the Bank | Demand for the year 1940-41. (Inclusive of overdues on 30-6-1940). | Collection during the year 1940-41. | Balance outstanding at the end of the year (30-6-1941). | Overdues at the end of the year. (30-6-1941) |
|---|---|---|---|---|
| Aska* | 5,03,970 | 1,66,987 | 5,13,239 | 3,36,983 |
| Berhampore* | 3,84,935 | 3,27,836 | 4,63,815 | 68,094 |
| Chicacole | 3,95,980 | 1,69,884 | 3,30,845 | 2,26,096 |
| Vizianagram | 16,38,187 | 9,70,608 | 11,54,491 | 4,81,519 |
| Cocanada | 8,09,364 | 6,27,488 | 9,66,639 | 2,24,593 |
| Ramachandrapuram | 11,00,923 | 14,44,426 | 16,79,066 | 59,831 |
| Amalapuram | 10,64,983 | 10,03,488 | 13,89,755 | 2,42,927 |
| Rajahmundry | 1,73,369 | 2,02,258 | 2,69,808 | 28,119 |
| W. Godavari | 22,04,278 | 18,08,766 | 23,46,156 | 3,95,512 |
| Krishna | 26,67,934 | 21,73,983 | 33,14,939 | 4,93,951 |
| Bezwada | 16,77,137 | 14,42,410 | 17,79,323 | 3,84,262 |
| Guntur | 11,15,477 | 8,24,985 | 21,78,247 | 2,90,492 |
| Nellore | 7,31,519 | 2,96,168 | 8,01,121 | 4,35,351 |
| Cuddapah | 4,85,396 | 2,23,341 | 6,89,630 | 2,62,055 |
| Kurnool | 5,24,977 | 65,605 | 6,36,832 | 4,59,372 |
| Hospet | 7,37,525 | 1,71,941 | 6,09,348 | 5,13,811 |
| Anantapur | 8,79,002 | 1,33,314 | 11,24,831 | 7,45,687 |
| Chittoor | 4,52,207 | 1,31,649 | 5,91,144 | 3,20,558 |
| Vellore | 10,46,204 | 2,99,294 | 18,16,029 | 7,00,493 |
| Salem | 12,59,535 | 16,34,488 | 21,65,312 | 64,204 |
| Coimbatore | 17,72,520 | 14,56,020 | 24,60,339 | 3,16,500 |
| Malabar | —— | 4,83,328 | 11,02,810 | 5,36,083 |
| South Kanara | 20,99,617 | 20,19,111 | 12,57,110 | 80,506 |
| Madras | 6,68,608 | 7,32,530 | 6,79,516 | 38,091 |
| Conjeevaram | 15,94,815 | 3,82,375 | 16,42,221 | 11,92,202 |
| South Arcot | 11,81,534 | 2,63,287 | 11,02,589 | 9,14,710 |
| Kumbakonam | 7,71,452 | 4,70,144 | 9,72,962 | 2,98,702 |
| Tanjore | 8,87,936 | 4,13,633 | 8,22,899 | 4,74,303 |
| Trichinopoly | 8,61,141 | 6,31,551 | 18,25,594 | 2,29,590 |
| Madura | 15,11,836 | 11,13,727 | 18,81,454 | 5,33,726 |
| Srivilliputtur | 3,29,448 | 2,06,504 | 2,86,027 | 2,09,016 |
| Tinnevelly | 5,68,003 | 6,03,023 | 7,71,231 | 59,247 |

* The Aska and Berhampore Central Banks, though situate in the Orissa Province, continue to be affiliated to, and financed by, the Madras Provincial Co-operative Bank, Ltd.

**The Provincial Bank and Central Banks.**—The Provincial Bank is a reservoir of money for Central Banks. It is a sort of sponge for them. When Central Banks have surplus funds they deposit them in the Provincial Bank which receives deposits not only from Central Banks but also from others. When they are short of funds they borrow from it. In 1939-40, 24 Central Banks borrowed in the aggregate Rs. 99·81 lakhs; and in 1940-41, 23 Central Banks borrowed Rs. 119·67 lakhs from the Provincial Bank. It has also granted to Central Banks overdraft accommodation to the extent of Rs. 33 lakhs secured by Fixed Deposits, Government Promissory Notes, debentures of the Madras Central Land Mortgage Bank, and demand promissory notes of primary societies. The Central Banks owed to the Provincial Bank, on 30-6-1941, Rs. 99·56 lakhs under time loans, and Rs. 4·85 lakhs under overdraft. Some of the Central Banks have deposited their surplus funds amounting to Rs. 16·81 lakhs in fixed deposits and Rs. 19·42 lakhs in current accounts with the Provincial Bank. All the Central Banks have invested the bulk of their reserve funds in the Provincial Bank, the amount being Rs. 33 lakhs out of a total Reserve Fund of 36 lakhs; of this the Provincial Bank has invested Rs. 17 lakhs in the debentures of the Central Land Mortgage Bank and the balance is held in gilt edged securities.

All the Central Banks have current accounts with the Provincial Bank which acts as a Clearing House in respect of inter-Central Bank transactions. Direct interlending among Central Banks is not permitted. The proceeds of the collection of bills and cheques sent by one bank to another, and of drafts issued by the banks, are all adjusted through their current accounts at the Provincial Bank. For these purposes the Central Banks and the Provincial Bank are like Branches and Head Office respectively. The public are thereby enabled to get their out-of-town items collected, and also provided with facilities for remittance by issue of drafts. Some of the bigger Urban Banks have accounts with the Provincial Bank and also undertake similar work. About 100 towns in this Province are thus inter-connected for banking business transactions.

**Central Banks and the Imperial Bank of India.**—At one time—about 15 years ago—the Imperial Bank was very helpful to Co-operative Banks. It used to grant overdrafts on the security of co-operative paper (pronotes of unlimited liability societies). Now the accommodation can be had only on the security of Government paper. Almost all the banks have such drawing accounts with the Imperial Bank—the total limit at present is about Rs. 30 lakhs. Unless Central Banks are able to accumulate deposits at cheaper rates of interest viz., 2 or 2½ per cent



they cannot invest in Government Paper and the problem of liquidity will remain unsolved. No bank can afford to borrow at 3 or 3½ per cent and invest in Government Promissory Notes earning 3 per cent gross and about 2¾ per cent net. In this country, Liquidity and Government paper are almost synonymous.

**Central Banks and the Reserve Bank of India.**—The Reserve Bank of India affords credit facilities only to the Provincial Co-operative Banks—the Central Banks cannot have direct access to Reserve Bank except in Provinces where there is no Provincial Co-operative Bank. The Reserve Bank is endeavouring to lay down certain standards of credit-worthiness, if Central Banks' paper is to be eligible for discount. On the side of the Reserve Bank, the proposals have taken concrete shape, and the co-operative banks are considering how best to give effect to the suggestions. We have not got a clean slate and old traditions and ideas die hard. As regards the Provincial Bank, every one of the conditions prescribed is satisfied; but its eligibility for credit facilities is coupled with the creditworthiness of Central Banks.

**The Madras Co-operative Central Land Mortgage Bank.**—In any description of the Central Banks of this Province, a brief account of the Madras Co-operative Central Land Mortgage Bank has to be included, as that Bank is really a "Central Bank" by function, though it operates in the whole Province. The Bank was started in December 1929 and its object is the grant of long-term loans to agriculturists. Funds are obtained by debentures which are guaranteed by the Local Government in respect of both principal and interest. Up to 30-6-1941, debentures for Rs. 2·43 crores have been raised and loans granted to primary land mortgage banks, which number 119. They are all members of the M.C.C.L.M.B. The present rate of interest on debentures is 3 to 3½ per cent and the lending rate is 5½ per cent.*

**Supervision.**—During the last decade, there has been a great deterioration in the efficiency of co-operative societies. A discussion of the causes for the same lies outside the scope of this article. One chief cause is, however, the breakdown in the supervision machinery. The supervising union was expected to maintain the societies in proper working order and efficiency. There were about 450 such unions in this Province about ten years ago. To-day, owing to liquidation and amalgamations, the number has been reduced to 252. For a long

*See Rao Bahadur C. Gopala Menon's article in the April-June issue of the *Indian Co-operative Review* (1941), for a full account.

time the view that finance and supervision should be separate held the field in this Province, and Central Banks had no direct part in supervision beyond making money grants towards the Supervision Fund. In order to improve the efficiency of unions, several measures were tried and one was the formation of a federation of unions in each district. After trial for about a decade, co-operators and Government came round to the conclusion that Central Banks, under the present circumstances, were the most suitable agency to supervise the working of societies with the aid of unions. The federations have been liquidated. All Central Banks have now established "Administrative Sections" in order to discharge their responsibilities.

**Rectification and Consolidation.**—For the last 10 years this work is being carried on. It was started in 1930-31 by the Provincial Bank granting a subsidy for the special staff employed by the Central Banks, and the work was expected to be completed in 3 years. Inclusive of that subsidy which amounts to Rs. 1,97,507 on date, about Rs. 10 lakhs must have been spent by now on the staff by the Central Banks. The work is yet to be done in about 3000 societies. According to the Registrar's report for 1939-40, the position was as follows:—

| | |
|---|---|
| i. No. of societies in which the examination was conducted | 5,871 |
| | (Rupees in lakhs). |
| ii. Total amount of loans involved including interest | .. 192·76 |
| iii. Of the above sum, the amount which stands on adequate security | .. 153·48 |
| iv. Total amount which stands on inadequate security | .. 39·28 |
| v. Of the amount in column (iv) | |
| (a) the amount for which additional securities were taken during the year | .. 2·28 |
| (b) the amount collected during the year | .. 2·30 |
| vi. Balance ill secured | .. 37·70 |
| vii. Estimated Bad Debts in these societies | .. 22·61 |
| viii. Of this, the amount that will affect Central Banks | .. 6·53 |
| ix. Bad Debt Reserves of Central Banks | .. 19·59 |
| x. Amount of loans collected during rectification work | .. 21·77 |

Much remains to be done. The Registrar writes, "The progress of rectification has revealed hopeless insolvency in more societies than can be wound up at one time. Our policy remains to liquidate only so many each year as our limited staff can handle". At the moment, things are not encouraging.



At one time, we believed that it is impossible for a Central Bank to fail. Events in Burma, Bengal, Bihar, and Berar have shaken us out of that faith. In our own Province, the Christian Central Bank has failed. Though the circumstances of that Bank are special, they are pointers to other banks. No bank can get on with a load of unpaid debts, however liquid its resources may be, however big its reserves, however well audited, and however ably officered or administered. Loans must be repaid *promptly* as well as ultimately. The Registrar writes, "Several banks, though far from insolvent, cannot bring in their money....The most embarrassed banks are those which have their assets frozen in irrecoverable long-term loans........One or two Central Banks must collapse unless they adopt, rather late in the day, measures they have resisted or ignored." The mere contemplation of liquidation makes one shudder. "We must gird up our loins and clean out our banks" as an American Banker put it.

**General.**—I have attempted to give readers an outline of the picture of the working of the Central Banks in Madras. The youngest bank is 20 years old, and the oldest is 30. They have got through several ordeals: struggles of infancy; the stress of the last great War; a large expansion of borrowing societies; an easy and quick increase in resources through the influx of Local Board deposits; the rise and fall of prices of land and farm products; the withdrawals of Local Board money (the maximum deposited was Rs. 1·70 crores in 1928-29 and at present it is about Rs. 31·25 lakhs); the withdrawal of the facilities once given by the Imperial Bank; the decline in the efficiency of the primary societies and the supervising machinery. The main problems of Central Banks at present are the diminishing number of good societies and the difficulties of supervision. The demand for long-term loans in certain parts of the Province is also a major problem. Co-operative Banks are compelled by expert advice and force of circumstances to restrict themselves to the grant of loans for 2 or 3 years. As banking concerns, one of their drawbacks is the mass of unliquid paper that they hold, though there may be no doubt about the ultimate safety of the bulk of it. The Provincial Bank, to some extent, gives liquidity to such paper; but that Bank itself will be helpless unless the Central Banking authority recognises such paper as "eligible" for rediscount. It must now be the endeavour of co-operative banks to conform to the banking standards prescribed and attain a high level of efficiency. The Reserve Bank of India is the country's "Money Reservoir". The co-operative banks must link themselves to it, if they wish to have funds cheaply and plentifully.

The Madras Presidency has a federal Co-operative Banking Organization. The primary societies constitute the Central Banks and the Central Banks constitute the Provincial Bank. We have separate sets of organizations for short and long-term loans. The Madras Co-operative Central Land Mortgage Bank is at the head of the long-term loan organization and is constituted by the primary land mortgage banks. Both the organizations, though standing apart, are building up cordial business relations. We are also gradually building up Trading Federations—for Sale Societies and Consumers' Societies. In the fulness of time, the Movement is bound to enhance the prosperity of the people of the Province. In the meanwhile, we must gather strength for the task ahead.

# CO-OPERATIVE CANE SOCIETIES IN UNITED PROVINCES

BY

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The phenomenal rise of the sugar industry is one of the chief features of the industrial progress of the country during the last decade. From an insignificant position it has jumped to the second place among the industries of India. Owing to various causes the industry has been concentrated in the United Provinces and Bihar. In the United Provinces the number of factories working in 1932-33 was 33; it rose to 59 in the following year and gradually increased to 71 in 1938-39. In Bihar the number rose from 19 in 1932-33 to 33 in 1938-39. It would thus appear that between themselves these two Provinces have more than 100 factories out of a total of 143 reported to be working in 1938-39. As regards production of sugar the United Provinces manufactured in the season 1937-38, 531,300 tons of sugar (57 per cent) and Bihar 225,300 tons (24 per cent) out of a total of 930,700 tons for the whole of India.

The rapid expansion of the sugar industry has given rise to numerous problems—licensing of factories, zoning or reservation of areas, regulation of cane supplies, development of cane, supervision of weighments and payments for cane-purchases, fixation of cane prices, improvement of transport, adjustment of relations between factory owners and labour, etc. The Government have been endeavouring to cope with these problems and have succeeded in solving or nearly solving most of them while a few are still awaiting solution. In the United Provinces, co-operative societies have played an important part in assisting the solution of some of the chief problems notably the regulation of cane supplies and development of cane. It is proposed to describe in the following paragraphs the organisation, constitution, functions, scope and achievements of these societies in the United Provinces.

**History of Co-operative Organisation.**—During the first years of the development of sugar industry following the grant of protection in 1932 there was considerable inefficiency and confusion visible, chiefly in the matter of cane supplies. Factories sprang up without any method, sometimes two at the same station. They made no intelligent arrangements for cane-supply. The cultivators brought cane in bullock carts to the factory without any system, with the result that thousands of carts accumulated where only hundreds could be consumed in a day. The inevitable consequence of this disorder was that cultivators had to wait for several days before their turn for weighment came. The cane dried in the meantime, causing loss in weight to the cultivator and loss in sucrose value to the factory. The great congestion of carts led to numerous other abuses, whereby middlemen made a rich harvest at the expense of the helpless grower. Some factories openly employed middlemen as cane-suppliers, who did practically no useful service beyond fattening themselves. This confusion was worse confounded by the absence of any reservation of areas for particular factories. The cultivators at the gate of one factory would take their cane to another factory in the hope of early disposal, only to be disillusioned on reaching the other factory. Some factories employed agents for purchasing cane at outstations and transporting it by rail to the factory. These agents became synonymous for swindlers. They took advantage of the helplessness of the cultivators and cheated the growers by all possible means—under-weighment, under-payment, etc. To crown all, there was no fixed minimum price of cane and some factories took a very mean advantage of this want of Government control. One factory paid the growers only Rs. 0-3-6 per maund for cane for a considerable period and itself made a huge profit; another refused to pay more than Rs. 0-5-0 a maund (in spite of official pressure) and ended the season by a profit of six lakhs of rupees. This early chaos led to considerable agitation. The Government of India passed the Sugar cane Act, 1934, enabling Provincial Governments to frame Rules to control prices of cane as also other matters relating to weighment and purchases of cane. The United Provinces Government introduced its first Rules in 1934, which were subsequently revised in 1936. Under these Rules a system of fixation of minimum prices was evolved and gazetted officers known as Cane Inspectors were appointed to administer the Rules intended to remove the abuses that had unfortunately crept in. But no steps were taken to zone out areas for factories and the confusion and congestion in cane-supplies remained till the enactment of the Sugar Factories Control Act, 1938. There were, of course, a few old and efficient factories which successfully regulated their supplies, but their number was very small. It may be added that during these early years no steps were taken to improve the quality of cane. The provincial recovery at that period was about 8·5 per cent only (i.e., 100 mds. of cane produced only 8·5 mds. of sugar).*

*The recovery of sugar per cent cane is about 11·8 in Java and Hawaii, 11·2 in Phillipines; 12·5 in Cuba, and 13·0 in Formosa. In India it has now risen to about 9·7.



One would have thought that co-operators would step in to solve the problems indicated above. But the co-operative department of the United Provinces was then very small with limited resources of staff and funds, factors which circumscribed its capacity to take up new organisation on a vast scale. Still co-operative effort on a small scale was made at various places in the Province. Co-operative primary societies and unions for supply of cane were formed at Ghughli (Gorakhpur district), Deoria (Gorakhpur District), Dehradun, Muzaffarnagar, Sitapur, and Meerut. They certainly did useful and pioneer work. But they worked under several handicaps. There was no law to assist them. The factories had the option to enter into a contract with them or not; they could, if they like, ignore the organisation and deal with the members direct. At many places officers had to canvass customers for these societies. There was no fixed rate of commission either and at most places the societies found the factories refusing them a square deal. Their resources were, in the nature of things, poor and so they could not embark on any elaborate programme of cane development. Their area of operations was usually very vast and in some cases, far from compact. These factors reduced their capacity for effective work. In spite of these drawbacks, these earlier supply societies were extremely useful in creating a nucleus for future co-operative organisation of a more thorough nature. The services rendered by these societies to the growers were two-fold. They provided advance of money to the cultivators and they made arrangements for the regulation of supply of cane (though no satisfactory regulation of cane-supply was possible till the introduction of zoning by Government).

The first organised attempt to tackle the ills of sugar industry was made by the Government in 1935 when they got a small grant of about a lakh of rupees from the Central Sugar Excise Fund "for the improvement of cane cultivation with a view to its co-operative marketing." A co-operative-cum-agricultural scheme for the organisation of supply and development of cane on a contributory basis was offered to the factories. Government undertook to develop the cane in the gate areas of such factories as were willing to pay an annual contribution of Rs. 3,000 to Government and to purchase cane through a co-operative society organised in the area paying a commission on supplies at the rate of 3 pies per maund. Each unit was to consist of one Assistant Cane Development Officer, three Supervisors and nine *Kamdars* who were expected to improve and develop an area of about 2,000-2,400 acres of cane in four years. The annual cost of a unit was estimated at Rs. 9,000, as follows:

| | Rs. |
|---|---|
| One Assistant Cane Development Officer on Rs. 80-5-150; peon on Rs. 10 and T.A. Rs. 20 p.m. .. | 1,320 |
| Three fieldmen supervisors on Rs. 30-1-40; Porter on Rs. 7 and T. A. at Rs. 8 p.m. each. .. | 1,620 |
| Nine *Kamdars* on Rs. 15 each .. | 1,620 |
| Seed and manure subsidies .. | 4,000 |
| Miscellaneous .. | 300 |

Of this Government was to put in Rs. 6,000 and the factory Rs. 3,000. 22 factories joined the scheme at the very start. By the end of 1937-38 as many as 30 units were under operation.

The primary intention of this scheme was "the introduction into every day practice of this area of those essentials of higher and better quality production which research and testing has definitely established as necessary, if a larger yield and a more economic yield is to accrue to the grower and if he is to provide to the factory a produce in which the sucrose is better and in which the cane and sucrose needs of the factory are met and maintained over as long a season as climatic conditions permit." This was to be achieved through an elaborate programme of agricultural development, the chief points of which were as follows:

(1) The introduction of high yielding and effective sucrose containing canes of early, mid-season and late ripenings; establishment of seed farms and farmers on a subsidised basis.

(2) Improvement in the existing standards of manuring (a) as by green manure and compost extension (b) by supplies on credit of departmental fertilizer mixtures.

(3) Propaganda for correct cultivation of cane by right spacing and more effective inter-cultural methods.

(4) In case of irrigated areas, the adjustment of the provision of water in collaboration with the canal authorities.

(5) Organisation of co-operative measures to reduce the incidence of insect pests.

The whole scheme was to be carried out with the active assistance of the growers themselves, who were to be organised into a co-operative society. This society was also to take up the marketing of the cane of its members.

This brilliant scheme was conceived jointly by Mr. R. G. Allan, I.A.S., the then Director of Agriculture and Mr. Vishnu Sahay, I.C.S.,



the then Registrar of Co-operative Societies. It has remained the basis of Government activities ever since. For sometime the scheme was administered jointly by Messrs Allan and Sahay, but since the departure of Mr. Allan in 1936 Mr. Sahay alone has been in charge. His execution of the scheme has been as brilliant as its conception.

From the very start the scheme was a grand success. The quality and yield of the cane produced by improved methods surprised both the cultivators and the factories. The regulation of cane supplies by the co-operative societies also was extremely satisfactory and a great contrast to the prevailing confusion. But the factories in general did not seem to like the control over their supplies and payment of a commission for it. Many petty disputes about definition of 'developed cane,' payment of commission for non-developed cane, enrolment of members etc., arose. The agreement between the Government and the factories under the Allan-Sahay scheme was interpreted by the factories to mean that they were under an obligation to accept only the 'developed' cane of the members of the co-operative society. These disputes were patched up by official intervention. But it was clear that the law as it then stood left the co-operative societies practically at the mercy of the factories. Besides, the benefit of co-operative organisation could be given only to a limited area, as most factories did not join the scheme. Apparently it was fear of organisation of growers and perhaps of Government "interference" which scared most factories, for upto the end of 1937 not even half the factories of the United Province entered the scheme. Thus the voluntary nature of the Allan-Sahay scheme proved a handicap to its rapid development.

With the advent of the Congress Government in July 1937, the problem of the sugar industry and specially those affecting the cane growers received immediate attention. Within a year the Sugar Factory Control Act, 1938 was passed and action on some points had been taken even before the enactment of this legislation. The following are the chief measures taken:—

(1) The construction of new factories as well as extension of existing ones were made subject to the grant of a license by the Provincial Government (Section 9, S. F. Control Act, 1938).

(2) The factories were to obtain an annual license for crushing cane (Section 10). Government also assumed power to impose conditions to these license in respect of membership of Syndicate, prices of sugar, grading etc. of sugar, minimum quantity of cane to be crushed, terms of employment of labour etc. (Section 11).

(3) Specific areas were to be reserved for each factory in order to make development of cane and organisation of cane-supply within the area possible.

(4) The system of fixation of minimum prices was revised.

(5) For the first time co-operative societies for cane supply were given special consideration. The factories are now bound to accept and from a co-operative society within a reserved area and to pay it a commission fixed by rules. No question of 'developed' or 'undeveloped' cane can thus arise. They are also prohibited from dealing directly with members of co-operative societies. In fact the very form of agreement to be entered into among the societies and the factories has been prescribed by rules. All disputes are to be settled by arbitration.

(6) A cess on the sale of sugarcane has been imposed. Its present rate is six pies per maund. It has given the Provincial Government Rs. 30–40 lakhs annually, which is being utilised for the development of cane, transport facilities in cane areas, and other similar development objects.

(7) The Allan-Sahay scheme was ordered to be speeded up. A separate department with the Cane Commissioner (Mr. Sahay, I.C.S.) as the head was established to administer the scheme and to look after others matters arising out of the new legislation, particularly reservation of areas for sugar factories. Enough funds were provided to this department.

The administrative and legislative measures of the Government gave the much needed stimulus to co-operative organisation. Co-operative societies were now established freely in the areas of many factories, regardless of the fact whether the factory was prepared to offer its co-operation and contribution or not. The number of development units, which was only 30 at the end of 1937, was increased first by 56 and then by 50, bringing the total to 136. The co-operative organisation formed in these units freely enrolled members and chose their own area, without the previous limitations. Some factories welcomed the organisation and voluntarily offered the control of the whole of their reserved area to the co-operative society; others resented the new control and even gave it open fight. But entrenched in the new provisions of law, with an enthusiastic field staff greatly increased in number, and with its achievements as its chief arm of propaganda, the co-operative organisation went from strength to strength till to-day it embraces nearly 80 per cent of the cane supplies in the United Provinces. The following figures will speak for the phenomenal statistical progress:—



| | 1936-37 | 1937-38 | 1938-39 | 1939-40 |
|---|---|---|---|---|
| 1. Number of zones | 22 | 86 | 114 | 136 |
| 2. Developed area (in acres) | 26,500 | 74,600 | 1,90,000 | 4,74,000 |
| 3. Number of villages under development | 1,000 | 2,000 | 9,594 | 13,800 |
| 4. No. of Co-op. Cane Supply Unions | 23 | 28 | 42 | 81 |
| 5. No. of factories to which cane is supplied | 23 | 30 | 49 | 61 |
| 6. No. of members of Co-op. Societies | 25,000 | 63,000 | 3,71,000 | 4,61,000 |
| 7. Quantity of cane supplied through Co-op. Societies in lakh maunds. | 127 lakhs | 134 lakhs | 476 lakhs | 1277 lakhs |
| 8. Cane-seed distributed in lakh maunds | 6 lakhs | 19 lakhs | 35 lakhs | 32 lakhs |
| 9. Fertilizers distributed in maunds. | 48,000 | 61,000 | 154,000 | 203,000 |

During this period Government expenditure on the scheme has risen from about Rs. 1½ lakhs to Rs. 10 lakhs annually. (The whole annual budget of the United Provinces Co-operative Department is Rs. 7 lakhs only).

**Constitution and Working of Cane Societies.**—Having surveyed the history and development of the organisation of cane societies, let us now examine the constitution and working of these societies. Roughly speaking there are two classes of cane societies (1) those originally organised by the co-operative department for big areas (usually whole districts or sub-divisions) and (2) those organised by the cane department as a part of the cane development scheme. In theory both have similar objects and constitution. In practice, however, the former have confined themselves mainly to cane-supply while the latter have tackled both agricultural development and supply. The former deal with extensive areas of operation while the latter operate in small compact areas, usually coterminuous with the area reserved for a particular factory or serving a particular station. In the Eastern Range the former type of society has been merged into the more thorough cane development type, and similar tendencies are apparent in other parts of the Province.

In the matter of organisation the practice is to organise one union for a group of villages in the area of a particular factory or station so that all members of the same union have the same outlet for their cane. A union may embrace from 50-400 villages. Only a few of these villages have registered primary societies; in the rest members join the union directly. In other words the unions are, more or less, big primary societies. The older societies having extensive areas of operation have in fact not been registered as unions at all. This system of centralised work was adopted for quick expansion and has worked marvellously well in practice. But nobody pretends that it makes for co-operative life in the villages. That defect has been sought to be remedied by establishing a sort of branch panchayat in each village and efforts are being made to organise gradually primary societies in as many villages as possible. At the end of 1939-40 there were 839 such primaries, of which the district of Gorakhpur alone had 332.

The original aims and objects of these societies were to develop cane, to arrange for its ordered supply, and to finance members for these objects. But latterly they have included in their objects all agricultural improvement and rural reconstruction work. In fact they have now become development unions and most of them have been registered as such. The general body is constituted of delegates from villages (one per village or per 50 members) since a general meeting of all the members would be impracticable. The Board of Directors is constituted of elected directors and a few nominated directors. The Chairman is usually the District Officer or Sub-Divisional Officer and the Secretary is usually the Assistant Cane Development Officer (a Government servant). The directors are often not well educated, but they have been taking an increasing interest in the administration of their organisation and in some places take a very realistic part in the formulation of policy and the disposal of routine work. The bulk of the staff of these societies is Government paid working under the administrative control of the Cane Development Officer.

For purposes of administration, the Province has been divided into three Ranges—Central, Western and Eastern, each in charge of a Cane Development Officer. Two of the Cane Development Officers are Deputy Collectors and one is an officer of the co-operative department. They are assisted by deputies, being officers of the co-operative or agricultural department. At present there are 11 such deputies, 5 from the agricultural and 6 from the co-operative department. Under them is the whole staff of the cane development scheme, consisting of 137 Assistant Cane Development Officers (mainly agricultural graduates), 300 supervisors (mainly diploma-holders of agricultural schools), 1,084 *kamdars* and 38 auditors. The Cane Development Officers also supervise the disposal of Government subsidies for the distribution of seed and manure through the societies. As the Assistant Cane Development Officers are mostly *ex-officio* Secretaries of the Unions the Cane Development Officer may also be said to be the Chief Executive Officer of the Unions. Thus the Cane Development Officer combines many important functions—agricultural adviser to the Cane Commissioner, administrator of the cane development scheme involving control over huge staff and funds, Chief Executive Officer of societies, and at times also the officer in charge of reservation of areas. For cane matters the C.D.O.s are the Assistant Registrars, being also in charge of audit. One C.D.O. and two Deputy C.D.O.s have been made Assistant Registrars for the administration of societies other than cane also. This concentration of power in one officer has been the subject of criticism but let it be recorded that it has been one of the chief factors responsible for the remarkable success of co-operative cane societies. One factor, however, which, more than any other, accounts for the brilliant achievements of co-operation in this field is the scintillating personality of the official head, Mr. Vishnu Sahay, I.C.S. He has been the spirit behind all the good and hard work done during the last 8 years or so. As Registrar of Co-operative Societies from 1934-39 and as Cane Commissioner from 1937 onwards he has been in charge of the organisation of cane societies and of the administration of the cane development scheme. He still continues to be in charge of the cane department although he occupies the substantive post of Director of Agriculture. The tact, skill, industry and patience with which he has tackled the many knotty problems of the sugar industry in general, and of the co-operative societies in particular, and the drive and initiative which he has brought to bear in handling new schemes, have won for him universal admiration.

Besides this Government staff, the societies engage a large seasonal staff for doing the many jobs connected with the organisation of cane-supply. At a conservative estimate 5,000 men thus get seasonal employment, of which over 1,000 are entrance passed. Surely an effective attack on the problem of unemployment!

A word about the manner in which these societies perform their main functions may be added. The cane area of members is surveyed by the *patwaries* and checked by the *kamdars.* With the help of this record, a roster for the supply of cane is prepared well ahead of the crushing season. The seed-programme is also prepared with the assistance of this chart with an eye on particular varieties. During the crushing season, cane is supplied by members on requisition slips which are delivered to them in their villages by cyclists. The distribution is made equitably to all growers, with weightage in favour of the very small grower. The weighment of cane and payment are made in the *presence* of employees of the societies who prepare records of these weighments and payments. This ensures accuracy in weighment and payment—fundamental advantage of co-operative organisation. The members realise that as parts of an organisation they have a status and a right to make their voice heard. During the survey season the members are supplied with fertilizers and seed on credit. Central arrangements for the purchase and distribution of fertilizers are made by the cane department. As for seed qualified staff of the department purchases disease-free seed of high quality from Government or private farms or from approved cultivators. A premium has to be paid for good seed and there is some cost in transport too. This extra expenditure is mostly met from Government funds by the cane department so that the ultimate cost to the cultivators of even this superior seed may not be more than the prevalent rate. Besides this financing for seed and fertilizer, advances are also given according to availability of funds for cultivation and other productive objects. The collection of these loans is made by deduction from the price of cane in the ensuing season, a system which has proved most effective. The rate of interest on loans to cultivators varies from 6-9 per cent, the union keeping a small margin for itself. The union arranges for funds from the co-operative banks or the factories or from Government (Taqavi). Since the unions have considerable income from commission on cane-supply, they show large profits which are utilised for rural development objects. For instance, adult education, scout-training, building of panchayatghars, improvement of wells and communications, digging of manure pits and soakage pits and other similar matters have been taken on hand. Special attention is given to canvassing group sanction for better agricultural practices by holding meetings, exhibitions, lantern-shows, demonstrations in members' fields and the like. These unions have lately been entrusted with the general agricultural improvement of their area and all the seed stores falling in these localities have been transferred to the cane department for administration. Large quantities of sanai seed (for green manuring), rabi seed, and improved implements have been distributed to the cultivators. The unions, it will thus appear, are extending their scope in the direction of the multipurpose union.



**Achievements and Shortcomings.**—The achievements of cane societies and their executive, the cane department, have been many. In the field of cane development they have done intrinsic work in introducing seed of developed varieties and getting cane sown according to improved methods. The developed area at the end of 1939-40 was nearly 5 lakh acres. The yield per acre of sugar cane has definitely increased. Although no scientific data about yield have been maintained there is enough material to show that the average increase in the yield of sugar cane has been over 33 per cent. The societies have also done extremely useful work in combating diseases and pests of cane. In 1936-37 the western districts had to face a serious attack of Pyrilla. This pest very adversely affected the recoveries of sugar. A special staff was appointed to deal with this problem and so effective was their field work that the pest has not re-appeared in a virulent form ever since. In 1938–39 the red-rot disease appeared in an epidemic form in the eastern districts causing a 40 percent loss in the yield of sugar cane. Had it not been for the very useful nucleus of good seed that had been created by the cane development scheme, a major disaster would have faced the sugar industry in those parts. The magnitude of the work done by the cane societies may be gauged by the fact that in 1939-40 they distributed about 32 lakh maunds of seed and 2 lakh maunds of fertilizer to their members. In the field of co-operative marketing too their work has been remarkable. They now control nearly 80 per cent of the cane supplies to sugar factories in these Provinces. In 1939-40 they supplied over 12½ crore maunds out of the total of about 16 crore maunds crushed by the factories. They have played a very important part in the regulation of supplies and in ensuring correct weighment and payment for cane. They have been instrumental in providing a very cheap supply of credit without the risks to which credit alone, without a link with marketing, is so susceptible. In 1939-40 the societies distributed over Rs. 36 lakhs to the members in the shape of seed, manure and cash advances for productive objects. Besides this a sum of nearly Rs. 2¼ lakhs was distributed as taqavi for seed and fertilizers through these societies. A very gratifying feature is the high percentage of repayments which are done through deduction from the price of cane. Within a very short period the societies have been able to earn decent profits and at the end of 1939-40 they had an owned capital of nearly Rs. 8 lakhs which represents about 20 per cent of their working capital. Figures such as these are bound to delight any co-operator. Besides these achievements these societies have carried out considerable rural reconstruction work by way of construction of new wells, opening of adult schools, distribution of medicine chests, training of scouts, improvements in village communications, and the like. They distributed over 57,000 improved implements and 250 stud-bulls during the year 1939-40. They also distributed a large quantity of rabi seed including 11,000 maunds of sanai seed for green manuring, and an area of 25,000 acres was green manured during the same period. The eastern range at Gorakhpur alone had, at the end of 1939-40, 653 village medicine chests, which treated over 72,000 patients during the year; 144 adult schools which made over 5,000 adults literate; over 300 scouts fully trained; and during the same period nearly 500 wells were constructed in this range alone. Perhaps the greatest achievement of these societies, however, is the organisation of growers. This organisation is being very effectively used for obtaining group sanction for development activities and is also a potent vehicle for the ventilation of cultivators' grievances. I expect that before long the cane co-operatives of the United Provinces will become a most powerful body representing the true interests of the cultivators.

Cane societies are yet young. They are bound to have their failings and it may be useful briefly to examine them here. Their chief critics are the factories who never took kindly to this institution. Their charge-sheet against the societies was presented before the Khetan Committee which was appointed in 1939 to enquire into the working of the Sugar-cane Rules and labour conditions in sugar factories.* They accuse the societies of extravagance, neglect of cane-development, corruption and exploitation in the regulation of cane-supply, lack of scientific supply in the interest of factories, lack of co-operation with factory, incitement of growers against the factory, and authoritarianism among the staff. The vehemence with which the factories sometimes cry against the cane societies reminds me of the prisoner at the court-martial who loudly complained. Asked as to what particular item he was protesting against he replied, "I object to the 'ole dam'd thing". The factories (with honourable exceptions) object to this whole business of co-operation whereby you set up combinations of growers which may ultimately prove very inconvenient to them. Then they do not like the payment of commission fixed by rules. They have lost much power and patronage and their staff, in their own interests, dislike any further expansion of co-operative societies. It is these factors which create dissatisfaction among the factories, although it finds vent in various forms.

* Vide Report of the Committee published by U. P. Government in 1940. Only Vol. I representing the factory owners' viewpoint has been published so far.



I, however, do not mean that cane societies are perfect. Organised with terrific speed they are bound to have their shortcomings. In the first place, the lower staff of the cane department and of cane societies were recruited under great pressure, when there were more jobs for agricultural graduates than the number of such graduates available. The result is that the Assistant Cane Development Officers in many cases are not of the requisite standard. The fieldmen—supervisors—too were similarly recruited out of inadequate material. These defects have been sought to be removed by short periods of training, which are not, in my opinion, sufficient. A more thorough course of training for the staff and a weeding out of the incompetents alone will meet the needs of the department. In the field of cane development there is still much to be done in the way of co-ordination of research and field-work. Then the organisation has to be decentralised by establishment of full fledged primary societies of the multi-purpose type. So far the movement is mainly State organised; it has come from above. It has, therefore, the defects inherent in such organisation. The cane societies also badly need a well-knit provincial organisation. I have in mind District Co-operative Boards affiliated to a Central Provincial Board. Such an institution is I think overdue. I also consider that these cane societies, which have now avowedly become development societies, should be the sole vehicles for all rural development activities in their areas. In spite of spasmodic departmental efforts there is enormous overlapping among the development departments. The societies also need protection against the factories in one respect. The factories have technically the right to deal with non-members in their reserved area, even if their number is very small. They have at times taken advantage of this loophole by initiating a campaign of resignations by members through the agency of quislings with the sole object of breaking the solidarity of societies. What is needed is a provision in law that if the majority of cultivators in a particular area join a co-operative marketing organisation others must perforce market their produce through that organisation.* This may offend the democratic service of cane co-operators, but experience has proved that cultivators in India will often have to be protected against themselves.

To sum up, the cane co-operatives in the United Provinces represent the high water-mark of State initiative in co-operation. The bold-

*Provisions to this effect were incorporated in the U. P. Agricultural Marketing Bill which was on the legislative anvil when the Congress Government resigned.

ness, the thoroughness, and the success of this effort may well be emulated by other Provinces. It is a happy augury that these societies now feel called upon to enlarge the scope of their activities and are gradually taking up the multipurpose work required for the regeneration of village life. Their promise and our expectations are very high. Let us hope that they will play an effective part in the rural reconstruction of the United Provinces.

## MILK SUPPLY UNIONS IN UNITED PROVINCES

BY

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Milk is almost a universal article of human consumption; but in India it holds the first place in the dietary of the people and is used universally in some form or other. Nevertheless the supply of pure milk of good quality in this country is in a most deplorable condition. Not only is the milk poor in its nutrient value owing to the deterioration in the breed of the milch cattle on account of the lack of scientific breeding, defective feeding and careless tending, but it is also a source of great danger to the public health, particularly to the infant mortality, on account of the insanitary and unsatisfactory conditions under which it is produced and of the adulteration that takes place. The question of improving the milk-supply has, therefore, excited a good deal of public attention during the last three or four decades, but no satisfactory scheme has been evolved for the production and distribution of milk by modern equipment and sanitary method without placing it out of reach of the masses on account of rise in price.

**Production in cities.**—The question chiefly relates to cities in view of the special difficulties that present themselves in the provision of adequate supplies of good milk in thickly populated areas. Generally 75 per cent of the milk consumed in a city is produced within 5 miles thereof and 10 per cent comes from areas more than five miles of the municipal limits. A large cattle population is therefore housed within the municipality. These animals are stall-fed, get little or no grazing and outing and consequently there is a considerable depreciation of stock and decline in the yield of milk. It is, therefore, a general practice in the city to purchase cattle when in full milk and to dispose them of as soon as the milk yield becomes uneconomic, which adversely affects the milk production. Further, the production of milk in a city is very expensive on account of the high rents and excessive cost of feeding stuffs which have to be transported into cities from rural areas. The city producers or *gwalas*, as they are called, are reduced to the necessity of compensating themselves for the higher cost of production by adulteration, which tells greatly on the health of the public. In view of all this the production of milk in the city is undesirable not only on grounds hygienic but also economic. It is, therefore, only proper to look for the development of the milk supply outside the cities.

**Suitability of rural areas for production.**—Obviously it is very desirable to give every encouragement to the production of milk in rural areas. It would be best if the milk-industry is made a part of the 'mixed farming', under which a villager will take up the production of milk as a side line in addition to his normal cultivation of food crops etc., and derive the maximum benefit possible from this new venture. He will utilise male-calves for purposes of draught for the plough or the cart. Cattle-dung will be used as manure to increase the fertility of the soil and consequently the output of production per acre, which will yield more profits. The cultivation of leguminous fodder crops—such as berseem—which is an ideal food for milk production, will further enhance the fertility of the soil. The *bhusa* of wheat, barley, pulses and other crops will be utilised in feeding cattle without any expenditure. The milch animals will thus require little expenditure for their upkeep and the mixed farming will not only cheapen the milk production but also prove to be a source of great profit to him. No doubt the difficulty of securing quick transport of milk from the rural to the urban areas for purposes of sale will present itself, but it can be solved satisfactorily by joint effort.

**Joint action on co-operative lines.**—It is not possible in the present backward state of the country and the prevailing ignorance and apathy amongst the peasant to do anything by individual effort for the production of milk on a large and cheap scale in rural areas. There must be joint action for the purchase of fodder and other commodities at wholesale rates, for collection and transport of milk to urban areas, for the treatment of milk by scientific methods with a view to the preservation of its keeping quality and to make it harmless for human consumption, for the purchase of good cattle and the supply of pedigree bulls for the improvement of the breed, for securing of pasture lands on lease etc. Joint action is, therefore, necessary for mutual help, co-ordination of efforts and for individual benefit. The best result can be achieved by working on co-operative lines which will secure all facilities available under the Co-operative Societies Act, such as the benefit of the annual audit of accounts, remission of the stamp duty and the registration fee, settlement of disputes by the simple and cheap process of arbitration, unselfish help from the staff of the Co-operative Department.

**Lucknow Co-operative Milk Union.**—In view of the above a scheme which aimed at the organisation of rural milk supply on a co-operative



basis has been evolved in the United Provinces. In the first instance it was tried with a capital of Rs. 100 only for about 16 months and the satisfactory result of the experiment led to the registration of the Lucknow Co-operative Milk Supply Union Ltd. on March 23, 1938. Under this scheme the villages capable of being developed to supply at least two maunds of milk a day have been selected in the Lucknow district and co-operative milk societies established there. These have been affiliated to the Lucknow Co-operative Milk Supply Union whose main function is to collect milk from village societies, to transport it to Lucknow, to pasteurize it before issue to the public, to distribute it by door to door delivery to customers, to make regular payments to village societies for the commodity supplied by them, and to take every other action which may be in the interest of milk production and the welfare of members of milk societies. The three years' experience shows that the scheme is working satisfactorily and that there is great scope for the development of the milk industry in this country on these lines. Action is already being taken in the United Provinces to establish a similar organisation at Allahabad and the question of establishment of such unions at Benares and Cawnpore is under consideration.

**Selection of villages.**—As the scheme is yielding satisfactory results, it will be of general interest to give some details about its working. It has been stated above that villages capable of supplying two maunds of milk a day are selected for production of milk. To help in the selection, census of cattle in the village is first taken and the approximate quantity of milk supply for the different seasons of the year is worked out therefrom. This gives an idea of the necessity of the supply of additional milch animals arrangements for which are made, keeping in view the credit of the individual member concerned.

**Supply of Cattle.**—Generally members prefer to keep she-buffaloes on account of the higher yield of milk and their longer period of lactation, but uniform supply throughout the year cannot be secured without the provision of cows in view of the fact that buffaloes cease to give milk during the hot weather as they calve in September or October, whereas cows calve in February or March and are generally in milk during the summer. The experience hitherto gained by us points to the necessity of a member keeping one she-buffaloe and two cows; and this point is kept in view in the supply of milch animals. In this way the supply during the summer is not allowed to decline.

**Common Milking.**—Cattle in the village selected are milked at one place, or in two or three different groups, before the Panchayat and entries about the supply are made by the secretary of the society in the milk register and also in the pass-book of the member concerned which is kept by the member himself. Before milking water of permanganate of potash is used in washing hands and cleaning the udder teats of an animal. Scrupulous care is also taken in cleaning the vessels used at different stages.

**Sheds and Wells.**—Sheds suitable for the purpose of milking all animals at one place are being built in some villages and wells are also being provided in areas where there is a deficiency of water for purposes of cleaning and washing of animals. For these purposes Government have given a grant of Rs. 5,400. Half of the cost of a shed and three-fourths of the cost of a well are met from the Government grant and the society concerned is expected to contribute the rest. But as societies are not yet in a position to make any contribution, the Union has to give the money required from its own funds. The provision of wells and sheds is expected to give a great stimulus to this movement.

**Transport of Milk.**—After the milk has been collected in a village it is sent in sealed cans to the collecting depots which are situated within convenient distance, by bicycle, or in *bengies* or by head loads. The milk is tested and measured there and a receipt is given to the carrier. The milk so collected from different villages is then heated to a temperature of about 160°F. by putting vessels containing it in boiling water. The milk thus heated is then sent to Lucknow either by a milk van or a *tonga*.

**Pasteurization.**—Formerly milk used to be pasteurized at the collecting centre. After being heated by the indirect method referred to above, it used to be cooled by passing the milk over the surface of a water pre-cooler and a drum containing ice. The milk thus pasteurized used to be sent to Lucknow in a milk van, which had been especially constructed with silo-tax and provided with an electric fan to keep the temperature down. But this, besides entailing much expenditure, did not prove a success specially during the rains and hot weather. Now the hot milk is, as already stated, sent to Lucknow where it is seen that the temperature does not fall less than 10 degrees F. during transit. As the temperature is above 80°F. to 120°F. which is most favourable for the multiplication of bacteria, this practice is not injurious to health in any way.

As soon as the milk arrives at the headquarters it is cooled to 45°F. by passing it over the surface of an aerator, in the hollow of the upper coil of which water runs and compressed gas in the lower portion. This



machine is worked by electricity and the cost of electric current consumed is generally two annas per maund compared to the former process of cooling by ice, which entailed an expenditure of four annas a maund. The use of this refrigerator machine is not only economical but also saves a lot of time and labour of all concerned. After being cooled, the milk is stored in a room in which by an automatic device, the temperature is kept constant at 45°F. It is taken out at the time of issue and given to rounds-men who distribute it in the city by door to door delivery on the coupon system.

As is well-known milk conveys disease directly by adulteration and indirectly by pollution or the presence in its natural form of bacteria harmful to human life. The only way to make it safe for human consumption is by resort to pasteurization and refrigeration, which involve the heating of milk in short time to temperature of about 160°F. holding it uniformly at that temperature for some time and then rapidly cooling it to about 45°F. By this process all germs for whose destruction either a very high, or a very low or a rapid change from the high to the low temperature is necessary, are destroyed. The milk issued by the union is thus pasteurized with this difference that it is heated at the collecting centre and cooled at the city depot, and the milk so treated has been declared by the Director of Dairies in India to be pasteurised milk.

**Tests for Purity.**—To test purity lactometer reading is taken in the first instance. Dr. Gerber's test and a chemical test for sugar are also taken and S. N. F. is found out. Surprise samples are taken from the cans of roundsmen and tested to see whether the milk being given out is of the standard at which it was issued. In this way a check is exercised over the purity of milk against adulteration.

**Improvement of breed.**—The first requisite for obtaining milk of good quality is the breed of the cattle. As is well known the cattle of the Lucknow district are of very inferior stamp and suffer from being bred from inferior sires and starved in their youth. With a view to effect improvement the milk union purchased 61 Hissar cows and 56 Murrah she-buffaloes from the Punjab and supplied them to societies in 1938-39, but chiefly on account of the climatic effects, there has been deterioration in both the health and the milk yield of these cattle. The experts are now of opinion that the importation of the cattle from the Punjab will not bring about any improvement in the breed in this part of the country and that the object in view can be achieved only by the provision of bulls of good pedigree for the local cattle. Accordingly Murrah bulls will be obtained from the Delhi province for the she-buffaloes and recently an order has been sent for the supply from

Karnal of Tharparkar bulls, which are suitable for the small size local cows and which are expected not only to increase the yield of milk but will also give good calves for draught purposes. Ordinarily one cow and one buffaloe bull will be provided between two villages and all local bulls which are unsuitable for breeding purposes, will be castrated.

**Nutritious rations.**—As already stated the cattle of this part are under-fed and are not given proper nutritious rations. This will have to be set right by the right type of education to villagers, pursuading them to grow perennial grasses on their farms and other measures necessary. Recently the experiment of giving baggomolasses to animals was tried, but, owing to the apathy and conservatism of villagers to adopt anything new, it did not make much headway. Nevertheless proper trial in the direction will be made by propaganda and demonstration.

**Co-operation of Agricultural and Veterinary Departments.**—It is not possible to do anything for the improvement of the breed without the help and co-operation of both the Agricultural and Veterinary departments. The Union receives valuable help from the Agricultural Department in the provision of roots of perennial grasses, purchase of cattle, supply of bulls of good pedigree etc. The Veterinary Department proposes to take over the bulk of our villages as its "Cattle Welfare Units" and concentrate all its efforts there for the improvement of the health and breed of cattle by the prevention of cattle disease by inoculation or otherwise. Foot baths will of course, have to be provided and the union will do so as funds permit.

**Herd-books.**—In accordance with the recommendation of the Imperial Council of Agricultural Research, it is proposed to get all the cattle attached to the milk societies registered and herd-books maintained for them. This will contain the record of milk yield, breed, etc., of each animal and will show whether the object in view is being achieved and if not, what action should be taken with that end in view.

**Directorate of the Union.**—The Board of Directors of the Milk Union comprises of twelve persons, namely, Deputy Commissioner as President, five representatives of village milk societies, two representatives of individual shareholders, two persons nominated by the Registrar, Co-operative Societies, and two persons co-opted by the Board itself. The Registrar generally nominates such persons as possess expert knowledge of subjects which are of importance to the milk-industry, such as the Public Analyst to the Government, Manager, Military Dairy Farm, an



officer of the Agriculture, Public Health or the Veterinary Department, an officer or an experienced Inspector of the Co-operative Department. The Board co-opts such persons as are likely to be useful. Thus all interests conducive to the advancement and welfare of the Union are represented on the Board and it is hoped that by their co-operation and expert advice the Union will make steady progress in the attainment of the object for which it came into existence. A representative of the Municipal Board will be welcome on the Board and can be nominated or co-opted if the Municipal Board is willing to extend its help and co-operation to this movement.

**Out-turn of work.**—The statistics given below will convey the idea about outturn of work of the Union and steady progress that is being made by it:—

| | 1938-39. | 1939-40. | 1940-41. |
|---|---|---|---|
| *Milk.* | Mds. | Mds. | Mds. |
| Quantity of milk handled | 5,663 | 11,450 | 11,468 |
| *Butter* | | | |
| Quantity manufactured and sold | 13 | 57 | 87 |

**Technical Staff.**—The Union gives employment to about 125 persons most of whom are members of societies. The officer-in-charge possesses technical qualifications as the Indian Dairy Diploma of Bangalore—necessary for the technical work and is assisted by an Assistant Manager who has undergone six months' course in the treatment of milk etc., at the Agricultural College, Cawnpore. The supervisors who have to organise milk societies and look not only to the welfare of the societies but also to the interests of this Union are the employees of the United Provinces Co-operative Union and their services are utilised by the milk union on the contribution of 55 per cent of their salaries. The Dairy Inspector of the Co-operative Department who also holds high qualification in dairy work, exercises close control over the working of the Union.

**Financial Position.**—In spite of its satisfactory working the Union has not yet come to rest on a sound financial basis. Last year it suffered a loss of about Rs. 5,000 but this is chiefly due to the fact that it is not being run strictly on business lines. Philanthropic motive also affects its working. For instance half of the loss of Rs. 5,000 is due to its being reduced to the necessity of meeting the charge of railway freight of animals and expenses of representatives of societies who went to the Punjab to select cattle for their societies. The Union has also to meet a part of the cost of construction of milking sheds and wells in villages. Obviously no institution in its infancy would have ventured to incur expenditure on these items. Nevertheless, it may be stated that the Union has, by curtailing of expenditure and the fixation of standards from different operations, retrieved its position to a great extent and has made up a considerable part of its loss. Its financial position will become sound when it handles about 70 mds. of milk a day with a daily sale of 50 mds.

**Government Help.**—The Government gave a grant of Rs. 20,000 to this Union for the purchase of scientific apparatus and machinery etc., and Rs. 5,000 for a motor milk van and both these grants have nearly been spent. It has also given a grant of Rs. 5,400 for the construction of milking sheds and wells in villages on a contributory basis and this amount is being utilised. Nevertheless the Union has to undertake experiment to determine the best way of utilizing its surplus disposal of separated milk and other allied bye-products and to meet all this expenditure, which is in the general interest of dairying.

**Municipal Help.**—As the supply of pure and good milk is of great concern to the public health, the Municipal Board of Lucknow should have shouldered the burden of supplying milk to the whole of the Municipal population. As, however, the Union has relieved it of this burden, there is a strong case for the grant of liberal support by the Board. The Union looks to the Municipal Board for pecuniary help and encouragement in its work, but so far it has not been forthcoming.

**Conclusion.**—The above account of the working of the Union goes to show that the Lucknow Co-operative Milk Supply Union is doing useful work in connection with the development of the supply of milk from rural areas and its distribution, after pasteurisation, to customers in the city by house to house delivery. The fact that it handles about 45 maunds of milk in some months is no mean achievement taking into consideration the fact that it has been in existence only for three years. Further, in the development of the milk industry the Union has benefitted cultivator-members in more ways than one. It has given them more money for their commodity in that the Union purchases milk from them at the rate of 11 to 12 seers a rupee instead of at 14 to 16 seers at which they used to sell it to *halwais*. Further the payment of price is made at their very door and they are thus spared the time and expense



of bringing milk to Lucknow for sale. They receive payments for their milk every fortnight and are not duped of their legitimate dues as happened frequently when they had dealings with *halwais*. The action being taken by the Union for the supply of milch animals and for the improvement of the breed of cattle etc., will better their financial position in the course of a few years. The provision of wells will remove their hardships and prove a boon to them. The construction of sheds and the improvement of communications, which is also aimed at, will be an asset to them. The working of milk societies under the paternal care of the Co-operative Department, besides giving them the facilities provided under the Co-operative Societies Act, will prevent litigation in Civil Courts, which is a source of ruin of the villagers. Apart from doing everything possible for the development of the rural dairies and the amelioration of the condition of villagers, the Milk Union does a lot to help the sister co-operative organisations in the recovery of their dues from the price of milk and its remittance to the District Co-operative Bank, Lucknow: a sum of about Rs. 1,000 has been so realised this year on account of the dues of the credit societies. In short the Milk Union is doing very good work and has justified its existence. It has already made its mark and is attracting the attention of the persons and institutions in other parts of India who are interested in the development of the milk industry. It has a good future before it and the full benefit is expected to be visible in about ten years' time, when it has passed the experimental stage, secured financial stability and undertaken the manufacture of bye-products by up-to-date methods on a large scale.

# CANEGROWERS' CO-OPERATIVE SOCIETIES IN BIHAR

BY

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**Introductory.**—The Government of Bihar sanctioned a scheme for the organisation and operation of Canegrowers' Co-operative Societies in December, 1935, from the assistance given by the Government of India from the excise duty on sugar for organising the canegrowers into co-operative societies to enable them to obtain a fair price for their cane or for other purposes directed to the same end. Two Special Officers, with headquarters at Chapra and Samastipur, 13 Organisers and 13 Supervisors were appointed under the scheme with instructions to form experimental canegrowers' co-operative societies in the areas of a few factories, in consultation with the local representatives of sugar factories interested in the well being of the canegrowers. Only 103 canegrowers' co-operative societies operated in the crushing season 1936-37. These societies supplied 9 lakh maunds of cane to the sugar factories. The number of these societies increased to 215 and the quantity of cane supplied by them to 16·26 lakh maunds in 1937-38.

**Canegrowers' Co-operative Societies under the Bihar Sugar Factories Control Act, 1937.**—When the Bihar Sugar Factories Control Act, 1937, came into force, the Government of Bihar announced their decision to form canegrowers' co-operative societies in all the villages in the reserved areas of the sugar factories to enable canegrowers to obtain the full protection vouchsafed to them by the aforesaid Act. As it was impossible for a small staff to form societies in the reserved areas of all the sugar factories, the local Government sanctioned an additional staff of 3 Special Officers, 22 Organisers and 57 Supervisors to take up the organisation of Canegrowers' Co-operative Societies in the areas of all the factories in the Province. Four circles under 4 Special Officers, 3 in north Bihar and one in south Bihar, operated in 1938-39. The total co-operative supply of cane by 425 Canegrowers' Co-operative Societies amounted to 13·40 lakh maunds in this season.

**Expansion in 1939-40.**—With the appointment of additional officers, it became possible to organise 671 Canegrowers' Co-operative Societies



in 1939. Thus, 1,096 Canegrowers' Co-operative Societies operated in the crushing season 1939-40 and supplied 66·75 lakh maunds of cane to the sugar factories.

**Canegrowers' Co-operative Societies in 1940-41.**—The policy of cautious expansion of canegrowers' co-operative societies was followed in the year 1940 as well. Although a large number of societies were formed in this year, most of them were placed on probation for periods varying from 6 months to one year to enable them to qualify themselves for registration under the Co-operative Societies Act. Only 392 canegrowers' co-operative societies were registered under the aforesaid Act. Altogether 1488 Canegrowers' Co-operative Societies functioned and supplied 88 lakh maunds cane to the sugar factories, representing approximately 13 per cent. of the total cane crushed in Bihar in the crushing season 1940-41.

**Anticipated Societies in 1941-42.**—Most of the Societies placed on probation last year are now under registration under the Co-operative Societies Act. Over 2,000 canegrowers' co-operative societies with 50,000 members are expected to function in the crushing season 1941-42.

**Unified control of the Cane Department.**—As was mentioned in the report on the working of these societies in the crushing season 1939-40, the canegrowers' co-operative societies were placed under the control of Col. C. A. MacLean, M.A., C.B.E, M.C., I.A.S., Cane Commissioner, Bihar, on the 16th November, 1939. He was appointed Joint Registrar of Co-operative Societies, and vested with the powers of Registrar of Co-operative Societies, for administering these societies. To ensure the maximum co-ordination between the different sections of the cane department, Col. MacLean was further appointed as the Cane Development Officer, Bihar. The main intention in bringing the three sections mentioned above under unified control was to ensure the maximum co-ordination between them.

**Co-ordination with the Cane Development Scheme.**—A detailed plan for co-ordinating the work of these sections was laid down at a meeting of the gazetted officers of the department held on the 9th November, 1940. Amongst other things, it was decided that the gazetted officers of the department posted in the various circles should meet at least twice every year and more frequently, if need be, to decide on their common programme and that local committees should be formed to carry out this programme into effect. The Assistant Directors of Agriculture were directed to conduct development work mainly through the societies and the Special Officers were instructed to select villages for the formation of the Cane-growers' Co-operative Societies with the concurrence of the Assistant Directors of Agriculture. The scheme of co-ordination has been extremely successful so far.

**Agricultural Improvement.**—During the period, demonstrations were carried on cane cultivation, green manuring, compost making and the use of improved implements, of which by now there are 768 sets in canegrowers' co-operative societies. In addition, interesting lectures were delivered at which members were advised not to ratoon their cane and where they were instructed how to recognise the prevalent diseases of cane and how to circumvent their spread by the use of good seed. As a result of these efforts, the cultivation of cane in line is now universal in canegrowers' co-operative societies in north Bihar. Nearly 95 per cent of the cane planted by the old members of these societies for supply to the sugar factories in the crushing season 1941-42 is under improved varieties of cane. Altogether 4,526 demonstrations were conducted in the canegrowers' co-operative societies by the staff employed under the scheme for the improvement of sugarcane cultivation in this Province, which is very encouraging.

**Mass Literacy.**—Along with cane develoment, the cane-growers' co-operative societies interested themselves in the campaign of mass literacy initiated by the Hon'ble Dr. Syed Mahmud, the late Minister of Education and Development, Bihar. The number of mass literacy centres increased from 250 to 350 during the period under review. There was also a corresponding increase in the number of attending adults. More than 100 societies are receiving copies of ***Roshani***, the organ of the Provincial Mass Literacy Committee, Bihar. About 100 societies have equipped themselves with books issued under the "Mahmud Series."

**Other Improvements.**—As the resources of societies are increasing, they are undertaking projects of general welfare in the villages. In the South Bihar Circle 20 surface wells were dug and two tube wells were sunk and two Rahat Pumps were bought in the Saran Circle; 1,176 yards of village roads were repaired in the Champaran and South Bihar circles by co-operative efforts. In the Samastipur Circle eleven villages roads were built at a cost of nearly Rs. 4,000, two-thirds of the cost having been contributed by the Government of India from the grant for rural uplift in the Darbhanga District.



**Common Good Fund.**—All societies have been advised to establish a common good fund by voluntary contributions from their members. The rate of contribution varies from one anna per cart to 3 pies per maund of the cane supplied by them. The purpose of this fund is to create a capital of at least Rs. 1,000 in each society to enable it to undertake short-term crop financing. A sum of Rs. 4,000 was collected in this fund during the period under review. The efforts will be continued this year as well so that the fund may be built up as quickly as possible. This is the surest way of stabilising canegrowers' co-operative societies.

**War efforts by members of societies.**—It is extremely pleasing to record that members of the canegrowers' co-operative societies contributed Rs. 3,532-2-0 to His Excellency the Viceroy's War Purposes Fund. This contribution was purely voluntary as in all cases it was requested to be earmarked for offering relief to the relations of Indian soldiers killed or wounded in the war. The societies have further invested a sum of Rs. 3,820 in Ten Year Defence Savings Certificate issued by the Government of India. Over 500 societies are receiving copies of the *"Dehat"* regularly. The contents of the *"Dehat"* are explained to members at meetings of these societies.

**Administrative Improvements.**—There was no uniformity in the various circles as to how societies should be organised, audited and inspected; the bylaws of the primary societies and co-operative development and cane marketing unions varied from circle to circle, and the forms and registers used varied from factory to factory. The work of standardisation was taken up and very considerable progress has been achieved so far. The necessary minimum number of registers was planned, standard forms were drafted, bylaws for canegrowers' co-operative societies and co-operative development and cane marketing unions were framed and standard rules of financing were issued. Standard forms of audit and inspection notes are being framed and the procedure for systematic inspection and audit of societies has already been laid down. The work of re-organisation is continuing.

**Training of Members.**—Along with the reorganisation of the department, attention was paid to the training of the members of the canegrowers' co-operative societies. Unless the members are thoroughly trained in the principles of co-operation, they will not be able to manage their societies successfully. The administration of these societies is extremely technical and calls for a specialised knowledge of accounts and business organisation in its administration. The Registrar, Co-operative Societies, Bihar, has very kindly deputed the Principal of the Co-operative Training Institute to train the members of the cane-growers' co-operative societies by holding peripatetic classes for a year. The training has commenced vigorously and it is hoped that it may bring about an all-round improvement in the working of these societies in this Province in the near future.

## REHABILITATION OF THE CO-OPERATIVE MOVEMENT IN THE SOUTH EASTERN DISTRICTS OF THE PUNJAB

BY

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In recent years the Agricultural credit societies in several provinces of India have been face to face with a grave crisis. The enormity of their overdues and frozen assets has not only thwarted the future growth of the movement but has also at places brought the entire existing Co-operative organisation into a parayltic state, threatening immediate collapse. The removal of this deadly malady afflicting the vital tissues of the movement has naturally been a matter of serious concern to provincial Governments as well as to public spirited individuals who realise that a sound and well developed system of co-operative credit is wholly indispensable to agricultural prosperity. Consequently several schemes of rehabilitation of the movement have been and are being put forth. The Provincial Governments everywhere have closely associated themselves with them and at places the soundness of these schemes is already being put to a test with apparently gratifying results.

Though the heart of the Agricultural Credit Movement in the Punjab is no doubt sound, the movement on the whole having not only resolutely and triumphantly withstood the buffets of agricultural depression, famines, and periods of scarcity but having also maintained in the face of all these obstacles an unhampered pace of steady growth, it must not be presumed that the land of the five rivers has not had its share of misfortunes in the Co-operative field. The movement here too is faced with serious difficulties in some districts and has been causing anxiety to all concerned. In the extreme south Eastern Districts of the province, namely Hissar, Gurgaon, Rohtak and Karnal—a tract which for long has been the scourrage of famines—the condition of agricultural credit societies has been rapidly deteriorating ever since the agricultural depression of 1929. Most of the societies in this area had their inception in the socalled boom period, when prices of agricultural produce soared at their highest, and as a natural sequence thereof the credit of the agriculturists ran high. The advent of the agricultural depression followed by prolonged periods of drought, scarcity and famines caught these societies when they were yet in a state of infancy and gave a serious set back to their healthy development. In the eight years following the setting in of the agricultural depression recoveries of debts in societies gradually sank down to an abnormally low level, overdues multiplied enormously assuming alarming proportions and default became the order of the day. In Rohtak District the percentage of principal recovery to the debts owed by members to their societies fell from 23·3 in the year 1928–29 to 4 in the year 1936–37, and Karnal District in this period witnessed a fall from 20 per cent to 9 per cent. The extent of the damage done in Hissar and Gurgaon districts was still more. The huge piling up of interest overdues clogged the working of the whole co-operative machinery. On 31st July 1937 arrears of interest in credit societies of Rohtak District touched a huge figure of 11,16,985. Worked at the then outstanding Principal loan of Rs. 18,67,740, this represented a period of over 76 months. In Karnal District the interest overdues amounted to a period of 63 months and the position of Gurgaon and Hissar Districts was equally unsatisfactory. The number of 'D' class societies increased from year to year and whereas their number in these districts was less than 5 per cent of the total in the year 1928–29, the close of the year 1936–37 saw them outnumbering the total numerical strength of all the A, B and C class societies put together. As was to be expected under the circumstances the expansion of the movement in this period was entirely held up, the total number of registered societies in Rohtak and Karnak districts actually showing a decrease from 1022 on 31-7-29 to 1017 on 31-7-37. The societies with most of their assets frozen were naturally forced to suspend fresh loan business so much so that new loans advanced by them during the year 1936–37 were only 10 per cent of the amount loaned out in the year 1928-29. The few regular repayers in the societies thus found themselves at a great disadvantage and either started leaving the societies in dread or disgust or joining the rank and file of defaulters. Those who could conveniently manage to sever their connections with the societies took the first opportunity of doing so. Payment of debt was made on the express condition that membership would terminate. With an increasing number of desertions from year to year, the membership of the societies declnied, the fall in Rohtak and Karnal Districts alone being from 23881 on 31–7–29 to 20907 on 31–7–37. The Gurgaon and Hissar Districts fared no better in this respect. Widespread default, rapidly multiplying overdues, suspension of fresh loan business, a large number of voluntary withdrawals and the lack of an organised effort to stern the dangerously rising tide of disintegration of the movement, brought the whole co-operative organisation into disrepute. As aptly



described in one of the annual reports of these years the membership of a Co-operative society began to be considered as a social stigma. Those who remained on the rolls were not there for the love of the movement but found themselves inextricably fettered by their liabilities to the societies either as principal borrowers or as sureties of unpaid debts. As debts grew older and overdues heavily accumulated, the responsibility to repay them gradually weakened till it became almost extinct. In fact they virtually ceased to be considered as a serious obligation. On the 31st of July, 1937 it was estimated that about 98 per cent of the total loans owed to societies were long overdue according to the initial promises of the borrowers, who seemed more or less totally indifferent as to the ways and means of their liquidation. Postponements of demands and extensions of loans were lightly granted and taken as a matter of course. Undoubtedly in the face of huge accumulation of overdues and adverse agricultural conditions, the immediate liquidation of debts in most cases was an impossibility, but the utter lack of effort on the part of the borrowers to lighten their burden aggravated the ruin of the societies. Members tried to withhold from repayment whatever little they could repay and in this sense default in a vast majority of cases was deliberate. The managing committees of societies ceased to function and the staff had only a superficial knowledge of the members repaying capacity. The customary plea of crop failures and scarcity of produce was universally accepted with the least demur, without any detailed enquiry into the members' resources and actual income. A demand for recoveries lacked all sympathetic consideration of the members' future requirements and no wonder therefore that the debtors not liking to be left in the lurch treated it with contempt. This in brief is the summary of the position of agricultural credit societies in these districts, as it existed in the year 1936–37. The central financing institutions were in no happier state. The default by debtor societies made their existence threateningly shaky. Their recoveries from societies had at places sunk down to 3 per cent of the amounts loaned out by them, and their interest overdues represented a period of 36 to 40 months. Varying with different central institutions no less than 42 per cent to 80 per cent of their loan investments were frozen in D class and under liquidation societies. Saddled with a crushing burden of overdues they found their finances dangerously crippled. Happily most of them had built up strong reserves and were in a position to bear the brunt of losses threatened by bad investments but the extent to which they might be called on to meet them being undetermined they virtually groped in the dark as to their future.

It was in the face of these depressing conditions that the stupendous task of rehabilitating the movement was first taken up in Rohtak and Karnal Districts in the year 1937-38. Having taken a thorough stock of existing conditions, and our previous failures in the field an organised campaign for reconstructing the societies was launched. The task amounted to veritable cleaning of the proverbial Augean's stable and the success of the campaign primarily depended on its being carried out with faith, renewed hope and ceaseless energy. As a first essential therefore the entire out-look of the staff had to be changed from one of despair and dispondency to that of hope and confidence. The plans adopted were simple and easily workable. There was hardly anything novel in them. All that was required was their organised execution. The measures taken are briefly recapitulated below:

1. An intensive campaign for the co-operative education of the members was set afoot. This education was not imparted through lectures or sermons but was given at the members' own hearth through close personal contact. Of late the gulf between the members and the staff employed for the supervision of the societies had been sadly widening and each accused the other for the existing stalemate in the societies. For any improvement to be made possible this gulf had to be abridged. The staff were required to meet each and every member collectively and individually, apprise him of the condition of the society, the dire need of reconstructing it for his personal welfare and the welfare of the whole village community, the extent to which he was responsible for the society's affairs and the grave consequences to which he was heading by his present attitude of indifference. For any such teaching to be effective it was necessary to have a close and sympathetic consideration of his handicaps and difficulties, an appreciation of his essential wants and an assurance that these could be satisfactorily met. This educative campaign through intimate personal touch which aimed both at imparting teaching as well as sympathetically understanding the peculiar difficulties of each member formed really the pivot of the whole scheme on which all the plans for rehabilitation of the movement were to work. It was the foundation on which the reconstructed structure was to have a stable stand. If the plans anywhere failed to fructify in good results, the cause of the failure could at once be traced to a defective lay-out of this foundation of the whole scheme.

2. With the establishment of closer contact with each member, an exhaustive and analytical study was made of his financial position. All his assets and sources of income were put to a searching examination and as a result thereof his repaying capacity was determined, on the basis of which a rational demand for the repayment of the loan owed by him to the society was assessed from crop to crop. Written undertakings were obtained from the members for the fulfilment of these demands by specified dates and it was clearly brought home to them that these promises had to be made good.



3. As a result of detailed enquiry into the condition of each debtor and his sureties, the extent to which a loan could be recovered was gauged. All loans were classified as either bad, doubtful or safe. A basis for the estimation of the debts as bad, doubtful or safe was laid down. For instance loans due by insolvents, deceased members who had left no property or an heir to acknowledge them, members whose whereabouts were untraceable from the last 10 years and who had no property, and members totally incapaciated for life to make a living and having no assets what-so-ever were to be styled as bad, provided an examination of the condition of their sureties also showed that no recoveries were possible from them. All loans estimated to be within the repaying capacity of the members in instalments spread over a number of years were to be classified as safe and the rest as doubtful. For the purpose of estimating the solvency or otherwise of each society in relation to its owned funds bad debts were considered as totally irrecoverable, safe, good up to their full amounts and doubtful worth half of their paper value. Without this preliminary determination of debts, no scientific plan of scaling down of old debts to their estimated realisable value could be launched and without the latter a scheme for the rehabilitation of the movement could only be a dream. In respect of this vitally necessary determination of debts, the departmental policy followed hitherto forbade calling a spade a spade, on the apprehension that debts once styled as bad or doubtful would eliminate all chances of their ever being even partly realised. However, necessary this policy may have been for the time being, the stage for adherence to it was long since passed. The wounds were getting deeper and uglier day by day and no amount of superficial clothing could screen them from sight. If the movement was to be saved from collapse the issue had to be boldly faced, the malady laid bare and its remedy sought. Any further postponement of this grave issue implied sure ruin, and it was to save the movement from this ghastly doom that this departure from the time-honoured policy of the department was decided upon.

4. Once demands of recovery had been carefully assessed in relation to the estimated repaying capacity of the debtors and in accordance with ordinary rules of sound business, every possible care was taken to see that the debtors made good their promises. In all cases of default

thereafter immediate legal proceedings for recovery of the loans were to be enforced and the debtors were to be closely approached till they came to acceptable terms with the societies. This naturally required recourse to legal action in much larger number of cases than resorted hitherto. The policy of relying on empty promise had at once to be given up. There had of late been a great degeneration of the debtors' morale, and it was felt that mere persuasion could not remedy it. In the background of these pursuasive methods to be effective there must be a genuine fear in the mind of the debtors of their being put to inconvenience for recovery through courts of law. The resort to coercion, scrupulously within the tight frame work of the law, was designed merely to make persuasion effective and as was expected these measures far from bringing the movement in to further disrepute—there was actually an apprehension of it in some quarters—actually resulted in gradually restoring public confidence, allaying anxiety of several members who lived under a constant dread of unlimited liability and winning the whole-hearted support of the saner element in the movement.

5. It was atonce realised that, though default in the sense that debtors withheld repayment of whatever they could repay was wilful, a proportion of debts in societies was well beyond the repaying capacity of the debtors and would have to be scaled down by grant of unavoidable concessions and remissions in one form or other. The scope of these concessions was definitely restricted to recovery of bad or doubtful debts, and these were to be extended only when seriously asked for by the debtors. This plan of conciliation of old debts also necessitated resort to some measure on the debtors in several cases, because for any such scheme to be successfully operative the proposal for conciliation must originate from the debtor's keen desire to shake off his shackles of debt and where debts hal long been wiped off from memory as a serious liability a compaign of education alone could not bring about this change in the debtors' outlook. The grant of general concessions on a uniform basis to all debtors of a society was discorded forthwith. The proposal for conciliation of each debts was considered on its individual merits and a decision compatible with the solvency of the society, the collective interest of all its members and the ultimate welfare of its creditors was arrived at. Generally these individual concilations of debts took one or other of the following forms:—

(i) Remission in part or whole of interest arrears on full cash payment of the entire balance of the loan. Ordinarily the remission of interest in such cases was restricted to 50 per cent of the arrears.



(ii) Stopping of future interest on the loan and spreading recovery on outstanding principal and interest to long and easy instalments, ordinarily not exceeding a period of 10 years, provided:—

(a) The first instalment was paid forthwith as a proof of the debtors keenness to repay the loan.

(b) A fresh bond with better security was furnished if possible.

(c) The withdrawal of concession in case of default was made express and inavoidable term of the renewed contract.

All these conciliation of debts were sanctioned by the general meeting of the society and were subject to approval of the Deputy Registrar.

6. It was considered necesary to associate closely the Central Banks, the principal creditors of the societies, with the plan of conciliation of old debts. On the basis of determination of debts in each society a careful estimate of the extent of safety of the Bank's advances to it was made and the result communicated to the bank in each case. The Central Banks thus could gauge their financial stability and decide on the measure of relief which they must extend to each society. Any scheme of rehabilitation of the movement, the working of the entire co-operative organisation with all its component parts in homogeneous collaboration with each other was essential. The Central Banks could not function as isolated units and efforts were made to bring their policy in line with the plan of conciliation of debts, which otherwise offered hardly any prospect of realisation.

7. As it is necessary to resort to legal proceedings for recovery in much larger cases, the machinery of the execution of awards of societies was reorganised and brought under strict official control. The secretaries of societies, who were always in close touch with the debtors, were considered the fittest persons to undertake this work. A regular system of audit and inspection of their accounts was brought into force, and the staff was required to exercise a constant vigilance over their activities.

8. Mere liquidation of old debts could not bring about the rehabilitation of the movement. A prompt and sympathetic consideration of the most essential requirements of the members was necessary. The recovery of frozen debts was only the means to an end—the revival of the movement. Surely avoiding old mistakes with scrupulous care and caution, the functioning of the societies as agencies of system of

sound credit was of paramount importance. It was therefore decided that the recovery of old loans and the revival of fresh loan business must go hand in hand. The agricultural requirements of the members must be met, the loans made to members restricted to small amounts and punctual recovery insisted upon. Fresh loan business intended to bring about the revival of stagnant societies was to be essentially in the form of what are commonly termed as crop-advances.

9. It was felt that a large number of societies were badly manned. Either the leading and influential people of the village, best fitted to play the role of rural leaders, had kept themselves aloof from the very start or had left the societies during the last decade of their uninterrupted degeneration. With improvements made possible through the successful execution of their plans every effort was to be made for the enrollment in societies of a better type of new members.

10. Side by side with the planned rehabilitation of societies, an intensive compaign for the organisation of new socities, both credit and non-credit, was also to be carried. On the basis of detailed enquiries made, it was estimated that about 25 per cent to 33 per cent of the existing societies were such as were definitely beyond all hope of rejuvenation and must sooner or later be scraped out. The need for filling this gap was another factor in support of a policy of slow and sound expansion. New societies, however, were to be started in carefully selected villages among chosen people. When for credit, these were to have a good share capital and were to confine the scope of their business only to crop loans.

The above in brief is the outline of the scheme brought into play for the resuscitation of the movement, verging on collapse. The plans were inaugurated in Rohtak and Karnal districts in the year 1937-38 and have been in force since then. Despite the fact that the districts during the major portion of this period witnessed conditions of an almost unprecedented agricultural adversity, a factor which seriously impeded the successful operation of these plans, the improvement made are nothing short of a miracle. Not only has there been a remarkable improvement in recoveries resulting mainly from the welcome change in the debtors' morale, but there has also been a surprising revival of business in majority of societies, which for years have been in a state of inertia and stagnation. The year to year decline in membership has been checked and there has been an encouraging number of fresh admissions. Though the staff throughout has still been mainly engrossed in the grave task of setting the house in order, a policy of slow and cautious expansion of the movement has also been hazarded with obviously good results.



Without dwelling at length on the unquestionable success of these rehabilitative measures, it would be in the fitness of things to merely give figures from which improvements made are self evident.

KARNAL DISTRICT

| | 1936-37 | 1937-38 | 1938-39 | 1939-40 | 1940-41 |
|---|---|---|---|---|---|
| 1. No. of Agricultural credit societies at the end of the year | 386 | 385 | 374 | 384 | 421 |
| 2. No. of new societies registered during the year | .. | 4 | 11 | 22 | 40 |
| 3. No. of societies cancelled | 5 | 5 | 22 | 12 | 3 |
| 4. Membership at the close of the year | 8,531 | 8,558 | 8,757 | 9,358 | 9,918 |

The increase is mainly contributed by new admissions in old societies, as new registration hardly filled the gap caused by cancellation.

| | 1936-37 | 1937-38 | 1938-39 | 1939-40 | 1940-41 |
|---|---|---|---|---|---|
| 5. Loans recovered during the year:— | | | | | |
| i. Principal | 1,14,934 | 2,12,567 | 1,94,901 | 1,97,859 | 1,97,570 |
| ii. Interest | 1,41,339 | 1,68,274 | 86,049 | 78,842 | 69,662 |
| iii. Total | 2,56,273 | 3,80,841 | 2,80,750 | 2,76,701 | 2,67,232 |
| 6. Percentage of Principal recovery to the amount on loan at the beginning of the year | 9·0 | 17·6 | 18·8 | 19·0 | 18·7 |
| 7. Interest overdues at the close of the year | 592,350 | 5,20,630 | 4,92,596 | 4,85,685 | 5,09,572 |
| 8. Fresh loan business done by societies | | | | | |
| i. Amount lent | 62,537 | 1,14,617 | 242,227 | 226,590 | 2,21,851 |
| ii. Number of loans advanced | 475 | 916 | 2,852 | 3,274 | 3,146 |
| iii. No. of members who availed of fresh advances | 426 | 819 | 1,999 | 2,308 | 2,587 |

| | 1936-37 | 1937-38 | 1938-39 | 1939-40 | 1940-41 |
|---|---|---|---|---|---|
| 1. No. of agricultural credit societies | 498 | 497 | 479 | 466 | 465 |
| 2. No. of new societies registered during the year | 1 | nil | 7 | 1 | 2 |
| 3. No. of societies cancelled during the year | 1 | 1 | 25 | 14 | 3 |
| 4. Membership at the close of the year | 12,376 | 12,343 | 12,306 | 12,167 | 12,116 |

The decrease in membership is apparently due to cancellations outnumbering fresh registration of societies. The fall would have been much greater but for the increase contributed by old societies.

| | 1936-37 | 1937-38 | 1938-39 | 1939-40 | 1940-41 |
|---|---|---|---|---|---|
| 5. Loans recovered during the year:— | | | | | |
| i. Principal | 78,077 | 1,82,644 | 1,39,773 | 1,47,561 | 2,37,168 |
| ii. Interest | 1,10,128 | 1,29,027 | 84,868 | 73,601 | 1,15,106 |
| iii. Total | 1,88,205 | 3,11,671 | 2,24,641 | 2,21,162 | 3,52,274 |
| 6. Percentage of principal recovery to the amount on loan at the beginning of the year | 4·0 | 9·8 | 7·9 | 8·9 | 14·4 |
| 7. Interest overdues | 11,16,985 | 11,59,016 | 11,92,516 | 12,07,438 | 12,37,732 |

Despite improved recoveries interest overdues in Rohtak district are still on the increase, though the increase registered is much less than heretofore. This is mainly due to accumulations of interest on bad and doubtful debts, where even the principal loans offer no prospect of full realisation. This increase can only be checked by a bold plan of writing off of irrecoverable amounts and this has yet to be decided upon.

| | 1936-37 | 1937-38 | 1938-39 | 1939-40 | 1940-41 |
|---|---|---|---|---|---|
| 8. Fresh loan business done by societies:— | | | | | |
| i. Amount lent | 43,047 | 83,605 | 1,84,423 | 1,46,862 | 1,50,898 |
| ii. No. of loans advanced | 487 | 897 | 2,776 | 1,898 | 2,016 |
| iii. No. of members who borrowed | 408 | 736 | 1,908 | 1,492 | 1,616 |



The comparative figures given above about Karnal and Rohtak districts show an all round progress. The facts that these improvement have been made in years of acute agricultural distress when for the most part severe famine conditions prevailed, is a notable achievement. The revival of fresh loan business is self evident. Not only has there been an increase in the amount loaned out, but there has also been a proportionately much higher increase in the number of loans and the number of borrowers. This is a clear indication of the fact that societies have restricted fresh loan business to small advances for agricultural requirements of the members. What is more gratifying is that the recovery of fresh loans has been well in accordance with the bond promises of the debtors. The figures given above hardly leave any doubt as to improvement in recoveries, which would be more prominently noticed from the following comparative statement of the last 10 years:—

| Year. | Rohtak. % | Karnal. % |
|---|---|---|
| 1929-30 | 4·3 | 11·2 |
| 1930-31 | 5·7 | 6·0 |
| 1931-32 | 4·2 | 3·7 |
| 1932-33 | 4·2 | 5·9 |
| 1933-34 | 5·5 | 5·9 |
| 1934-35 | 5·3 | 5·2 |
| 1935-36 | 4·6 | 6·0 |
| 1936-37 | 4·0 | 9·0 |
| 1937-38 | 9·8 | 17·6 |
| 1938-39 | 7·9 | 18·8 |
| 1939-40 | 8·9 | 19·0 |
| 1940-41 | 14·4 | 18·7 |

The measures of rehabilitation of the movement set afoot in Rohtak and Karnal districts in the year 1937-38 having been amply rewarded in encouragingly marked improvements, the operation of these schemes was extended to the neighbouring districts of Hissar and Gurgaon in the year 1939-40 and was immediately met with astonishing success. Though at the time the district of Gurgaon had hardly recovered from the effects of a long period of abnormal agricultural adversity, Hissar was still in the grip of a most devastating famine, the intensity of which might well be judged from the fact that the Provincial Government's expenditure on measures of relief amounted to crores of rupees. The figures given below give a convincing proof of the improvements made even in faminestricken Hissar, where for the most part not a blade of grass could be seen. The success achieved in Gurgaon could be aptly described as a miracle.

| | Hissar | | | Gurgaon | | |
|---|---|---|---|---|---|---|
| | 1938-39 | 1939-40 | 1940-41 | 1938-39 | 1939-40 | 1940-41 |
| 1. No. of agricultural credit societies | 659 | 674 | 671 | 836 | 843 | 854 |
| 2. Membership | 17,886 | 18,043 | 18,209 | 20,726 | 21,050 | 21,523 |
| 3. Loans recovered:— | | | | | | |
| i. Principal | 14,743 | 63,152 | 1,29,038 | 1,00,816 | 3,65,886 | 3,08,689 |
| ii. Interest | 21,617 | 69,934 | 1,37,035 | 1,34,195 | 2,89,251 | 1,72,827 |
| iii. Total | 35,360 | 1,33,086 | 2,66,073 | 2,35,011 | 6,55,137 | 4,81,516 |
| 4. Percentage of Principal recovery | 0·7 | 2·9 | 5·9 | 3·6 | 13·3 | 12·2 |
| 5. Interest overdues | 12,61,904 | 14,06,299 | 14,44,928 | 15,61,655 | 14,87,415 | 14,69,714 |
| 6. Fresh loan business done:— | | | | | | |
| i. Amount lent | 84,240 | 87,613 | 1,02,360 | 74,877 | 1,74,833 | 2,40,503 |
| ii. No. of loans advanced | 2,432 | 2,164 | 2,004 | 2,458 | 4,327 | 5,002 |
| iii. No. of members who borrowed | 2,687 | 1,963 | 1,915 | 1,980 | 3,367 | 3,353 |

The figures given above are vividly illustrative of marked improvements particularly in Gurgaon, where recoveries during the course of one year showed an almost four-fold increase. The decrease in interest overdues in this district is also particularly note-worthy. Though the trial of these schemes for the rehabilitation of the movement in these districts has everywhere been met with conspicuous success, what has been achieved is only a fraction what remains to be done. The societies have yet to be cleared of their appaling mess of overdues and bad debts. The improvements made have, however, infused a spirit of hope and confidence. The faith of the people in the movement is being gradually restored and in some areas things are fast returning to normal. Scaling down of debts has yet been tried on a very much restricted scale, and it is confidently hoped that with noticeable improvement in the debtors' morale and increasing signs of willing collaboration between



the Central Banks and Primary Societies, the schemes of conciliation will be pushed ahead. The success achieved during recent years through organised execution of these plans has, however, no longer left any room for despair and has given a convincing proof of the fact that through this properly organised campaign it is possible to reconstruct the societies on a sound and stable footing. All that is required is sustained effort both by the staff employed for the supervision of the societies and the members themselves and it is hoped that neither will fail in what is expected of them in this important task for resuscitating an organisation of unparalleled importance to rural development and economy.

# CO-OPERATIVE SOCIETES AT WORK IN INDIA

## THE PUNJAB

**Extracts from the report of the Registrar of Co-operative Societies, M. R. Bhide Esq., I.C.S., for the year ending 31st July, 1939.**

**General Progress.**—The number of societies and members have increased by 655 and 51,075, respectively, as against 471 and 46,003 last year. The increase in membership is a source of great satisfaction. Some of it no doubt is due to bringing into societies as members the heirs of deceased members but the tendency for new members to join old societies has been particularly noticeable during the year.

Increase in the loan business of agricultural credit societies noticed last year has been maintained. Agricultural credit societies advanced Rs. 1,11,50,000 to their members as against Rs. 1,06,85,000 last year. Central Banks and Unions advanced to their affiliated societies and banks Rs. 2,46,43,000 as against Rs. 2,50,22,000 last year. Non-agricultural credit societies advanced to their members Rs. 71,46,000 this year as against Rs. 62,25,000 last year. The upward trend of recoveries in agricultural societies has also been maintained. The amount on loan due from members in agricultural credit societies was Rs. 616·40 lakhs at the end of the year as against 620·45 lakhs at the end of the last year showing a net decrease of 4 lakhs in indebtedness. Similarly in non-agricultural credit societies the amount on loan at the end of the year was Rs. 88,24,000 as against Rs. 91,49,000 last year. This shows a net reduction in indebtedness of some 3·25 lakhs. The work of recoveries as pointed out last year continues to fall more and more heavily on the shoulders of departmental officials. Non-officials do not yet seem to shoulder their share of responsibility in this connection to a satisfactory extent. Most members of societies plead inability to pay. In many cases it is so, but in a large number it is not the ability which is lacking but the desire. Wilful default is in my opinion on the increase. The effect of recent legislation on co-operative societies has been admirably expressed by Mr. Wace in last year's report and I cannot usefully add to it. The legal position being what it is, we must now concentrate on the moral aspect of co-operation. At all meetings and conferences held all over India stress is laid on the question of how to improve recoveries by expediting and simplifying execution work and by various other means. Little or no attention is, however, paid to the moral aspect. No co-operative movement can live and prosper if recoveries generally have to be made by coercion and threat of execution. If we cannot carry on without greater help from courts it means that we have failed in the most important aspect of co-operation, namely, the willingness of the people to pay. It is obvious that the real remedy lies in more and more teaching and we must, therefore, concentrate on this work.

Wilful defaulters are mostly led by prominent village officials like Lamdardars, Zaildars and Sufedposhes not to speak of higher personages like Members of the Legislative Assembly. Reports have been made against them to the Deputy Com-



missioners concerned but with little effect. If anything, such reports often make them more stubborn in their default. The tendency of course is to blame the Deputy Commissioners for not taking suitable action against them, but Deputy Commissioners are not in a very happy position. Deputy Commissioners cannot ignore the other administrative aspects of taking action against local notables. The remedy again is education.

**Education.**—Educational work has continued throughout the year and in fact been extended a little. The general concensus of opinion as regards the training of secretaries, office-holders and members of industrial and women societies is that these classes are of great help. They not only improve the standard of work of the office-holders and secretaries, but also create greater interest among members and improve the standard of work in a variety of ways.

The Educational staff held its conference at which various subjects were discussed. The educational staff is called upon to deal with a larger number of complicated cases and have to study law and practice and to give opinions. In this connection I must mention the excellent work done by the Educational Assistant Registrar.

The importance of educational work is so obvious that it needs no repetition. Mr. Wace has recommended that this staff should be made permanent and be paid by the Punjab Government when the Government of India grant is spent. The matter is under consideration and I hope that Goverment will accept Mr. Wace's recommendation.

**Lines of Expansion.**—The result of recent legislation has been the severe curtailment and in many cases the virtual disappearance of the Zamindars credit with the local moneylender. The demand for co-operative credit is therefore on the increase. Our experience of the last 30 years, however, shows that credit by itself cannot stand. Efforts to link credit with thrift have been made in the Punjab for some years but have more or less failed. The department is doing its best to inculcate the habit of saving by introducing shares, compulsory deposits and deposits for different purposes. All the same it must be admitted that we have made little progress. The ideal before every co-operator now is of controlled credit and for this we must link credit with certain other things, particularly marketing. We must, therefore, pay special attention to this work.

In the Punjab co-operative opinion has been almost unanimous in favour of single-purpose societies. The question of multi-purpose societies is now before all co-operators in India and in my opinion serious efforts to start multi-purpose societies at least on an experimental basis should be made.

The recent rise in prices can be utilized in a variety of ways, firstly for repayment of old debts, secondly for improvement of agriculture and thirdly for savings. In this connection we must take care and see that finance is strictly controlled and is for productive purposes and for short term only. Over-finance which was quite common in the last boom-period must be carefully avoided.

There are number of other things such as better-living and other non-credit work which should get more attention than they have in the past.

**The Punjab Co-operative Union.**—The financial position of the Union is still not satisfactory. Government agreed to make a lump sum contribution to the

Punjab Co-operative Union of Rs. 2,38,260 a year on the basis of 50 per cent of Rs. 4,76,520 contributed by societies in 1937-38. This is to be paid for five years from 1939-40 when the rate and the amount will be reconsidered. Out of this amount Rs. 46,000 were, however, retrenched in 1939-40 on account of financial stringency.

The Secretary of the Punjab Co-operative Union and Editor of Co-operation gave radio talks on co-operation and rural economics from the All-India Radio Station, Lahore. The Punjab Co-operative Union has translated into Urdu 10 standard books on Co-operation and rural economics. These are greatly appreciated by the public. The Secretary of the Punjab Co-operative Union continued to do the work of Honorary Secretary of the All-India Co-operative Institutes Association.

**The Punjab Provincial Co-operative Bank.**—The progress of the Provincial Bank is shown in the following table:—

| | | 1936-37. | 1937-38. | 1938-39. |
|---|---|---|---|---|
| Share-holders (All societies) | .. | 12,575 | 12,453 | 12,359 |
| | | Rs. (lakhs) | Rs. (lakhs) | Rs. (lakhs) |
| Share capital | .. | 11·42 | 11·43 | 11·44 |
| Other Owned Capital | .. | 10·06 | 10·8 | 11·01 |
| Working Capital | .. | 149·28 | 148·80 | 147·94 |
| *Fixed loans granted to Central Banks and Unions* | | | | |
| Amount granted | .. | 49·02 | 42·44 | 45·48 |
| Total outstanding at the end of the year | .. | 34·68 | 34·93 | 40·83 |
| *Cash Credits granted to Central Banks and Unions* | | | | |
| Total limits granted | .. | 5·15 | 5·20 | 5·45 |
| Amount drawn at the end of the year | .. | 1·04 | 1·52 | 2·17 |
| Provincial Banks' liability | .. | 4·11 | 3·68 | 3·28 |
| *Fixed loans granted to Mortgage Banks* | | | | |
| Amount granted out of the bank's fund | .. | ·15 | ·37 | Nil |
| Amount outstanding at the end of the year due to Government | .. | 14·11 | 13·77 | 13·10 |
| *Loans and deposits held* | | | | |
| From the Public (individuals and other sources) | .. | 19·61 | 16·04 | 19·32 |
| From Central Banks and Unions | .. | 180·20 | 105·37 | 106·16 |



At the end of the year the fluid resources held by the bank amounted to Rs. 86·98 against the required amount of Rs. 26·98 lakhs. The balance sheet value of Government Securities held at the end of the year was 91·97 lakhs. The market value is in excess of this by 7·13 lakhs.

**Lending and borrowing rates throughout the year.**—Lending—Maximum—Bank rate subject to a minimum of 4 per cent for cash credit and 3½ per cent for fixed loans. The bank rate remained at 3 per cent throughout the year. Borrowing—Maximum—2¾ per cent on renewals of existing fixed deposits for one year. Minimum—2 per cent on new fixed deposits for one year.

The Book value of the Government Securities held by the Bank was Rs. 91·97 lakhs as against the market value of Rs. 99·1 lakhs. The fluid resources held by the Bank amounted to Rs. 86·98 lakhs, against the required amount of Rs. 26·98 lakhs. The working expenses of the Bank for the year were 0·33 per cent of the working capital, while those for the past year were 0·30 per cent. The Bank earned a profit of Rs. 38,427 against Rs. 64,548 of the previous year. The maximum lending rate was the Bank Rate (which remained throughout the year at 3 per cent), subject to a minimum of 4 per cent on cash credit and 3½ per cent on fixed loans. The borrowing rate stood at 2¾ per cent on renewals of old deposits for one year and 2 per cent on new deposits for the same period.

As a result of the recent amendment to the Income-Tax Act, Co-operative banks can claim a set off equal to interest paid on deposits invested in securities against their total assessable income. The bank will now make considerable savings in income-tax every year. *It is also expected that we shall get a refund of about 4 lakhs for the past years.* Dividends declared during the currency of the debentures in the way of book credit are now being paid in cash as it has been found that the amounts to be so given were too small to be converted into bonus shares as was originally contemplated.

**Central Banking Institutions.**—The number of Central Banks is 48, of Banking Unions 68 and of Industrial Unions, 4. The following figures show the progress of these institutions (Excluding the Industrial Unions):—

| | | 1937-38. Rs. (Lakhs). | 1938-39. Rs. (Lakhs). |
|---|---|---|---|
| Working Capital | .. | 658 | 651 |
| Owned Capital* | .. | 122 | 127 |
| Invested in Government Securities (Book Value) | .. | 136 | 140 |
| *Deposits*:— | | | |
| (a) Individuals | .. | 442 | 423 |
| (b) Societies | .. | 49 | 49 |
| *Fixed Deposits*:— | | | |
| Non-members | .. | 294 | 296 |
| Members | .. | 63 | 60 |
| Local Bodies | .. | 49 | 48 |
| Total Profits | .. | 4·45 | 2·65 |

* Includes share capital, reserve, other owned funds and also undistributed profits, the last mentioned amounting to Rs. 1·54 lakhs.

63·08 lakhs were lent to 6,895 societies as against 61·34 lakhs to 6,323 societies last year. 11,541 societies did not borrow during the year as against 12,223 last year. 2,207 did not borrow because they had adequate funds, 5,007 because they were defaulters and 4,327 for other reasons. The total amount outstanding at the end of the year was Rs. 3,72,49,000 principal and Rs. 53,57,000 interest as against Rs. 3,74,16,000 principal and Rs. 46,93,000 interest at the beginning of the year. Interest arrears have gone up by nearly 6½ lakhs while principal has decreased by a little over 1½ lakhs.

Three thousand eight hundred and sixty seven societies owe above their M. C. Ls. The lending rates of Central Banks and Unions vary from 3½ per cent to 8 per cent but the most common rates are between 6 and 8 per cent with or without rebate of ½ to 1 per cent.

Central Banks are giving relief to their member-societies to as large an extent as possible, but the extent of the relief depends on the response from indebted societies and their members. Various schemes of concession are also being worked out as in previous years. Central Banks on the condition that they remit an equal amount have been given grants from the Special Development Funds for conciliation of debts. Similarly they get help for grain payment schemes on the condition that they spend an equal amount from their own funds. The system of repayment in grain is doing well and is really a step towards linking credit with marketing.

**Land Mortgage Banks.**—There are 10 registered banks, while two at Gurgaon and Sonepat are under liquidation. Their working capital in 1938-39 amounted to Rs. 13·40 lakhs, of which Rs. 13·12 lakhs was borrowed from the Punjab Provincial Co-operative Bank. The year under report has not been at all encouraging. Only two new loans aggregating to Rs. 8,300 were advanced in two banks. All the banks, except two are really under voluntary liquidation.

**Agricultural Credit Societies.**—The number of agricultural credit societies has increased from 17,017 to 17,095 and membership from 524,545 to 536,501. A part of this increase of nearly 12,000 is due to the admission of heirs of deceased members, but a part is also due to new members joining existing societies. Twenty-six thousand three hundred and twenty-three new members joined old societies while 15,749 old members left them. This tendency has been marked in a number of districts. A rapid increase in the number of co-operative societies is in my opinion also not desirable. New societies should only be started in areas which are prepared to take up co-operative finance in the proper spirit and new members should be admitted only if they are co-operatively minded. One lakh six thousand five hundred and sixty-one members have been returned as literate but the actual number is more as two districts have not reported their figures.

Loan business which showed an increase last year to Rs. 1,06·85 lakhs has further increased to Rs. 1,11·50 lakhs this year. As Rs. 7·66 lakhs represent renewals or transfers, the net fresh advances comes to Rs. 103·84 lakhs. This increase in fresh loan business is noticed in almost all circles including South-east Punjab. It may be pointed out that in the famine-stricken areas, in spite of difficult times and poor recoveries our societies continued to advance to their members for various purposes, particularly seed and fodder. The policy to give



mostly crop and cattle loans is being followed and the amount advanced for these purposes was Rs. 40·92 lakhs against 37·75 lakhs last year. The figures of one or two districts seem to be wrong, but it can safely be said that a larger percentage is now being given for these purposes than before. The table of analysis of loans shows that lending for short term and self-liquidating objects is becoming more and more common.

The total amount on loan at the end of the year was 616·40 lakhs as against 620·45 lakhs at the beginning of the year and 629·40 lakhs at the beginning of the previous year. Lending rates vary from 3 per cent to 25 per cent but the most common rates are 9⅜ per cent 65·86 lakhs, 7 per cent Rs. 8·95 lakhs, 8 per cent Rs. 6·65 lakhs, 12½ per cent Rs. 5·92 lakhs, 7½ per cent Rs. 5 lakhs, 5 per cent Rs. 4·64 lakhs, 6 per cent Rs. 3·76 lakhs, 6¼ per cent Rs. 2·96 lakhs. Loans below 3 per cent and without interest were nominal and so also loans above 12½ per cent.

Recoveries:—

| | | *Demand* 1938-39. | *Recoveries.* 1938-39. |
|---|---|---|---|
| | | *Lakhs* | *Lakhs* |
| Principal | .. | 131·03 | 108·93 |
| Interest (including overdue interest) | .. | 218·90 | 40·74 |

Recoveries last year were Rs. 112·19 lakhs principal and Rs. 43·55 lakhs interest.

A very small percentage of our recoveries is the result of coercion. Last year's remarks that the work of recoveries falls on the shoulders of the departmental staff to an increasing extent apply with greater force this year. A large number of defaulters are men of influence and are mostly members of agricultural credit societies. They not only do not help but obstruct in the work of recovery and set a bad example to others. Directors, as a rule, show little desire to help in recoveries. The result is that the staff of Inspectors and Sub-Inspectors have to neglect their proper work of supervision and control and have to do the work of recoveries.

The lesson of thrift and self-help has not yet been learnt. Out of 13,750 societies which are over 10 years old only 68 have started compulsory deposits and 559 societies re-started collection of shares. Three thousand and ninety-three such societies are in D Class while only 2,651 own 75 per cent or more of the working capital. Our efforts to link credit with thrift have so far failed and we must now take up the work of linking credit with marketing.

**Better Farming Societies.**—There are 183 Better Farming Societies as against last year. These societies are doing almost nothing jointly and are only doing the work of distribution and cultivation of improved seed. Two thousand, seven hundred and ninety-four maunds of wheat, 695 maunds of cotton, 80 maunds of Berseem and other seed were distributed by these societies. They also sold a few improved implements.

**Land Reclamation Societies.**—There are 63 Land Reclamation societies in Hoshiarpur and Ambala as against 12 last year. This work is now being done by the special staff appointed from the Government of India grant. The staff consists of 2 Inspectors and 10 Sub-Inspectors. Out of 37,000 acres under the control of these societies, 12,963 acres is closed under section 4 of the Chos Act. Four thousand, one hundred and nineteen of this is also closed under section 5 of the Act. Five hundred and eigthy-five acres in addition to this are closed under section 38 of the Forest Act. The villagers prefer closures under section 38 of the Forest Act which is not so rigorous. People are extremely keen on this work and it is hoped that this work will prosper in these districts.

**Consolidation of Holdings.**—One hundred and ninety-two societies with a membership of 25,241 were registered during the year. The total number of registered societies was 1,477 at the end of the year. Work was going on in 297 villages. During the year under report 157,211 acres in 217,772 blocks were consolidated into 31,687 blocks. The area consolidated this year beats the record figure of 1,32,313 of last year. The total area consolidated up to 31st July, 1939, is 10,76,034 acres. The staff has now been substantially increased to 30 Inspectors and 279 Sub-Inspectors. Of these 8 Inspectors and 104 Sub-Inspectors are paid by the local Government, 7 Inspectors and 83 Sub-Inspectors from the Government of India grant and 15 Inspectors and 92 Sub-Inspectors from the Special Development grant and contributions from villagers, 3 posts of Inspectors are vacant.

The outturn per Sub-Inspector rose from 731 acres to 749 acres. The cost per acre including contributions was Rs. 1—8—6 per acre as against Rs. 1—12—1 last year and excluding contributions Rs. 1—5—7 per acre as against Rs. 1—8—3 last year. Contributions were paid at rates varying from Re. 0—3—0 to Re. 0—10—6 per acre.

**Sale Societies and Commission Shops.**—There are 20 Commission Shops, 2 Sale Societies, 1 Sale Union and 2 Marketing Organizations.

Of the 20 Commission Shops, those at Toba Tek Singh and Hafizabad are doing very badly and will have to be cancelled. Both of them have had embezzlements in the past and are running in loss and there is no hope of reviving them. The shop at Gujranwala is also not doing well, but can with efforts be improved. As regards the shop at Dina Nagar it has improved but there are a number of bad debts for which the Manager is responsible.

Commission Shops have a membership of 8,189 individuals and 926 societies. One thousand, nine hundred and twenty-nine members did not sell anything through the shops. These shops sold 8,25,630 maunds worth Rs. 26,65,335 as against 6,50,409 maunds worth Rs. 20,85,739 (or Rs. 19,05,739) last year. This shows a substantial increase in weight and value of the goods sold.

Commission Shops stored 46,349 maunds against 43,409 maunds and advanced 92,924 against 92,338 last year. Most of the shops lend against the security of goods at rates varying from 6¼ per cent to 9⅜ per cent. In many shops a good deal of lending to members and non-members is being done without the security of produce. Similarly purchasers are allowed to keep their bills pending for



long. Action in this connection is necessary. The shops at Sargodha and Okara gave dividends at 4 per cent and 3 per cent respectively while the shops at Sargodha and Gojra gave rebates at 3 annas and 2 annas 6 pies per cent respectively.

At the close of the last co-operative year a number of Commission Shops were boycotted. There was some difficulty in the beginning but eventually we were able to meet the boycotts successfully. In fact these boycotts were helpful to the shops. Zamindars finding that their institutions were being attacked came to them more with the result that the shops increased their business. Shops in only a few places were boycotted, but the boycotts were withdrawn by October, 1939.

**Non-Agricultural Credit Societies.**—Out of a total of 1,130 societies, with a working capital of Rs. 123 lakhs, 218 are of limited liability and the rest unlimited liability. The limited liability societies are mostly in towns among shopkeepers, traders, etc. Loans given during the year were Rs. 71·46 lakhs as against Rs. 62·25 lakhs last year; and loans recovered were Rs. 66·18 lakhs. The percentage of recoveries in urban non-agricultural societies was 82·8 per cent against 77·9 and in rural areas 26·0 per cent against 27·7 last year.

There are 35 Urban societies mostly among salary earners in Simla. These societies are doing very well. Percentage of literacy is almost cent per cent. Demands were about 98·2 per cent and recoveries 99·9 per cent. There are 127 societies in Lahore with 25,459 members. Most of the loans are given at 6 per cent and some at 7½ per cent and 9⅜ per cent. Demand was 87·6 per cent and recoveries 97·9 per cent. Percentage of literacy is nearly 80 per cent. The movement in Simla has more than maintained its position and so also that in Lahore. Gurdaspur shows improvement from 70 per cent to 76·7 per cent in recoveries. Four urban societies in Gurdaspur gave cash credit facilities to 33 members. They borrowed Rs. 49,237 and repaid Rs. 52,223 during the year. There are 49 societies in Jullundur City, half being of limited liability. Percentage of recoveries in limited liability societies is 183·5 per cent. A number of these societies gave cash credit facilities to their members. The urban movement in Jullundur is doing well but that in Amritsar is not as satisfactory as it should be.

The work of urban banking has been more or less neglected in the Punjab, and it is time more attention was given to it. With a view to improve supervision, etc., in urban areas some 33 selected sub-inspectors were recently put on one month's training in urban work. It is intended to put only such trained men in urban areas. The work of urban banking has done extremely well in Bombay and there is no reason why the Punjab should not be able to do as well.

**Arbitration Societies.**—The number of societies has gone up from 115 to 116. Of these 66 are in Kangra and 12 in Attock. Seven hundred and twenty-four cases were decided during the year, 339 by Committees and 385 by arbitrators. In the Kangra societies 463 cases were decided, 213 by Committees and 246 by arbitrators. In Attock, however, all the 103 disputes were decided by arbitrators. In Lahore one important case involving Rs. 3,500 was decided by arbitration. Arbitration societies are doing fairly well in Kangra in spite of many difficulties, but the work as a whole in other parts is not very successful. The new Arbitration Act now under discussion if passed in its present form will adversely affect arbitration societies. Panchayats which are now going to be started on a large scale with wide powers will also adversely affect our societies.

**Better Living Societies.**—The number of Better Living Societies has increased from 1,084 to 1,318 and membership from 50,793 to 62,578. There are 4 Inspectors and 69 Sub-Inspectors on non-credit work in different parts of the Province. Societies work on different lines in different districts according to local conditions but the work can be summarized under the following main headings:—(1) Sanitation and hygiene; (2) Recreation and physical culture; (3) Education; (4) Improvement of agriculture; (5) Improvement of Cattle; (6) Curatilment of expenses on different ceremonies; (7) Avoidance of litigation, and (8) Improvement of morals.

**The Women's Movement.**—The following table shows the progress of the Movement in the last three years:—

| | 1936-37 | 1937-38. | 1938-39. |
|---|---|---|---|
| Number of Societies .. | 225 | 233 | 233 |
| Membership .. | 4,773 | 5,274 | 5,321 |
| Working Capital .. | 2,74,329 | 2,68,327 | 2,90,086 |

Membership of our societies consists of three types of people. First are the employees in hospitals, schools, etc. They have a steady source of income from which to save. They are also well educated and their societies are in a good condition. Next come the wives of professional men, salary earners, tradesmen, etc., in urban areas. Their standard of education is quite high and some of them have their own sources of income from which to save. Their societies are doing fairly well. Last come the societies from rural areas where the members are the wives or sisters or relations of big or small men in the villages. Their standard of intelligence and education is low and they are lacking in the co-operative spirit.

Women societies have tried to encourage thrift but the experiment cannot be said to have been a great success. It was, therefore, decided some time ago that our work must go beyond thrift alone. The programme of work has accordingly been widened and includes a number of things like better living, home industries of various types, education and so on. There are three women's institutes at Hoshiarpur, Amritsar and Gurdaspur and a number of purdah clubs exist in most places. Demonstrations have been given to women in fruit preservation, embroidery, knitting, sewing, etc., with a view to their taking up these industries as an additional source of income. Signs are not lacking that women in some



places are taking to this. It will of course take some time for this work to develop but it is hoped that with increased staff it will be possible to do this soon.

## BOMBAY

**Extracts from the Report of the Registrar of Co-operative Societies, S. M. Ikram, Esq., I.C.S., for the year ending 30th June, 1940.**

**General Progress.**—After the outbreak of war, prices of some of the agricultural commodities showed an upward trend in the beginning, cotton prices soared very high in the months of December and January, but the rise in prices did not last very long. A number of agriculturists were able to realize better prices for their produce, but many who had stored their produce —particularly cotton—in the expectation of realizing still better prices, had to sell at very low prices or to hold on till the next year.

The following statements record the progress made during the year:—

PART I

| Types of Societies. | Number of Societies. | | Number of members | |
|---|---|---|---|---|
| | 1938-39 | 1939-40 | 1938-39 | 1939-40 |
| Central banks (including Provincial Bank and Provincial Land Mortgage Bank) and Banking Unions .. | 13 | 14 | 15,861 | 15,949 |
| Agricultural Societies (including Land Mortgage Banks) .. | 4,047 | 4,169 | 261,521 | 267,219 |
| Non-Agricultural Societies .. | 936 | 978 | 323,779 | 336,652 |
| Unions .. | 128 | 126 | 3,505 | 3,558 |
| Insurance Societies .. | 2 | 2 | 7,222 | 7,968 |
| Total .. | 5,126 | 5,289 | 611,888 | 631,346 |

PART II

| Types of Societies | Share Capital. | | Reserve and other funds. | | Working capital. | |
|---|---|---|---|---|---|---|
| | 1938-39. | 1939-40. | 1938-39. | 1939-40. | 1938-39. | 1939-40. |
| | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| Central Banks (including Provincial Co-operative Banks and Provincial Land Mortgage Bank) and Banking Unions | 44,09,535 | 44,63,860 | 42,63,884 | 46,73,805 | 5,44,83,238 | 5,34,95,096 |
| Agricultural Societies (including Land Mortgage Banks) | 41,48,634 | 43,12,983 | 92,89,307 | 96,28,123 | 3,44,86,219 | 3,40,67,485 |
| Non-Agricultural Societies | 1,53,73,949 | 1,64,52,879 | 1,03,88,882 | 1,05,09,826 | 7,33,48,217 | 7,31,03,969 |
| Insurance Societies | .... | .... | .... | .... | 3,80,158 | 6,48,705 |
| Total .. | 2,39,32,118 | 2,52,29,722 | 2,39,42,073 | 2,48,11,754 | 16,26,97,832 | 16,13,15,255 |

**Objects of Loans.**—The bulk of finance by agricultural credit societies consists of advances of a short term nature made for the purpose of current agricultural needs. Loans for unproductive purposes like ceremonials are discouraged and show a downward tendency. Loans for redemption of old debts are advanced through the agency of land mortgage banks, which is the appropriate agency for dealing with long term finance. There is a slight decrease in the amount of loans advanced for land improvement.

In the case of non-agricultural societies, the major portion of loans are advanced for trade, commerce and other allied purposes.

**Agricultural Credit Societies including Multi-purpose Societies.**—A large number of thrift and credit and multi-purpose Societies were registered during the year and this is, to some extent, due to increased demand from rural areas for credit specially for current agricultural needs, but mainly it is the result of the propaganda carried on by the department for popularising multi-purpose societies. The main feature of the new type of organisation is that the Society aims at linking up credit with thrift and or with marketing and supply and thus overcome the main drawback found in the older type of societies which confine their operations to credit only. The registration of 19 better farming societies which are intended to promote improved methods of agriculture and thus function as complements of multi-purpose societies, offers scope for improving the agricultural industry.



In urban areas, the advantages of the co-operative method are increasingly appreciated as is evidenced by the increase in the number of societies—particularly amongst the salary earners.

The subjoined statement shows the salient figures with regard to the working of the agricultural credit societies including multi-purpose societies:—

| | | 1938-39. | 1939-40. |
|---|---|---|---|
| Number of Societies | .. | 3,709 | 3,796 |
| Membership | .. | 1,92,759 | 1,93,282 |
| | | Rs. | Rs. |
| Working Capital | .. | 2,92,45,086 | 2,79,58,097 |
| Reserve and other funds | .. | 81,03,346 | 84,24,807 |
| Member's Deposits | .. | 22,08,279 | 18,80,459 |
| Share Capital | .. | 32,35,002 | 33,30,870 |
| Bank Loan Outstanding | .. | 1,37,40,864 | 1,24,20,577 |
| Other outside liabilities | .. | 19,56,944 | 19,01,384 |

The total outstandings during the year under report show an appreciable decrease of 15 lakhs and compare favourably with the decrease of 6 lakhs recorded during the previous year. The decrease can be attributed to the present policy according to which the existing commitments are seldom allowed to increase and suitable cuts are effected so as to bring the debts within or nearer the paying capacity of the debtors.

The recoveries for the Province as a whole (including advance recoveries shown under a separate column) show a substantial increase of 15 lakhs over the previous year's figures.

Under the existing orders of Government, the coercive measures for recoveries of dues of Co-operative Societies are suspended for the period intervening between 31st August and the commencement of the next land revenue collection season. As many important crops in a number of districts are harvested before the dates for the collection of land revenue, the difficulties that arise in collection of Co-operative Societies dues in consequence of these orders can easily be imagined. Similarly, orders passed for granting time to those members of societies who paid one or two year's interest on the analogy of the benefits conferred under the Small Holders Relief Act, even going beyond the Act and extending the benefits to members who are not small holders, have also, to a certain extent, retarded recovery work. Moreover there is a feeling among debtors of societies that they would get more concessions under the Bombay Agricultural Debtors Relief Act than under the Registrar's concession schemes and that it would be in their interest to postpone the payment till the Act came into operation.

There is an improvement in the figures of arrears for the Province as a whole. The unauthorised arrears record a fall of nearly 9 lakhs, the percentage having decreased from 61 to 59. This improvement is mainly due to the progress effected in the normal areas, where there is a corresponding decrease of about 9 lakhs, in the figures of overdues. The percentage of overdues, in the normal area has also fallen from 59 to 56. The position in the precarious and backward tracts, which had shown marked improvement last year, remains the same.

Societies were advised to write off bad debts and amounts shown as losses consistently for over a period of 3 years against reserve funds. The total losses written off in this manner during the year amounted to Rs. 1,01,610. Losses in societies are partly due to the arrears of interest with defaulters and partly due to the unremunerative return on lands taken over by societies.

Side by side with the process of classification of debts, the policy of granting concession to the borrowers of societies on collective as well as individual basis continued to be in operation throughout the year. The scale of concessions varied for different tracts according to the financial position of societies and the accumulation of overdue interest.

**Multi-purpose Societies.**—Very active propaganda was carried on in rural areas for explaining to the agriculturists the utility and advantages of multi-purpose societies and instructions were also issued to the officers concerned that one or two multi-purpose societies may be organised in each taluka after careful enquiry in regard to the available personnel and other relevant factors. In pursuance of these instructions, as already indicated above, 54 new multi-purpose societies were registered during the year which, together with the societies registered in the previous year and the societies converted into multi-purpose societies, brought the total number of multi-purpose societies to 65 at the close of the year:

In organising these societies, the immediate object kept in view was to provide finance for cultivation needs and also to arrange for the sale of produce of the agriculturists who are financed by these societies or by agricultural credit societies working in their area of operations. The centres chosen for these societies are in most cases minor market places where cultivators usually sell their produce. It is premature to express any opinion regarding this experiment for linking up credit with marketing through the agency of multi-purpose societies. Some of them, however, have made a promising start, while others had not commenced business till the close of the year.

The following statement gives the main statistics regarding operations of multi-purpose societies:—

| | 1939-40. |
|---|---|
| Number of Societies | .. 65 |
| Number of members | .. 2,741 |
| | Rupees. |
| Share Capital | .. 42,500 |
| Reserve and other funds | .. 12,658 |
| Deposits:— | |
| (a) From members | .. 6,584 |
| (b) From non-members | .. 17,891 |
| Loans from Central Banks | .. 48,225 |
| Working Capital | .. 1,27,858 |



| | Rupees |
|---|---|
| Loan operations:— | |
| (a) Crop Loans | .. 42,588 |
| (b) Loans on security of produce | .. 1,19,904 |
| (c) Intermediate term loans | .. 11,435 |
| (d) Loans for domestic and industrial requirements | .. 10,547 |
| Total loans outstanding | .. 70,593 |
| Overdues | .. 9,007 |
| Value of agricultural, domestic and other requirements supplied | .. 39,017 |
| Price realised on sale of agricultural produce | .. 26,838 |
| Commission earned | .. 2,393 |

There were three principal needs of multi-purpose societies, viz., (i) adequate godown facilities for storing agricultural produce brought to them for sale; (ii) subsidies to meet the cost of management, particularly in the initial stages when the turn-over is not likely to be large; and (iii) provision for efficient and well trained staff to serve as secretaries. Government has recently issued orders sanctioning rules under which long term loans for the purpose of constructing godowns at 4 per cent interest can be granted. Government has also undertaken to pay a subsidy up to Rs. 150 a year to each multi-purpose society for the first three years to enable it to maintain suitable staff. Under the scheme sponsored by Government for the training of rural assistants, it is contemplated that the rural assistants, on completion of their training, would be available for appointment as secretaries of multi-purpose societies at the villages where they may be appointed to work.

**Supervision.**—The number of district boards of supervising unions stands at 16 as at the close of the previous year. The Broach District Board of Supervising Unions was registered after the close of the year, while the district supervision board at Kaira was ordered to be wound up, as the supervising unions working under it were taken into liquidation, consequent on the widing up of the Kaira District Central Co-operative Bank. Kolaba and Ratnagiri districts continue to be without any Board. The staff of the boards of supervising union consists of 124 Supervisors and 18 Assistant Supervisors. The number of supervising unions, including guaranteeing unions, and unions for the Southern Gujrat cotton sale and ginning societies stands at 110. The number of societies affiliated to them was 3,501.

During the year under report, some of the supervisors of the district boards were taken up as Assistant Rural Development Inspectors for propaganda work in connection with rural development schemes.

**Primary Land Mortgage Banks.**—The number of land mortgage banks working in the Province at the close of the year was 17. The number of members increased from 9,095 to 10,384. The amount of loans outstanding with members went up from Rs. 20,90,748 to Rs. 26,29,342 which are exclusive of loans advanced by the Bombay Provincial Co-operative Bank, Limited, prior to the establishment of the Bombay Provincial Co-operative Land Mortgage Bank, Limited, and not yet taken over by the latter. The number of loan applications received by the primary land mortgage banks during the year was 1,083 and 605 applications were forwarded to the Provincial Land Mortgage Bank for sanction of loans. The total amount outstanding with members of the primary banks at the end of year Rs. 27,00,025.

The conciliation boards of primary banks secured remissions from creditors to the extent of Rs. 1,35,719 during the year before disbursing loans for payment of old debts. These boards are considerably handicapped in this work as they have no statutory powers to enforce attendance of creditors and production of their books and documents.

The comparative smallness of the volume of business done by primary land mortgage banks during the period under report was largely due to the suspension on the part of the apex bank for nearly 4 months of its normal operations for want of loanable funds and also partly due to the enactment of the Bombay Agricultural Debtors Relief Act under which intending applicants expected to secure greater relief than what could be secured by voluntary conciliation through the efforts of land mortgage banks.

The number of affiliated primary banks increased during the year from 13 to 16. The paid-up share capital of the bank increased from Rs. 4,21,000 to Rs. 4,46,300.

During the year under report, the bank received from primary banks 516 fresh loan applications for Rs. 8,42,013 of which 367 applications for Rs. 4,67,000 were sanctioned and 41 for Rs. 1,36,469 were rejected. The remaining applications were pending with the bank at the close of the year.

The bank advanced to primary banks, during the year under report, 443 fresh loans amounting to Rs. 6,07,450 inclusive of loans taken over from the Land Mortgage Department of the Bombay Provincial Co-operative Bank, Limited. The outstandings from primary banks as on 30th June 1940 stood at Rs. 23,88,608 as against Rs. 19,25,958 at the close of the previous year.

For the first time during the last 4½ years, the bank made a profit. It amounted to Rs. 17,068-7-5. With an increase, in the volume of its business and with economies in the cost of management, the bank may hope to give its share holders a moderate return on their capital in future.

**The Bombay Provincial Co-operative Land Mortgage Bank.**—The work of transferring the assets of the Land Mortgage Department of the Bombay Provincial Co-operative Bank Limited, to the Bombay Provincial Co-operative Land Mortgage Bank Limited, continued to make progress. In all, 207 cases for Rs. 3,58,498 were sent up for transfer and the bank decided to accept 156 cases for Rs. 2,73,800. Of these, 103 cases for Rs. 1,57,295 were transferred before the close of the year. The cases now awaiting transfer are 53 for Rs. 1,11,650. The primary banks concerned have been instructed to expedite the transfer of these cases.

The war has tended to impede the progress of the Land Mortgage Banks' movement, which depends, for its healthy growth, on continuous and adequate supply of cheap long term funds. During the year the second series of debentures were floated at an issue price of 98½ for 10 to 15 years at 3½ per cent as against the first series issued at par for 20 to 25 years at 3¼ per cent in pre-war days; thus necessitating an increase in the lending rate of the apex and primary banks and also reduction in the maximum period of repayment of loans from 20 to 15 years. This has to some extent, restricted the loan operations of the Provincial as well as the primary land mortgage banks.



**Cotton Sale Societies.**—The cotton sale societies, both in Karnatak and Gujerat, continue to occupy a prominent place amongst the agencies through whom the cotton crop of the Province is marketed. The Gadag Cotton Sale society had another year of successful working. Although there was a drop in its total sales which amounted to 14,625 dokras, as against 30,000 dokras during the previous year, the society realised a net profit of Rs. 8,458 on the year's working. The Hubli Cotton Sale Society is showing signs of distinct improvement under the management of the Board nominated by Government, though it has still to regain the lost confidence. It has recently cleared off its dues to the Indian Central Cotton Committee and is gaining its credit with the financing agency and local Banks. During the year the society sold 4,745 dokras worth Rs. 1,75,126 and made a profit of Rs. 838.

Other types of sale societies could be classified as under according to the nature of produce sold:—

| | |
|---|---|
| (a) Gul .. | 1 |
| (b) Chilly .. | 2 |
| (c) Mango .. | 4 |
| (d) Paddy .. | 1 |
| (e) Arecanut .. | 2 |
| (f) Fruits and vegetables .. | 9 |
| (g) Eggs .. | 2 |
| (h) Miscellaneous | 37 |
| | 58 |

**Better Farming Societies.**—It had been suggested that intensive work in regard to agricultural and other improvements would be more effectively performed by a better farming society working in a restricted area, than by a taluka development association, the activities of which extended to a whole taluka. Such better farming societies are intended to promote the adoption of improved methods of cultivation, joint purchase of agricultural requisites, joint sale of produce, improvement of livestock, fodder storage, development of cottage industries, etc., in a compact area round their headquarters, and their development will be watched with care.

**Better Living Societies.**—Though the total number of these societies which was 34, remained unchanged, the total membership went up from 2,456 to 2,515. The activities of these societies include attention to public health, education, supply of medicines, water-supply, road construction, settlement of disputes, curtailment of ceremonial expenditure, etc. Some of these societies are dormant, but others which are working, have succeeded in bringing about some improvement in social life of their members.

The Bagni Co-operative Harijan Better Living Society has built a colony for Harijans and has succeeded to some extent in loosening the hold of customs on the minds of its members. With the organisation of better farming societies, the need for registering separate better living societies will not ordinarily exist, as the by-laws of better farming societies have been so framed as to permit the societies to undertake item of work in regard to better living also.

A feature of the year in the field of co-operative banking was the formation of a co-ordinating agency for the central and urban banks, on the lines recommended in the Joint Reorganisation Report. It is designated as the Bombay Co-operative Banks' Association but has not been registered under the Bombay Co-operative Societies Act. Its objects as embodied in its by-laws are as under:—

(1) To co-ordinate the work of central and urban banks in the Province of Bombay and to promote uniformity in banking practice.

(2) To arrange, if necessary, for inspection of member banks not served by an audit federation.

(3) To keep in touch with the Agricultural Credit Department of the Reserve Bank of India, money market, security market, and to issue periodical bulletins to member banks.

(4) To look into all important matters such as borrowing and lending rates of banks, mutual arrangements regarding inland exchange business, maintenance of adequate fluid resources, training of the staff of member banks in consultation with the Bombay Provincial Co-operative Institute.

The outstanding event of the year under report was the outbreak of war in Europe. The immediate effect of war on co-operative banking system in this province as on joint stock companies was the heavy withdrawals of deposits. The withdrawals, however, were confined to a few banks. The demands for deposits were promptly met and confidence was soon restored. The total sums withdrawn were in the neighbourhood of Rs. 30 lakhs, but the bulk of the money flowed back into the banks after the panic subsided.

**The Bombay Provincial Co-operative Bank.**—During the year under report the total working capital of the Bank was Rs. 2,31,10,469 as against Rs. 2,28,91,230 of the last year. There is a small increase of nearly Rs. 1¼ lakhs in the total deposits but the amount of fixed deposits has gone down by Rs. 5½ lakhs. The reduction in the figure of fixed deposits is due largely to the war panic which was at its worst towards the close of the co-operative year. Due to the same reason, the public prefer to keep their savings in deposits withdrawable on demand instead of fixing them for a stipulated period. But for the abnormal conditions which prevailed owing to the continuance of war, the amounts under all kinds of deposits would have stood much higher.

Total advances of all types including loans due from banks and societies amounting to Rs. 88,17,673 were Rs. 99 lakhs at the close of the year. This figure included purely short-term loans aggregating to Rs. 28 lakhs against agricultural produce, Government securities, etc. This represents an increase of Rs. 7 lakhs over the previous year's figure of such short-term advances. This could be regarded as a feature indicating healthy development. Equally satisfactory is the decline amounting to Rs. 7 lakhs that has taken place under ordinary, long-term and land improvement loans to societies and in outstandings from societies in liquidation. Fresh advances by way of ordinary loans amounted to Rs. 19,12,166 and repayments to Rs. 23,20,227. These repayments could be regarded as satisfactory in view of the unfavourable conditions of crops in several



areas. The total fall in outstandings due from societies is mainly due to the vigorous policy of compounding debts which was actively pursued in the year, especially in the Deccan Canal areas under the personal direction of the Registrar. The repayments in case of societies in liquidation, however, cannot be regarded as satisfactory as more than half the number of societies paid little or nothing during the year. It is, however, hoped that better results would be obtained in the near future in view of the policy now followed in appointing the bank as liquidator of societies which are indebted to it.

The position of the Bank in respect of its liquid assets is satisfactory. As against the deposit liabilities of Rs. 1·85 crores the liquid resources of the Bank amounted to Rs. 1·23 crores.

The profit of the Bank during the year was Rs. 73,727 as against Rs. 1,09,725 of the previous year. The rate of dividend declared this year is 3½ per cent as against 4 per cent declared last year. A reduction in the rate of dividend was necessitated by smaller profit consequent on conversion of premium securities with a high current yield into discount securities with a lower current yield.

The process of transfer of land mortgage loans to the Bombay Provincial Co-operative Land Mortgage Bank, Limited, and computation of the final losses on account of operations of the Land Mortgage Department of the Bank was not completed during the year. As the loan accounts have now been examined by the authorities of the Land Mortgage Bank, it is expected that the negotiations would be complete during the current year.

**District Central Banks.**—The number of these banks remained unchanged at 11. The paid-up share capital, reserve and other funds and total working capital stood at the end of the year under report at Rs. 27·14, 26·66 and 273·16 lakhs as against Rs. 26·88, 23·82 and 299·34 lakhs of the previous year. It will be noticed that the paid-up share capital, reserve and other funds, the number of individual and society members, record a satisfactory increase. Deposits from individuals fell from Rs. 2·14 crores to Rs. 1·84 crores. On the other hand, there is an increase in the deposits from societies, which mostly represent the surplus in urban societies passed on to the district central banks. The reduction in deposits from individuals is partly due to the fact that the provident funds of the school boards are required to be deposited in Government securities and partly due to the fact that a large part of the amount by which individual deposits decreased represents withdrawals, for investments in purchase of goods or in some business made profitable by the war and for investment in industrial shares and defence loans. The decline in deposits is reflected in a corresponding reduction in the total figure of working capital. Notwithstanding the fall in the figure of deposits, the central banks had plenty of surplus funds. Out of the total working capital aggregating to Rs. 2·73 crores, only Rs. 1·00 crore are on loans with societies. Owing to uncertainties attaching to the agricultural production agricultural credit societies have been passing through difficult times and it is but natural that the central banks have adopted a cautious attitude and conserved their resources as far as possible. While this raises the problem of profitable investment of large unusable surpluses, the position of such surpluses has been a source of strength and credit. Moreover, part of the surplus funds will be useful to the central banks for making crop finance available to agriculturists and for providing the facilities with regard to the marketing of their produce after the Bombay Agricultural Debtors' Relief Act is put into operation.

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**Non-Agricultural Credit Societies.**—The year under report witnessed a further increase in the number of societies from 685 to 715. Deposits of all classes fell from Rs. 3,78,68,506 to Rs. 3,65,14,065. Due to reasons already mentioned in paragraph 69 of this report, decline in deposits is naturally reflected in the shrinkage in the figure of total working capital which was Rs. 5,97,49,153 at the close of the year as against Rs. 6,03,14,949 of the previous year. Reserve and other funds, however, showed satisfactory increase. The number of full-fledged urban banks excluding salary-earners' societies with a share capital of Rs. 20,000 and above rose to 54 as against 52 of the last year.

Under Government orders societies which do the business of banking and have a paid-up share capital of more than Rs. 10,000 are permitted to use the word "Bank" up to 30th June 1941. According to this classification, the number of urban banks is 72.

**Salary Earners' Societies.**—Their number rose to 394. Out of a total of Rs. 2,03,74,323, due for repayment, Rs. 1,90,37,998 were repaid leaving Rs. 6,06,866 and Rs. 7,29,459 as authorised and unauthorised arrears respectively. The recoveries from out of the amount due after the close of the year, aggregated to Rs. 9,73,966. These figures are distinctly good and indicate punctual repayment of loans.

**Mill-hands Societies.**—The mill-hands societies operating in the industrial area in Bombay are doing good work. There were 35 societies of this type in 24 mills in Bombay City alone. The Chief Inspector of Factories continued to take keen interest in the affairs of the societies for factory workers. A meeting of the representatives of the factory workmen and their organisations in Bombay was convened and many important problems such as schemes of savings deposits, cheap facilities for housing and medicine for workmen, joint purchase of domestic requirements, etc., were discussed and a committee was appointed to formulate definite proposals. As a result of recommendations of this committee to the Registrar, necessary changes in by-laws of such societies permitting supply of domestic requirements on indent basis, compulsory savings deposits, etc., were permitted and the work of joint supply of domestic requirements was also commenced in societies in E.D. Sassoon Group and Morarji Gokuldas Mills.

**The Bombay Co-operative Insurance Society.**—The figures mentioned in this report represent the business done by the Society during a period of only 6 months ending 31st December 1939. The Society admitted 1,144 new members bringing the total number of members to 7,915 and issued 1,239 policies for a total amount of Rs. 13,07,500 as against Rs. 27,53,000 of the previous year. Out of these policies, 628 were for small sums of Rs. 500 and under for an aggregate amount of Rs. 2,53,800. The total business in force at the close of the year amounted to Rs. 75,55,517, out of which business worth Rs. 3,17,118 has been re-insured. The Life Insurance Fund increased to Rs. 6,08,463, showing an increase of Rs. 81,730. The Society paid claims amounting to Rs. 14,713 leaving outstanding claims amounting to Rs. 23,231. The premium income of the Society amounted to Rs. 2,09,408, which together with income from interest on investments, rent of the buildings, etc., amounted to Rs. 2,29,802 for a period of 6 months as against Rs. 3,94,627 for the twelve months of the previous year.



**Consumers' Societies.**—The following comparative statement indicates an all round progress in the working of Co-operative Stores during the year under report:—

| Year. | Number of Societies. | Number of Members | Working Capital. | Total Sales. | Total purchases. | Cost of management. | Profit. |
|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| | | | Rs. | Rs. | Rs. | Rs. | Rs. |
| 1938-39 | 25 | 7,128 | 2,09,190 | 5,99,483 | 5,34,876 | 53,207 | 13,544 |
| 1939-40 | 30 | 8,287 | 2,19,389 | 6,06,151 | 5,00,752 | 58,162 | 17,890 |

Though development of the consumer's movement has been comparatively very limited, and mainly confined to salary-earners, the societies have been working well on the whole. Moreover 4 out of the 5 new societies registered during the year were not for salary-earners.

**The Bombay Provincial Co-operative Institute.**—The question of the revision of the Constitution and functions of the Institute was receiving the attention of Government, the Registrar and the Institute throughout the year, but it was not possible to arrive at a final decision.

The financial position of the Institute continued to be unsatisfactory. As regards the mortgage of building, an agreement was reached between the Institute and the Bombay Provincial Co-operative Bank in accordance with which the building was handed over to the bank, but with a view to maintaining its memorial character the Institute was allowed to retain the possession of the third floor on condition of paying Rs. 20,000 in cash to the bank.

**Co-operative Training.**—In view of the urgent necessity of imparting training in co-operation to rural development staff, preference was given to it while deputing departmental employees for training under the scheme. The first two batches consisted, therefore, exclusively of Rural Development Inspectors and Assistant Rural Development Inspectors. As the requirements of this staff in regard to education in co-operation were different from the staff which had already seen and worked with co-operative societies, the syllabus for training drawn up in the case of Auditors, Sub-Auditors, etc., was suitably modified. A course of theoretical and practical training in land valuation was also given to this staff with a view to have sufficient trained men in reserve for the posts of land valuation officers for the various land mortgage banks in the Province.

**Conclusion.**—The working of the co-operative societies during the year under review was generally on the lines which could very well be expected. Co-operation is a system of organization which in its working must reflect the merits and the weaknesses of the component parts. If the members of a co-operative society are mostly illiterate, earn less than they spend, and do not realize their obligations towards the organization (as is unfortunately the case with a number of agriculturists), the society cannot possibly be a great success. Where, however, the members have a surplus after meeting their expenditure, take an intelligent interest in the working of the society, and are prompt in meeting their obligations, the system is normally successful. In this Province, it was noticed that the vast majority of salary-earners' societies and urban banks and many non-credit societies worked very satisfactorily. They have caused no serious problem for the Department and satisfied many pressing needs of their members.

In case of agricultural credit societies, where only a small minority of members is educated and where the annual income of members is not always more than their minimum expenditure, the position was not so satisfactory. But even in the working of these societies, many encouraging features were noticed during the year. The Department has been making strenuous efforts for several years past to rehabilitate the working of these societies, but many powerful influences, especially the slump in prices of agricultural produce which has persisted with a few bright intervals during the last ten years or so, made any real improvement extremely difficult During the year under review, however, better prices for these goods prevailed for some time, and so, the departmental efforts to improve the position of these societies met with more than usual success. It has been, therefore, possible to reduce the total of loan outstanding with these societies by nearly 15 lakhs and to reduce the figure of overdues by 10 lakhs, as compared with the previous year.

# CO-OPERATIVE CONFERENCES AND MEETINGS

## THE XXVIII MYSORE PROVINCIAL CO-OPERATIVE CONFERENCE, MYSORE, 28TH SEPTEMBER, 1941.

**Extracts from the Welcome speech of Lokasevasakta Mr. C. S. Kuppuswami Iyengar, President, Mysore Co-operative Institute.**

At the close of the year 1940-41, there were 1956 Co-operative Societies with a membership of 1·45 lakhs and a paid up share capital of Rs. 54 lakhs as against 1895 Societies with 1,43,000 members and a paid up capital of Rs. 53·12 lakhs. The total working capital rose from Rs. 2·64 crores to Rs. 2·65 crores, the Reserve and other funds from Rs. 48·16 lakhs to Rs. 48·50 lakhs, the total turnover from Rs. 9·40 crores to Rs. 10 crores and the net profits from Rs. 3·9 lakhs to Rs. 4·1 lakhs.

During the year, the Land Mortgage Scheme was extended to nine more taluks. At the close of the year, there were 52 land mortgage societies operating in 50 taluks, 2 sub-taluks and portions of 3 taluks with a membership of 7000 and a share capital of Rs. 1·40 lakhs. The Central Land Mortgage Bank had 206 members (of whom 126 were individuals, 31 ordinary societies and 49 land mortgage societies) and a paid up share capital of Rs. 1,24,550. The total amount of debentures issued by the Bank was Rs. 13 lakhs, while the loans granted by it amounted to Rs. 16,48,295 in 1497 cases. The actual amounts disbursed at the end of the year were Rs. 15,41,421 in 1381 cases. The Bank earned a net profit of Rs. 22,695. The Government were pleased to sanction during the year the floating of a sixth series of debentures of Rs. 5 lakhs at 3½ per cent interest.

The Mysore Provincial Co-operative Apex Bank which is the chief agency in the State for the provision of short-term and intermediate credit to primary societies continued to show a steady improvement during the year. The membership of the Bank rose from 1252 (of whom 189 were individuals) to 1254 (of whom 180 were individuals), the paid up share capital from Rs. 2,49,000 to Rs. 2,51,500, the deposits from Rs. 23·21 lakhs to Rs. 24·18 lakhs, the Reserve and other funds from Rs. 3,07,000 to Rs. 3,31,500, and the net profits from Rs. 34,312 to Rs. 41,094. The Bank granted loans to the extent of Rs. 2·47 lakhs in 98 cases and the percentage of overdues to the total outstanding was 75·71 as against 77·15 on 30th June 1940. The concessions which the Bank had offered to the indebted societies were continued during the year.

The Mysore Co-operative Institute held Co-operative Training Classes at Bangalore and Shimoga for the benefit of office-bearers and employees of Co-operative Societies and others. The course lasted for three months from January to April 1941. 61 students joined the classes and in the examination held at the end of the course 15 students were declared successful. The Institute has proposed to form a Co-operative Library and has approached the Registrar for a liberal grant. I trust that the Government and the Registrar will be pleased to accede to our request.

As you are all aware, the Institute is the principal non-official agency for Co-operative education and propaganda. The lack of education in the principles of Co-operation among the people has been one of the principal causes for stagnation in the Movement. Unless intensive propaganda is made on a countrywide scale, it is hardly possible to ensure the development of the Movement on sound lines.

I am sure you are all glad that the Government have been pleased to accede to the request of this Conference and constituted a Standing Advisory Committee of Co-operators. Such a Committee will, I trust, be of special help in bringing the official and non-official representatives of the Movement into closer touch and co-operation.

**Extracts from the speech delivered by Rajasevaprasakta A. V. Ramanathan, Minister for Law, who presided over the Conference.**

After stating that with the recent rise in prices of primary commodities, it is our hope that the current year will enable the rural societies to show bettter results in the repayment of their dues to the financing banks, the President proceeded to give an account of the working of the societies and the nature and extent of the help given to the movement by the government. Then he answered in the negative the question whether the efforts of the government alone are and will be adequate to cover the wide field of co-operation.

The Registrar and his Department investigate whether a community is suitable for a society, register it, instruct the Committee how to work on correct lines, secure loans from the financing banks after investigation, collect dues, prevent malpractices, correct defects, investigate cases and adjudicate defaults, order dissolution of societies and undertake liquidation. These diverse functions have only to be enumerated to demonstrate their incompatibility in a single agency.

Doubtless somebody or other has to do all this. But, is a Government Department the proper agency to discharge some or several of these functions? Is not the member of the society responsible for many of them? To me it looks as if this attempt to secure the development of Co-operation through all-powerful Department is like seeking to promote Democracy by totalitarian methods. Departmentalism kills initiative and enthusiasm. Growth is possible only in an atmosphere of liberty and freedom. Criticism, there must be; but as much of it as possible should be from within. Criticism without responsibility is as barren of results when a Government Department is the critic as it is when a Government is the subject of criticism. Publicity, mutual understanding, close knowledge and frequent meetings alone can restore the conditions for healthy growth. Co-operation, to my mind, is a way of life; nay, *it is the way of life*. The field of Co-operation is co-extensive with the needs of the entire population. It cannot be covered except by the united efforts of all who can feel, think and act. Every member must do his duty by his society. He must give it personal service. He must give it information. He must meet his commitments regularly. He must help others in the solution of their difficulties.

Here I may quote to you a resolution of the Joint session of the Standing Committee of the Indian Provincial Co-operative Banks Association and the All-India Co-operative Institutes Association held in Bombay on the 18th January this year:—

(a) This meeting is of opinion that the time has now come to give a new orientation to the Co-operative Movement by the Provincial Co-operative Organisations and the Provincial and State Governments by launching a comprehensive plan for the simultaneous pursuit of a scheme for the revival or resuscitation of existing societies and the expansion of the movement, both intensively and extensively, with the following aims:—



(i) to replace as far as possible individual money lending by credit dispensed by co-operative societies whose scope and utility should be widened so as to be able to effectively assist the agriculturists for production, movement and marketing of crops and other allied activities;

(ii) to bring every village as soon as possible within the sphere of operations of a primary co-operative society; and

(iii) to enlist as rapidly as possible all residents of a village as members of their society.

(b) This meeting suggests the following measures in order to bring about a widespread diffusion of co-operative activities in the country-side:—

(i) The amalgamation of such existing societies as are unable to work individually and can be conveniently grouped into larger units.

(ii) The formation of new societies comprising groups of compact adjacent villages with such form of liability as local co-operative opinion and conditions may favour.

Note.—Societies reorganised and expanded on these lines will have sufficient income to enable them to build up reserves and appoint paid staff. They will then be able to achieve the triple objects of "Better Farming, Better Business and Better Living."

In the agenda placed before that session, another significant and important principle was suggested. Though it is not found in the resolutions as passed, it is worth re-stating it here as, in my opinion, it strikes the basic note of the co-operative key.

"While rehabilitating the co-operative movement all possible efforts should be made not to eliminate any member of the primary societies."

This is the spirit which should actuate every co-operator. We must aim at securing the ideal set out in that resolution. In this task, the triple spearhead, the trident, *Trisula*, in the hands of my friend Mr. Kuppuswami Iyengar should lead the way. Luckily we have statutory panchayets in every village. The panchayet and the co-operative society should work hand in hand. The Co-operative Propagandist Institute has to be built from below. Conferences should be re-oriented. They should be organised from the taluk and town upwards by local branches of the Institute. Organisation of co-operators territorially and functionally, is necessary. Reports of individual difficulties, handicaps and even failures must be read and discussed by those who run societies and handle similar problems. Reports of successful methods should be read and discussed so that those who have not succeeded may learn wherein they failed. The anxiety should be to locate difficulties and to help in surmounting them. Investigation, inspection and audit must be by selected co-operators. Permanent classes should be held in all districts to train Co-operators as well as Inspectors in Government service.

The goal, so far as the villager is concerned, is wholesale liquidation of debts. Debt Conciliation and Land Mortgage Banks must work hand in hand. There are 16,500 villages in the State. The rural societies number barely 1,400. The total agricultural indebtedness is estimated at 30 crores of rupees. The Land Mortgage Banks have so far granted 15 lakhs of rupees, barely 5 per cent of the total indebtedness. We want 200 times this effort. The State may help in scaling down debts, in facilitating a rural insolvency procedure for recourse in hopeless cases and in finding the money required to liquidate the debts promptly on settlement. But it is the members who should shoulder the burden of work. Everyone should be set on his feet again. Sustained efforts at amelioration by the better informed individuals are necessary. Preventive and curative agencies should be provided by the movement itself. Rural life must be made interesting. Cultured young men should be attracted to the village. An honorary corps of rural guides should be created. It should not become a Government Department. It should derive sustenance from the village and sustain the village.

In pre-British India, culture was planted in the village by the grant of tax-free lands and by assignment of taxes on condition of local residence. Culture is contagious. It is spontaneous in its contagion. A lamp sheds its light around it. It is its very nature. A graduate who has done social service, who has worked in the University settlement, who has enthusiastically conducted the adult literacy campaign, run his college hostel or union, can, by his very residence in a village, transform its social life. And if he has had practical training in a co-operative society or a rural development centre, he will be an even more potent centre of radiation. The problem is how to plant him in the village. Let every Village Panchayet, let every Co-operative Society attract a graduate of the same village or of that neighbourhood and pay him to live in the village. Let Government give grants to the Panchayet or to the Society to enable it to pay him. Let Government reduce its staff to the minimum necessary for control. Let as much as possible of the Rs. 84 per society be given to each society. Let the cost of a village school or a village dispensary be paid to the Panchayet or Society and let it employ a rural guide and make him teacher or doctor. In these and diverse other ways, let cultured young men or elders be attracted to the village. Make them dependent on local goodwill. Avoid the stamp of a Government official. For, once you dub him a Government servant, he gets into the tentacles of service registers, acquittance rolls, monthly returns and transfer petitions.

Encourage frequent public meetings of co-operators. Make the workers discuss in public. Let the individuals who lapse into unco-operative ways be discussed and be helped. Encourage them to seek the help of the rural guide, even as in the olden days every man in his affliction would turn to the Purohit, the Yejaman or the Buddhivanta of his village.

All I have said about the villager applies equally to the townsman in his sphere. The artizan, the consumer, the labourer,—all need similar organisation and similar help. They have similar duties to one another and to the public. Darkness, drink, debt, dirt and disease, are the enemies of man in village or town. They kill him,—some directly, other insidiously. By spreading co-operation to embrace all fields of human activity, these devils were overcome in the past. They can be overcome again. We have lost the old methods of co-operative endeavour. We have not perfected new methods.



**The following resolutions were passed at the conference:—**

1. That at least Urban Co-operative Societies be permitted to appoint and fix the remuneration of their auditors from among the panel of auditors to be maintained by the Registrar, the audit fees being paid to them with the approval of the Registrar.

2. That at least two-thirds of the members of the Co-operative Advisory Committee be elected by the Mysore Provincial Co-operative Conference, after the term of the present Committee expires.

3. That as it is necessary to carry on intensive co-operative propaganda in rural areas, this Conference requests the Government to revive the system of Honorary Supervisors and Honorary Organisers.

4. That in order to improve the economic condition of the rural population through Co-operation still further, this Conference recommends to the Government.

(i) That an economic survey be carried out forthwith throughout the country-side under the auspices of the Village Panchayets;

(ii) That the functions and activities of Village Panchayets and Co-operative Societies be co-ordinated; and

(iii) That as a means to the above end the system of Village Banks or Multiple Purposes Co-operative Societies, advocated by the Reserve Bank, be introduced into as many villages as possible.

5. That the Government be requested to combine the Training Classes for Inspectors which are directed to be conducted by the Registrar with the Training Classes which are being conducted by the Mysore Co-operative Institutes as a regular feature of its activities for the past seven years.

6. That the Government be requested to arrange for the compilation of all the Circulars issued from time to time by the Registrar in book form and for the supply of copies of the same to all Co-operative Societies free of cost.

7. That the following be added at the end of the first paragraph of Rule 6 (b) under the Mysore Co-operative Societies Act:

> "And that no person shall serve on any Committee of Management either as President or Director for more than three years consecutively."

8. That the Government be requested to expedite the starting of Debt Conciliation Boards in all the places to which the Land Mortgage Scheme has been extended.

9. That the Government be requested to finance the Central Financing Banks at such low rates of interest as would permit the latter to lend the primary Societies, marketing agricultural produce, at such rate of interest as would enable them to advance to the producers at rates not exceeding the rate charged by the capitalistic banking agencies on similar transactions, having also in view the margin which the two classes of Societies will have to keep between their borrowing and lending rates to meet their working expenses.

10. That the Government be requested to make provision for refund of half the institution fees in all co-operative disputes disposed of by the Departmental Officers or the Arbitrators without contest.

11. That the Government be requested to exempt all Co-operative Societies from the operation of Section 60 of the Civil Procedure Code as amended by Act XIII of 1938 and Act XXI of 1941 and provide as before for the attachment of salaries above Rs. 20 per mensem.

12. That the Government be requested to make provision for the attachment of salaries or wages of the employees of the Mysore State Railway, the Bank of Mysore and other Joint Stock Banks.

13. That the Government be requested to direct the Revenue Authorities to give to the respective Co-operative Societies full details of the decrees returned unexecuted immediately on such return so that the Societies might be enabled to take suitable further action without undue delay.

14. That the Government be requested to increase the fee payable per dispute to the Arbitrators as incidental expenses from annas four to atleast annas eight.

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## THE XXIV MADRAS PROVINCIAL CO-OPERATIVE CONFERENCE 11TH AND 12TH OCTOBER, 1941.

### Summary of the Proceedings.

The Conference was held in the Rasika Ranjani Sabha Hall, Mylapore, Madras, on the 11th and 12th October 1941.

There was a large attendance of delegates, the total number that attended being 426 of which 227 came from the Telugu districts and 199 from the other districts in the province. Of the 227 delegates from the Telugu districts, 180 were from Northern Circars and of the 199 from the other districts, 64 were from Madras and Coimbatore districts. Delegates of non-credit societies numbered 92 of whom 63 came from the Telugu districts, particularly the Northern Circars, wherefrom 54 came and the rest from the other districts; of these 92 delegates 75 represented Loan and Sale Societies, Consumers' Stores and Weavers' Societies. The local supervising unions were represented by 95 delegates of whom 54 came from the Telugu districts and the rest from other districts; of the 54 that came from the Telugu districts, 47 were from the Northern Circars. The rest represented the Provincial Societies and Credit Institutions. The Provincial Societies were represented by 21, Central Banks by 75, Urban Banks by 91 and Land Mortgage Banks by 41 delegates.

The official attendance was also large. The Registrar of Co-operative Societies, Joint Registrar, Personal Assistant to the Registrar and the Deputy Registrars from the Northern Circars, that is to say, Rajamundry (East and West Godavary districts), Kistna, Guntur, Nellore (Nellore and Chittoor districts), South Arcot, Coimbatore and Madras besides a number of inspectors were present as visitors.

The Welcome Address was delivered by Mr. T. A. Ramalingam Chettiar, President, The Madras Provincial Co-operative Union. Then Prof. V. G. Kale of Poona opened the Conference with his Inaugural Address. Dr. B. V. Narayanaswamy Naidu then delivered his Presidential Address.

**Immediately after the President concluded his address, a motion to discuss the remarks made by Mr. Ramalingam Chettiar in his welcome address regarding official interference, was moved.** The motion was ruled as being out of order at that stage. The Conference was adjourned after some discussion without transacting any further business for the day, till 12-30 p.m. on the 12th. No subjects committee was constituted to consider the draft resolutions.



The Conference reassembled on the 12th at scheduled time when the Secretary read messages of good wishes for the success of the Conference received from, among others, The Registrars of Co-operation, with the Governments of the Punjab, the Central Provinces, Bihar, Orissa and Bombay, Dewan Bahadur S. Aravamudu Iyengar, Hyderabad, The Director of Co-operation, Kuala Lampur, F.M.S.

The following resolution touching the demise of the late Mr. V. Venkatasubbaiya was passed unanimously:

1. This Conference resolves to place on record its sense of loss at the death of Mr. Venkatasubbaiya and requests the President to convey its sympathy to the members of the bereaved family.

Then the following resolution was moved:

2. *This Conference emphatically and completely dissociates itself from the views regarding the Co-operative Department, expressed by Mr. T. A. Ramalingam Chettiar in his Welcome Address at the Conference as President of the Provincial Co-operative Union.*

Some amendments to the above resolution were moved: but the amendment that mainly occupied the attention of the house was to the following effect: "Expunge from the proceedings paragraphs 2, 3 and 4 of Mr. Ramalingam Chettiar's address, containing his views on official interference and place on record its appreciation of the policy of the Government in the Co-operative Department in regard to purifying the movement." After some discussion the first portion of the amendment was dropped and the second part was ruled out of order. During the course of discussion there was certain amount of confusion and unpleasant scenes occurred. Before putting the resolution to vote, the President read out to the Conference the following letter addressed to him by Mr. Ramalingam Chettiar, who had to leave for Delhi on other public duty.

"As I have to leave Madras this morning for Delhi as previously arranged I am sorry I will not be able to attend the Conference to-day. The adjournment of the Conference yesterday has deprived me of the opportunity to be present at the Conference when my speech will be discussed. You know it was at the instance of the Registrar, Joint Registrar and some of their supporters that the Conference was adjourned yesterday. The fact that a large number of Deputy Registrars have been got down for the Conference and an unusually large number of delegates have come from some of the districts from which these Deputy Registrars have come, show the interest taken by the Department in the Conference. I request you to state, in case the statements in my speech are referred to at the Conference or the subjects committee, that the views expressed were my personal views and that I am prepared to prove everyone of the facts mentioned in my speech."

**A vote was taken on the resolution and was declared to have been carried by a large majority, considerable number of delegates, however, remaining neutral. The Conference then adjourned for lunch.**

At the post-lunch session which lasted for about a couple of hours the following resolutions were passed. The attendance during the post-lunch session was thinner.

1. This Conference requests the Government to publish their decisions on the recommendations of the Committee on Co-operation at once to enable co-operators to express their views for their consideration before action is proposed either by amendments to Rules or the Act itself and the Conference is of opinion that piece-meal action is neither desirable nor advantageous to the Movement.

2. This Conference strongly reiterates the recommendation of the Committee on Co-operation regarding Land Mortgage Banks in dry areas and requests Government to pass early orders accepting the same.

3. In view of the recent decisions of the High Court on certain provisions of the Madras Debt Conciliation Act, this Conference is of opinion that the Act should be suitably amended carrying out the suggestions of the Honourable Judges of the High Court and of the Committee on Co-operation. This Conference feels that provision for compulsory conciliation of debts, application of principles of the Agricultural Debt Relief Act for scaling down debts and rural insolvency should be incorporated in such an amending Act.

4. In view of the special circumstances of the scheduled classes and the imperative need to promote their social and economic uplift, this Conference supports strongly the recommendations of the Committee on Co-operation that Government must undertake the financing of the societies for these classes as otherwise the Central Banks may not be able to meet their necessities.

5. This Conference strongly supports the recommendations of the Committee on Co-operation that Government should formulate a comprehensive policy and concert measures for the educational, social and economic improvement of the aboriginal and hill tribes by appointing special welfare officers to work under the Labour Department.

6. This Conference supports strongly the recommendations of the Committee on Co-operation regarding Audit specially those dealing with scale of Audit Fees, exemption from Audit Fees etc.

7. Resolved to request the Government to grant loans and subsidy to the Central Wholesale Stores to put up godowns, as in the case of Sale Societies.

8. This Conference resolves to request the Registrar of Co-operative Societies to encourage the policy of organising house mortgage banks on the lines of the land mortgage banks at all convenient centres all over the province.

9. This Conference expresses its deep sympathy for the famine-stricken handloom weavers of Yemmiganur and other places of South India and requests the Government to start relief works in centres like Yemmiganur, Chirala etc., where majority of handloom weavers are thrown out of employment and are in starving state on account of the present soaring prices of yarn, dyes and chemicals, to provide employment to the weavers by engaging them to produce fabric such as bandage cloth, duster cloth etc., (clothes mainly of plain weave with coarse and medium counts of yarn) required by the Government in large quantities on account of the War.



10. In view of the abnormal prices of the yarn due to War and middlemen's profiteering and consequent unemployment of thousands of weavers all over the country, this Conference urges the Government to immediately control the prices of yarn and effectively check the middlemen's profiteering and save the starving handloom weavers from utter destruction.

11. This Conference also resolves to request the Government to start a Spinning Mill on co-operative basis to supply yarn to the handloom weavers at reasonable rates. This Conference is of opinion that for this purpose, the Government can easily find funds if they allocate portion of the income derived through import duties on yarn or cloth or through the issue of licenses to merchants dealing in mill cloth or through the levy of excise duty on mill cloth.

12. This Conference requests the Government to grant sites free of cost for constructing buildings for the big Urban Banks wherever they are available, since they are also considered as quasi-government bodies

13. In view of the fact that public servants in all localities are not served by Public Servants' Societies and that all societies especially Urban Banks have already lent moneys to such public servants, this Conference earnestly requests the Government to issue a ruling that the G. O. No. 2528 Dev., dated 31-10-1940 applies to all co-operative societies instead of Public Servants' Co-operative Societies only wherever there are not Public Servants' Societies available.

14. This Conference requests the Government to give preference to non-official co-operative employees in the matter of recruitment to Government services.

15. This Conference resolves that primary societies be made the medium of lending produce loans wherever this is not done.

16. This Conference resolves that on account of the great difficulties which the societies have to encounter in connection with the preparation of property statement —a very important record in unlimited liability societies—the Board of Revenue be requested to direct karnams to furnish certified copies of Account No. 10·1 of the members of societies to the societies then and there on requisition from the Secretaries of concerned societies.

17. While reiterating the recommendation made by the Co-operative Enquiry Committee regarding the reduction of interest on old loans issued to Building Societies by Government prior to 1935 and that the interest should be 4½ per cent., this Conference requests the Government to amend the provisions of the Act in conformity with the said recommendations made by the Committee.

18. This Conference viewing with grave concern the present plight of the Supervising Unions resolves that the Unions be reorganised so as to ensure efficient working.

19. Resolved that the Government be requested to adopt a liberal policy in the matter of lending the services of the employees in the Department to serve in Co-operative Institutions when such Institutions request for such deputation.

20. This Conference requests the Government that the rule proposed to be enacted—limiting the period of the loans by the Central Banks and Credit Societies to 3 years should not be passed in view of the fact that the transaction of Co-operative Institutions will be considerably affected by this and that the Land Mortgage Banks are not able to meet all ryots' requirements.

21. This Conference resolves to request the Central Government to continue the present subvention scheme for the protection of the handloom weavers which will cease by March 1942 for five years more to come granting an annual grant of Rs. 10 lakhs per year.

22. This Conference resolves to request the Registrar of Co-operative Societies, Madras to move the Government in exercise of their rule making power to amend the rule XIV (3) 1. adding after 'area' in the beginning of second sentence 'of the Financing Banks' which would facilitate the starting and working of Non-Credit Societies with the aid of such funds.

23. Resolved to request the Government to allot a reasonable portion of rebate accumulated from groundnut sales of last year for distribution to Loan and Sale Societies through the Registrar of Co-operative Societies, for subsidy for sales of last year and for propaganda and equipment in groundnut marketing.

24. This Conference resolves to request the Registrar of co-operative Societies, Madras, that in view of the novel nature of work of Milk Supply Societies, the initial difficulties such as, the large quantity of surplus milk, unsteady supply, lack of facilities for credit sales, want of potential and regular customers at the start, the establishment charges, the difficulties resulting from the unhealthy and cut-throat competition with private contractors, levy of Sales Tax, Profession Tax, License Fees, etc., the very small margin of profits and the inevitable long duration of audit on account of multiplicity of accounts, to exempt the Milk Supply Societies from the levy of Audit Fees, if the Societies could ill-afford to pay out of their net-profits for the first five years from starting and the rules therefor may be suitably amended if necessary.

25. This Conference resolves to request the Registrar of Co-operative Societies, Madras, to move the Government that G. O. No. 3528 dated the 28th September, 1939, Education and Public Health Department, be strictly enforced directing the consuming departments to accept the tender of Milk Supply Societies as against private contractors.

## ADDRESSES DELIVERED AT THE 24TH MADRAS PROVINCIAL CO-OPERATIVE CONFERENCE

**Welcome address delivered by Sri T. A. Ramalingam Chettiar, B.A., B.L., M.L.C., President of the Provincial Co-operative Union.**

We are meeting at a time of great strain and unprecedented happenings in the world's history. The great war that is going on has no parallel in the history of the world. It is extending to envelop the whole world. The destruction it causes is terrible to imagine. There does not seem to be any hope for the peoples of the world except in a decided victory for the Allies. India is now in greater danger than ever and the scene of operations will be much nearer before the winter is over. While we are anxious, it is a pity that the British Government should not think of enlisting the support of the whole of India, both morally and materially. The recent pronouncements of responsible British statesmen have caused very serious apprehensions even in the minds of moderate politicians. I will appeal to the British statesmen along with all thinking Indians that they may take a more practical and realistic view of things and ensure the support of all sections of Indians by granting the reasonable request of political India.



The Government of the country continues in the hands of the Advisers in the major part of India and the want of popular Government is felt more keenly as time advances. While I have no doubt that the Advisers are actuated by the best of motive to do what they think best for the country, they have been trained in bureaucracy and their views are naturally tinged by the bureaucratic spirit which does not believe in democracy and self-help. The Advisers are there only to fill the gap and it is not fair or just that they should, except when necessary, make changes which have far-reaching results. Unfortunately, in the co-operative field, the Government have, it seems, started to re-shape everything according to their ideas. In Madras, the co-operative movement has been nurtured by the Registrars and non-official gentlemen who believed in self-help and voluntary organisation. If the Movement has shown any vitality and any practical results in this province, it cannot be denied that it is mainly due to the initiative and self-sacrificing work of the non-officials in the movement. It is no doubt true that non-officials with the same spirit are not coming into the Movement in as large numbers as is necessary in recent times. But that is no justification for what the Government are doing at present by the framing of rules under the Co-operative Societies Act, which may or may not be within the powers vested in them under the Act, to direct and control the Movement through the Department. *The tendency seems to be to get the control of the Movement directly or indirectly into the hands of the Department and make it impossible for self-respecting co-operators to join the Movement and take part in its working as hitherto.* The draft rules published regarding the nature and terms of the loans to be given, the constitution of the committees of financing banks and the proposal to make the Registrar ex-officio member of the Executive Committee and the Board of Management of the Provincial Bank, all point in the same direction. Long standing differences of opinion are sought to be settled by a stroke of the pen. While I have been always in favour of the officials and non-officials in the Movement working together in a friendly spirit, I never thought that *the Government will utilise the powers vested in them accidentally by the breakdown of the Constitution, to give a blow to the Movement* in this province which will take probably a decade to recover. I will appeal to the Adviser to the Governor of Madras who was once Registrar of Co-operative Societies, not to be carried away by the temptation to use his present powers to impose on the Movement his own views nor be a victim in the hands of departmental officers *who try to manufacture opinion to suit the fancies of the Adviser or themselves.*

The workers in the Movement are very much disturbed and they ask the question what they should do. A Committee appointed by the late Government has submitted a report. But the recommendations of the Committee are given the go-by even when they are unanimous. The enquiry of the Committee was exhaustive, but still new proposals, which were not even placed before the Committee, are taken up and pushed through. It seems to be a matter of accepting recommendations only when they coincide with the views of the Department and overriding them unceremoniously when they do not. Open participation in the elections by officials is no longer a strange phenomenon. *The officials are said to have been interesting themselves in the election of delegates to conferences. Are the workers to continue in their places in spite of the strain and even humiliation all this may involve, or to leave the Movement now and return if necessary when times change?* This is the question I have heard, asked in several places. I will appeal to the Adviser not to allow this state of affairs to continue and ruin the Movement as a popular democratic organisation in the province during the time he may be in power.

I am sorry I have sounded not a very cheerful tune. But I will not be doing justice either to myself or to the Movement if I do not give expression to what I feel. It is for you to consider how best you can save the situation. It is a matter of gratification to me that such a robust co-operator as Mr. Kale has agreed to come here to open the Conference. He needs no introduction to a co-operative audience. We have for our President this year a young and enthusiastic co-operator who is an economist of growing reputation. I have no doubt that the Conference will gain by his wide knowledge and learning.

**Extracts from the Inaugural address delivered by Prof. V. G. Kale, M.A.**

Co-operative activities being business dealings, have to be designed and carried on as business propositions and their profitableness that is to say, the measure of economic and social advantage as compared with disadvantage, must be tested at every turn. Financing agencies, for instance, are interested in the prompt and regular recovery of their loans to societies. But in how many cases has a careful investigation been made into the conditions in which monies are borrowed and utilised and the manner in which co-operative credit has operated on the cultivators' business, their incomes and their standard of living? Illustrations may be multiplied to indicate what a large field there is needing exploration and investigation. The adoption of intelligent and correct policies is impossible in the absence of accurate information regarding the advantageousness or otherwise of co-operative practices followed in the different sections of the Movement, and the only result is drift and disappointment. Provisions of the Co-operative Societies Acts, by-laws and circulars of the Registrar are all useful so far as they go. But one has to go behind all these if one wishes to assess the utility and effectiveness of prevailing practices and to improve existing co-operative methods.

I am glad to find that the plea I have put forward above, has been supported by your Registrar in connection with the need to study the constantly changing conditions of the market to make co-operative sale successful. In his latest report he expresses regret that the need to study the market is not yet sufficiently appreciated by co-operators engaged in buying and selling." In the light of experience in other countries, he strongly feels the need for more organised research and for a small statistical staff to do it and it is pleasing to be told that there is " agreement in this respect not only in the Department but also in the Banks and the Universities." Apart from the work that will be done in the Universities, the representative apex institution in the province appears to be the approprite body which should make it one of its regular duties to organise research in the problems relating to the working of institutions affiliated to it. Unfortunately, the position of the Unions or Institutes in some provinces has become anomalous, uncertain and helpless to render solid service and the earlier the situation is improved, the better.

The plea for research and expert examination of developments outside and inside the Movement with a view to the insurance of safety and promotion of progress in co-operative institutions, has been very strongly reinforced by the effects which the agrarian reforms, legislative and otherwise, introduced by many Provincial Governments in India are calculated to produce upon the constitution and activities of co-operative institutions. Legislation intended to relieve agricultural indebtedness passed in various provinces and providing, among other things, for the cutting down of interest rates and the scaling down of debts to the



level of the repaying capacity of debtors, are indeed drastic remedies for chronic ailments. Measures of this character, intended to ameliorate the sad plight of the large mass of the peasantry, are welcome to co-operators that they have to see to it that credit societies and banks which are based on the principles of mutual service and self-help and are meant for the benefit of agriculturists, are not adversely affected and are not robbed of their capacity to do good. In Bombay, for instance, it has been a difficult matter to forecast, assess and provide for the losses that may be entailed upon primary societies and financing agencies as a result of the operation of the Agriculturist Debtors' Relief Act and the representations of these institutions that steps ought to be taken to see that their working and stability are not jeopardised by the relief legislation, have been sympathetically received and appreciated by the Provincial Government, an assurance being conveyed that necessary action would be taken in the matter. Rates of interest charged to borrowers by agricultural credit institutions in Madras, furnish an apt illustration of the type of questions I have been discussing. In his latest report, your Registrar points out that these rates are being kept down to the level imposed on other lenders of money by the Agriculturists' Relief Act and consequently the margin between the borrowing and lending rates has become too narrow for the safe working of the credit institutions. He observes: "Money-lenders are said to be refusing to lend at 6¼ per cent and it is for the consideration of Government whether the rate fixed under the Act should not be a little higher. Co-operative institutions and money-lenders alike have to cover their risks and costs of supervision." The adjustment of lending and borrowing rates to changes in the money market conditions, is a matter which every banker has systematically to tackle, and co-operative credit institutions cannot afford to neglect it. The Registrar's remarks on the subject are, therefore, quite appropriate and ought to appeal to every practical-minded co-operator.

This discussion leads me to the question of securing the basic economic and ethical principles of co-operative organisation. It should be borne in mind that co-operative organisation is one sector of national economy that has to live and work by the side of other economic sectors, such as individual, joint stock and State enterprises, which are bound to exercise appreciable influence on it. The Movement must, therefore, possess sufficient power of adjustment and elasticity to enable it to function successfully under external influences of all kinds, while standing true to its ideals and fundamental principles. As the late Prof. Charles Gide, the eminent French economist and ardent co-operator, has observed, "of all efforts made to solve the social problem, co-operative organisation has proved the most successful." The Movement, it is instructive to note, has grown and prospered in all countries, in the West and in the East, under all forms of government. Freedom of human personality and equality are the two main pillars of the co-operative structure, and the Movement reconciles two apparently conflicting objects viz., the material interest of the individual and the good of the community, and further, it harmoniously combines economic benefit with ethical obligation. In the totalitarian States of Europe, the two pillars of the co-operative structure have been smashed and individual freedom and personality have been smothered under the brutal weight of dictatorship. In those countries, co-operative institutions have been swept into the orbits of authority exercised by State-appointed dictators. For co-operators who are true to their ideal and who look upon co-operation as "organised freedom," this is an intolerable development and they will insist that in the new world order which will be created after the war, respect for the principles for which they stand, will be ensured beyond doubt.

The fact that the Movement was initiated and fostered in its early stages by Government, need not prevent the establishment of satisfactory relations between officials of the Department and non-official workers. The two form part of the same co-operative sector of national economy and it should not be difficult for them to act harmoniously together. After all, is it not the goal of departmental policy to reduce official control to the minimum required by the provisions of the Co-operative Acts and to see that societies are able to look after their own affairs without the intrusion of outside authority? Complaints are often heard about needless official interference and control and about attempts to dictate policies to institutions. In his latest report your Registrar refers to this subject and says:— "Though some critics, including a few who have access to the facts but do not care to study them, have accused the department of trying to officialise the Movement, our policy remains the same as before—to help, to guide, where necessary to admonish, and only in the last resort to exercise the powers conferred by the Act for the protection of the public and the saving of societies." *This is very neatly put, but things do not often work themselves out in that way. It would be fair, I think to state that as non-officials are apt to commit mistakes, those whose business it is to exercise authority over others, may also err in feeling that they are always in the right and that their decisions must be followed without question.* Officers of the Department will lose nothing and will gain much if before taking decisions on matters of policy and questions involving difference of opinion, they consult and take into their confidence representative and responsible non-officials. Machinery may be easily devised for such collaboration. The Provincial Union was, I believe, originally intended to play a role of this character. But unfortunately these apex bodies are not to-day performing functions which ought to fall within their purview and it is high time they were reorganised and entrusted with appropriate duties. The co-operative organisation must be endowed with democracy and self-government and it is up to co-operative leaders themselves so to unify and co-ordinate their societies and banks as to be able effectively to make their voice heard and their strength felt. Though I have no more pleasing tale to tell about the position and activities of the Bombay Provincial Co-operative Institute, I can point with a sense of satisfaction to the work of the Bombay Co-operative Banks' Association, which consists of representatives of the Provincial Bank and Central and Urban banks and which deals with problems of policy affecting these bodies. The Association was started and organised with the approval and co-operation of the Registrar who regularly consults it on all important questions. I believe the Association is working to the mutual advantage of the banks and the Department. If apex institutions like this, led by influential and responsible people and functioning efficiently, could be federated together, the provincial organisation thus constituted would be a powerful instrument for solid co-operative services of a varied character. The Department would be relieved of much of the heavy burden of its responsibilities if these are transferred to the provincial organisation of the type I have roughly sketched.

Unless satisfactory provision has been made for propaganda, education, training and supervision, it is worse than useless to think of multiplying primary societies. This consideration applies with greater force to the organisation of multipurpose and sale and purchase societies, though the need of linking up credit with complementary activities is strongly felt. Adequate and efficient supervision of primary societies has proved a very tough problem and no satisfactory solution has yet been found for it. These questions have, however, to be faced and suitable arrangements have to be made for education, training and expert management. Honest, capable and industrious men are required to run our different institutions and we cannot despair of finding them.



The Registrar favours a cautious policy in starting new societies and rightly holds that "the development of trained business capacity must precede the launching of a drive to widen the scope of primary societies." He says that the development of marketing and consumers' societies is being impeded by a lack of suitable men, and primary societies which are finding it difficult to secure honest and capable men to manage them, can hardly be expected to provide for joint sale and purchase and village reconstruction. With regard to supervision, he remarks that the failure of unions is throwing a heavy burden upon the banks and that unless ways are devised to revive unions and to secure active and honest work from their unpaid directors, central banks will soon find that supervision through their inspectors is an impossible task. With regard to the management of the affairs of societies and banks the Registrar's comments are pointed, challenging and thought-provoking. That the staff of societies and banks must consist of trained and experienced persons will not be denied and it will be conceded that members of managing committees and boards should have general acquaintance with banking methods and practices prevalent in the business world; but how to secure for the banks, directors who will come up to the standard suggested, is not an easy question to answer. In view of the class of people from among whom directors of banks are drawn, it would appear to be necessary to devise arrangements to spread business knowledge among the persons concerned. To secure control of credit granted to societies, we are told that efforts have been made to educate panchayatdars but that they and the members of societies continue, to a disquieting extent, to be "Co-operative illiterates." With these illiterates and "co-operative half-educated" elsewhere, the future for a programme of development must be gloomy indeed!

Your Registrar's remedy for the ills of the body co-operative, appears to be co-operative education, to be undertaken by co-operators themselves. He would squash, once for all, the doctrine held by some that the development of co-operation is in the hands of Government. *Would it be wrong and unfair to say here that he wants co-operators to hold the Departments' baby?* It is an admitted fact that Government has made itself responsible for starting, promoting and looking after the co-operative movement in India and that the latter has been guided and controlled by a Government department all these years. Your Registrar has himself stated that its present plight must be partly attributed to its hasty expansion. *Co-operative policies have been formulated and carried into effect by the Department often without consulting non-official opinion and some-times in spite of its opposition and the movement has never been popular in the real sense of the word.* Facilities for the recovery of dues of societies by the coercive process from recalcitrant members have often been difficult to obtain and demoralisation has resulted. The feeling has widely prevailed that co-operation is an affair of Government, managed under the auspices of one of its departments; and many have put their money into our banks under the impression that it was completely safe there because the institutions concerned were regularly audited, inspected and supervised by the Department. *The Department cannot* *repudiate its responsibility for the present state of things which isdeplored.* Due credit must, on the other hand, be given to non-official workers who have, at no little sacrifice, participated in the building up of Co-operative institutions, often in discouraging conditions. But it is not a question of apportioning blame; the problem is how every one who is interested in the well-being of the masses, be he an official or a non-official, should make his contribution to the efficient Co-operative organisation of the people for the achievement of their welfare. Government has likewise to appreciate its responsibility, as representing the community as a whole, to the illiterate, backward, poverty-striken and heavily indebted peasantry. It is now generally recognised in this country that rural development in an intensive form and on a large scale has to be undertaken and systematically carried out by Government. Legislation for debt relief, for instance, has been enacted in various Provinces with this end in view. This implies a recognition of responsibility by Government for the kind of amelioratory work which the Co-operative movement is attempting. Concessions, facilities and financial assistance claimed for co-operative institutions are thus not only fully deserved but are indispensable. *The alternative would be for Government to take over the business of co-operative institutions and manage it themselves.* This would undoubtedly be a retrograde step, opposed to the spirit of policy approved generally in all countries to-day. Co-operation is a universally recognised agency best suited for educating people in self-help and thrift and for organising them for common welfare, material and moral. Let us frankly acknowledge the serious defects that have developed in our Movement and let us all, Government and the people, officials and non-officials, put our heads together, take common counsel and adopt the measures necessary for putting the movement in proper order and for providing for its steady progress. A united and determined effort of this character is bound to be rewarded with ultimate success.

**Extracts from the Presidential address delivered by Dr. B. V. Narayanaswamy Naidu, Professor of Economics, Annamalai University.**

To us at this Conference, of the many efforts thus made in the decade just finished, one is of particular significance: It is the work of the Committee on Co-operation which was constituted in Madras in November, 1938, by the Government of Madras and which published a splendid report of its work in April, 1940. The publication of the Report may be aptly described as a landmark in the history of Co-operation in this land, and the report itself is a flattering indication of the profound interest, the striking thoroughness and the wide vision with which the Committee faced its difficult task. A proper appraisal of the benefits which had actually accrued from co-operation in this province had to be made; the values of co-operative policy had to be carefully weighed; and recommendations calculated not only to overcome the defects of the movement and the system of its control and its administration; but to ensure at the same time the rapid progress of the movement in the right direction, had to be made. It will be presumptuous on my part to say that the work has been most ably done. Thoughtful students of economics and the more capable co-operators of this land will find much to ponder over and benefit by in this valuable document of co-operative progress.

It is common knowledge that the movement was started here in 1904 as a credit movement in order that the agriculturists may be rescued from the grip of usurious money lenders and provided with cheap credit both for purposes of cultivation and



for enabling them to face bad harvests. The movement from 1904 onwards has grown greatly, but it has had to go through many phases of development, and pass through many vicissitudes, great and small. In Madras, from very small beginnings the movement has gained such ground that to-day there are 14,466 societies with over 1·16 million members and a working capital of more than Rs. 24 crores. The movement has also been extended in many directions, but agricultural credit societies still predominate and form about 90 per cent of the total number. The Societies which represent the agricultural and animal industries, cottage industries, many small trades, marketing, sales, better-living, thrift and other organisations form only about 10 per cent of the co-operative organisations. Agricultural non-credit societies are the more numerous among non-credit societies. Many factors to which I need not here refer have led to the heavy indebtedness of the Indian cultivators; but in spite of nearly forty years of endeavour, and in spite of the growing number of co-operative societies, the indebtedness of agriculturists has continued to grow at a colossal rate. Although the growth of co-operation in Madras may be described to be rapid, it has not affected more than a tenth of our population; and even the ten per cent of peoples who have been influenced by the movement have not wholly benefited from it. Giving the causes which have brought about this stalemate in the rural credit organisation, the report refers to the following:—"Indifference of Panchayatdars (who are in many cases themselves defaulters), lack of proper supervision, lack of proper attention to the grant of extension, advancing of loans without proper consideration of their purpose and the repaying capacity of members, binamy transactions, failure to take prompt and sufficient steps for the recovery of overdues, illiteracy and ignorance of co-operative principles among members of primary societies, bad harvests, etc." Writing in 1933 on the progress of the movement in this presidency, I said, "Faction, favouritism and nepotism have no place in the economy of co-operation. Petty jealousies and bickerings should be forgotten in the disinterested service of the people. Incompetence and dishonesty must be cut off with a ruthless hand if the movement should have a strong and healthy growth. Neither personal prominence nor party aggrandizement should be allowed to dominate the working of any society large or small."

If co-operation should thrive in our land and resuscitate our agriculture, build our trade, and better our standard of living, integrity should be made the primary basis not only of leadership but of membership in every society. Many grave defects in the working of co-operatives may be traced to the lack of basic honesty among the members. The large overdues obstructing the progress of agricultural credit societies amount to over 40 per cent in regard to short-term loans and to over 60 per cent in regard to long-term loans: Loans are thus given by societies and accepted by members "with little regard to the necessity of repayment." The extent of overdues in primary societies may be taken as the measure of the failure of co-operative effort in fostering such moral qualities as will ensure the best use of cheap credit in productive and helpful ways. Unless co-operation helps to establish in practice an essential honesty of purpose in all the dealings of its members and sees to it that thrift, self-help, mutual assistance and watchfulness are made into realities of rural life and conduct, the co-operative ideal will continue to be but a chimerical ideal, not "a way of doing business."

Systematic training should be provided by the establishment of a central institution for co-operative education for this province which will deal with all aspects of co-operative education according to a definite programme. In the report of the Madras Committee of 1940, a recommendation has been made for the institution of a College of Co-operation to be organised and managed by the Government and the establishment separately of two co-operative training institutes to be under non-official management, one for the northern districts and the other for the southern districts. When the central institution is established, it should be organised on the same basis as any other educational institution for professional training. There is no need to fight shy of government control of the Central College for the simple reason that such institutions as the Medical College and the Engineering College which are government-managed, have not failed to produce doctors and engineers who are men of eminence and efficiency and at the same time endowed with considerable public spirit. I agree with the Madras Committee in thinking that only under Government management, the central college will be able to secure the best teachers with the greatest security of tenure and the utmost possible freedom from interference.

In this connection, I may refer to the subject of Government control of the co-operative movement. A few of our more able leaders of co-operation have insistently sought for a relaxation of official control in order that non-official initiative and enterprise may not be discouraged and killed and the sense of responsibility "destroyed" among those to whose care the institutions should normally be committed. The insistence on the need for co-operative freedom is due to a belief that the Co-operative Societies Acts are all drawn up with the Registrars as the centre of the picture and not the Society. While there is a good deal of truth in the contention that official control tends to smother the enterprise, enthusiasm and initiative of honorary workers in the field, it must not be overlooked that the movement did not spring up from the people spontaneously and that the rural population for whose essential uplift the movement was started are not only grossly uneducated and unwilling to improve, but blindly suspicious of all progressive efforts and often unreasonably antogonistic to both the non-official and official efforts at their betterment. I am a firm believer in the democratic ideals of co-operation; but under the conditions of social existence obtaining in this land, there is an emergent need to ensure the harmony of official and non-official agencies and properly to correlate their work in order that the best interests of our society may be served. Opposition evokes antogonism, while sympathy and understanding beget appreciation and regard.

Let me now take for a somewhat detailed consideration certain aspects of co-operative development in this province.

Agricultural Credit Societies have to play a very notable part in the rural life of our land, and they form the very foundation of the co-operative edifice. Their financial strength is fundamental to the progress of the ryot, and hence they were even at their inception re-inforced with the aid of unlimited liability. But the strain of depression has revealed serious defects in their structure and prompt and adequate measures have to be taken if the edifice is to be saved from destruction.

The depression stressed the need to lighten the burden of rural debts and to facilitate their gradual recovery without undue strain to the agriculturist; and the altered circumstances of rural economy compelled the attention of co-operators and officials to the necessity of regulating fresh supplies of credit to cultivators in accordance with their reduced-power of repayment. Though schemes of rectification and consolidation were initiated by the Department very early, the recent Madras Committee rightly considered it necessary to suggest a comprehensive plan of revival and reconstruction. What is of greater importance than rectification is, as the Committee itself thought, the considerable importance of proposals regarding the reconstruction of agricultural credit societies. These proposals were to be adopted immediately and a programme extending over five years for their rehabilitation was to be fixed. I should like to refer here in detail to two of the recommendations the one concerning the widening of the area of operation of the primary societies and the other concerning the introduction of unlimited liability in the reorganised societies.



As regards the extension of the area of operation of the village credit society, I am at one with the Committee in believing that the extension will enable the primary societies to increase their volume of business and thereby to acquire paid clerical staff; and at the same time it may provide a check to local factions now affecting efficiency, and offer added scope for effective supervision, inspection and audit. A wider basis may also facilitate a better selection of qualified men as office bearers, and these men could find in a group of villages more ample opportunities for developing their business talents than in the narrow confines of a single village. Owing to the present state of our social organisation and education, it has been our sad experience that even within the limits of the village, very little interest is evinced by members to acquire mutual knowledge or develop the capacity for mutual help; if factions existing in villages show a tendency to spread into inter-village feuds, we must attempt somehow to go to their root causes and remove them; and further, no special benefit has accrued so far from the principle of 'one society one village' worked in consonance with the Indian tradition of regarding the village as a unit of corporate life. A compact group of villages is more likely to facilitate efficient corporate activity under modern business and general living conditions than a small and resourceless village unit which often comprises but a few hamlets and many absentee landlords. The union of contiguous villages for a common business end does not necessarily negative the co-operative principle of mutual knowledge; on the other hand, increased efficiency attained through the grouping will stimulate more and more extensive developments beneficial to the rural population.

As regards the question of replacing unlimited by limited liability in the reorganised societies, I believe in the majority opinion that limited liability at this stage of development is necessary to gain the confidence of the investing public. Recent experience all over the world may be said to be against the continuation of the principle of joint and several liability owing to its tendency to impair the support of the members and affect their regard for the co-operative ideal. As one authority says, a sound economic purpose, good organisation and good management are much more essential to the well-being of co-operation than the most complete liability of members. *Unlimited liability has done more harm than good owing to the over-financing it has induced.* The advocates of unlimited liability argue that a sudden change may lead to a suspicion that all is not right with the movement and it might weaken the emphasis on character. They also contend further in favour of unlimited liability that limited liability might affect the watchfulness of panchayatdars in the examination of loan applications and that this would tend thereby to a greater but needless check on the part of the central banks. But I see no great force in these arguments.

As against the disadvantages of unlimited liability, there are also certain special benefits which can accrue from the adoption of the principle of limited liability for the reorganised primary societies. Periods of economic strain like the recent depression will necessitate a strict enforcement of unlimited liability in the liquidation of societies. Non-borrowing members and those who have been regularly discharging their debts will suffer heavily. Unlimited liability tends to keep away from the movement the more solvent and well-to-do agriculturists much to the disadvantage of the rural societies. So long as the right of alienation is not checked unlimited liability does not prevent dishonest evasions of repayment. The confidence the society creates in depositors or the public arises out of efficient management and the support the Government has given, not so much out of unlimited liability. These apart, the principle itself of unlimited liability is not generally understood and the mutual knowledge on which it is based is rarely present. Unlimited liability is superfluous in a land in which loans are commonly issued not on the basis of personal character but of material security. Cheap credit is sometimes said to depend on unlimited liability but to me the connection appears to be too slender to be valued. I agree with the Madras Committee that the reorganised village societies will need a form of limited liability both for the purpose of creating confidence in the public and for securing efficiency in dealing with a group of villages, and in extending its functions to other work than credit. The urban co-operative societies which have worked on the basis of limited liability have not ceased to be co-operative; and there is no reason why the principle should not be adopted for the larger rural societies proposed to be brought into existence.

The next subject to which I wish to refer pertains to the proposal brought before to Madras Committee on Co-operation to provincialise all co-operative banking in the province by conversion of the central banks into branches of the apex bank at Madras. The present organisation is an efficient federation in which the autonomy of both the basic units in villages and the district banks is fully reorganised and protected on the co-operative principle. The proposal was made on the assumption that at present the central banks are but intermediaries between the Provincial Bank and the village societies and as such can be eliminated so as to cut down expenses of management and give an advantage to the borrowers. The scheme of centralisation, it is also presumed, will help to centralise not only fund but banking skill and experience, and thereby effect further savings in the cost of management. Another argument advanced in favour of the proposal is that a uniformity in policy, co-ordination and financial control would be achieved with ease by centralisation. The Madras Committee did wisely in refuting these arguments and emphasising the great value of central banks to the Co-operative movement. The Central Banks are not mere intermediaries in the Co-operative credit organisation; the loans from the Provincial Banks and overdrafts amounted only to 11·3 per cent in the year the Committee met. The economies in management which may be secured by centralisation will be offset by the increased expenditure connected with the management and supervision of district branches. This consideration of economy overlooks the fact that the business of Central Banks has been increasing and that the reorganised and strengthened rural societies are likely to provide additional business to the Central Banks in the near future. Further, a uniform banking policy can be initiated as well for a federation of many autonomous units as for a centralised system; and periodical conferences of the district units would help to co-ordinate policies and methods of financial management.



There is also the danger that centralisation may render the administration top-heavy. Instead of the efficient pyramidal arrangement we now have, there might result an organisation in which the apex bank would weigh down the Central Banks and basic units and suppress all local initiative and enterprise.

Whatever the advantages of provincialisation, it is essential that in this connection we should not overlook the manifold advantages the Central Banks have. The local autonomy of the district units now ensures enthusiasm in the members of the managing boards, and pride in their work conduces not only to enterprise and efficiency but to the encouragement of local deposits. Autonomy now enables the Central Banks to maintain an intimate contact with the constituent societies; and this gives them a direct and adequate knowledge of the needs of their members and also facilitates freedom of action and flexibility of operation. The Central Banks now ensure an effective supervision of constituent societies with the assistance of supervising unions, and this is a work which will be difficult to do in a complex and top-heavy provincial administration. The Central Banks both by their knowledge, nearness and efficiency, will be best fitted to assist the reorganised village societies which the Committee has proposed to bring into existence. Thirty years of existence have proved the value of Central Banks and they have successfully stood the test of the trying times of the recent depression. But the greatest danger arising out of their conversion into branches of the apex bank would be that defects and faults in one part would, on account of the close connection brought about by centralisation, tend to pervade the whole system of co-operative credit and destroy it. The responsibility for faults and omissions should rest with the individual units if co-operative finance is to be safeguarded from the dangers that but recently seriously undermined it in two major provinces of this land. Independence is necessary to obviate the dangers of inter-dependence. Recent European experience is said to be in favour of 'the two financial storeys'; and every consideration would prove that there is little need to effect a change in the federal system of the Co-operative banking organisation in this province.

I wish now to speak of one other subject connected with co-operative banking. Surprisingly enough, the Madras Committee have by a majority decided in favour of eliminating from central banks representatives of individual shareholders in order that the banks may be wholly representative of constituent societies only.

I am unable altogether to see any force in the arguments of the Committee. Men of merit and integrity, wherever placed, will always help to lead, in however small a minority they may be. Representatives of individual shareholders have evidently rendered yeomen service in the beginning in the management of central banks and in extending their work as agencies of credit. They have not failed to adjust themselves to changing circumstances; they have, in fact, served as a wholesome corrective to faults in the working of the central banks. I can, accordingly, see no reason in the proposed changes.

Before I conclude, permit me to indicate to you in very general terms the need to extend rapidly the field of our endeavour to 'pastures new.' To enable co-operation to serve its ultimate purpose of better-living, an intensive expansion of its activities in every field of economic activity should be undertaken. Agriculture, trade and industry offer untold possibilities of development on the co-operative principle; only the human will has to be yoked to the vehicle of human prosperity and well-being. The suggestion has already been made by the Madras Committee, and diverse but unconnected efforts have been made in many places, to put into practice the model by-laws of village societies which aim to supply manure, improved seed, and modernised implements for efficient cultivation, to effect common sales of village produce for better returns and even to make joint purchases of agricultural equipment and power machinery to facilitate collective farming. As the Committee said, "the germ of multi-purpose societies is there in existence in our by-laws;" and in working such societies, the development under intelligent direction of subsidiary cottage industries, should also be undertaken side by side in order to improve the income and add to the purchasing power of the agricultural population. The nature of these subsidiary industries will naturally vary from place to place; but dairying, poultry-keeping, agriculture, handloom-weaving, fruit-growing and diverse other industries offering scope for subsidiary occupations call for special technique and careful organisation as well as the aid of more than one department of Government to guide and supplement non-official endeavour. In this connection, it is necessary to point out that with efforts at agricultural improvement, no attempts have been made side by side to develop and co-ordinate such industries as are connected with, or arise out of agriculture. At Vuyyur, a joint enterprise for the production of sugar-cane and of sugar on the co-operative basis has indeed been started, and though the report is not at present very encouraging, we may hope that it will ultimately prove a success. With greater education and more co-ordinated effort, its example may stimulate similar endeavours in the province.

Of 14,466 societies in the presidency we have to-day, there are 710 agricultural non-credit societies, many of them interested in milk-supply, the supply of provisions, in weaving, and in school and college stores; and there are also 982 non-agricultural non-credit societies. These non-credit societies represent many branches of agricultural effort and animal industry; and some are concerned with industrial effort and housing and attempts at thrift and better-living. As I have already indicated, the total number of non-credit societies in this province amount altogether only to about 10 per cent and even the few such societies which lie scattered over the province are not the result of any co-ordinated effort.

It is essential that a plan of co-operative development should be initiated to ensure the success of the movement. Co-operative endeavour will ensure for the village the advantages which the individual cannot hope for—expert assistance and scientific appliances essential to agricultural improvement and marketing. Co-operation will also cheapen the cost of living, render medical aid easy, ensure better and more hygienic housing, develop handicrafts, create thrift, secure good cattle, prevent litigation and in a hundred other ways make good living possible.

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## COTTAGE INDUSTRIES EXHIBITION, MADRAS, 11—10—41.

**Extracts from the opening speech of Diwan Bahadur K. Deivasikhamani Mudaliar.**

**Before I declare this Exhibition open I wish to say a few words on one or two matters in regard to the working of the Co-operative Movement in our province.**



The question is frequently asked in recent years whether the Movement has done any good to the ryots and whether the expectations of the pioneers of the Movement have been realised.

In spite of its defects, the Movement has done immense good. It has given several crores of rupees as loans to ryots during this period of 26 years at reasonable rates of interest. The working capital of all the societies amounted to over 24 crores on 30th June 1940, although some amounts had to be counted twice or thrice over.

I must however confess, that on the moral side the Movement has not so far been a success. Mr. P. Rajagopalachariar (later Sir) the first Registrar (with whom I was associated from the very inception of the Movement) believed that the village harmony (which was found then wanting and which ancient India possessed) would be reestablished by the spread of Co-operative Movement. In a letter written to me from France on 1st September 1926, Mr. Rajagopalachariar expressed his disappointment that the Movement was a failure in this respect. In a speech made at the second Chingleput District Conference held at Madurantakam in February 1911, Mr. Ramachandra Rao the second Registrar gave a rosy picture of the development of a village society as it would be found 40 years later.

It is now 30 years since the picture was drawn up. Are we anywhere near it?

Co-operative societies cannot be created to order. They have to be fostered and nurtured carefully before they can bear fruit. What does the supervising staff whether official or non-official, do in regard to this. A petition comes and the inspecting staff assumes an air of authority and widens the gulf between the two sets of men in the village. The same matter is enquired into every time a petition comes. I do not say that the staff deliberately divides men. Their action results in this. They have forgotten their primary duty. They do not attempt to bring about harmony. More ability to pass examinations is not what is required of a Supervisor or an Inspector but the ability to compromise differences without actually interfering with the management or relaxing the responsibility of administration. The training given to the Supervising staff must be of this character. What the supervising or controlling staff should realise is that they are not there to manage societies themselves or direct the societies to do as they (the Staff) wish. I have come across instances where the Supervisors write the minutes of the meetings in advance in the minute book and get the signature of the members or panchayatdars when they come. I know also that they go to societies to get certain things decided in a particular way. This will not do.

As regards the supervision of societies, I wish to say a word. How though the Movement has been working for the last 37 years, the question as to the best agency for supervision has not yet been solved. The controversy is still there; I would suggest that experiments should be made in a selected area, and that the entire work should be entrusted to a local supervising union without any sort of interference by an outside agency, the Government doing merely the statutory duties.

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## EXTRACTS FROM THE REPORTS OF THE XXTH ANNUAL GENERAL MEETING OF THE BOMBAY PROVINCIAL CO-OPERATIVE BANK AND THE ANNUAL REPORT OF THE BOMBAY CO-OPERATIVE BANKS' ASSOCIATION.

We have received a copy of the Annual Report of the Bombay Provincial Co-operative Bank for the year 1940-11 and the speech delivered by the Chairman of the Bank, Mr. R. G. Saraiya, and also a report of the working of the Bombay Co-operative Banks' Association.

The Share Capital of the Bombay Provincial Co-operative Bank at the end of the year was Rs. 12,99,850. The number of shareholders was 3,401 of whom Co-operative institutions numbered 2,060. Among individuals a new class of members called 'B' class members, was introduced some time ago. These members came from the membership of the primaries and are eligible for receiving advances against agricultural produce and gold and silver articles. The Working Capital of the Bank at the close of the year was Rs. 2,57,48,200 and the various reserves aggregated to Rs. 20,42,494. Out of these reserves a sum of Rs. 11,02,670 represents provision for bad and doubtful debts. The owned capital forms 13 per cent of the total working capital. The following are extracts from the Directors' Administration Report.

"There has been an increase of nearly 20 lakhs in the deposits held by the Bank. The bulk of the increase has taken place in the demand liabilities. This is in consonance with a similar tendency noticed among joint stock banks since the outbreak of the War. The increase that has taken place in the volume of demand liabilities necessitates the maintenance of larger fluid resources. There is an increase of Rs. 13 lakhs accordingly in the cash in hand at the Head Office and branches of the Bank and in balances in current accounts with approved banks.

While there has been an increase in the resources of the bank, it will be observed that the amount of loans and advances shows a substantial decline. This is due mainly to the fact that the urban and central banks which had borrowed as at the close of the previous year on the security of Government paper or of fixed deposits in the Bank, repaid the outstanding loans as soon as conditions in the money market were stabilized. The figures of overdrafts, cash credits and advances against fixed deposits thus show a drop of Rs. 9 lakhs. Advances of other types too show a reduction of nearly Rs. 3 lakhs. This decline in the loan operations has naturally told on the profits of the Bank which are on a lower level than in previous years. The maintenance of liquid resources at a higher level, the grant of dear-food allowance to the staff for the whole year, the payment of rebates to societies and the provision made for meeting deficits in the establishment charges of recovery officers have all combined further to reduce the net profits.

The Directors regret that although they have accepted the estimate of the losses of the Land Mortgage Department of the Bank as framed by the Registrar, Government have not yet been pleased to pass their orders on the Bank's request for a contribution to meet the loss. The loss is shown as a recoverable asset as in previous years."

Mr. R. G. Saraiya, Chairman of the Bank, made a very interesting speech in opening the proceedings of the Annual General meeting. He said that easy money conditions prevailed throughout the year and that deposits' rates ruled low, and



that the decline in the market price of Government Securities was checked from July 1940 and since then prices began to rise. Discussing the question of the prices of agricultural produce and manufactured commodities he pointed out that the world war had not brought any improvement in the lot of the farmer, for owing to the closure of important European markets, prices of raw-materials and food-stuffs which constituted the greater part of Indian Exports prior to the outbreak of the war, remained at a comparatively low level while the prices of manufactured articles showed an upper trend owing to the fall in imports.

The Bombay Co-operative Banks' Association, to whose activities Prof: V. G. Kale drew attention in the inaugural address which he delivered to the 24th session of the Madras Provincial Co-operative Conference in October last, had their year's successful work to its credit as will appear from its second annual report for 1940-41, a copy of which has been sent to us. Its membership consists of 24 urban banks and 12 central financing agencies. Mr. R. G. Saraiya, Chairman of the Bombay Provincial Co-operative Bank is also the Chairman of the Association. The Association at its meetings dealt with a variety of problems such as Remittance Facilities from the Reserve Bank of India; Mutual Remittance Arrangements between the various Co-operative Banks; Banking Standards and Uniform Balance-sheets for Central Financing Agencies, work of the Supervising Unions; System of Group Secretaries; Questions relating to Audit, Recruitment and Training of Staff; Development of Urban Banks; Operations of the Bombay Agricultural Debtors' Relief Act in relation to Co-operative Societies, to mention the more important items of business transactions. The Association also examined the recommendations of the Madras Committee on Co-operation, 1939-40, in the light of opinions offered by its member Banks. As a result of the examination they addressed the Registrar suggesting a change in the Bombay Co-operative Societies Act in regard to the procedure for attachment and recovery of loans on the lines recommended by the Madras Committee.

## EXTRACTS FORM THE XXVTH ANNUAL REPORT OF THE MADRAS PROVINCIAL CO-OPERATIVE BANK

The Share Capital of the Bank at the end of the year 1940-41 was Rs. 6·67 lakhs. The total borrowings of the Bank at the end of the year stood at Rs. 241·46 while the loans due from Central Banks, primary societies and individuals was Rs. 130·51 lakhs, excluding transactions under overdrafts, (which amounted to Rs. 5·33 lakhs) . The Reserve Fund at the close of the year was Rs. 19,00,000 against which the Bank has separately invested Rs. 19,36,500. The net divisible profit earned by the Bank during the year was Rs. 2,53,398-15-2 of which one-fourth shall be carried to the Reserve Fund, as per by-laws of the Bank.

The deposit position has considerably improved and the volume of liquid assets has also increased. The deposits in the year 1941 comprised of Current Deposits, Fixed Deposits, Reserve Fund Deposits of Central Banks and Prudential and Provisional Deposits which amounted to Rs. 240·38 lakhs while the deposits in the year 1940 comprised of Debentures and Borrowings from Banks also and amounted to only Rs. 227·61 lakhs. Cash and Bank balances, Government Securities and other Trustee Securities constituted the liquid assets of the Bank and the amuunt in 1941 was Rs. 158·37 lakhs while the amount in 1940 was only Rs. 147·50.

On 1st December 1940, the Bank redeemed the 5 per cent Debentures of the face value of 2·15 lakhs issued in 1927 and due for redemption after twenty years i.e., in 1947. They were redeemed according to the terms of issue on giving six months' notice.

There has been a spurt in the volume of produce loans. The balance of ordinary loans outstanding on 30-6-1940 was Rs. 36·02 lakhs and the amount issued during the year to 18 banks was 27·65 lakhs. The Banks repaid a sum of Rs. 41·80 leaving a balance of Rs. 21·86 lakhs at the end of the year. The balance of produce loans outstanding on 30-6-1940 was Rs. 47·97 lakhs and the amount issued during the year to 20 banks was 92·13 lakhs. The banks repaid a sum of Rs. 62·40 lakhs during the year leaving a balance of Rs. 77·70 lakhs at the end of the year.

The demand for the advances started early in November, 1940 and continued till the end of April, 1941, when the peak of total advances, viz., Rs. 132 lakhs was reached on 5th April 1941. Due to slump in prices in the months of June, July and August 1940, the produce loans issued in 1939-40 were not repaid in time. Due to the recovery of commodity prices repayments came in quickly.

The Vuyyuru Co-operative Agricultural, Industrial and Credit Society, Ltd., Vuyyuru, has completed its sixth crushing season. The working shows a maximum of 1,14.062 tons of sugarcane crushed. Price of sugar stood at a fairly high level thus enabling the Society to realise good prices by quick sales. The dues to the Bank stood at Rs. 11,08,982 on 30th June, 1941.

The Board of Management met four times during the year and the Executive Committee 12 times. During the year the Hon'ble Mr. V. Ramadas Pantulu* resigned his presidentship of the Bank on 23rd April, 1941.

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## THE TWELFTH ANNUAL GENERAL MEETING OF THE MYSORE CENTRAL CO-OPERATIVE LAND MORTGAGE BANK, LTD., BANGALORE CITY, 26TH OCTOBER, 1941.

### Extracts from the Report for the year 1940-41

The statement below shows the progress achieved by the Bank from its inception till the close of the year under report.

| | 1930-31 | 1940-41 |
|---|---|---|
| Number of Member Societies .. | 10 | 49 |
| | Rs. | Rs. |
| Paid-up share capital .. | 37,753 | 1,24,550 |
| Debentures in circulation .. | 1,32,700 | 12,99,700 |
| Long-term loans issued .. | 66,000 | 3,06,485 |
| Long-term loans outstanding .. | 65,863 | 13,74,186 |
| Net profits .. | 21 | 23,717 |

*He held the office of the Vice-president of the Bank from 1923 to 1926 and President continuously from 1926 till the date of resignation.



Government have exempted the Bank from forming a Sinking Fund till the end of June 1943. The amount of Statutory Reserve Fund at the end of the year was Rs. 14,647-13-3.

The total amount of loans sanctioned by the Bank from its inception up to the end of the year was Rs. 16,73,355 in 1,530 cases. Of this, a sum of Rs. 15,68,095 in 1,407 cases was actually disbursed, and disbursement during the year under being Rs. 3,06,485 in 333 cases as against Rs. 2,16,845 in 267 cases in the year previous. In accordance with the resolution of the General Body, a rebate of one per cent in interest as in the year previous was granted to the loan grantee who paid their instalments before the 30th June 1940, thereby reducing the rate of interest on their loans to 6 per cent.

The percentage of collections to the total demand was 99·52 as against 97·46 in the previous year.

The investigation of loan applications and other work relating to the Bank in all the areas covered by its operations continued to be conducted by the special staff of Inspectors maintained by Government exclusively for Land Mortgage work. There were 12 inspectors at the end of the year as against 11 at the close of the year previous.

The Government were pleased to sanction a subvention of Rs. 5,000 to the Bank for the year 1940-41, to enable the Bank to reduce the rate of interest on loans by one per cent by the grant of rebate in interest recovered. They were also pleased to sanction the continuance of the full exemption of the Land Mortgage institutions from the payment of all fees leviable under the Stamp and Registration Acts for a further period of three years from 1st August 1941.

Rajasabhabhushana Diwan Bahadur Mr. K. R. Srinivasiengar, M.A., who was the President of the Bank since its inception resigned the office and ceased to be the President from 30th November 1940 when he was succeeded by Lokasevasakta Mr. C. S. Kuppuswamiengar.

# THE RESERVE BANK OF INDIA

## EXTENSION OF REMITTANCE FACILITIES TO PROVINCIAL CO-OPERATIVE BANKS.

We published in the January-March (1941) issue of *the Indian Co-operative Review* (page 202) the circular dated 1st October 1940 of the Reserve Bank of India. Since then further representations have been made by Provincial Co-operative Banks to the Reserve Bank and as a result thereof some modifications have been made to the scheme referred to above. The first three paragraphs published in the January-March issue (1941) of the Review stand as they are. As the publication of the amendments alone may not facilitate easy reference, we republish below paragraphs 4, 5 and 6, which deal with the actual facilities extended to the Provincial Co-operative Banks embodying the recent amendments. —*Ed.*

4. The actual facilities which we propose to extend to the provincial co-operative banks are as follows:—

In addition to the facilities already available, a provincial co-operative bank will, from the date from which this scheme comes into force, be entitled to remit money by mail or telegraphic transfers between the accounts maintained at an office or branch of the Reserve Bank or the Imperial Bank as follows:—

(*i*) an amount of Rs. 10,000 or a multiple thereof between the accounts maintained by the provincial co-operative banks at the offices and branches of the Reserve Bank, free of charge; this facility will be available only between Banks joining the scheme.

(*ii*) once a week an amount of Rs. 5,000 or a multiple thereof to the principal account which it maintains with the Reserve Bank from any place where it has an office or a branch and at which there is an office, branch or agency of the Reserve Bank, free of charge;

(*iii*) other remittances to the principal account will be charged at 1|64 per cent subject to a minimum charge of Re. 1.

(Actual telegram charges to be charged in addition).

For the purpose of the above concessions the Reserve Bank will treat the co-operative central banks which are affiliated to the provincial co-operative bank as branches of the latter. The principal account of a provincial co-operative bank will be the account maintained by the head office of the bank at the local Office or branch of these Reserve Banks.

A branch of the Provincial Bank or an affiliated central bank at a place where there is no branch of the Imperial Bank will be granted the facility of making remittances under sub-paras (ii) and (iii) from an account which it maintains with a branch of the Imperial Bank at a very nearby place. This facility will be available only from one branch of the Imperial Bank and will be granted on the provincial or central bank declaring to the office of the Reserve Bank at which the principal account is maintained, the place at which it is to be enjoyed.



5. A provincial co-operative bank desiring to avail itself of the above facilities will have to agree to the following conditions:

(*i*) It should undertake to maintain with the Reserve Bank a balance the amount of which shall not, at the close of business on any day be less than 2½% of its demand liabilities and 1% of its time liabilities as shown by the return referred to in (ii) below;

(*ii*) It should send to the Reserve Bank at the close of business on each Friday, or if Friday is a public holiday under the Negotiable Instruments Act, at the close of business on the preceding working day, a return of its position in the form prescribed in Section 42(2) of the Reserve Bank Act and signed by two of its responsible officers; such return shall be sent not later than two working days after the date to which it relates;

(*iii*) If at the close of business on any day before the day fixed for the next return, the balance held at the Bank by any provincial co-operative bank falls below the minimum indicated in (i), the provincial bank should pay to the Reserve Bank in respect of each such day penal interest at a rate of 3 per cent above the bank rate (with a minimum of Rs. 10) on the amount by which the balance with the Reserve Bank falls short of the required minimum, and if on the day fixed for the next return such balance is still below the prescribed minimum as disclosed by the return, the rate of penal interest shall be increased to a rate 5 per cent above the bank rate in respect of that day and each subsequent day for which the default continues. If any provincial bank however wilfully defaults in the maintenance of the minimum balances for periods exceeding two weeks or fails to send the returns referred to in (ii) above, the remittance facilities would be withdrawn from the bank concerned.

(*iv*) The provincial co-operative bank and the central banks affiliated to it should prepare their balance sheets in the form suggested by the Reserve Bank and append thereto the certificate of the auditors and also supply half-yearly statements of their operations in the form prescribed.

(*v*) It is presumed that the above facilities will be used only for bonafide co-operative purpose. While no declaration will be required from the co-operative banks in the case of each remittance that it is intended strictly for co-operative purposes, the above facility is likely to be withdrawn from any bank utilising it for purposes other than co-operative.

6. It has been decided to bring the above scheme into effect from the 1st September 1941. This arrangement will be in force for a period of 3 years in the first instance after which it will be reviewed in the light of the experience gained. This scheme applies only to such provincial co-operative banks as have their head offices in places where there are offices or branches of the Reserve Bank.

# NINETEENTH INTERNATIONAL CO-OPERATIVE DAY

**Saturday, 1st November, 1941**

Reports have been received by the Indian Co-operative Review from various places throughout India that the International Co-operative Day was celebrated on Saturday the 1st November 1941, in response to the circular issued by the All-India Co-operative Institutes' Association. Celebrations were marked by solemnity appropriate for the occasion as the 3rd celebration after the commencement of the 2nd World War. The following resolution framed by the International Co-operative Alliance and circulated by the All-India Co-operative Institutes' Association was duly passed at all the celebrations.

On the occasion of the *Nineteenth International Co-operative Day*, 1st November, 1941, *The International Co-operative Alliance* profoundly deplores the fact that the Peace-Loving Nations are suffering so intensely from the present conflict, but proclaims its Faith in the ultimate Triumph of Freedom and a World pledged to Co-operation and Peace.

It calls upon its affiliated Co-operative Organisations and individual Co-operators:—

*To continue energetically to declare their unalterable faith in the power of the Rochdale system of co-operation* to unite all the peoples of the world in Fraternal Sympathy and to secure for them Economic and Social Justice; to maintain Peaceful Relations between all countries; and to assure an Equitable Distribution of all the Resources of the Earth—which are *essential foundations of a new world order;*

*To keep on high the Rainbow Flag* which is a Symbol of *Peace through co-operation*, and *to be ready*, immediately after the war, to collaborate with the *alliance* to the utmost of their power in the gigantic tasks with which it will be faced;

*To pledge themselves*, meanwhile, to impress upon the Governments of their respective countries, and upon every section of the community, the Undeniable Value of Co-operation as an Economic, Social and Spiritual Force, and the remarkable successes which it has achieved during nearly a century in almost every part of the universe; and

*To demand* that, in the deliberations for the Restoration of Peace and for Economic and Social Reconstruction after the war, *the International Co-operative Alliance*,—which has united in its membership over 100,000,000 individual Co-operators in 40 different States, without regard to colour, race or creed—*shall be accorded the important place to which it is entitled as the most representative and most powerful organisation of* the peoples throughout the world.

Resolutions were also passed expressing the earnest hope of co-operators in India for the speedy termination of the war successfully to Britain and her Allies and for the establishment of New Order, in which India should be included, based on peace and social and economic justice.—*Ed*.



The following is a summary of the proceedings of the celebration at Madras

Under the auspices of the Madras Provincial Co-operative Union, the International Co-operators' Day was celebrated on the evening of 1st November 1941, in the premises of the Servants of India Society, Royapettah. Diwan Bahadur K. Deivasikhamani Mudaliar presided. Messages from Mr. H. M. Hood, I.C.S., Adviser to the Governor, and Mr. A. Rajahbahadur Mudaliyar besides one from Mr. Ramadas Pantulu were read. The following is the message of the Hon'ble Mr. V. Ramadas Pantulu, who represents India in the Central Committee of the International Co-operative Alliance and President of the All India Co-operative Institutes' Association.

"India like other countries where free co-operative movements still subsist, is observing the 3rd International Co-operators' Day after the commencement of the war—a war between forces of freedom and aggression.

The British Co-operators as well as the International Co-operative Alliance proclaim their faith in peace through co-operation and pledge themselves to bring about a New Order based on peace and social and economic justice. It is gratifying to note that their New World Order, unlike the Atlantic Charter, includes not only the peoples of the American continent and of Britain but also the peoples of Asia and Africa. Let us Indian Co-operators convey to them that in this conflict between the Democracies and the Totalitarian Dictators, our interests lie in the triumph of the former and that we wish success to the gallant fighters who are staking their all to defeat aggression and establish peace, contentment and happiness once more by vouchsafing democracy and freedom to the world. At the same time let us tell the British and the International Co-operators that in the New World Order based on peace, security and social justice for the creation of which they stand pledged, India expects them to unflinchingly advocate her claims for her rightful place among the nations of the world as a free land. Then only can India play her proper role in world economy and the Indian Co-operative Movement can have an honoured place in the International Co-operative Alliance."

Mr. Deivasikhamani Muadliar, speaking in Tamil, referred to the present world conflict and pointed out that if only the aggressors had realised the principle, "each for all and all for each" the present struggle would not have arisen. He was sure co-operation would succeed where capitalism and socialism had failed. So far as Madras Presidency was concerned, the speaker said, the progress of the movement during the last 37 years was immense. They had lent crores of rupees to the needy and the poor and sold goods worth several lakhs. Most of the articles dealt with by the co-operative societies were found adulterated even in the wholesale markets. The societies, therefore, could not supply pure goods to their members. It was only when their societies produced their own goods that they could guarantee purity. With the advent of the Public Health Act, the store societies stood the risk of being penalised even though they bought their foods in the open market and sold them.

From the very inception of the movement in this country, the speaker continuing said, they had been saying that it was essentially a non-official movement and that it should be controlled entirely by the societies themselves. The first society was started 37 years ago. But yet they were still fighting shy when it came to a question of assuming responsibility. The Registrar's last administration report had stated that a number of men had been lent to them. Perhaps the reason for the large number of men borrowed was that the management wished to be in office without any responsibility. The time had come, the speaker concluded, when the experiment could be made of entrusting the entire control to the societies themselves in one or two selected districts like Salem, Coimbatore, Trichinopoly or Kistna. The economic condition of the ryots of the province would not improve unless their income was doubled or trebled and the Co-operative movement would be of great help to them.

Messrs. T. Raghavendra Rao, K. O. Anthoni, P. N. Marthandam Pillai and Diwan Bahadur K. S. Ramaswami Sastri next spoke.

The resolutions proposed by the International Co-operative Alliance, London, were then placed before the meeting and adopted.

# EXTRACTS

## FUTURE OF THE CO-OPERATIVE MOVEMENT.

A learned and well-informed publicist commenting on the Bombay speech of the Hon'ble Mr. V. Ramadas Pantulu makes an interesting and critical review of the aims and achievements of the Co-operative Movement in India under the caption **Under the Fifth Rib** in the columns of 'Commerce and Industry', New Delhi. We give below extracts from that article.

I have read with considerable interest the address delivered a few days ago at Bombay by Mr. V. Ramadas Pantulu to the Joint Session of the Indian Provincial Co-operative Banks' Association and the All-India Co-operative Institutes' Association.

I agree with Mr. Pantulu's main thesis that the co-operative movement in this country has always been inverted, that is to say that, instead of starting at the bottom with the ordinary men and women as in the Western countries, it has started from the top, under official supervision, almost official compulsion. This is a very tragic thing to admit, but there cannot be any doubt about the truth and import of this statement even after four decades of official co-operative activity in all parts of the country. Nicholson, Strickland, Brayne and other European civil servants have rendered meritorious services to the cause of Indian co-operation, a point which will be gratefully acknowledged for all time by patriots in this country. But the fact is that they and a host of other co-operators who were either pioneers in this field or were actively engaged in the task of popularising that movement, moved and had their being in the official atmosphere, and consequently could not get away from red tape and the general official approach to nation-building activity, with the result that the said atmosphere has come to be a drag on the movement itself.

It is this sort of "co-operative compulsion," to use a very expressive phrase, on the part of the official authority, which has marked the course of the movement in the country till to-day, from which individual co-operators and institutions could not, as Mr. Pantulu rightly says, escape. This veteran co-operator has rightly stressed the point that the movement in India to-day has no relation to the new trends of activity in Western countries, nor is it equated to the present needs of the nation in every sphere of activity, agricultural, industrial, commercial. The movement is straddled with the ordained formulas of civil servants, and lacks both originality and initiative on the one hand and unfettered growth on the other. To take one instance, the movement in India has so far been completely one-sided, and even to-day non-credit societies are few and far between. The replacement of the individual money-lender by institutional credit supply has still to go a long way, however, and even the predominantly "credit" character of the movement in the country has not been able to achieve this after nearly half of a century of its existence.

The replacement of individual money-lending by co-operative credit is none-the-less a stupendous task. The traditional modes of social organisation in this country, in which communities and individuals are organised even in the XX century by functional activities, meaning thereby the caste system, has been one of the most irritating obstacles to the spread of the genuine credit movement through institutional channels. The Indian peasant and the urban man in the street still require a lot of time and education to see the benefits of institutional credit while a good many of the present participants of the movement, particularly in the rural areas, have so domineered over its affairs that it is not as yet possible for a stray individual, who does not possess personal influence and much collateral, to obtain the credit facilities he wants. Here again, the procedural forms and organisational details which are sanctioned by officialdom operate as a very unhelpful factor.

If we take another aspect of the co-operative movement in the country viz., the land mortgage system, the position will be found to be still defective, despite the spate of specific legislation concerning it which came into existence in the country in recent years. I have a feeling that the relationships between the Agricultural Credit Department of the Reserve Bank, the Joint Stock Banks, the stock and investment markets and the Co-operative Land Mortgage Banks require a lot of repairing before the question can be said to have been satisfactorily solved.

Perhaps the most outstanding defect in the co-operative movement in the country today is that whatever credit is available is not being utilised for the proper improvement and exploitation of agricultural land, the starting of cottage and other medium or small scale industries which are capable of adding to the national dividend, or other nation-building purposes, but is frittered away on harmful forms of expenditure, such as the myriad of social functions which envelop the diurnal activities of the mere man throughout the length and breadth of the country. Until, a new approach to the utilisation of institutional credit is devised and put into force soon, it is not possbile for the co-operative movement to be of any direct beneficial consequence to the nation.

More than everything else, the fact must be recognised, and recognised in no uncertain fashion, that until the movement is humanised there is no scope for it to expand and to subserve the actual needs of the nation. I conceive it to be the primary duty of the co-operators in the country both at the top and the bottom, and of the official world which presides over the destinies of the movement, to run it not as a machine, but as a system of practical ideas in which the mere man and the mere woman can find self-expression and common benefit. When will this day come? I am afraid that until there is a thorough reconstruction of the movement as we find it to-day, in which the existing incubus of half a century of red-tape and lopsided organisation is removed, it is not possible for the country to reap the benefits which countries in the West, notably in what was till recently known as Denmark, have enjoyed in recent decades.

I have also a feeling that the leadership of the co-operative movement must pass into younger hands, for it is the younger generation which alone can bring salvation to the country in the economic sphere. For this, the voluntary retirement of hard-boiled co-operators is necessary, and I trust that a self-denying ordinance on their part will enable younger men with ideals and fresh ideas to occupy the key organisational positions in the movement which control it in all its aspects. For, the co-operative movement is not an institution for careerists, who are out to enrich their own pockets at the expense of the community. Indeed, there are indications available in the country which show that even after half a century of organisation the movement is "controlled" by a few individuals, who are unwilling to give place to fresh blood. Actually, the co-operative movement should partake of the ideal of an Owen, viz., the service of the community and the benefit of all, in the place of the enrichment of the few. When this ideal of service comes to permeate the movement, then there is the assurance that it will become broadbased.



—*Commerce and Industries*, January 29, 1941.

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## THE LUCKNOW CO-OPERATIVE MILK SUPPLY UNION

Among many steps in the development of India's dairy industry, two simple forms of progress consist of increasing the consumption of milk in urban areas and the organization of rural supplies to satisfy such a demand. The urban population would benefit in many ways if a constant supply of safe milk of uniform quality and reasonable price were available. The small rural producer would benefit from a regular and fair market for his milk. Above all, the cost of collecting, processing, transport and the distribution of such milk would be pared down to a minimum. This can be done only by careful management of all steps, and the maintenance of economic units for working; this has been done by uniting the producers co-operatively, taking advantage of geographical features for collection and transport, and maintaining a satisfied retail market.

**Marketing of Indigenous Milk Products.**

(*a*) *Transport factors*—It can be realized at once that the form of milk product marketed from a certain producing area depends on the distance to the market. In places where there is no organized marketing, it can be said that cultivators up to 12 miles from a city will take their milk for sale in the city, using headloads, bicycles, light horse-drawn vehicles or rail for transport. The extended use of the bicycle has increased this radius to about 20 miles in some places. Farther afield, up to 40 miles, *khoa* and some ghee will be the primary dairy products, whilst at distances over 40 miles the main, and perhaps the only, sale product is ghee. Of greatest importance is the time factor in transport and its effect on the product. The product must not lose part or all of its marketable value during the time it takes to travel between producer and consumer. The effect of this factor is accentuated in India owing to high atmospheric temperatures during the day almost throughout the year.

(*b*) *Effect of development of processing and transport methods.*—It is obvious that improvements in methods of production, processing and transport will safeguard the marketable value of liquid milk. These improvements are of world-wide application and have been called for by the demand for uniform supplies of milk in large consuming centres. It must, however, be realised that these improvements have been attended by a considerable rise in the retail price of milk. The question in India, as in all other countries, is to work in such a way that this extra cost is spread over the quantity of milk found most economic to handle. With new ventures of this kind in India, capital expenditure on plant and other requirements must be small, the innovations must be brought in gradually and all the steps in the process must be as simple as possible. This progress has been achieved in a few places in India.

The new developments in dairying and their effects in such milk marketing ventures may be enumerated as follows:

(a) The producer is helped to maintain productive animals.

(b) He is helped to feed these animals rationally.

(c) He is encouraged to produce milk in a hygienic manner.

(d) The bulked milk from many villages is collected at a convenient centre or centres on a *pukka* road.

(e) The amount collected is sufficient to warrant the use of a small motor lorry for transport (the lorry may collect from many centres on the road).

(f) The milk is processed either at the collecting or the distributing centre so as to enable it to gain in keeping quality.

(g) There are facilities at the distributing centre to cool the milk and to keep it in cold storage until ready for retail.

These arrangements involve considerable capital expenditure to start the scheme and also entail considerable running costs.

**Lucknow Co-operative Milk Supply Union.**

With the above requirements of co-operative milk handling in view, it is interesting to trace how a successful milk supply union has overcome its various problems. The Lucknow Union can very well be selected as an example.

In the districts around Lucknow in which the Union is now active a considerable number of co-operative credit societies were in existence. These societies, however, were not successful and the members were slowly getting deeper into debt. Villages served by canal irrigation were more successful than those dependent only on the rains for success in cropping. Most of the cultivators produced milk which they sold at low prices to *halwais*. Undoubtedly there was considerable exploitation of the milk trade by middlemen and the halwai purchasers.

**System of Indigenous Milk Marketing.**

The system of milk marketing by the *halwais* is worth describing. The *halwais* in the city advanced money to cattle owners without interest and assured themselves of a regular milk supply by working on the following conditions: (a) the rate of supply of milk varied from 14 to 16 seers per rupee, the seer measure being 20 chataks; (b) the *khoa* yield of the milk supplied to be four chataks per seer; (c) if the *khoa* yield was less than four chataks the milk volume had to be increased proportionately. This system was very unsatisfactory. The milk supplier had to spend much time at the *halwai's* shop while the tests for *khoa* yield were carried out. In spite of the strict terms of contract, the purchasers defrauded the producer in the weighing of the milk, and the milk was over-evaporated in order to reduce the *khoa* yield. The accounts were never settled and advances were made from time to time on demand by the producers. If the producers gave up the contract, either they did not recover the money due to them or numerous difficulties were placed in the way of its recovery.



**Effect on the Military Stock.**

The milk producers did not get sufficient returns to enable them to maintain their animals on satisfactory rations. The animals were allowed only rough grazing supplemented by coarse crop residues (toppings of sugarcane, *arhar* and *chana*, and various straws). The class of milch animal slowly deteriorated, the yield falling below two seers a day. It is evident that under these conditions the position of the milk producers was progressively deteriorating.

**Deterioration Arrested.**

This is where the Co-operative Supply Union stepped in to improve matters. The first step was to take a census of milch animals in the villages and to make a survey of the methods of marketing milk and its products. From this survey the drawbacks of the indigenous method of marketing just described were realised.

The first constructive step taken was to improve the type of milch animal in the village. This was done by buying out of co-operative grants animals from the Rohtak district (Punjab), interest on the cost of the animals being charged at 9 per cent per annum. In the first and second years Murrah buffaloes and some Hariana cows costing Rs. 14,000 were bought and distributed to the various villages in the circles.

The animals were purchased in the Rohtak cattle market in the presence of all the interests concerned. A party of one representative from each village headed by a supervisor made a selection of the animals; in this they were helped by the local cattle-breeding Inspector. Steps have been taken to supply improved bulls. These bulls are not maintained by the village societies nor are any contributions made by the societies for their maintenance. The Milk Union bears the whole cost of their upkeep. They are placed in the charge of a member of a society who is paid the cost of their maintenance by the Union.

**Organisation of the Village Society.**

The unit of production is the village society. The bulked milk of this society is taken to the collecting centre; the only check made is to see that the amount delivered at the collecting centre is the same as the amount sent from the village. The village society thus has to manage its own affairs in respect of (a) collecting the milch animals at a convenient centre for milking under supervision, (b) the weighing of the produce from each small producer, (c) the bulking of the milk, the locking of cans and the transport of milk to the collecting centres, (d) the payment to each producer for his milk, and (e) the buying of concentrated food from the parent society and its distribution among the villagers. To carry out these duties a village committee, such as a panchayat, is formed.

The animals are collected at a convenient spot and milked. The producer brings the bucket of milk to the platform where the panchayat sits, the milk is measured by the *carrier* in the presence of the producer and the weight is entered in the producer's passbook and in the society's register. The first page of every passbook used to contain a history of the animals and a record of the daily milk yield, which was checked by the society's register; at present these records are entered only in the society's register. The carrier who transports the milk to the collecting centre does the measuring and bulking of the society's milk; he is responsible for the safe transport of the milk without loss or adulteration and is a paid member of the village society. The society also pays a monthly allowance to its member-secretary for the keeping of accounts and records.

**Transport to the Collecting Centre.**

The milk is bulked in cans holding 20 seers; these are made locally for about Rs. 5. The cans are locked; one key remains in the village; the other is kept at the collecting centre. The milk is transported to the collecting centre by the most convenient method, e.g., by head-load, bicycle, pony or tonga; depending on the state of roads, season, distance, etc. Since the milk has not been treated in any way at the village, this distance is covered as rapidly as possible.

On reaching the collecting centre, the milk cans are opened, a sample of the milk is taken and the weight of the milk is checked not by actual weighing but by volume, using vessels of multiple and sub-multiples of a seer. The amount of milk from each village is entered in a register and checked with the amount entered in the village register. The produce from the villages supplying the centre is then bulked into large churns hoding one maund of milk, in which the milk is transported to the city distributing centre.

**Transport to City Centre.**

It has to be decided at the collecting centre whether the unprocessed milk from the villages will have to be processed before it is sent to the city. This depends on the length of time from milking until delivery in the city and the temperature of the milk and the air; the volume of milk collected is another important factor in determining what to do. In a small collecting centre a certain volume of milk may be considered as an economic unit when capital and running costs are concerned. Too small a volume means a high running cost per maund; too large a volume means either a lengthy processing period or too high an initial capital expenditure.

If a good road is available for motor transport the milk may with safety be carried unprocessed to the city. On the other hand a form of heat treatment may be demanded. This is best done by heating the cans of milk in larger vessels of boiling water until the whole of the milk reaches a temperature of 165 degrees Farenheit. The milk is not cooled but is immediately covered and sealed and transported to the city centre.

**Treatment at the City Centre.**

If the milk has not been previously processed, it must be pasteurised and cooled at the city centre. This is done by the *flash* method of heating to 165 degrees Farenheit by the cheapest possible means and then cooling down to 40-45 degress Farenheit and storing in a cold chamber until ready for distribution. Milk which has been transported in a hot condition from the collecting centre is cooled and kept in cold storage.

The cost of distribution must be kept down to a minimum. It has to be realized that processing and distribution are the two steps which are responsible for the high retail price of milk as compared with the price paid for the raw milk. The milk of the Lucknow Society is distributed loose from cans carried on bicycles. To detect and prevent adulteration by adding water, the milk of any distributor may be sampled in the street at any time without warning.



**Main Difficulties.**

The above is a detailed description of the steps taken by the Lucknow Co-operative Milk Supply Union to organize village milk production, and the transport and handling of the milk from producer to consumer. The Society has been working for over three years, and although it has overcome many problems connected with the organization of the Union, it has still to face many practical difficulties which are concerned both with milk as a perishable article and as an article of food in a competitive market.

The difficulties on the technical side are concerned with safeguarding the keeping quality of milk in the cheapest possible manner. The Union has to sell a product reputed to have a good quality in competition with the fragmentary sale of an inferior product by *gowalas*. The profit of the Union's working rests almost entirely on paring down transport and processing costs to a minimum. Whether the milk should be heat-treated at the collecting centre or at the city centre depends largely on seasonal and local conditions. It is a good practice always to cool milk as soon as possible after milking. Owing to conditions in villages, it is difficult sometimes to get water at all, much less enough cold water for cooling.

The Union has done much teaching of how to prepare the animal for milking and to milk by hygienic methods. The villager is proud to maintain this hygienic discipline and the quality of milk has been greatly improved by it. The cans are scrupulously cleaned at the centres so as to ensure their being in the best condition to receive the milk.

Tests for fat and total solids are regularly carried out. Some data on the effect of air temperature on that of the milk have been collected but more comprehensive data covering all seasons are required. Some trouble in carrying milk in a hot condition may be met with as there are some lactic acid-producing bacteria which thrive at 140-150 degrees Farenheit; these, however, have not caused trouble so far.

The main problem is to popularise this class of milk among the public so as to promote increased sales. It is to be feared that urban population are either not milk-conscious or not quality-conscious where foodstuffs, especially dairy products are concerned. Competition from the *gowala*, with his frequently adulterated milk, would be overcome gradually if the buying public were educated sufficiently to discern this difference of quality. Another method is to attract customers by giving other services, such as supplying cream, butter and ghee. The scheme has the full support of educational, health and other public services irrespective of personal bias, since the venture is a non-profit-making business and a genuine attempt at eliminating that agent in milk marketing whose sole interest is profit, namely the middleman.

**Other Difficulties.**

Owing to high capital expenditure some villages are without a good water supply or a covered milking shed. A shed with *pukka* floor and clean surroundings would help greatly in clean milk production since one of the chief ways in which milk is contaminated is by dust from the air.

The Union insists on some milk being left in the villages so as not to deprive the inhabitants, especially children, of this protective food. At least half a seer of milk per family is retained together with the fractions of half a seer which are not included in the bulked village milk. Young calves are also cared for from birth with regard to their milk and other rations.

Difficulties connected with the proper rationing of milking animals have been overcome by the purchase of concentrated foods by the parent society and their distribution according to the needs of each village society. This wholesale buying cuts down the feeding costs greatly. The inspector instructs the producers in rationing according to yield, and after preliminary instruction, the rationing is left to the village committee. The concentrated foods are paid for in instalments out of the receipts for milk. Grazing facilities are better arranged on a co-operative basis. Stores of rough fodder are also bought in large quantities and distributed. The societies also have the advantage of advice and inspection by the official veterinary staffs.

**Progress of the Lucknow Union.**

This experiment of mutual help was carried on at the beginning through the credit societies mentioned; the main idea then was to make these societies solvent again. That was the aim of organizing the production and sale of milk.

The societies were then advanced Rs. 7,000 by the District Co-operative Bank, Ltd., Lucknow, at 9 per cent for the purchase of milch cattle. A loan of Rs. 100 without interest was advanced from the Rural Reconstruction Fund drawn from the Sugarcane Commission Funds; this sum was invested in cans, measures, etc. The purchase of concentrates is made from the money deposited by members in their compulsory thrift accounts (1 anna per rupee from sale proceeds).

Substantial help was then received from Government which gave Rs. 20,000 for the purchase of machinery and equipment, Rs. 5,000 for a motor van and Rs. 5,400* for the construction of wells and milking sheds in some villages. Some of these funds have been used for the purposes intended with the result that the safeguarding of milk quality at least is well provided for. The financial position of the Union at present is unfortunately not strong, but every effort is made to run the Union on business lines, and the making of profits will take time.

* This loan has not up to the present been utilised.



**Quantities Handled.**

The following statement gives the amounts handled in the years 1938-39 and 1939-40:—

| | | 1938-39 | 1939-40 |
|---|---|---|---|
| Total milk handled (maunds) | .. | 5,663 | 11,450 |
| Daily supply (maunds) | .. | 15½ | 31½ |
| Sold as liquid milk (maunds) | .. | 4,182 | 9,205 |
| Separated into cream (maunds) | .. | 1,483 | 1,835 |
| Number of families supplied | .. | 500 | 800 |
| Educational Institutions supplied | .. | ... | 22 |
| Price of milk (seers to the rupee) | .. | 7½ | 7-7½ |
| Receipts for milk (Rupees) | .. | 16,998 | 50,969 |
| Ghee (from surplus cream) (lb.) | .. | 1,000 | 2,296 |
| Sale proceeds from ghee (Rupees) | .. | 662 | 1,404 |
| Butter made (lb.) | .. | 1,000 | 4,661 |
| Sale proceeds from butter (Rs.) | .. | 876 | 3,410 |
| Number of village societies of all classes | .. | 40 | 79 |

The ghee was sold at 12 chataks to the rupee and the butter at 12 annas per lb. The present rate for ghee is 10¾ chataks to the rupee and for butter 14 annas per lb.

It can be seen that the Union made great progress in 1939-40 when it more than doubled the amount of milk handled, with parallel increases in the amounts of almost all milk products.

**Profits and Losses**

The Union was registered in March 1938. In the period up to June 1938 it worked at a small loss of Rs. 210. The year July 1938—June 1939 was worked at a profit of Rs. 1,035. Unfortunately in 1939-40 there was a loss of Rs. 5,035. This loss is made up mostly of rail carriage of milk animals from the Punjab, upkeep of dry animals and irrecoverable debts and one-third the cost of construction of milking sheds and wells in villages. Other measures aiming at the improvement of the condition of villagers have been the cause of some unremunerative expenditure.

Ways have been devised to improve the financial position. Supplies of milk are now drawn from more compact areas so as to reduce the cost of transport. The services of two wholetime supervisors to attend exclusively to milk have been obtained. One out of three collecting centres which was working at a loss has been closed down and the other two centres now cover more compact areas supplying a larger volume of milk. Also, recurring expenditure on removal to, and the buying of new plant, for a new building will not have to be faced in future years.

An attempt has been made in this article to describe the problems which arise in securing milk from villages to supply concentrated urban populations, the working of the Lucknow Union being taken as an example of how this has been achieved. The scheme involves more than working for monetary profit; it embraces ideals which will yield a benefit only after a number of years. The movement educates the villager in milk and personal hygiene, thrift and a pride in his occupation; it brings the principles of fair dealing and honesty into his daily life; the work of milk production is made more worth while. The consumer is also provided with a better and safer article of food at a competitive price and the slowly moving educative effect of a uniform, product and of example will slowly raise the demand for wholesome milk in urban areas. The villager is prevented from starving himself of milk by insisting on residues being kept for the family. The work of disposing of his milk is taken from his hands by those he has learned to trust; he can therefore spend more time on his farm attending to his crops and animals.

There are many problems connected with this work which have not been mentioned here. They are concerned mostly with the exploitation of the villagers' milk at places remote from towns, such as the manufacture and marketing of *khoa* and ghee; yield and quality mean much here. Then there is the disposal of surplus milk and of separated milk in the most profitable manner and of the improvement of milking stock generally.

The author is much indebted to Rai Saheb Gopal Lal, Honorary Secretary of the Union and Mr. N. K. Bhargava, I.D.D., for their kind services in providing material for this article, and in association with Messrs G. W. Lawrie & Co., Lucknow, for the photographs illustrating the activities of the Union.

—*Indian Farming*, June, 1941.

## REPORT ON THE WORKS OF THE ALAMURU CO-OPERATIVE RURAL BANK LTD., ALAMURU.

**Introduction.**—The Alamuru Co-operative Rural Bank Ltd., was registered on 1-2-1938, as a special type of Society on limited liability basis to serve a group of villages within a radius of 5 miles of Alamuru. Sri T. Prakasam Pantulu, Bar-at-Law, the then Revenue Minister opened the Bank on 27-2-1938. Ten villages were included within the area of operations of this Bank. There have been Co-operative Societies in all these villages. Prior to 1930, these Societies were in a flourishing condition and their transactions came up to nearly 3 lakhs of rupees. Owing to economic depression since 1931, these societies were severely hit and their transactions came down to a lakh of rupees. The value of paddy and consequently the value of land came down to about 50 per cent and the members could not meet their obligations. Overdues accumulated rapidly. The Societies were not able to meet the demand of the financing Bank, and were obliged to take coercive steps to collect the overdues for meeting the commitments to the Bank. Fresh loans were not issued even to non-defaulting members who were regular in payment, as the majority of members were defaulters. The agriculturists could not find credit elsewhere and were left in a helpless position.

It is with a view to afford relief to such agriculturist and create confidence in honest borrowers, this multipurpose Society (rural bank) was started on limited liability basis. The Bank brought new cheer to the agriculturists to whom fresh



credit accommodation was given on sound security. To the labourer it has been giving succour by supplying him with rice in seasons when he could not find employment and collecting the dues in small instalments spreading over a number of months. The labourer in his turn has been very loyal to the Bank and he has been meeting his obligations regularly. Thus this Bank has amply justified its existence by rendering useful service both to the ryots and labourer, supplying them food, raimant and credit.

In the villages where there is local initiative, fresh business was started in the local societies, Editha Modukurru and Kapileswarapuram villages which were originally included in the area of operations of this Bank were subsequently eliminated when the local societies in those villages were revived. Penikeru, Kalvacherla, Pedapalla and Vedurumudi were newly added at the request of the villagers.

The Society at Alamuru was amalgamated with the Rural Bank and the amalgamated Bank was registered on 1-2-41 by the Deputy Registrar. The amalgamation secured the new Bank a share capital of Rs. 1,600, a Reserve Fund of Rs. 9,276-13-0 and a pucca building built on a spacious site granted by the Revenue authorities worth Rs. 7,000 and a bad debt reserve of about Rs. 6,000. This greatly strengthened the position of the new Bank and it is able to create fresh confidence both in the depositors and in the investing public. Previously the maximum borrowing power of the Bank was arbitrarily fixed at 1 lakh of rupees and now it is changed to 8 times the paid-up share capital plus Reserve Fund and by the end of the year the maximum borrowing power was Rs. 1,74,968.

**Share-Capital.**—This bank was started with a share-capital of Rs. 12 only. By the end of the 1st Co-operative year (i.e., 30-6-38) the amount of share-capital collected was Rs. 745. By the end of the 2nd Co-operative year (30-6-39), the share-capital increased to Rs. 3,146. By the end of the 3rd Co-operative year (30th June, 1940) the share-capital increased to Rs. 6,690. By the end of the 4th Co-operative year (30th June, 1941), the share-capital collected was Rs. 11,960. This included the share-capital of the amalgamated Alamuru Society Rs. 16,000.

**Membership.**—On the date of starting, the number of members is 12. By the end of June 1938, the membership rose to 95. By the end of 1939, the number of members, admitted was 239, by the end of June 1940, the membership was 491, and by the end of 1941 it rose to 1272. This included 104 members of the Alamuru Co-operative Society.

### MEMBERSHIP ACCORDING TO OCCUPATION

| | | |
|---|---|---|
| Non-cultivating land-holders | .. | 140 |
| Cultivating land-holders | .. | 297 |
| Tenants | .. | 110 |
| Field labourers | .. | 548 |
| Non-agriculturists | .. | 125 |
| Mixed | .. | 52 |
| Total | .. | 1,272 |

CLASSIFICATION AS PER CASTE

| | | |
|---|---|---|
| Brahmins | .. | 108 |
| Kammas | .. | 216 |
| Kapulu | .. | 191 |
| Setti—Baljis | .. | 160 |
| Harijans | .. | 403 |
| Others | .. | 168 |
| Christians | .. | 14 |
| Mahammadans | .. | 12 |
| Total | .. | 1,272 |

The large increase of membership in this year is due to the sanction of loans in kind to agriculturist labourers. Heads of families of the field labourers are admitted as members on payment of Rs. 1-1-0 as share-capital and half a bag of rice is given on credit to these members on 2 sureties. The cost price is realised from these members by the sale of thrift lables daily by the Bank staff.

The Harijans form the largest number of a single community in the membership of the Bank. Out of a total membership of 1272, 403 are Harijans. Tenants and agricultural labourers are 658 in number, i.e. more than one half of the total membership. Rich and the poor, the landed and the landless residents are freely joining the institution without any distinction of caste or creed. This has given impetus for poor people to seek admission in the Bank in large numbers and obtain loans in kind and repay in driblets out of their daily savings.

**Borrowings.**—The Bank obtained as local deposits from members and non-members an amount of Rs. 34,281, and by way of loans from Central Bank an amount of Rs. 58,765. The financing bank sanctioned loans to this institution on remortgage of ever-continuity bonds registered by the members. The Bank obtained a cash credit of Rs. 4,000 on the security of Surety Bonds. Deposits were regularly repaid and there were no overdues to the financing bank by the end of June 1941.

**Loans to Members.**—1413 loans amounting to Rs. 79,011 were disbursed to members for various purposes during this co-operative year.

PURPOSE OF LOANS

| *Purpose* | | No. | Amount |
|---|---|---|---|
| Cultivation expenses | .. | 158 | 17,886 |
| Purchase of cattle | .. | 17 | 1,138 |
| Taxes | .. | 137 | 10,117 |
| Improvement of lands | .. | 17 | 7,583 |
| Artisans appliances | .. | 8 | 417 |
| Trade | .. | 58 | 8,704 |
| Education | .. | 3 | 700 |
| Purchase of carts | .. | 2 | 120 |
| Purchase and repairs of houses | .. | 19 | 2,879 |
| Purchase of lands | .. | 1 | 500 |
| Purchase of foods and necessaries of life | .. | 907 | 13,720 |
| Discharge of prior debts | .. | 84 | 14,687 |
| Marriage | .. | 2 | 560 |
| | | 1,413 | 79,011 |



*Classified as per Denomination*

| | | No. | Amount |
|---|---|---|---|
| Loans below Rs. 10 | .. | 850 | 5,580 |
| Loans above Rs. 10 and below Rs. 50 | .. | 235 | 7,052 |
| Loans above Rs. 50 and below Rs. 100 | .. | 107 | 8,967 |
| Loans above Rs. 100 and below Rs. 250 | .. | 163 | 26,432 |
| Loans above Rs. 250 | .. | 58 | 30,980 |
| | | 1,413 | 79,011 |

Out of the 1413, total number of loans disbursed during the year 850 loans are for less than Rs. 10, 235 loans for less than 50 i.e., ⅔ of the loans are for amounts less than 50.

There are 1371 loans amounting to Rs. 96,393 outstanding against members on 30-6-41. They are classified as per security and period as shown below:—

SECURITY :

| | | | |
|---|---|---|---|
| Security of fixed deposits | .. | 1 | 150 |
| Security of gold ornaments | .. | 20 | 1,994 |
| Security of standing crop | .. | 51 | 5,841 |
| Security of produce | .. | 15 | 1,955 |
| Security of car | .. | 1 | 85 |
| Security of oil engine | .. | 1 | 224 |
| Security of immoveable property | .. | 528 | 72,991 |
| On personal security | .. | 754 | 13,153 |
| | | 1,371 | 96,393 |

PERIOD :

| | | | |
|---|---|---|---|
| Short term loans of one year and below | . | 960 | 28,318 |
| Long term loans of above one year and below 2 years | .. | 50 | 1,470 |
| Long term loans of above 2 years and below 5 years | .. | 358 | 65,805 |
| Long term loans of above 5 years | .. | 3 | 800 |
| | | 1,371 | 96,393 |

PROGRESS OF LOANS

| Loans on the last date of the year | 1937-38 No. | Amount | 1938-39 No. | Amount | 1939-40 No. | Amount | 1940-41 No. | Amount |
|---|---|---|---|---|---|---|---|---|
| 1. Crop and produce .. | 19 | 2,615 | 60 | 6336 | 62 | 10,183 | 66 | 7,796 |
| 2. Gold loans .. | 36 | 6,758 | 137 | 17,243 | 60 | 6,992 | 20 | 1,994 |
| 3. Mortgage loans .. | 20 | 6,693 | 119 | 28,657 | 332 | 55,276 | 528 | 72,991 |
| 4. Surety loans .. | — | — | — | — | 14 | 1,044 | 754 | 13,153 |
| 5. Loans on security of deposits .. | — | — | — | — | — | — | 1 | 150 |
| 6. Other securities .. | — | — | — | — | — | — | 2 | 309 |
| | 75 | 16,066 | 315 | 52,236 | 468 | 73,495 | 1,371 | 96,393 |

From the above figures it is evident that mortgage loans on ever-continuity bonds are increasing in number and becoming popular. The financing bank is freely granting loans to this bank on the remortgage on these bonds. The limit of borrowing is fixed to the members on the strength of these ever-continuity bonds and they are allowed to draw freely on their account as and when money is required for their agricultural operations. Gold loans are gradually discontinued for want of safe custody facilities. The financing bank also refused to sanction loans on repledge of gold for want of an appriser in the Bank. Loans on personal security are also developed with collateral security such as standing crop and the fixed salary of employees.

**Overdues.**—After the amalgamation of the Alamuru Co-operative Society with the Rural Bank its overdues were added to the Bank. There are no overdues in the Rural Bank for the last 3 years. By the end of June 1941 there were overdues for an amount of Rs. 7,000 in the old Society. A sum of Rs. 3,000 was left uncollected in the Rural Bank this year. Special steps are taken for the recovery of these overdues by the next harvest.

**Non-credit Activities.**—Hitherto, the Rural Bank was supplying manures to its members by taking agency from Parry & Co., and cloths from the A.I.S.A. After the war the cost of manures has risen abnormally. The members are unable to purchase such costly manures and they are going in for oil cake which is found cheaper in the market. So, the purchases of manure from Parry & Co., have diminished. The cloth from the A.I.S.A. is supplied as usual on commission basis. The sale of Khaddar is not promising owing to its heavy price. Sale of rice is taken up on a large scale during this year. Agency was taken from a local mill for the supply of rice to members. Nearly 400 bags of rice was sold to our members and the amount was realised out of the daily savings of the labourers. Two collection agents were specially appointed to attend to this work. This business is becoming popular among the poorer classes and a good number of this class of people join the institution for obtaining loans in kind.

**Lanka Cultivation.**—60 Harijan families of Jonnada are given credit accommodation for lanka cultivation. 150 acres of lanka land was taken on lease by these members and the whole lanka was divided into 6 plots. These members cultivated the land jointly in 6 blocks. 20 pairs of cattle were purchased and supplied in the season for the cultivation of this lanka. After the season was over the cattle were sold and the amount was realised by the Bank with interest. The produce realised in the lanka was collectively sold by the Bank and the sale proceeds were credited to members' loan account. 60 candies of tobacco was stocked in the godowns of the Bank for a better market. The members earned a profit of nearly Rs. 1,400 after paying off the loans due to the Bank and the kist to the Government. They deposited an amount of Rs. 500 by way of share-capital in the Rural Bank and a sum of Rs. 800 as security for the lanka in the Government Treasury.



The Bank made arrangements for the distribution of pure paddy seed for seed multiplication in the area. The Agricultural Demonstrator at Ramachandrapur is paying constant visits and exhorting the ryots to grow special varieties of paddy.

Public lectures were arranged by the Bank on health and hygeine. Doctor Kristnan of the Cunoor Institute made a food survey in 50 families in the village of Alamuru. The Bank staff helped him in this work. Doctor Ayocroyed, the food expert, paid a visit to the village and addressed a large gathering of members in the Bank hall on balanced diet and the advantages of using hand pound rice.

The Bank is maintaining a reading-room out of its Common Good Fund. The *Hindu*, *Andhra Prabha*, and *Krishna Patrika* are subscribed for. A free Homeo Dispensary is opened and chests of medicines are purchased from the Common Good Fund of the Bank.

**Establishment.**—The Bank is maintaining paid staff for the day to day working of the Bank. Two clerks on Rs. 20 and 15 and 2 collection agents on Rs. 15 each, a shoroff on Rs. 10 and 2 peons on Rs. 6 and 4 form the paid establishment of the Bank. It may be possible to increase their pay in due course when the business of the bank develops sufficiently. The Financing Bank appointed an experienced Supervisor for this locality to scrutinise the loan applications of the Bank on payment of Rs. 100 towards the contribution to Reserve Fund. The Department is doing concurrent audit and final audit of this Bank. A sum of Rs. 75 is paid towards audit fees to the Government.

**Profits.**—In the first year of its working (i.e., 1937-38) the Bank earned a profit of Rs. 62-3-6. In the 2nd year (1938-39) the profit came up to Rs. 651-4-9. In the 3rd year (1939-40) owing to addition of additional staff, the Bank got a profit of Rs. 549-12-0 slightly less than the previous year. In the year under review, the net profit came up to Rs. 1,744-5-0. Out of this amount an amount of about Rs. 120 may be charged for audit.

**Dividend.**—The Bank paid a dividend of 6¼ per cent per annum to members in the 1st year. In the subsequent years it has been paying at 5 per cent per annum to build up the reserves more rapidly.

Our thanks are due to the department and the financing Bank for the encouragement they are giving for the improvement of the Bank in all the sphere of its activities.

The President of this Bank Sri N. Satyanarayana resigned his Presidentship on 21st February 1941 owing to personal inconvenience and his son Sri N. Janardana Sastry was elected as President unanimously. Sri Somanchi Venkata Ramamurthy, B.A., B.L., offered his honorary services in the absence of Sri N. Satyanarayana and he was unanimously elected as Secretary.

**Ever-Continuity Bonds.**—On the ever-continuity bond, loans are being granted originally for 3 years for long term credit purposes. After a borrower has drawn out the whole amount covered by the bond, further loans are being granted after repayment on annexure bonds, the total amount of the loans outstanding at any time not exceeding the face value of the bond. The period allowed for discharging the loans granted on annexure ranges from 6 months to 3 years, the period being fixed according to purpose for which the loan is taken. Thus the member can draw upon the Bank so long as he is not in default in paying his dues and there is accommodation in his loan account. The ever-continuity bond stands good for a period of 12 years.

## RURAL RECONSTRUCTION WITH A DIFFERENCE

Those of us who were present at the meeting where the Indian Society of Agricultural Economics was founded will remember Mr. L. K. Elmhirst, the Founder and President of the International Conference of Agricultural Economists.

It may not be generally known that Mr. Elmhirst spent several years in India and was mainly responsible for the organization of Sriniketan, the rural development department of Tagore's Institute in Bengal. No doubt many of his constructive ideas matured during these Indian years. Mr. Elmhirst and his wife created, financed and continue to run in England one of the most interesting agricultural and social experiments of modern times. This has been shortly described by Mr. Elmhirst himself in an article entitled 'Faith and Works at Dartington' which appeared in *The Countryman* and was reprinted as a separate pamphlet in 1937. A more detailed and well-illustrated guide book is that by Nigel de Grey (1934) entitled *The Dartington Hall Experiment.*

**Estate with a history.**—Dartington Hall, Devonshire, is an English estate with a long history. It was in 833 the first recorded Saxon settlement west of Exeter. In 1068 it was the gift of the Conqueror to William of Falaise, then for three hundred years the home of the Martins, later the gift of Richard II, first to the Earl of Oxford on condition that he made peace in Ireland, and in 1390, to his own half-brother who laid out a fourteenth-century country palace for hunting, jousting and pleasure. It was afterwards owned by Margaret, Countess of Richmond, exchanged by Admiral Champernowne for an abbey, and kept in the hands of his descendants till 1925, when it was acquired by Mr. and Mrs. Elmhirst and here they started their experiment in rural reconstruction.

**New lines of development.**—Their aims are expressed by Nigel de Grey as follows:

'If the countryside is once more to attract the worker it must offer him some, at any rate, of the advantages of urban communities. There must be fair wages, opportunity for advancement, contact with men and women in a variety of occupations, education taken in its broadest sense. Under present conditions the country labourer has little opportunity to talk to any but his fellows, the folk he meets at the village 'pub'. The outlying farmer's rare days off his farm take him to market, where he meets his fellow farmers. He has no chance to come up against men engaged in other professions, and so to get the clash of ideas, the sharpening of interests and wits that is so essential a feature of town life.



'Then, again, if the countryside is to prosper, it must attract money—the sinews of every campaign—and if it is to attract money it must be made to pay.

'With great clarity of thought they realized that this must be no effort to put the clock back. It must be a development along new lines, according with modern conditions and modern thought.

'This, then, was the task to be tackled. The estate must be developed. For that the latest results of scientific research in agriculture, horticulture and forestry must be used. Rural industries suitable to the district must be started. Centres of culture and recreation must be founded to show the way to the creative use of leisure. Everything that could aid in setting the wheels turning in rural England must be encouraged. Lastly, it must be shown without equivocation that it could be made to pay and that for two reasons.'

**Business proposition.**—'Firstly, this experiment was to show existing landowners (or, in the event of political changes, the Nation as landholder) how an estate could be managed as an economic proposition; secondly, since the financing of any such scheme takes capital, that an estate should be as good an investment as the manufacture of soap, motor cars or any other commercial enterprise.'

From 1925 to 1927 experts were consulted, the soils of the estate were surveyed, local conditions and markets were examined, the personnel was selected, the buildings were put in order and new ones were erected, the gardens were resuscitated and a definite plan of action was prepared. Since then the venture has gone on from strength to strength.

To quote Nigel de Grey again:

'The Estate itself with its various departmental activities has been made into a Limited Liability Company. From that Company again depends a sub-company—Staverton Builders Ltd., and its sub-company, Devon Electric and General Service Ltd. Another company has recently been formed for land development—Churston Development Co. Ltd.

'Dartington Hall Ltd. may be compared with any ordinary manufacturing and trading company, with this difference only, all profits are payable to the Trustees for their use in furthering the purposes of the Trust—education and research. The plan was from the outset a ten-year plan, four to five years to carry out necessary research, to design and construct an economic unit, two to three years to bring that unit to full production, and two to three years to learn how best to market that full production.'

**Help of modern science.**—Every possible help of modern science has been employed in the working out of suitable systems of agriculture and animal husbandry, in the combating of diseases, in the organization of markets and for the health of the people on the estate. Up to the outbreak of the present war, things were going well and there was no reason to doubt that most of the enterprises would reach a paying basis. Economic returns, however, were never the main objective, but merely the hoped-for practical result of an orderly and well-thought-out scheme. When the war disrupted and disorganized all normal activities, Dartington, because of its organic structure and outlook, was immediately able to readjust itself to the special needs of the war crisis. The various schools did not close down. The agricultural, dairy and poulty departments increased their productivity. The whole estate is now being utilized for the accommodation of a very large number of refuge children from London and Plymouth.

The following statement from Nigel de Grey's book may be of interest:

'The Estate of 1,260 acres farmland and woodland, with its additional woodlands of 1,777 acres, employs 846 men and women. It has 125 houses upon it, 16 school and industrial buildings, and over 4,000 active customers. All classes of workers have been brought together and recreation facilities that they can enjoy in common have tended to bring them into closer contact.'

**Care for the soul.**—The title of this article is 'Rural Reconstruction with a Difference'. One great difference is the emphasis on education and on art, upon music, drama and dance, on something for the souls as well as the bodies of the people.

That such ideals are not confined to one prophetic pair is shown by articles recently written by Mr. H. J. Massingham in the column headed 'A Countryman's Journal' in *The Field* of May 3 and May 10, 1941. He there describes work imbued with a similar spirit by Mr. Rolf Gardiner of the Springhead Estate near Shaftesbury in Dorsetshire. Here certain ancient estates have been rescued from dereliction and restored to fertility in seven years. In this process, a great part was played by an admirable system of composting, by scientific rotation, by skilful mixed farming, by proper utilization of woodlands, by the production and processing of the estates' own feeding stuffs for man and beast. But in addition there have been reawakened old festivals and rituals intimately connected with the seasons, reasserting continuity with the past, giving expression to the artistic side of human nature and developing a community spirit. Massingham sums up his impressions of this experiment as follows:

'In the Springhead work of reclamation and self-sufficiency on the land, in the pageantry of the seasons enacted by the villagers, in the land settlement and land service aims of the Ring,* in the devotional aura that embraces the whole concept, I discern a new synthesis and integration. Here is nothing precious, or piecemeal, or mechanized, or hide-bound, nor has it been tainted by the futile intellectualism and leftwing dogmas of the age. It is a new regional growth arising spontaneously from our native earth and spreading its blossoms of faith and redemption into this present world of savagery and chaos. It lifts its shoots from the fibres of our national being; it is spiritual and practical; it is old and it

*An organization for carrying out rural reconstruction at Springhead.



is new; it is manysided and it is vested in a genuine local community. May there not be here the self-conscious, self-acting cellular unit of the England-to-be?'

These are signs of the times. Is it too much to hope that this spirit may spread and that such ventures may multiply in many countries?

—*Indian Farming*, November, 1941.

## THE FORMULA OF RURAL RECONSTRUCTION

The objective of Rural Reconstruction is happiness. Happiness has an important and intangible none the less vital spiritual ingredient but its material ingredients are health, well-being, economic self-sufficiency, comfort and peace. The obstacles to the attainment of these things are (1) poverty, (2) ignorance, and (3) Disunity. These can only be removed by hard work. But there is no general desire for hard work or the acquisition of knowledge. Where can the incentive be found?

Indebtedness is no incentive, rather the reverse. Hunger is no better. Money for money's sake are no incentives. The desire for luxury and extravagancies is no incentive, none will get up early and work hard to earn money so that he may buy liquor or litigate or indulge in expensive social ceremonies. Every man, however, is interested in his home and is ready to defend it with his life. Once, therefore, a man has been imbued with the desire to make his home better and has been convinced of the possibility of making it better, there is no sacrifice he will not make and no labour he will not undertake in order to improve it or to maintain any improvement he has made.

The home is the centre of race and the standard of the home is the standard of living. The incentive we seek, therefore, is the desire to raise and maintain the Standard of Living. Our task is, therefore, to convince him that he can make his home better. That is done first by propaganda and publicity and all the various methods we are adopting, but the second and infinitely more important method is to give him actual examples of better homes in his own village. This is the duty of the privilege classes—all who have any advantage of wealth, education, position,—official or non-official—given them by Providence, Government or their neighbours or community.

The third means of instilling the ambition of a better home is to enlist the women in the campaign. The presiding genius of the home is the 'gharwali,' the home-maker. Her whole existence is wrapped up in the home. Its protection and improvement is natural and instinctive to her. She, therefore, requires no imbuing with a desire to improve it. All she requires is knowledge of possibilities of improvement of the home and the family and she will provide the motive power both for herself and her husband and children.

The example of the rural leaders and the education and training of the women are, therefore, the twin foundations of rural reconstructions. Give them the desire to raise the standard of living and it will soon spread in the villages and all the rest will follow better farming, better health, better homes, better industries, better living. Without them we are rolling a stone up hill, running a race against the tide of increasing population, compelling people to acquire wealth which they will only waste for want of worthy ideals on which to spend it.

—*The Co-operator's Bulletin*, February 1941.

## RURAL RECONSTRUCTION IN KASHMIR

A vast field for rural reconstruction exists in the Jammu and Kashmir State and those engaged in it are confronted with peculiar problems. Stretching to an area of 84,471, square miles and comprising a population of 3,646,243, out of which the population classed as 'Urban' comprises only 3,42,314 persons, the work of rural reconstruction takes in its fold the huge population of 3,303,929 which bears a proportion of 95·5 to the total population of the State.

The total number of villages in the State is 8,903, having an average population of 371. The number of villages having population under 500 is 6,913.

This huge population of the State scattered over hilly areas, remained practically uncared-for and it was only about three years back that the Kashmir Government established the Rural Development Department with a view to improving the amenities of life in rural areas. Ever since, the Department has been carrying on intensive work in the cause of village uplift in the State, within the limits of the budgetted grant, which compared with the huge task, has been very inadequate.

The reconstruction activities are not based on any preconceived idea or theoretical plans but on hard facts that are specially collected on the spot in different village units, by a staff trained and engaged for the purpose.

**Economic Surveys.**—To understand the cause of economic, social and cultural backwardness of the rural population and to try to improve the same, the Department undertook a comprehensive programme of the village surveys. The number of villages surveyed is over 1,500. Much valuable information has been and is being collected, and after being sorted out it is properly scheduled and compiled in the Direction office.

**Improvement Schemes.**—Village surveys help the Department in gauging the immediate requirements of each village unit. Improvement schemes are then framed. Such schemes embrace a wide range of activities viz., adequate supply of drinking water, construction of water reservoirs, sinking and repairing wells, providing hand pumps, laying out parks and common meeting places, linking of villages with main roads, paving village lanes and providing other facilities. Improvements have been effected in 273 villages so far.

**Village Industries.**—Other activities of the Department cover schemes of regenerating decaying village industries. As an experimental measure a school for shoe and boot manufacture on modern lines was opened in Neoli village in Mirpur District. A scheme for opening a pottery training school is also in hand. A knitting and weaving centre for training village ladies is also functioning under the auspices of the Department.



**Education.**—Recently, with the inauguration of the mass literacy drive by the Government, the Panchayats have begun to play a prominent role in educating the adults. To bring about a change in the psychology of the peasant, the Department has from the very beginning undertaken an extensive compaign of Visual education. Magic lantern lectures combined with cinema shows on uplift topics are extensively provided for villages audience.

**Health and Hygiene.**—Carefully planned campaigns regarding health and hygiene are arranged in selected areas with a view to educating ignorant masses about the causes and prevention of common diseases.

In Kashmir Province a Health and Sanitation Campaign has been conducted for the last three years in which college students took a leading part.

An anti-malaria campaign in the Jammu Province has been an annual function of the Department. To convince the Zamindars about the cause of malaria, it was found that no amount of vocal propaganda would do. The Department, therefore, arranged to send anti-malaria demonstration parties equipped with all the known preventives against mosquitoes and malaria. The parties went from village to village and quinine parades and lectures were delivered. As a result of this the percentage of malaria victims considerably decreased in the areas visited.

Radio sets for entertaining and educating the villagers have been installed in 40 villages.

**Panchayats.**—To provide a permanent machine for the administration of all the common concerns of the villages and to help in settling petty civil and criminal cases, village panchayats are being established. The number of such autonomous multipurpose statutory bodies functioning at present is 270 and their jurisdiction extends to over 1,892 villages.

Village libraries have been established at a number of places in both the provinces. A monthly magazine "Dehati Dunya" is being circulated by the Department. Besides, containing items on State, Indian and International news, articles on health and hygiene, village industries, everyday economics etc., are published in the magazine.

**Drinking Water.**—Due to extra variation in climatic, geographical and topographical conditions of the different parts of the State, the problem of drinking water supply presents extraordinary difficulties. There are some areas in the State where the average rainfall is less than a few inches per year; whereas side by side there are places where the average rainfall exceeds 60 inches a year.

The water supply problem is particularly very serious in Jammu province. There are large areas which form the last ranges of the outer hills and consist of stony ranges about 20 to 30 miles at stretch. This area known as the Kandi, has to depend generally on the scanty rainfall for supply of drinking water which is collected in large tanks and ponds dug for the purposes. Therefore provision of fresh water supply by installation of hydraulic rams has been found feasible and recently a scheme for one such area has deen sanctioned at an estimated cost of Rs. 10,000. Arrangements for sinking deep wells by a special boring plant which could successfully operate through the rocky soil of the Kandi is under consideration of the Department. At some places big reservoirs have been built and arrangements for pumping of the water provided.

—*The Co-operator's Bulletin,* February 1941.

## DRIVE FOR BETTER VILLAGES

There are several approaches to village work. The one that was most familiar to us city folks was a dust raising programme once every year. Students and well intentioned adults visited villages on such occasions, swept the streets cleaned the surroundings of a well, and gave a series of lectures on how to eat a well balanced diet with plenty of milk and how to bring up children and educate them and so on and so forth. This programme, while solving the conscience of the city folks, brought a little diversion once in a while to the poverty stricken villages but most of them regarded such visitations as a pest that is best got over. When the good people had gone the villagers resumed their usual ways, forgetting that anything out of the way had happened.

**Benevolent Drive.**—Then followed a few protagonists of Government rural reconstruction, who came with trumphets blowing, with an army of camp followers and lorry loads of implements for borehole latrines and with improved ploughs. Villagers listened to their wisdom patiently and carried out orders as long as there was pressure, but as soon as these messengers of new life departed the villagers reverted to their old ways in spite of the expense the Government had gone to set them right.

Now comes Gandhiji neither preaching nor prodding but with an example of life lived among them. To grasp his plan of work we have to understand the philosophy of life underlying it. It is a non-violent approach that aims at an evolution from within. It will necessarily, be slow and unassuming but once it takes root it will be permanent, while the violent methods are spectacular quick but superficial and short lived.

Gandhiji approaches the villagers with no patronising airs. He goes with a humble spirit of service, willing to learn. He realises that the lifeblood of India throbs in villages, towns being mere parasites. He places the village in the centre of his scheme and all other considerations are subsidiary to it. With him village reconstruction does not concern so much with material aspect of the work as with the development of the human beings. Once this change in the culture of the villager takes place the villager himself will alter all other things to suit his new found self. We can understand Gandhiji's attitude best by studying what has been achieved so far. His programme is laid out on not any one particular aspect of life but on the assumption that any plan calculated to be of use must be comprehensive of all phases of human existence—life taken as a whole political, economic, social and educational. I have stated these not in the order of importance but according to the order in which Gandhiji has worked. He is primarily a politician and his first love is politics. Then he discovered the basis of politics was economics and this was added. Then he proceeded to the injustice of social organisation and at last he found the heart of the problem in education. A scientific approach would probably have been in the reverse order, but we have to take Gandhiji as he is—a man driven by intution rather than by reason.



**Political.**—Before Gandhiji's advent, politics was the preserve of the intellectuals and city folks who desired to oust foreigners and put themselves in places of power held by Britishers. There was much of the self in their politics and it began and ended with platform oratory. It was left to Gandhiji to push these ornate personages out of the way and send the roots of political life deep into the villages. This led to the awakening of the masses and a sense of self-respect. It dispelled fear of the white skin. It brought out young men with a desire to serve the country without any selfish ends and bands of political volunteers became available to carry the message into the villages. Even women came out of their age long seclusion to take an active part in political work facing imprisonment and other hardships. Muddy politics were spiritualised with the introduction of Satyagraha.

This started a definite drive towards real democracy, with an emphasis on the duties of public workers and the need for self reliance. Hitherto the Government was looked up to for every thing. Now people were being told that they were quite capable of helping themselves. This induced a great deal of confidence and opened the way for real constructive work with the Indian National Congress as the political axis.

**Economics.**—Apart from the speeches the real economic drive began with the Swadeshi movement following the partition of Bengal. At that time the idea of Swadeshi was purely political, i.e., Indian made articles as against foreign made goods. Gandhiji was quick to discern that the downfall of India was due more to economic causes than political ones and he bravely shouldered single handed the burden, ridicule and ignominy of the charkha movement. This watered the seed of life in villages and bound him with hoops of steel to the heart of the masses. When as a consequence of the charkha movement boycott of foreign cloth began people became accustomed to self denying ordinances which were stronger and more formidable than any tariff that can be imposed by the might of Great Britain. The Big Bertha of non-violence knocked the base out of Manchester more effectively than any long range gun yet conceived by man.

The economic reconstruction took the benefit of the masses as the heart of the country and distribution of wealth as the blood circulation to bring life to the villages. With these ideals the A.I.S.A. and the A.I.V.I.A. began working, not as producers competing with the artisans but as organisations calculated to help with research and experiment needed in pioneer work.

Till now markets were said to be controlled by prices. These two bodies made a bold bid to fix prices not from the top but from the bottom, allowing for a subsistance wage. We took up industries with direct relation to the benefit to the masses effecting their food, clothing and other necessaries expanding not to satisfy the gallery but according to the power we were able to generate.

Work found its legitimate niche as food for the well-being and development of men's faculties. The glamour of the Western civilization based on a multiplicity of wants began to wane with the glorification of work and the example of the grandeur of the simple life of Gandhiji and the ostentatious life of the rich was covered with the dust of the third class travel.

With this spade work we are going on with resuscitating industries that will maintain the people, provide them with the medium for culture and self-expression,

**Social.**—The equality of man and his dignity has to find a permanent place to our villages. To redress some of the evils, the Harijan Sevak Sangh was started, bringing to the down-trodden the much coveted opportunity of education and vocational training to make them self-respecting citizens. Their water supply and housing problems it is sought to remedy.

All this effort will be in vain if the younger generation are neglected. Such as we should like to reform the adults the real construction must begin with the child. For this the Hindustani Talimi Sangh strives to harness the educative factor in work to teach the children to build up the future citizens on the firm foundation of character. When this is accomplished we shall not witness the heart-rending spectacle of a villager with a smattering knowledge of the three R's seeking to become a clerk in some office. This wrenching of men away from their natural inclinations has come about by the present system of education which has no root in the life of the people.

We have seen as it were in a kaleidoscope, the multifarious attack on the problem of the village from the Gandhian approach. Unless we build on the rock foundation of character, on a non-violent basis, with duty as the keystone our efforts will be in vain. If we succeed in this attempt the edifice will be capable of withstanding the fury of the weather for ages to come.

## LET'S MOBILISE OUR MONEY CO-OPERATIVELY

It has been more than 25 years since Justice Brandeis warned Americans that they were being controlled by their own money. It's high time we did more about it. There are two ways to do something about it which everyone can do right now: invest in co-operative shares; invest in co-operative savings.

*I, John Doe, Owe My Co-operative Association $———?.*—We think backwards generally about our Co-operatives. We think of dividends first and investments second. We have been fooled by reading the stories of Britain where one can join a co-operative by paying a shilling down. That's all right when the movement has plenty of money. But here in America, our co-operatives are badly under-capitalized. A Bulletin of the University of Minnesota says that of 92 oil associations, 41 *owe more than they own*. They have been bled white by dividends. No one should be allowed to join a co-operative without understanding that he is expected to pay in as soon as possible his equal minimum share of the capital needed for facilities and inventories. That might be $25, it might be $50, or it might be $100. But whatever average minimum amount is needed should be considered as owed by each member to his co-operative until paid. It's all right to be allowed to join and to become a voting member by paying in full for one share. But to be a full-fledged member, each one should be expected to invest whatever average amount is necessary. We need to think in terms of *ownership* rather than *dividends*.

*I, John Doe, Invest My Savings Co-operatively.*—The most practical as well as the most patriotic thing every co-operator can do is also to invest his or her savings co-operatively. By so doing, excessive interest rates will be reduced and inflation also in part prevented. Credit Unions are the simplest form of Co-operative Savings Banks. Co-operative Preferred Stocks are another possible form of investment of surplus savings. Co-operative Investment Certificates are another. Consumers Co-operative Refineries of Saskatchewan are now offering Co-operative Savings Bonds, which co-operatives in the United States might well do.



Before war, during war, or after war, *we all need to learn to bank co-operatively, as well as buy co-operatively*. Put your money at work working for you and your country in co-operative shares or savings.

## APPOINTMENT OF PAID SECRETARIES

**Draft amendment to Rule No. XXVII of the Rules framed under the Madras Co-operative Societies Act.**

After rule XXVII of the said rules, the following rule shall be inserted, namely:—

"XXVII-A. Every financing bank, every registered society with limited liability and a working capital of not less than rupees one lakh and every mortgage Bank which has advanced loans to its members to the extent of not less than rupees three lakhs shall appoint a paid secretary. The paid secretary shall be disqualified for being appointed as, and for being, a member of the committee of the financing bank, the society or the mortgage bank, as the case may be."

**Explanatory Note.**—In 1928, the Townsend Committee on Co-operation recommended that central banks should either have a paid secretary or a competent manager, if the secretary was honorary. With the increase in the volume of business, the need for a technically qualified officer who can devote his entire attention to the business of the banks has become urgent. Whatever may be the advantages of the system of honorary secretaries the difficulties inherent in that system and the abuses to which it has led are too numerous to allow it to continue any longer in those institutions which can reasonably afford to pay a qualified officer for a post which provides full time occupation. An honorary officer cannot be expected to devote his whole time to the duties of the post and it is difficult for the management to take any action in the event of neglect on his part. It is also clearly undesirable that the secretary's post should be subject to the vicissitudes of an annual election or that the officer should depend for the retention of his office on the good will of one faction or another when these exist in a bank. It is therefore considered that necessary provision should be made in the rules issued under the Madras Co-operative Societies Act to require every central bank to employ a fully qualified paid secretary. Many central banks have already adopted this course and the others should not find it difficult to fall in line with them.

For these reasons there is need to appoint paid secretaries in some of the big urban banks also. The Committee on Co-operation in Madras (1939-40) has made such a recommendation and the draft rule makes provision for it. About a third of the banks which will be affected by this rule already employ paid secretaries.

Land Mortgage Banks do not employ paid secretaries at present but as their transactions develop, it will be necessary for them to do so. It is considered that it will not be difficult for land mortgage banks which have advanced loans to the extent of Rs. 3 lakhs and more to have paid secretaries besides the supervisors employed by them. It is therefore proposed to apply the new rule to land mortgage banks also coming under this category.

## THE DAIRYMAN'S A—B—C.

ALWAYS good markets can only be soundly held and developed by supplying them with best quality Dairy products.

BETTER Butter and Cheese should therefore be the constant aim.

CLEANLINESS is a first essential. Utensils, Cow Bails and surroundings demand continuous effort in that direction. Cans, though washed at the factory, become contaminated during return, and should be thoroughly scalded before refilling.

DON'T use a Dog or otherwise unduly excite the Dairy Cows, thus avoid the production of abnormal Milk and Cream.

EACH Cow's udder should be thoroughly washed and dried prior to milking.

FREELY wash hands before and at intervals during milking, and as far as practicable avoid contact with the milk.

GET the habit of discarding the first streams from each teat into a separate bucket. This Milk invariably is a potent source of quality deterioration and should not be mixed with main supply.

HEALTHY Cows produce pure Milk, but careless handling will quickly soil the product.

IF Cans are not filled, cream is liable to churn in transit. Undue metal surface also heats the Cream and imparts metallic flavours. MOTTO: Use the right size Cans—send to Factory full as possible.

JUDGE not too harshly the Factory Manager or Cream Grader when Milk or Cream fails to make the standard. There is an unenviable task, which you can lighten by searching at home for the cause of the quality trouble.

KEEP the breed of Cows preferred, but concentrate upon high yielders only. Quantity and quality go hand-in-hand.

LIBERALLY feed them on fresh, palatable foodstuffs. Anything likely to taint milk flavour should be eaten immediately after, and not just before milking.

MILK and Cream should be cooled as soon as possible after milking, or separating, thus promptly excluding animal heat and harmful gases. Cooling is more than half the battle towards best quality.

NEVER add fresh warm, to older and cooler Cream. Aim at equal temperatures, then mix and stir thoroughly with a Tinned Metal Stirrer (under no conditions use a Wooden Stirrer). Agitate the Cream once daily from bottom to top to ensure a thorough blend, that action will also break up and allow gases to escape.

OBSERVE and continuously enforce the utmost cleanliness with the Cattle, Attendants, Dairy, Bails and all Utensils.

PROMPTLY remove from the Herd any animal suspected of bad health, and reject Milk from that source. Milk from freshly calved cows must not be used for at least seven days.

QUIET, quick, clean and thorough milking is necessary if best results are to be obtained.

READ any current Daily Literature, and thus keep abreast of new ideas.

SEPARATE Cream to test from 35% to 37% Butterfat in Winter and 40% to 42% in Summer. If too thin in hot weather, Cream sours quickly.

TAKE the Separator parts, Metal Piping, Taps, etc., adrift after each operation, wash, then sterilise in boiling water, and hang in the sun to dry. Rinse thoroughly with boiling water, prior to assemling for the next milking.

USERS of Milking Machines must exercise every care towards keeping all parts, particularly Rubbers, thoroughly clean and sterile. Submerge rubbers in clear lime water between milkings.

VERY often good Cream is spoilt by the use of rusty Cans or Utensils. Make sure that no patches of rust or bare metal contact the Milk or Cream. Do not leave Cream standing in the sun awaiting transport.

WASH all utensils thoroughly, first in cold water, then scrub in hot water to which has been added washing soda or some prepared cleanser, finally sterilise in boiling water, and place on racks to dry.

X 'XCUSES CUT NO ICE.—Read the foregoing carefully—follow advice given, and Milk and Cream should then make the grade.

YOU are aiming for success and profit . . . Quantity plus quality is the "High Road" to that objective.

ZEALOUS application of the formula outlined in this simple dairyman's A-B-C will eliminate Low Grade Cream, and thus materially assist towards inducing the highest possible cash reward the Industry can pay. Thus may be achieved that profitable contentment—the ultimate goal of every dairyman.

—*The Westralian Farmers' Gazette*, September 1941.

## ONE DAY IN THE LIFE OF A CO-OPERATOR

On arising each morning I brush my teeth with co-operative tooth paste and then I shave with the aid of co-operative Brushless shave cream and a co-operative razor blade. After that I sit down to a breakfast of co-operative grape fruit juice, co-operative corn flakes, co-operative butter on bread toasted in a co-operative toaster and spread with co-operative jelly. Topping it off are two cups of good co-operative coffee. During breakfast a co-operative radio brings me a co-operative sponsored newscast that keeps me abreast of world developments.

On the way to the office I light a co-operative cigar, and life immediately becomes richer, more satisfying. Even the car seems to run better, equipped as it is with co-operative tires, tubes, battery and spark plugs, with an ample supply of co-operative compounded oil in the crank case, co-operative manufactured grease in the chassis, and a tankful of gas from the first co-operative refinery in the United States.

On reaching the office I find a co-operative newspaper on my desk. It's *The Co-operative Consumer*, official paper of Consumers' Co-operative Association, which will be much improved when additional equipment has been added to the co-operative printing plant acquired by the Consumers' Co-operative Association, March 1, 1941, enabling us to print a co-operative paper in a co-operative plant. I switch on the lights in my office—lights generated co-operatively at a cost of 1·6 cents per kilowatt hour as against the commercial rate of nearly 6 cents per kilowatt hour. On my desk are letters from co-operators, and a group of co-operative members are waiting in the lobby for a conference.

Noon comes and the conference is adjourned for lunch which is served in the co-operative cafeteria in the basement of the Consumers' Co-operative Association, where nearly every item on the menu is a co-operative label product. The annual patronage dividend from the co-operative store and cafeteria more than pays the costs of my membership in a Co-operative Health Association of which I am a member. When prepaid medical, surgical and dental care are added under the plan, interest on my shares in a retail oil and gas co-operative in a credit union, in the Co-operative Oil Producing Association, in the Co-operative Pipe Line Association and the Co-operative Refinery Association should enable me to pay in advance for the added health care.

After a day at the office I drive home. It is spring time, and time for painting. On reaching home I find that Mrs. Cowden has engaged a painter to brighten up the home. What kind of paint is it? Co-operative of course, made in a Consumers' Co-operative Association factory owned by 125,000 consumers.

In my favourite chair, next to a co-operative bridge lamp, I turn to a volume entitled *Co-operatives—A Way to Peace*. It is an antidote to the headlines that scream of war and human conflict. On laying it down I have a feeling that those who labour in the co-operative field are rewarded daily far beyond the amount of their respective pay checks—rewarded with the satisfaction that come from living and carrying forward the co-operative way of doing business.

—*Consumers' Co-operation*, September, 1941.

## CO-OPERATIVE NEWS AND NOTES

Report on the Marketing of Milk in India and Burma states that it is possible to increase readily, through proper feeding and management, the yields of Indian cattle by nearly 50 per cent is indicated by the fact that village cows when brought to the Government farms give on an average about 60 per cent more milk in their subsequent lactations. An increase in the annual output of milk amounting to about 2,100 lakh maunds (valued at Rs. 52 crores) could be readily obtained with certainty through better feeding and management alone of milch cattle already existing in the country. Although the milk yield of India's cattle is low, the fat content or butter fat production is high. The result is that, reckoned on a butter fat basis, the yield particularly of she-buffaloes, compares favourably with that of improved cattle in other countries. The fat content in herd milk of India's cows ranges from 4·5 to 5·5 per cent according to different breeds. The milk of Indian she-buffaloes is richer still and is perhaps the richest milk in the world from any dairy animal with a fat content that ranges from 6·5 to over 8 per cent. Goat milk has a fat content of 4 to 5 per cent.

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A sum of three lakhs of rupees has been set apart by the Government of Mysore to be at the disposal of the Cottage Industries Committee in Mysore for the development of cottage industries, according to a three-years' plan drawn up by the Industries Department. The Committee have resolved to start immediately six centres for button-making, out of which two would be reserved for gosha ladies. It is also learnt that the Committee will study the possibility of making Kankanahalli (near Bangalore) a paper-making centre shortly, as paper-making as a cottage industry is sought to be encouraged.

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His Excellency Sir Maurice Hallett, Governor of the United Provinces, during the course of his address to the Kurwar Rural Development Centre, Sultanpur, is reported to have observed: two courses of action are necessary if any success is to be expected in rural development: the first is avoidance of window-dressing and the second, scientific planning. There has been little or no planning. Organisers have been appointed without training or qualification. Each has been given a circle containing upto as many as twenty villages, a circle which he cannot hope to improve. My own personal belief is that resources should be concentrated so as to ensure thoroughness. This involves education of the villager in the manner in which given the will, he can improve his own livelihood.

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At its ninth annual general meeting held at Delhi in August last, the Indian Sugar Mills' Association strongly recommended that, having regard to the increase in the excise duty on sugar from Re. 1-5-0 in 1935 to Rs. 3 per cwt. now, the Central Government should increase the rate of allotment from sugar exercise receipts to the fund for cane development work from Re. 0-1-0 to 0-3-0 per cwt. of sugar assessed to duty.

With a view to increasing the consumption of sugar the Association recommended that the excise duty on sugar be reduced, that the provincial cesses on cane in the U. P. and Bihar should be abolished, that immediate steps be taken to improve the condition of cane production to enable the grower to get the maximum tonnage per acre consistent with higher recovery and that cheap transport facilities for the carriage of sugar and cane should be provided.

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The first Divisional Conference of Canegrowers was held at Meerut on the 9th November '41, where a resolution to the effect that at least 50 per cent of the net profits of cane societies should be spent on work of rural welfare, among others, was passed.

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The Report of the Registrar of Co-operative Societies in Ceylon for the year ending 30th April, 1940, shows that there were 1,601 co-operative societies in existence at that date, with a combined membership of 69,967 and total working capital of Rs. 4,029,605. In addition there were 51 Supervising Unions to which 802 societies were affiliated and 3 Central Banks, with which there were affiliated 1,065 societies as well as 4 Banking Unions with 95 affiliated societies. The 1,601 societies included 971 credit, 70 Thrift, 21 Store and 19 miscellaneous societies. During the year the work of improvement of villages was continued, and there was greater co-ordination between the Co-operative Department and other rural development departments.

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The Cochin Co-operative Land Mortgage Bank, Trichur has to its credit, another year of successful working. The working of the bank resulted in a net profit of Rs. 12,259·58 during the year ended with 16th August 1941.

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Farmers' co-operative marketing associations have now gained a firm foothold in the United States and are showing a remarkably healthy growth. There are over eight thousand three hundred of these associations in October '41, with two and a half million farmer members, doing an annual business of over two thousand million dollars.

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Under the caption 'Youth' in the August '41 issue of the Review of International Co-operation, Mr. S. Apelqvist (F. K. Sweden) throws interesting light upon how the young people in Denmark are awakening to the greatness of the rise and development of the Co-operative Movement and to the importance of the co-operative ideals for the future of Denmark, when the country is once again free. The question 'Where is Youth going and what shall we do to win its sympathy and voluntary collaboration' is regarded by the writer as a vital problem for the Consumers' Movement 'which itself is a constituent part of that system of free human association and life in common which is threatened to-day by the very direst peril.'

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The Government of Great Britain have adopted a policy of price stabilisation the purpose of which is to prevent any further rise in cost of living index, apart from minor seasonal changes, above the present range of 125-130 in terms of the pre-war level. An Act called the Goods and Services (Price Control) Act has been



passed and it became Law on 22nd July. The following three main methods have been adopted to prevent excess of spendable money leading to a rise in the prices of necessaries and to bring about an equitable distribution of consumers' goods.

1. Severe additional direct taxes have been imposed, which should have the effect of restricting the expenditure of those most able to bear the burden.

2. Rationing of foodstuffs and of clothing has been introduced to conserve supplies and to ensure a fair distribution.

3. A policy of price control has been adopted through the Prices of Goods Act, now extended by the Goods and Services (Price Control) Bill through the exercise of direct price-fixing powers and through the grant of subsidies.

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The popular journal of the V. S. K., (Switzerland) in an article on War Economy and Co-operation, the need for a better order of society is stressed. The new economic order which is to be established must guarantee to all men an existence worthy of human beings. Man and his needs must be given first consideration and profit must cease to be the principal aim of economy. Our thoughts must be turned away from money and directed to man and his needs. In such an economic system the worker will occupy a very different position. His labour will cease to be valued as a commodity according to the laws of supply and demand; he will have a decisive influence on national economy in regard to production as well as consumption. Only then will he receive his full share in the goods which he produces.

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**The IXth All Travancore Co-operative Conference will be held at Trivandrum on the 29th and 30th December, 1941.**

## ACKNOWLEDGMENTS

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*Scientific Agriculture, Ottawa.*
*Consumers' Co-operation, U.S.A.*
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*The Co-operative Review, Manchester.*
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**Year-Book of Agricultural Co-operation (Horace Plunkett Foundation), 1941.**