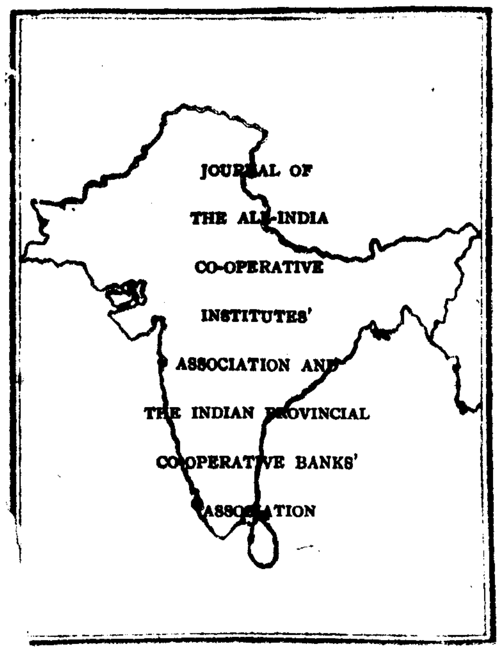
Vol. XI No. 4 OCTOBER—DECEMBER, 19

# The INDIAN CO-OPERATIVE REVIEW

27 APR 1946

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# THE INDIAN CO-OPERATIVE REVIEW

VOL. XI OCTOBER—DECEMBER, 1945 No. 4



## EDITORIAL NOTES

### FOOD AND FAMINE IN INDIA

It is a sad commentary on those who are responsible for the administration of the country that 21 famines devastated the country between 1800 and 1900 and that 32.4 million people should have succumbed to them. Again in the years 1918, 20, 21, 39, and 43 there was famine in the country. Though the toll of human lives by famines has been considerably reduced due to transport facilities, it is unfortunate that famine should be stalking the country every now and then. This is due to want of proper planing, production and distribution and resisting power of the people. Governments in self-governing countries attended to these problems in time and served and saved their people. England was able to produce only 45 per cent of its food requirements before war and during war it increased it by 30 per cent. Food control and rationing was introduced immediately after the declaration of the war, but in this unfortunate country nothing was done to plan and control the production of food stuffs, not to speak of increasing the production of foods in sufficient quantities. To-day as a result we are faced with a defecit of about 1½ to 3 million tons of cereals. Cash crops were allowed to be grown in preference to food stuffs. "Grow More Food Campaign" produced more officers and no spectacular results were obtained with reference to food.

The conditions in the year 1943, especially in Bengal were simply appaling and heart-rendering; 30 lakhs of people having become a prey to famine.

The Government appointed a Famime Commission to enquire into the conditions that were responsible for this famine. The Committee published its report in two volumes. The first was published in May and the Second in September '45. The First part dealt with the causes of the famine which devastated that province in 1943. The Commission reports that famine was not entirely due to nature but that both man and nature conspired together against fellowman and brought about famine. The Commission was of the opinion that the responsibility for the grim tragedy enacted in Bengal, was mainly that of the Government, whether Provincial or Central or both. They said that the State should recognise its ultimate responsibility to provide food for all. The main principle affirmed by the Commission was that the Government having accepted the duty to prevent wide spread death from famine, it should have recognised and accepted the further obligation of taking every possible step not only to prevent starvation but to improve nutrition and create a healthy and vigorous population." They suggest "the appointment of a permanent All-India Food Council" instead of the present Advisory Board. We do not know how far this helps to solve the problem facing the country. The Committee further proposed that the food supply should be increased. The problems of nutrition, employment, land tenures were also considered.

The opinion of the Commission that the only satisfactory system of procurement and distribution is that of complete monopoly which deserves the earnest and careful consideration of the Government.

The Committee stated that "the population might reach 500 millions in 20-25 years time, and that whatever increase in food production may be enhanced, an ultimate decrease in the rate of population is not only desirable but necessary." The way suggested by the commission to overcome this trouble is emigration and birth-control.

We do not know whether, after witnessing the sad plight of the emigrants in colonies. we can persuade and recommend the people to go abroad and seek fresh fields and pastures to keep their bodies and souls together under humiliating conditions obtaining there. The other remedy—birth-control—is not such simple a remedy. It is easily suggested than practised. The consequences of this measure are very serious and grave and there is a large volume of Medical opinion against it. Better to preach "Self-control" instead of "Birth-control".

The Commission further says that "there is not only famine here and there, but there is, the existence of much ill health, disease and mortality in India due to mal-nutriton. "Diseases caused by or associated with insufficiency of some food factors are of common occurance". They further state that "30 percent of people do not get enough food in normal times and that the diet of a large proportion of the rest is unbalanced that a balanced diet being beyond the means of a large section of people on account of their low purchasing power."

The resources of the country should be developed. The quantity of food should be increased—Cultivation should be extended and the income per capita should also be increased. Unless proper plans are now and immediately undertaken by reclamation of cultivable lands and by improving irrigation facilities as suggested by Mr. Stampe, agricultural adviser to the Government of India by restricting cash crops, and such other suitable remedies the country's future is bound to be gloomy and thousands will die of starvation and mal-nutrition. The Committee is of the opinion that the population in the country is increasing." It is no doubt increasing. But



if you compare* it with other countries, you will agree that the trouble is not due entirely to the growth in population, but that it is due to want of prudence, prevision and proper planning. Unless the policy of the marriage of Health and Agriculture advocated at Geneva by Stanley Bruce of Australia—agricultural and trade policies being based on the health and efficiency of the people is brought about into being in India, the problem of supplying food to the people of India cannot be solved.

Among the other recommendations of the Commission is the organisation of multi-purpose village co-operatives with unlimited liability specially to deal with the development of agriculture as a large scale industry. It is the view of the Commission that small and medium farmers should combine themselves on a co-operative basis so that they can help themselves in a most satisfactory manner in order to poroduce more grain on a surplus economy basis. As the organisation of co-operative societies and unions on a wide scale is not an easy task the Commission suggests that a survey of economic and social conditions in select areas in each province may be carried out and on the basis of the results of the survey development plans be formulated with the co-ordinated efforts of the multi-purpose co-operative organisations and the Government agency.

But the concern of co-operators is the extent to which the co-operative organisations can be harnessed to the task in either stepping up the production per acre or in organising distribution, *i.e*, marketing. It is no wonder that in a country like ours where the average size of land holdings is small, and fragmented and as such uneconomic and the peasantry is notoriously poverty stricken, agriculture is looked upon more as a way of life than as an industry. Organisation of societies for the consolidation of holdings and co-operative farming go a long way in transforming the present deficit agricultural economy into a surplus one. The achievements of the consolidation of holdings societies in the Punjab and co-operative farming societies in Palestine and Russia bear out ample testimony to this. In order that the peasant community, which is generally illiterate, is not exploited by the middlemen, organisation of societies for marketing of agricultural produce is equally essential. When the bulk of the agricultural products are co-operatively marketed and a fair price is realised by the community the incentive to pursue agriculture more as an industry than as a mere mode of living is created. That 44 per cent. of grain in Canada worth about $ 137,115,846 (1940-41); 35-40 per cent of grain in United States worth about $ 524,000,000 (1941-42) was marketed through co-operative organisations, and that about 35-40 per cent of the production of European

* Between 1881-1931 the growth of the population:—

| | | | |
|---|---|---|---|
| In England was | 50 per cent. | In Holland | 90 per cent. |
| ,, Russia | 114 ,, | ,, Australial | 166 ,, |
| ,, Japan | 74 ,, | ,, Newzeland | 172 ,, |
| ,, U. S. A. | 186 ,, | ,, India | 35 ,, |
| ,, Italy | 46.5 ,, | | |

farms in South Africa are estimated to represent the sales of Agricultural Co-operative Associations bear out the utility to which co-operative marketing organisations are put by the agricultural community. Moreover, that in 1941-42 Co-operative Bulk Handling Ltd., which was appointed receiving agent in the State for the Australian Wheat Board, handled 95 per cent of the State wheat crop bears out the extent to which a co-operative organisation can be pressed into service in procurement operations.

All this has been possible since the people of which the organisations are composed are not only educated in co-operative principles and methods, but turned to co-operation as a means, not only of self-help, but also of help to the community at large. Hence is the necessity of intensive propaganda to educate the illiterate rural India on the potentialities of co-operative methods. The main plank of such an education shall be, that the machinery of co-operation is owned and controlled by those whom it serves and is kept in close collaboration with the known and measured needs it is designed to satisfy, co-operation as a socio-economic organisation is second to none in achieving to the community, freedom from want. So the goal, then, of co-operative education is to develop men and women imbued with the spirit of self-help and mutual aid, in order that individually they may rise to a full personal life and collectively to a full social life. Once this is achieved farmers' organisations take root and begin to grow in a healthy way.

## ALL INDIA CO-OPERATIVE INSURANCE SOCIETIES' ASSOCIATION

Representatives of some of the co-operative life insurance societies operating in British India and Indian States met at Bombay in December, 1945 and formed themselves into the All-India Co-operative Insurance Societies' Association. Various important subjects relating to the working of co-operative insurance societies were discussed and a number of useful resolutions were passed. The resolutions which deserve special mention are those relating 1. to the investments of insurance societies 2. to the need for relief from payment of income tax on the interest earned on investments in Government Securities and 3. to the request for deduction of insurance premiums from salaries of Government employees who insure their lives with co-operative insurance societies as is being done in the case of postal insurance policies.

With regard to the resolution concerning the relief that is sought with regard to investment of funds by co-operative life insurance societies, the meeting has rightly pointed out that since section 27 of the Insurance Act of 1938 has already placed a restriction with regard to the investment of 55 per cent of the liabilities of insurance companies including co-operative insurance societies in approved securities on which the interest yield is



at a comparatively low rate any further restriction placed by the Co-operative Societies Act on the investment of the balance of 45 per cent will only serve as a handicap and will not enable the co-operative insurance societies to earn a higher rate of interest while the joint stock insurance companies enjoy freedom to invest the balance of 45 per cent in such investments as may secure a higher interest yield. The co-operative insurance societies which are also similar business organisations should not be placed at a disadvantage in investing their funds to the best advantage possible and we therefore wholeheartedly support the resolution and appeal to the Provincial Governments, the Government of India and the Governments of Indian States and other authorities concerned to remove all restrictions on investment of funds imposed by Co-operative Societies Acts specially for the reason that the business transacted by the co-operative life insurance societies is of a different nature than that of other co-operative organisations and secondly that co-operative life insurance societies are already sbjected to the control of the Indian Insurance Act which is comprehensive in character. Any further restrictions which are not contemplated under the Insurance Act when imposed by the Co-operative Societies Act will only be to the disadvantage and will only stifle the sound development of these few co-operative insurance societies.

The second important resolution relates to the levy of imcome tax on interest realised on investments in Government Secutities. There can be no two views on the subject. Under section 60 of the Income tax Act the profits of a co-operative society are exempt from taxation. In the face of such an exemption the co-operative insurance societies should also be exempted from being taxed at source in respect of investments in Government Securities. We therefore are in entire agreement with the resolution and request the Central Government to exempt the deduction of tax at source on the income derived by the co-operative insurance societies investments in Government Securities.

The third important resolution seeks an amendment to the Payment of Wages Act in order to enable the deduction of premiums payable on policies taken out by Government servants, factory employees and other wage and salary earners in co-operative life insurance societies, from their wages as in the case of policies issued by postal insurance. We wholeheartedly support this resolution and we trust that the authorities concerned will help the co-operative insurance societies by considering their request favourably by effecting the necessary legislation at an early date.

The objects with which this Association is formed are laudable and we are sure the Association will justify its existence erelong by actively advocating the cause of co-operative insurance societies and by getting the handicaps from which the insurance societies are suffering remedied in as short a time as possible.

## CO-OPERATIVE LIFE WORKERS FOR MYSORE

We publish elsewhere in this issue extracts from the speeches delivered at and the important resolutions passed by the Thirty-Second Mysore Provincial Co-operative Conference. The co-operators of Mysore need be congratulated for having given the lead to train co-operative life-workers, men and women, who are prepared to devote their lives to the cause of co-operation in a missionary spirit. According to the scheme embodied in the resolution passed by the Conference the terms and conditions offered for those workers that come forward for the training are attractive enough and are on similar lines of those of the Servants of India Society. The nature of work that is expected to be executed by these workers that come out having finished the course of training will be decided by the Mysore Provincial Co-operative Institute It may be recalled here that the Standing Committees of the Indian Provincial Co-operative Banks' Association and the All-India Co-operative Institutes' Association at their meeting held at Madras in October 1939 resolved to organise a band of life-workers to serve the Co-operative Movement in India. A scheme was prepared by Mr.K. Velayudhan Pillai and was published in the *Indian Co operative Review* (Vol. VI No. 1). but no further action appears to have been taken. According to the scheme prepared by Mr. Valayudhan Pillai, the duties of the members constitute in the main, to carry on intensive propaganda in the country to develop the co-operative movement on right lines, to encourage and help the organisation of special types of societies and rural reconstruction centres ; to specialise in different branches of the co-operative movement and tender advice to the Departments and Institutions and constitute and conduct committees of enquiries to review the working of the movement once in three years and also to suggest plans for its working for the next three years.

We trust that only similar functions wiil be entrusted to the life-workers of the Mysore Provincial Co-operative Institute and we wish all success.

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## THE ORGANISATION OF INDUSTRIAL CO-OPERATIVES

BY

J. B. TAYLOR

**Introduction** :—This article is intended to be the first of a series dealing with organisation, management and finance of different types of industrial co-operative societies. Later, other problems concerning the needs for training and research, the policy to be adopted in regard to mechanisation and the integration of industrial co-operatives with consumer and agricultural societies will be discussed.

The articles are intended for those actively concerned with these forms of co-operative, either as staff workers in the promotional agency—official or non-official—or as actual or potential members in the societies.

The types of society to be considered fall into the division known as non-agricultural occupational societies. They include :

A. *Industrial societies in the narrower sense of the term, namely* :—

1. (*a*) cottage industries, and
   (*b*) associations of scattered artisans,
2. Co-operative workshops.

B. *Labour contract societies for constructional work of different kinds performed outdoors, wherever labour has to be applied.*

1. simple.
2. complex.

C. *Transport Societies.*

Much literature is available as to the history of these societies. We shall only refer to earlier experience to illustrate specific points. The achievements of the Chinese Industrial Co-operatives are well known to Indian co-operators and have given rise to new hope for this branch of the movement. Utilising that experience, we wish to discuss the practical problems involved in creating such a movement in any country with similar conditions. It is assumed that in India, as in China, rural and industrial societies will require educational, technical, business and financial assistance to enable them to do this and that, therefore, a promotional agency is necessary. Help may be given from many quarters, official and other. Among the latter, educational institutions, scientific associations and interested groups which contain men of industrial experience are specially important. We shall assume the existence of such promotional agencies and advisory bodies but will defer any discussion of them until we have ween the kind of work they will be called upon to do.

It will be logical to begin with the simpler forms of organisation of groups of producers employing relative simple and inexpensive equipment and processes. But it is not intended that they should stay at this level. Even in the case of the cottage industries, improvements can be effected in the equipment, as from time to time they now are. It is important that the co-operator should be taught to desire and helped to adopt the best equipment and methods. He must be kept in touch with changes in consumer demand, in fashions, materials and designs. For co-operative industry, a special purpose exists, namely, to engage in the production of those goods that will be required as the standards of living of the villager and industrial worker rise. As to producer goods there will be the needs of better agricultural equipment and rural transport to be met as well as equipment for the co-operative industries themselves. On the consumer side is the need for better housing, sanitary arrangements, clothing and educational, recreational and medical supplies. This, in the simpleest terms, is the goal to be aimed at.

## FIRST STEPS IN ORGANISATION

### The Approach to Prospective Industrial Co-operators.

*Knowledge of industrial situation.*—The promotional agency will interest itself in groups of men who are unemployed, or whose trade is bad; or those in industries in which improved methods or processes can be introduced with benefit to all, or whose products are in special demand. The agency must keep in touch with industrial employment and conditions to be ready to meet the situations that arise. There may be cases in India, in which the natural fellowship of a caste or of a community embracing the workers of one or more crafts facilitating co-operative organisation. In Bombay, a society has recently been formed within such a community which is making furnishing mostly of wood but including small metal fittings. It has the active support of the community concerned.

*Conditions that must be met.*—Whatever the motive or the circumstances, there are some general principles which must be observed by the organisers, whether official or other. They must satisfy themselves;

(1) that the proposed line of production satisfies a definite demand and is socially desirable;

(2) that the methods planned are feasible and the equipment procurable;

(3) that the prospective workers are, or can readily be made capable of producing their goods at prices the market will give; and finally

(4) that the workers have already enough appreciation of what co-operation involves, and sufficient readiness to accept further tutelage in following its practices, to justify a beginning being made.



*The need for industrial experience.*—It will be seen immediately that the first three points demand industrial experience, while the third calls in addition for personal knowledge of the workers concerned. It is the first duty of the promotional agency to make available the services of competent men for the necessary inquiries. They may be found *in technical institutions or* among socially-minded men in technical or industrial positions. For local promotion it may not be necessary to secure whole-time services, but if the work is to expand the agency must have staff members with the requisite qualifications. The early difficulties with industrial co-operatives in England were largely due to the fact that the Christian Socialists who were promoting them were mainly lawyers and clergymen. They included very distinguished people whose competence unfortunately lay outside the the industrial field.

*Economic and business experience.*—The need is not only for knowledge of productive techniques, but for such economic training and business experience as will make possible the estimation of costs of production and a study of marketing factors including the trend of demand. History is full of examples of men who have striven to make a living by methods which have become out-dated. Fifteen years ago the Melsh flannel weavers insisted on making heavy flannel for which there was no demand, since the coal miners had taken to dressing like the rest of the world and their wives had exchanged the flannel petticoats for the lighter materials now favoured.

*Competence of the prospective co-operators.*—The ability of the group to conduct the business concerned, in all its phases: technical, business and co-operative administration has also to be determined. If the first contacts with the group give a favourable impression, the promoters will go on to provide instruction in such lines as may be desirable and will hold group discussions and individual conferences with the leading men. The process will impart the personal knowledge necessary for a judgment on points (3) and (4).

### The Preliminary Period of Activity Leading to Registration.

*The period of tutelage.*—The decision having been come to that there are industrial opportunities which the group might take advantage of successfully, the second step is to organise them for production under co-operative procedures and the agency's tutelage. The prior conditions for this period of trial under supervision can be specified here, though discussion of them must come later:

1. The simple essentials of the co-operative principles of democratic association, equitable dealings and fixed interest on share capitals, and of the co-operative conduct of the business proposed, must have been fully discussed with the group and thoroughly understood by the officers and committeemen, namely:—

(*a*) the equal membership of all grades of regular workers;

(b) no members who are not actively engaged in the industrial and business activities;

(c) the responsibility of members as joint owners, exercised in the general meeting or delegated by it to directors (committee of management) supervisers and committees;

(d) the necessity of following sound business practices such as making allowances for depreciation, the setting aside of reserves (at least 25 per cent) and the distribution of any available surplus as bonus on wages, not on shares. In the early stages it may be well that at least 50 per cent of the divisible surplus should be credited as share capital, not paid in cash;

(e) the appointment of a manager and accountant (whether original members of the group or brought in from outside) acceptable to the agency; the manager's powers in the workshop to be clearly understood and accepted. They should include authority to suspend members but not to dismiss them—that resides in the general meeting or its deputy. What records must be kept and why, must be understood.

2. The members must sign a declaration of their willingness to accept these conditions and responsibilities, to accept the judgment of the agency's representative in regard to any breach in the observance of these rules, and to use any facilities the agency may offer for a fuller understanding of co-operative principles and practices. The representative shall have the right to attend meetings of the members or the committees.

3. If the group is unable to secure sufficient capital for efficient working and the agency provides any promotional capital (see below), the agency's representative shall have a seat on the directorate and finance committee with such powers as are agreed upon, until the promotional capital has been refunded.

4. During this trial period, it may be better to use some other term in the society's name than 'co-operative',—such as 'mutual' or 'equitable'; or if co-operative is used to add 'unregistered.'

*The establishment of a society.*—When the group has proved its *bona-fides*, its ability to work as a team, the readiness of the members to supply capital to the extent of their ability, and their industrial and business efficiency, it becomes possible to proceed to make it into a co-operative and apply for registration. In most cases the society will still need some help from the promotional agency's technical experts and its educational staff. The second condition is therefore, the group's hearty adoption of the co-operative principles and practice, its willingness to federate with other similar co-operatives and its readiness to continue to look to the agency for the correction of faults and for guidance in difficulties.



## The Characteristics of Co-operative Education.

*Three stages.*—The educational side of co-operation, especially in the early stages, is so important that what is implied above should be dealt with more explicitly. The task of initiating a co-operative movement in a community not previously familiar with it involves:

(1) removing distrust and suspicion, and appealing to those instincts which lead men to unite for common purposes;

(2) successful practical demonstration of the ideas and plans advanced so as to create confidence and the realisation that here is something which, though new, is worth doing; and

(3) the process of 'learning through doing' which is a feature of the trial period we have just described.

Later, perhaps much later, there will come the maturer stage when, as the fundamental principles are firmly grasped and growingly understood, it becomes possible to discuss the fuller application in a developing co-operative economy. Of course this involves a widening outlook and greater understanding of social and economic principles, and of the goals to be attained. After a century of growth, the world movement to day is very actively engaged in this process. Fuller discussion of co-operative education occupies a later article; here we confine ourselves to two points.

*The possibilities of the common man.*—We must be realistic and base our expectations for the immediate future on a frank acknowledgement of the limitations imposed by illiteracy and the narrow experience of the average villager. But we must recognise, just as fully, the latent ability of the common man. Illiterate people may understand business and how to deal with their fellows and with affairs every day of interest. Indusco experience offers the example of an illiterate chairman of a local federation who served it excellently. But he had behind him the promotional agency's experts, without whom he would frequently have been in difficulties. Such men, given an opportunity for education in boyhood or youth can do great things. Throughout the world the co-operative movement has demonstrated the large reserves of latent capacity and its own ability to develop that capacity. Co-operation relies on these qualities and by giving men a chance to exercise them, fosters them.

*The abolition of illiteracy.*—It is therefore immensely important that illiteracy should be removed (point two). The Japanese have done this and their co-operatives have taken full advantage of the fact. A monthly, called '*The Light of the Home*' is published by them and enjoys the phenomenal circulation of a million and a half copies. But that is not the whole story. The practice is for four families to subscribe for a single copy. The monthly is thus read by six million families. This means that these co-operators are never going to slip back into illiteracy but rather that they and their children continue education all through life.

## DIFFERENT TYPES OF INDUSTRIAL SOCIETIES AND THEIR SPECIAL FEATURES

It will make it possible to be more detailed and realistic if we take the different kinds of society in turn.

### A. 1. (a) Cottage Industries.

The importance of these in India is well-known. Their needs are served by the All-India Spinners' Association and the All-India Village Industries Association. A Fact-Finding Committee has made a thorough study of the handloom weaving in competition with the mills. Village industries are regarded as the chief guarantee against rural unemployment. The future of these industries is a matter of national concern. No conceivable development of large scale urban industrialisation on the American or European pattern could fail to have a very serious influence on the rural communities which constitute, and would still constitute, the great majority of the population. Yet what is the alternative and who could carry it out? Rural crafts have everywhere in the past dovetailed in with the seasonal demands of farming. The farmer in India is said to have from three to six months of idle time. The tendency of industrialisation is to kill the handicrafts he has followed during the slack months. Europe does show some examples of improved village industry meeting this evil, but their scope is limited.

For example, industrialisation in the West had reduced the population of the upland valleys in Switzerland by the 1920's some 40 per cent, and had lowered the standards of living of the 60 per cent left. The Peasants' Union after a thorough study in several countries found a partial remedy for this by improved weaving for the women and wood-working for the men. The former were helped to secure a better type of loom and furnished with designs for all kinds of textile materials, both those required in their own homes and others marketable in the wealthier lowland valleys or to tourists. They included not only cloth but curtains, carpets, rugs and bedding. For the men there were facilities for hydro-electric power for making furniture and doing other wood-work. In this way the standards of living of these families were definitely raised. Where before they had been poorly clad in the cheapest materials (which were all this could afford), they were able to clothe themselves well and to furnish their home tastefully.

This example is worth quoting because it illustrates how cottage industries based on idle rural labour can be directed to raising the basic village standards. But it must be noted that these Swiss valleys represent a scattered population with relatively costly transportation. It is significant that Indusco societies in China are showing greatest vitality in areas of low population density. In such situations, goods which are at all artistic provide not only a subsidiary source of income but an interest for otherwise idle time which cannot be diverted by commercialised amusements.



In more thickly settled areas, with cheaper communications and larger markets, handicrafts maintain themselves best on the ground of artistic merit. In 1931, the writer visited a district in France which had long been the home of handloom weaving. A well-known firm in Paris, which catered to the wealthy of many nations, secures new designs for textile materials from an artist. These are sent to the centre of the weaving district where an expert turns them into instructions for weaving. A length is woven and samples are distributed by motor van to the weavers. Only small quantities of each design are woven so that they remain distinctive. It suits the Paris merchant to pay the weavers well because of their inherited skill and the large returns of this luxury trade. At the time of the visit they were earning 100 francs against the 33 frs. of the mill workers on the power looms in the city of Lills. The best handloom weavers earned more than other younger men in the same district who had taken to using power and ran two looms each but the latter earned more than the mill-workers.

Wadia and Merchant quote figures given to show that the Indian mills in weaving Rs. 50 crores of cloth give Rs. 10 crores in wages. Handwoven cloth of the same weight of cotton would cost Rs. 100 crores and give earnings of Rs. 70 crores. They add "As against a rise of 50 crores of rupees in the price of cloth, the increase in the amount distributed as wages is 60 crores of rupees". There are many in this country who would welcome such a re-distribution of income.

Those figures pose a problem, they do not solve it. How can we reconcile scientific development with full employment and a more abundant and vigorous life for the people? It is difficult to accept their statement that "the handloom industry does not compete directly with mill-made cloth". The Director of Industries (Bombay) observed "The mill industry and the handloom industry are not antagonistic to one another. A great part of the output of the handloom is composed of specialised types of cloth which are not suitable as regards quantity for mass production. The amount of direct competition between mills and handloom is at present restricted." This view seems to be misleading because the mill is constantly invading the handloom weavers' field.

Thus in Madras I was told there is strong competition in counts from 11s to 30s but that above 40s the hand-loom weaver holds the field. At Ahmednagar this was challenged. A workshop manager claimed that they were entering into production with the higher counts. At Sholapur it was stated that only lace sarees or sarees with lace borders; sarees of silk or with silk borders and sarees with silk ends remained the exclusive field of the handloom, and the demand for these is insignificant, employing only 1.66 per cent of Sholapur. The weavers demand protective measures in accordance with a six point programme.

Here one enters upon questions which must be discussed later. There are handicrafts which will continue on their own merits; there are probably others which with technical and business improvements can be made a success, especially as items in coordinated plans for rural development. Even on the handicraft basis improvements are possible. The fly-shuttle loom is so much more productive than the hand-thrown shuttle that it doubles or more than doubles output. The modification, and the training of the weaver to use it, only cost a few rupees. For two men to use one fly-shuttle loom alternatively saves both capital and labour over two men each with his own hand-shuttle. At the worst it gives more leisure without increasing unemployment.

Not less important is the improvement of the craftsman himself a long the lines that make better co-operators. Many co-operatives have failed because of internal difficulties — poverty, the lack of organising ability and of education, and the absence of habits of thrift and forethought. These are fortunately remediable conditions.

Steps to meet the probable post-war situation will be dealt with in a later article. But attention should not be centred exclusively on weaving. There are crafts which are in much less danger from mechanisation such as carving, embroidery, and it is important that they be organised co-operatively, since it is notorious that 'home work' is liable to exploitation by middlemen.

### A. 1. (b). Artisan Associations.

In this category we include such artisans as carpenters and blacksmiths, who are not found in large numbers, as a rule, in a single village. The co-operative association must therefore include those of a group of villages. The associations will assist their members with supplies, with information as to new developments—the use of improved materials, tools or new processes, such as the making and repair or improved agricultural or household or industrial equipment, and, finally, with the regulation of apprenticeship and the licensing of masters. We have supposed in the case of the cottage industries that only members of his family assist the master worker, and so such regulations are less necessary there. The associations we are now discussing may be regarded as a development from and an improvement on the old guild idea. They will encourage good workmanship and fair dealings, including the 'just price' about which we shall have more to say later.

At the headquarters of an association which will usually be at a country market town there may also be co-operatives of the workshop type, serving the village workers besides carrying their own particular lines of production. This will be true in all the main trades which are most widely spread: wood and metal trades, leather, textile and simple chemical industries. At these centres the village artisans will be given opportunities of learning improved practices and acquiring fresh ideas in systematic ways, to their great advantage.



*Helpful contacts.*—In so far as any caste or other organisations exist which simplify contacts and provide the spirit of collaboration necessary for co-operation, they should be utilised for this purpose. Co-operation is not exclusive but inclusive and aims to unite all kinds of workers in the larger movement. But societies may be initiated where existing loyalties facilitate organisation of promoters are on their guard against the possibility of perpetuating divisive attitudes. Societies of specialised artisans should therefore be affiliated to the larger federations, including other industries; and for welfare matters with the local union or the multipurpose village society. The same man can of course belong to more than one society if they are of different types and it will be business considerations which will decide whether the individual joins the credit society in his own village or whether his association will handle industrial credit with the central bank, if there is one sufficietly convenient. The village society may be a easy means of carrying out arrangements made between the central bank and the association on behalf of the particular artisan.

These local artisans render local services in ways the cottage industry type such as weavers, do not; and in so far as this is the case the economic problems we met with in considering weaving societies are not met with in the same form. This is particularly the case in matters of repairs and structural activities. But the impact of modern changes affects them also. The problems that arise are best dealt with in simple manuals dealing with separate trades. Some of their problems are similar to those affecting workshops and will be dealt with in the next section.

### A. 2. Co-operative Workshops.

*Collective production.*—Both the types considered above consist of independent workers who combine, not for the conduct of their own production, but for collective action in regard to the business aspects of their enterprises, credit, supply and marketing, and for obtaining the assistance or advice of experts. The workshop society, on the other hand, involves co-operation in the whole process of production itself. The members work together as a productive unit. The co-operative workshop differs from the artisan association or the cottage industry as the collective farm differs from the agricultural or marketing society.

*Complex co-operation.*—This type of society demands more co-operative understanding and a more developed co-operative character on the part of the members than the other two types. But it is so important that every effort should be made to organise it successtully. Experience in China has shown that this can be done by capable and devoted organisers even in a largely illiterate community if there is a good promotional agency. In this kind of society there must be a foreman or manager organising and supervising the work of the group. The group as a whole own the business and the meeting of the members is the highest authority; but in the workshop the members must submit to discipline and carry out the instructions of the manager. To meet the difficulties sometimes caused by this situation it has been found useful to make the appointment and dismissal of the manager subject to the jont decision of the members' meeting and the representative of the promotional agency. Later, when a federation of societies has been built up, that body may take the place of the promotional agency in these and other matters. The representative of the agency or federation can take a more impartial, objective view than some of the members, if personal relationships are involved. In Chinese practice the manager may, or may not be a member of the society. Which plan is the better depends on local circumstances. Mutual confidence and goodwill are necessary in both cases, and so is the approval of the agency or federation.

*The managers and accountant.*—Because of the unusual position of the manager in a co-operative workshop, his duties and rights are carefully detailed in the society's constitution. The manager has authority in the workshop. If a member does not work properly, the manager can suspend him, but he connot dismiss him. That must be decided by the general meeting of the committee of management (directors). This difference from ordinary business practice is necessary because the worker is a member not simply an employee.

Another special responsibility of the promotional agency is to see that the society has an accountant who can keep the accounts satisfactorily. If not, it may appoint one of its staff to collaborate with the society's bookkeeper until he is able to do all the posting in the ledger accounts and make out a balance sheet and profit and loss statement. Such a man can serve several societies—say 5 or 6.

*The hiring of workers.*—It was assumed in cottage industry that the family is normally the unit and that hired labour from outside it is negligible. In the artisan association (and in certain cases in cottage industries also) special regulations are necessary in regard to the hiring of non-member labour, the employment of juvenile workers and the terms of apprenticeship. Full discussion of these questions is a large subject requiring special treatment. Here we only consider them as they affect the constitution and first steps in organisation.

It has been found in Europe that when a workers' society is successful it has sometimes lost the true spirit and has tended to restrict the growth of membership by taking on hired workers who have been given no share in profits. There is a case in India of a society which exists to supply materials to home members, the finished products being sold to the trade. This is a very dangerous form of organization which invites exploitation. The model rules of Indusco endeavour to prevent this abuse as follows :

*B.* (5) The balance of the net surplus shall be distributed among the members and *non-member workers* in proportion to wages earned from the Society during the year subject to the following conditions ;



(a) Two fifths of the sum due to any member as bonus on wages instead of being paid to him directly shall be credited by way of increase of his paid-up share capital and reserves of the Society shall form one half of the Society's total capital. The remaining balance of the Bonus shall be given to him in cash.

(b) A bonus on wages on the same scale shall be paid to all non-member workers subject to the following conditions :

(*a*) Any non-member worker under the age of 18 shall be paid his bonus in cash.

(*b*) If within three months after the date of the Annual General Meeting any non-member worker of 18 years of age or over

i. Applies for membership and is admitted, he shall draw his bonus on the same terms as any other member ; if he

ii. Applies for membership and is refused admission, he shall draw the same proportion of his bonus in cash as does a member. The balance shall be paid into the local Industrial Co-operative Development Fund to be administered by a Joint Committee of the local general Union and the local CIC office ; if he

iii. Does not apply for membership, he shall forfeit his right to bonus, and the sum otherwise due to him shall be carried to the General Reserve Fund.

The ideal is that all workers should be given the right to become members after a period of trial, and that if they desire membership they should be paid bonus on the same terms as a member for the whole term of their employment.

Some Indusco societies have engaged specially skilled men who did not desire to assume the reponsibilities of members. High wages are given and it is a real help to the society in some cases to have the services of such a man. But because they refuse membership and its duties they have no title to bonus. Efforts should of course be made to give such men an understanding of co-operation. The strongest argument to win them will be the good conduct of the business and the mutual friendliness of the whole group.

*Seasonal fluctuations of trade.*—The whole question of hired labour would be simpler if there were no seasonal fluctuations in trade. Fluctuations may arise because demand is seasonal. In that case stocks of finished goods must be held perhaps for months if production is maintained at a uniform rate the whole year round. The interests of co-operators are different here from those of joint stock businesses. To the latter wages are only one cost among many ; to the co-operator they are also earnings. The Federation or agency should explore the possibility of switching over from one line of production to another or even to transfer members temporarily to another co-operative line which is busy at that particular time. The cause of seasonal fluctuation is the difficulty of doing certain work at certain times of the year. This is, of course, typically the case in agriculture, and in the outdoor labour in which labour contract societies are occupied. The remedy widely accepted for agriculture is subsidiary industry. When agriculture, decentralised industry and constructional work in any locality are all co-operatively organised the agency and or the federation have a real opportunity for planning steady employment in collaboration with the appropriate experts. When that stage is reached additional workers will only be taken into any society as its business shows clear sign of expansion, and they will be given every encouragement to become members as soon as they have proved their suitability.

*Engagement and treatment of apprentices and juvenile workers.*—If possible even greater care must be taken in the engagement and treatment of juvenile workers. It has frequently happened in the history of the textile industry, for example both in China and other countries, that businesses have been run with one or more skilled workers as foremen over large number of apprentices. Since in this trade serviceable skill is acquired within a few weeks or at most two months the system has meant the exploitation of juvenile workers at almost no wages. After the apprenticeship has been completed, the lads have been dismissed, so that their occupation has proved a "blind alley". This is the worst type of exploitation I have met with in the East.

The changes which have come with the use of machinery and the factory system have made a very great difference to apprenticeship and training in industry. A variety of new methods has come into use to suit different kinds of work. Modern industry is based on science and it is essential that the industrial worker of the future should receive both formal education and industrial training. It is sufficient to say here that when apprentices or other young persons are learning a trade, all possible help and encourgement should be given them to make themselves as efficient as possible and take up work for which they are suitable. The following rules seem desirable for their protection :

1. Only so many apprentices or juvenile workers shall be taken on by any society as (a) this or another co-operative trade is likely to be able to absorb and (b) as the society can adequately train. The agency or union representatives shall be the judges as to the number allowable.

2. Every apprentice shall have the right to complain if he considers he is not being fairly treated, and the complaint shall be laid before the organiser. An apprentice who is unsatisfactory or insubordinate can be dismissed only after fair warning and with the consent of the organiser.



3. Each apprentice or young worker under training shall be given board and lodging or an allowance to cover these and a small money payment to be agreed on in avdance. As soon as he becomes sufficiently proficient for his work to be of value, he shall be paid wages in accordance with that value, after allowance has been made for the cost of training including spoilt materials.

4. Each such juvenile worker, while below the statutory age for membership in a co-operative shall be given status as an associate. His hours of work shall not be too long to allow of two hours study daily ; he shall be taught co-operation and other subjects related to his trade and citizenship, and he shall be instated in membership as early as possible. The union as well as the society shall be responsible for attending to the needs of the juveniles as a body, receiving the help of the agency thereto. They shall have their own organisations and clubs and shall be encouraged to attend the meetings of the societies from the age of 16.

5. His share in the distribution of surplus shall be as in the article quoted from the Indusco model constitution.

**B. Labour Contract Societies.**

The best way to get a clear idea of this type of society is to describe the methods followed in Italy, the classical country for it and then discuss adaptation to the Indian conditions. Societies of the kind are urgently needed at a time when so many plans for land improvement, extension of the road system, are being made ; and when the demobilisation of large numbers of soldiers trained as sappers and miners is in prospect.

*Economic advantages.*—The economic advantages of labour co-operatives are closely connected with the character of the work involved. Constructional work must be done, not chiefly in the home or workshop, but out on the road, the hill side or the site of a building. This fact increases the difficulty of supervision and the value of the team spirit and mutual responsibility. The labour society seeks to utilise to the full the advantages of working in small groups. Labour is organised in units or gangs, which may differ in size with the conditions of the work to be done, but which are frequently composed of fifteen members. As far as possible those in the group are men previously known to each other, and in their work an intimate comradeship is encouraged.

*Incentives.*—Since payment is made collectively to the group, in accordance with the work done, each man not only has an incentive to do his best, but also an interest in the others doing the same. Under these conditions it is worth while for the stronger or abler to asist or teach the weaker or less experienced. The same spirit can be evoked in co-ordinating the work of the different groups, because slackness in one quarter may seriously delay operations in another. For this reason the task of supervision and direction at all levels is facilitated. The men do not require to be driven but become keen on their work and mutually helpful. At least that is the possibility they aim to realise and which is accomplished in favourable circumstances, especially when the leadership is good.

*Types of primary society.*—The types of work undertaken are the—

(*a*) kinds performed by navvies such as drainage, constructing embankments, and other forms of earth work. These connect with more specialised work such as surfacing roads etc. The first society of this kind was formed in 1883 at Ravenna to drain extensive marsh lands and prepare them for settlement. After 40 years the society was still flourishing with 3,200 members.

(*b*) the more specialised types of constructional works, such as harbours, roads, bridges, and all kinds of buildings. Among their chief achievements are the great drainage system outside Rome, and most of the 'garden suberb' built on the reclaimed land; one of the finest bridges in Italy at Bolonga, schools and palaces at Turin, wonderfully artistic wood-carving and mosaic work in Venice; the national library in Florence; and a railway in Emilia, constructed owned and operated by co-operatives.

(*c*) Specialised societies; *e.g.* marble workers, gilders and varnishers interior decorators, cement workers and so forth.

(*d*) transport services, porters, cabmen, taxi-drivers.

One of the features of the movement as a whole in Italy is the tendency to organise primary societies on this craft or occupational basis and for these different types to belong to the same local or regional union and collaborate where necessary in carrying out the contracts undertaken by the union.

Just how such types might develop in India would of course be a matter for study. Obviously there is a great field for the land-improvement, road-making and similar schemes which constitute a part of the post-war planning; demobilised sappers and miners might well provide a nucleus for societies doing this kind of work. This would overcome what is regarded as the chief difficulty—making sure that each group or gang shall contain men with the necessary character and experience to make good foremen as leaders of their own groups.

In a typical local society the shares are 50 lires, payable at the rate of one lire a week. The liability is limited. No one may hold more than 100 shares. The society sets apart special funds for professional instruction and for insurance, and besides this the reserve is as stated below. Note the provision for professional instruction; it is a very essential feature.



*Local unions.*—These usually bind themselves for a minimum period of 15 years. This gives stability and the opportunity for revision on renewal of the agreement. Each society on joining must pay one fifth of its own share capital into the union. Apparently it must also subscribe one share of 100 lires for every 100 members of the society. The union's own profits are divided—

50 per cent to interest on capital (Maximum rate of payment on capital 5 per cent). This goes to the primary societies; there are no individual members.

25 per cent to the National Federation to purchase supplies and equipment for its work or to finance contracts.

25 per cent to the union's reserve.

The distinctive duties of the Boards of Directors of the unions are:

(1) to assist their societies in securing work, supplies and technical direction;

(2) to engage and dismiss their own technical director (subject to the approval of the National Federation) the managers of member societies, inspectors, clerks and workers as needed by the societies;

(3) to undertake contracts, allocating the work to the member societies;

(4) to purchase tools, machines, materials needed for these works;

(5) to arrange loans and finance the execution of the contracts.

The technical director may, or may not, be a member of the union or of one of the societies. Sometimes a consultative committee of technical men is formed, (one of them may be from outside). Normally all the workers engaged on a contract must be members, with exceptions allowed only under special government regulations. The union has the right to inspect the members societies and their books.

*The National Federation.*—The National Federatiou is set up for a minimum of ten years. It includes not only the labour societies but other productive societies as well. The member unions must take up shares to the value of 1/10 of their own capital. The Federation's functions are:

(*a*) to co-ordinate and control the unions' constructional work, and assist financially;

(*b*) to undertake large contracts affecting several unions or an area where there is no union;

(*c*) to work quarries, kilns, workshops for stone, metal or other materials;

(*d*) to prepare schemes and plans for roads and railways; and

(*e*) to manage provident funds for workers;

(50 per cent of the federation's profits are devoted to social and provident funds for the benefit of the members of affiliated societies, the remainder going to reserve.)

Thus we see running through the whole system (*a*) a building up from below, and at each level, of financial resources; (*b*) and a strong direction from above downwards through technical experts and supervisors with comprehensive planning at the top, and (*c*) an emphasis on training on social welfare and the creation of provident funds.

The need for the last is important. The building and constructional trades are notoriously seasonal, and the workers must be encouraged to thrift and be given facilities for securing at least some income during unemployment, whether by allowance paid from the provident funds (as in Italy) or by an agency for placing the members in other employments during slack periods. The possibility of doing this may be suggested to any organising agency that may be set up in India.

Federation, which is a mark of all co-operation, is seen nowhere more strongly than in these labour societies. It is obviously impossible for a purely local society to undertake any large contract. The advantage, even the necessity of union, is clear. Consequently in Italy we find not only that there is a system of regional unions connected with a National Federation but also close business and financial connections. The primary societies depend on the unions for allocation of contracts and for technical direction in their execution. In the primary society the technical director is nominated by the union, to which he is responsible as well as to his own society. We see here a similarity to the practice of Indusco in its relations with member societies. It is clear that in organising labour societies, a suitable promotional agency must take a very active part in their affairs either directly or through a union.

This close dependence of the primary society on the union is seen again in the financial arrangements. A labour society in Italy, while it devotes 40 per cent of its profits as bonus to the workers and to building up provident funds for them, places 60 per cent to reserve, all of which must be invested in the union.

*Reasons for Italian success.*—Two men stand out in the work of these societies. N. Baldini, who founded the first labour society in Ravenna, gave his life for forty years to helping the movement and caring for its interests in parliament, of which he was a member. Even more decisive was the devoted assistance of the vigorous and courageous engineer Ed. del Bufalo, who was director of the National Federation of Labour and Productive Societies for many years. Expert leadership must match good spirit among the workers for real success. The Italian workers and peasants, according to Charles Gide, possess a strong sense of solidarity While, "the small, autonomous and scattered" (but as we have seen, united) "republics credited are congenial to the inventive, independent spirit of the nation" this sense of solidarity makes possible their welding into firmly knit unions and federations.



*Adaption to India.*—That is the outline of the Italian system. The question remains how best to introduce it into India, in modified form if need be, for the big programme of all kinds of reconstruction works.

(1) The big schemes will all be planned by government and directed by their engineers. There is no reason why, for at least the simpler kinds of novice work, they should not make use of the labour co-operatives of the right type. Some organisation will therefore be needed to play the part of the unions until these can be built up from the primary societies. As was seen the union maintains a staff of clerks of works, assistant engineers etc. needed for the local direction of the labour gangs, and of such clerical workers as are necessary. Payment is made through the union to the societies. The latter need to know how to apportion their respective shares to the various members and so must keep records of what the individuals do, (unless they pay them daily). Whether the government will make advances so that the unions do not need to borrow, I do not know. If not, it will be necessary for the agency to secure funds for the purpose.

(2) The agency that does this requires consideration. It will need the approval of the registrar of the province in which the work lies, and it might seem the line of least resistance to put it under the registrar, collaborating with any other department concerned with the technical aspects of the work. There are two principles deeply impressed upon us in our work in China, namely, that actual contact with the primary societies should be by non-officials; and secondly that the agencies prompting and directing co-operative organisation should be kept distinct from the latter. As co-operators, we want to look forward to the creation of unions and provincial federations.

A promotional agency exists to make itself unnecessary, its *staff* being absorbed by the unions or the federation as these grow strong enough. There will be an immense saving in taxes and an avoidance of swollen government bureaucracies if *ad hoc* co-operative bodies can be created. Can the Provincial Co-operative Institute or Federation be helped to function in this way? Can it enlist the interest of competent technical men and administrative experts, as well as create an instructed public opinion in these matters?

The technical direction of these projects lies with the government, the staff employed by the body engaged in organising the co-operatives will act under the chief engineers in all matters affecting the technical efficiency of the work. This fact should be sufficient guarantee to the government of sound work. Whether the co-operatives would cut out contractors, or village organisations supplying labour there is reason to expect an improvement in the quality and the speed of work, because of the advantages the co-operative has been shown to possess. But there might be need of patience at the beginning in order to get the new system functioning well. If objections are raised against this, then the co-operative effort might be undertaken first in connection with smaller, local schemes.

It would seem therefore a simple matter to create a committee of the Provincial Institute or Federation to handle the setting up of the primary societies, including recruiting, education and general supervision. This committee would keep close touch with the registrar. the latter's representative might have a seat on the committee, if desired though it is better to my mind, not to do this. When the societies had been given a fair trial and made good they would apply for registration.

The Committee would collaborate with the engineers in endeavouring to make the work more efficient—for instance, the adaptation of the size of the spade to the strength of the worker, the length of throw (if it was not simply a matter of loading into baskets or barrows) and the character of the soil. Suitable equipment for the kinds of work wanted in a given region would be kept available and the foremen trained in the art of using it all to the best advantage.

Such a Committee could take the initiative in the smaller scheme of only local value and make plans. When these had been approved by the authority concerned, they could execute them. It is along such lines that I see most hope of a healthy co-operative development, and through it, of the development of progressive rural communities.

**Co-operative Land-holding Societies.**

For reasons of convenience we may insert here a short note of a type of society which might make the labour societies' work even more fruitful. The problem of preventing subdivison below the level of the economic holding in any region impresses me as one of the most urgent agricultural questions in India. Co-operation is already doing a fine piece of work in removing the subordinate but still important evil of fragmentation. The second step is made very difficult by the Hindu custom of dividing land equally between all the sons. But difficulty is no reason for doing nothing. A beginning must be made somewhere.

When the Italians reclaimed land, they often continued to hold it by co-operatives. This did not mean collective farming—instances of which were very rare—but the leasing out of portions to members, each farming separately. Collective farming would be an innovation and should be introduced at first experimentally only, and that in areas where its value would be greatest; for instance, perhaps, in relatively flat, semi-arid districts where tractors might be a technical advantage in making possible the seeding of large areas



during the few days following a fall of rain, while the soil was sufficiently moist for germination. For the rest, what is most required is intensive cultivation, giving high yields per acre, which in China we thought was best secured by good family farms. But if collective farming proved to be an additional safeguard against subdivision, it would have that much more value.

Without having made a special study of the subject, it seems to me that the objects of a land-holding society might be:

i. to hold and improve land for residence and cultivation by its members;

ii. to make collective provision for the needs of the community in such matters as local roads, water supply, drainage and sanitation, common pasture and woodland, school, community centre, buildings and so forth;

iii. to lease building plots (in accordance with careful plans) to members and assist them in the building of houses, these plots to have vegetable gardens attached unless it proved better for reasons of soil and water to have a separate area for this;

iv. to lease farms of an economic size suited to the families concerned and provide for the erection of farm buildings to maintain such touch with agricultural experts as will ensure high levels of practice;

v. to make collective provision for milling, ginning, dairying or other processing of agricultural produce;

iv. to assist artisan members to secure the best accommodation for the carrying on of their trades; and to open a co-operative store;

vii. to meet growth in population by securing further lands, or to assist the redundant population to start, or join, another colony.

*Membership* would be open to all those who wished to reside in the village and to follow their occupations therof up to the number the land would support on the basis adopted as sufficient for economic holdings. A slight margin would be allowed so that growing population would not exert serious pressure for an appreciable time. The economic holding itself would be reduced as yields per acre increased, and so the margin might be maintained for a longer time. Farmers, artisans, co-operative employees, the teacher and health worker would all be included. It is not intended that these co-operative colonies should be highly idealistic, but that the general conception should be the best practice attainable under the guidance that could be supplied by experts attached to the unions of these societies or to the promotional agency.

As to finance, land mortgage banks would help in the acquiring of the land and co-operative central and provincial banks in the subsequent operations involved.

The question of establishing separate societies for specific lines of co-operation, or of making the land holding society very much a multipurpose organisation would be a matter for discussion. The central purpose is to provide an opportunity for setting new land on a basis that would make economic holding immediately possible to afford sufficient time to educate the participants in the idea and so perhaps achieve permanent results.

### THE FEDERAL SUPERSTRUCTURE

In the preceeding sections we have referred incidently to ways in which a union or federation can serve the affiliated societies. The case of the labour contract societies has illustrated the building up of the primary societies into a federal structure most admirably. Such association of primaries into federations is as essential to the establishment of a co-operative movement as the association of individuals in societies. All the larger possibilities of co-operation depend upon it.

*Types of Federation*—The basis of union may be narrowed to a single industry, or it may be wide enough to include all types of industry, or indeed all kinds of co-operation. Societies in the same line of industry have common wants among themselves which are not shared by other industries. Industries in general have interests different from those of the agricultural and consumer societies, but all the varied types of co-operatives are alike members of the movement and have a place in the co-operative economy, which is gradually evolving from all the diverse efforts being made. All share in the need for co-operative education and the duty of co-operative propaganda.

### 1. The Co-operative Trade Association.

*The value of trade associations* lies in the services they can render which the societies are too small to provide economically for themselves. A society is able to enter a local market for the purchase of supplies or the disposal of its products ; an association can undertake wholesaling for itself, it can organise a market information service, acquainting member societies with current and prospective prices, with market demands or trends, and with changes in fashion or taste. While the individual society can standardise the skill and practice of its members, the association can introduce improved equipment and new designs, maintain experimental and consultative services, and assist in securing expert managers, technicians and accountants for its societies.

The society, again, may train its own apprentices or support a few students through some short course ; but the association can provide classes specially adapted to their needs, in technical business or co-operative

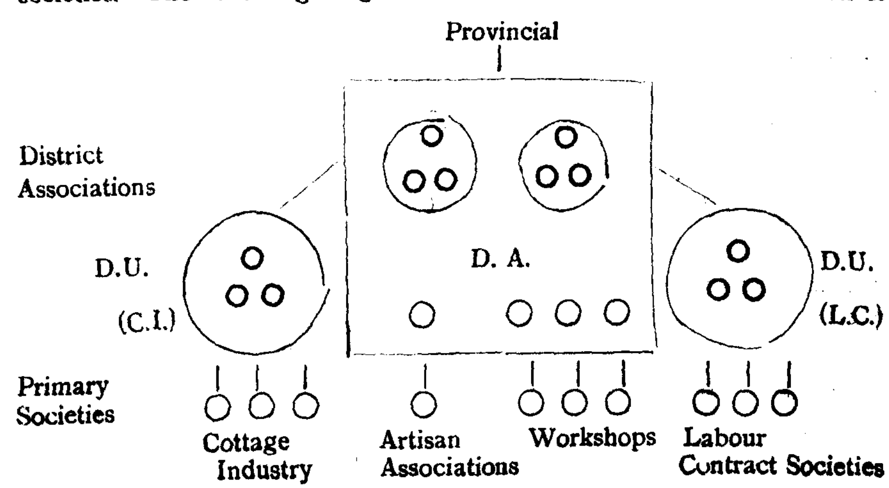


matters. So, too, a federation can carry on some subsidiary or more mechanised process the societies cannot handle efficiently—for example carding, spinning or finishing for weavers. The pooling of the common good funds of a group of societies make more adequate provision of educational, welfare and provident facilities available for them all. Boards governing wages, or making regulations covering other standards and practices throughout a district can be set up under the associations.

**Association enables small co-operative units to enjoy the advantages and economics of large scale organisation.**

*Begin locally and build upwards.*—A promotional agency is organised centrally on a national or provincial scale and directs activities from headquarters. Co-operative association begins at the bottom, building upwards and co-ordinating everything through representatives of the primary societies. To secure co-ordination without coercion of the lower body by the higher calls for much democratic experience and we shall return to this later ; but it is important now to understand the broad difference between a promotional body and a true co-operative structure. Later in this section we shall discuss the relation between the two and show how the association will gradually take over the service rendered by the promotional agency in the early years.

*Staple trades.*—In speaking of trades we refer to broad divisions such as the textile, chemical, iron and metal working, wood-working and leather working. They all give rise to widespread industries and each includes a number of varieties which lend themselves to different types of society. To take the wood-working trades as an example, some are best organised as cottage industries, such as wood carving ; others as artisan associations to which the village carpenters can belong. Saw mills, furniture and cabinet making, the work of wheel-wrights are instances of workshop organisation ; while lumbering can be performed by labour contract societies. The following diagram illustrates the structure of the district



associations for this trade. The village societies of cottage industry and the labour contract socities formed by farmers are exhibited as forming village unions which enter the district association as unions; the artisan association may itself cover the whole district and though there may be several workshops of the same or different line of work, they are seen entering as separate societies. It is not intended to suggest the organisation will always follow exactly this plan, but it illustrates the different cases that can occur. Workshops and artisans may have their own union, the others perhaps not.

*Provincial Associations.*—The district unions will wish to federate into privincial bodies, and it is the latter which will have the technical expert. This officer will keep in touch with the forestry department and seeks to make sure that their policy is one which meets the needs of the industries, and that the co-operators make the most of the resources at their disposal. The district union will have its own officer who will act with and under the provincial federation's expert. The latter, again, will be in touch with all the technical training which is of interest to any of the societies.

The chemical industries may include such processes as the expression and refining of vegetable oils and the manufacture of soap, paints and varnishes; various forestry products such as coke; tanning, dyeing and other processes subsidiary to a larger trade; ceramics and paper making. In some chemical industries, the wage bill is relatively small in comparison with cost of equipment and operating expenses. These conditions of themselves are adverse to co-operation, but where the work integrates with other co-operative industry, experience in China is favourable to their adoption. The financial problems they give rise to are treated in connection with promotional capital.

*Business.*—The trade association will usually handle the supply of raw materials, the purchase of equipment and other matters in which intimate knowledge of the trade is essential. If societies are making producer goods, the association will want to conduct the sale of the products for the same reason; but when it is a matter of marketing consumer goods, the general industries association can handle sales more satisfactorily. To this type of association we now turn.

## 2. Co-operative Industries Association.

In this association all kinds of industrial and labour contract societies operating in the district are linked together. It interests itself with matters which concern more than one kind of society. We may take two examples of these interests as follows:

*1. Finance.*—The finance of industries differs from that of agriculture or trade. The arrangements made to meet their needs will vary with circumstances. Co-operators will desire to make them as fully co-operative as possible, remembering, however, the aid often given to co-operation by



government. In India the Reserve Bank and in China the Farmers' Bank pay special attention to rural finance. Industrial societies are not often specially cared for, but the Industrial Co-operative Bank at Amritsar is a recognition of a special need by the Punjab Department. In that province industrial societies are expected to deal with that bank. The services rendered by it to its society members centres in the supply of raw materials which it purchases for them except when their local prices are specially favourable. Two thirds of all its advances to the societies are made in kind through the purchase of materials and much of the remaing third represents cash advanced for local purchases.

One of the great differences between industries lies in the relative amounts of capital required, per worker for equipment. In China a women's spinning society only needed fifteen dollars per head for the wheel, while a plant making alcohol as a motor fuel called for seventeen hundred. How adjustment is made through the use of promotional funds, and on what principles of co-operative equity is explained, in the article on finance.

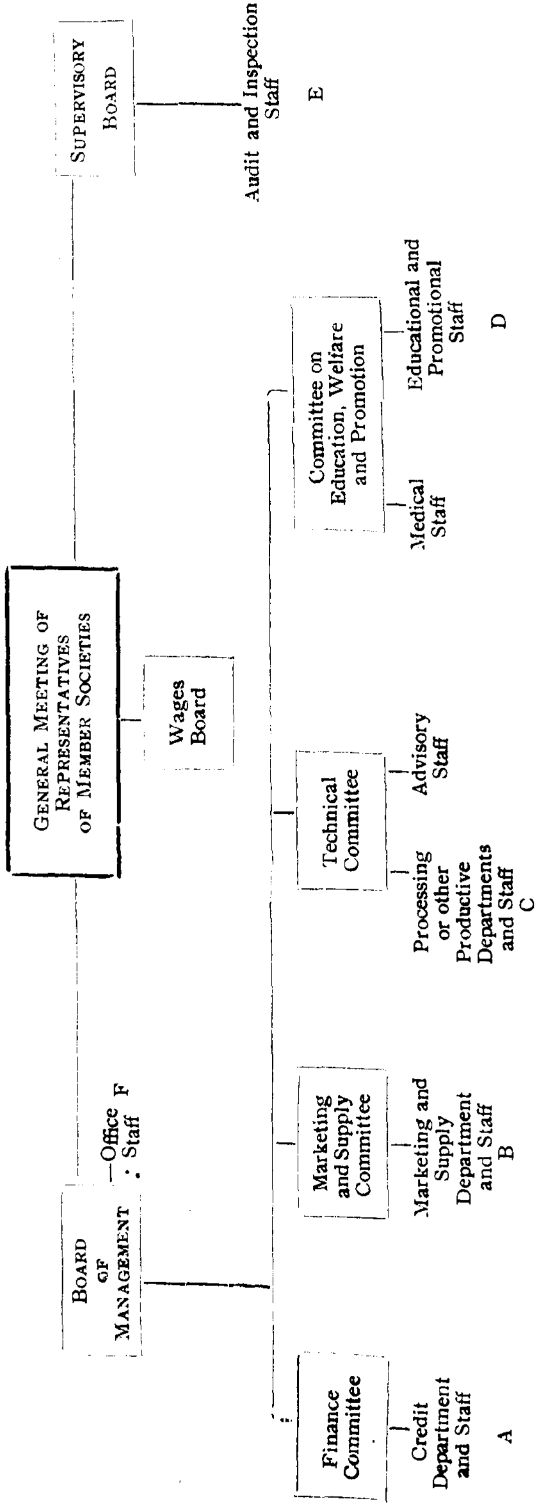
*(2) The common welfare.*—An important function of the federation is to receive the common good funds of the member societies and administer them in such a way as to secure efficient educational and welfare services. Pooling gives a sum sufficient for valuable help, along these lines. Conditions have been such in wartime China that the societies have not been content to limit this to the 5 per cent set by the co-operative law, but have generally doubled this, in some cases even quadrupling it. In a few centres this has sufficed to provide a doctor, nurse and travelling clinic and to meet all the expenses of members' education.

*(3) The Federation, its committees and departments.*—The accompanying chart gives a graphic representation of the way in which a vigorous federation organises to manage its affairs. It should be self-explanatory. Some of the features exhibited belong more to the general federation and others to the trade association. Thus the credit department belongs to the former and the departments for processing and other production to the latter. For example, the textile trade may, as we have seen, run its joint finishing plant or its dye-works. No attempt has been made to illustrate all the possible activities. There might equally well have been shown a department for economic investigation or business management. Promoters must resist the tendency to be ambituous; and what looks imposing in a chart can be very simple in reality and none the less valuable on that account. Which department will develop first will vary with circumstances. But there is a good deal which might be discussed here which for convenience we will leave for the article on finance and management.

### The Relation between the federation and the promotional agency.

But because it is a necessary part of our present topic something further must be said about the development of the federation and the steps by

THE FEDERATION




All the departments, whether business departments (A, B and C) or Service departments (D and E) have their separate accounts, the balances of which are transferred to the general account kept in the office (F).



which it will take over the work of the promotional agency. In an earlier section we dealt with the beginning of the societies and the process of tutelage. The beginning of the federation comes perhaps even more simply.

The organiser concerned, generally the district secretary himself, will bring together leading men from the various societies to discuss matters of common interest. Thus the abler men will gradually become mutually acquainted at the same time as they are learning to understand the wider affairs of their societies. The values of union are not so much arrived at by argument as by a process of exploring the possibilities of common action and demonstrating them by actual trial. As soon as mutual confidence is established and informal discussion has become a habit there rapidly grows up a sense of common membership in the wider co-operative circle and of mutual interests developing in range and importance. Initiative may still lie with the district secretary but the group itself will be growing in its power to make decisions and bear responsibility at a level which makes their intelligent participation in a federation possible.

When this stage has been reached the time will be ripe to discuss the formation of a federation and the definition of its objects and constitution. With the tentative proposals the leaders will then go to their various societies, where the same process of discussion will take place for the education of the members generally. If they respond favourably, they will be asked to appoint delegates to a preliminary meeting. There concrete plans will be formulated and referred back to the societies for confirmation and if necessary modification, after which representatives will be elected to attend the organising meeting and the federation will come into being.

This is a process which must not be hurried. Without intelligent and willing participation by the societies, the superstructure will be but a form without vitality. The golden rule in co-operative promotional work is 'train for responsibility.' At each stage the members must be given as much as they can carry and be educated to bear more. The attitude of a good teacher working on the project method, so that the students are learning by doing, is essential,

As the members' capacity grows, the outside promotional agency, official or non-official, becomes progressively able to handover its responsibilities and the support of its staff to the federal bodies, beginning at the lower levels and proceeding up to the province and eventually the nation. When that time comes government will be greatly relieved and can confine itself to legislation, supervision to ensure that the law is fully observed, and audit. The co-operative movement will be launched.

# CO-OPERATIVE AGRICULTURAL MARKETING IN MADRAS

BY

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## I

That marketing is the crux of the agricultural problem was recognised so far back and that "the best single remedy for the growers' marketing difficulties is co-operation" was stressed on so many occasions by so many authorities with so many arguments that if any new thing is said about the necessity of the one or the superiority of the other, we fear, it may not be true and if it is true it cannot be new. But when one enquiries how far those recommendations and theories were translated into action one wonders to note and is often dismayed, that what is achieved is exactly in inverse proportion to what was planned and recomended. This is all the more so when one notes with amazement the strides that co-operative marketing has taken in the U.S.A., the results it has achieved in Canada and the share it has contributed to the prosperity of Denmark. Again it is claimed that "among the illeterate farmers of India as well as among the educated producers of Australia and Newzealand co-operation has proved to be a workable marketing scheme for the many small growers". Certainly what is proved to be workable can be achieved on a large scale and what was possible elsewhere must be possible here too. Then what is the snail's pace of co-operative marketing in our province due to?

The ears of the world are to day lent to the Antonys delivering inaugural orations to their post-war reconstruction schemes and certainly, co-operators are no exceptions to the general rule. Post-war developement schemes are drawn up for the various provinces and in all of them a place of pride is accorded to the marketing societies. But the official blue print of the Madras Government provides, it seems, for 25 new loan and sale or marketing societies thus bringing their number to 206. Whatever the pace of the progress, the lines of advance must be determined after a careful study of the past attempts, the causes of failures and disappointments. Mere imitation of the patterns successful in other countries without due deference to the local conditions and peculiarities of the province will not ensure success. What is essential for our co-operative marketing structure is a well-laid out native and unshakeable foundation on which a superstructure can be erected when and where the opportunity arises, the pace of the progress depending upon the enthusiasm, capacity and co-operative spirit of those who are actually in charge of affairs.

## II

The first society to be registered in the province with co-operative sale of members' produce as one of its aims was the Kumbakonam Agricultural



Society. It was organised for "joint agricultural purposes that is to say, for the supply of seed, manure and agricultural implements and later on if and when practicable to effect a joint sale of agricultural produce." During 1916-17 credit societies with joint purchase and joint sale as one of their objects were registered. Some societies were also registered during that year for the joint sale of agricultural produce *e.g.* that at Gundukolanur in Kistna. But the non-credit side of the movement received impetus with the reorganisation of the co-operative department in 1925 enabling the Deputy Registrars to devote their attention to the development of non-credit work. On 30th June 1927 out of 111 agricultural improvement societies only 38 were loan and sale societies. The economic depression of 1929 gave impetus to the growth of these societies. But the full effect of the lessons learnt during the depression were visible only just before the commencement of the war. The following Table shows the position of these societies before and after the depression and during the war.

| Year. | No. | Membership. | Paid up Sh. Capital. (Rs. in lakhs). | Loans issued (Rs. in lakhs). | Stock at beginning & received during the year (Rs. in lakhs). | Stock sold (Rs. in lakhs). | Stock released without sale (Rs. in lakhs). |
|---|---|---|---|---|---|---|---|
| 1926—27 | 38 | ... | ... | 6.62(2) | ... | 1.35(1) | ... |
| 1930—31 | 66 | ... | ... | 6.93(2) | ... | 11.00 | ... |
| 1936—37 | 111 | 12,015 | 1.62 | 26.16 | ... | 31.27 | ... |
| 1938—39 | 134 | 27,584 | ... | 95.86 | ... | 45.87 | ... |
| 1939—40 | 149 | 36,787 | ... | 107.30 | 230.52 | 44.75 | 109.34 |
| 1940—41 | 160 | 45,637 | ... | 142.56 | 303.21 | 46.57 | 124.04 |
| 1941—42 | ... | 54,840 | ... | 147.07 | 373.37 | 75.33 | 174.46 |
| 1942—43 | 172 | 61,118 | 6.58 | 196.76 | 477.16 | 211.15 | 186.58 |
| 1943—44 | 181 | 76,641 | 8.71 | 139.18 | 412.91 | 91.35 | 191.32 |
| 1944—45 | 181 | 90,880 | 10.41 | 121.32 | 359.66 | 100.62 | 178.19 |

During the last 3 or 4 years though there is no appreciable increase in the number of societies, the membership and the paid up share capital recorded satisfactory increases. But the increase is not a general phenomenon in all the societies. Only some societies show abnormal increases due to particular reasons but the average society is as small as it was. The decrease in the amount of the loans issued is due to the increase in the prices of agricultural produce. The year 1942-43 was the peak year for the sale societies. But during that year the stock pledged with the sale societies was commandeered by the Grain Purchasing Officers and this created a scare in the ryots against the sale societies. Moreover the fixation of ceiling prices for important crops of the province took away the incentive to stock grain in anticipation of a rise in the prices. The immediate effect of these two causes is the sudden reduction in 1943-44 of

1. Includes sales made by credit societies also.

2. Only loans on the pledge of produce.

goods received for storage by about Rs. 65 lakhs and the sales by about Rs. 120 lakhs. The Nilgiris society could not sell its potatoes due to lack of transport fecilities. In 1943-44, it was able to sell its potatoes only in the secondhalf of the year to the Government who opened a pool to purchase potatoes for their military requirements. The stock received for storage during 1944-45 recorded further decrease though it is far above that in 1939-40 or 1940-41.

The sale societies deal in all types of agricultural produce and it is not possible to estimate the amount of a particular kind of crop handled co-operatively. Moreover the amount of produce handled by these societies forms so infinitesmal a part of the total produce of the province that it is useless to attempt at the percentage handled from the different crops. The important crops handled are rice, cotton, groundnut, jaggery, chillies, redgram, ragi, other oil seeds, potatoes, fruits and vegetables etc. Taking the position in the various districts, Tanjore leads the province with 18 sale societies to its credit, while Salem with its 58 sale societies and 9,844 members leads in membership. Taking the basis of turnover the 8 societies in Salem effected sales amounting to Rs. 25,41,867 closely followed by South Kanara with 4 societies and sales of Rs. 22,11,991 while the only Society in Nilgiris with 2,668 members marketed potatoes worth Rs. 13,66,028.

The Sale Societies don't play any part in assembling the produce. The producer himself brings the produce in his own or hired carts to the doors of the society properly packed and it is placed in the godowns of the society. The goods of each member are kept separate, if they are to be kept at all a long time and will be sold with his consent in a separate lot. The sale is generally by auction and cases of boycots by private traders are very rare. There will be auctions every day at the principal godown of the society and buyers come in groups at the appointed time. Many of the sale societies do only commission business though the Marketing Federatations and some other societies are empowered to make outright purchases. The buyer or his agent will generally be present at the auction and the manager completes the sale with his consent. A period of one week will have to be allowed to the buyer for payment but payment will be made immediately if rebate at ½ per cent is allowed to the buyer. If the seller feels that the price is too low, he will be allowed to keep the goods for four or five days for which no rent will be charged. He may return to his village instructing the Manager about the proper disposal of his goods. In case he wants to hold up the produce for a longer period, the goods will be taken into the society's godowns for storage and on the execution of a bond, he will be advanced a loan upto 60 to 70 per cent of the market value, to be deducted from the proceeds of sale when the goods are disposed off. The goods will be inspected by the buyer before bidding but no samples are allowed to be taken (in Guntur). The weighment will be done by the men of the society in the presence of both the buyer and the seller also (if he is present).



The societies generally do not do any export business in the produce. There is neither the scope nor the necessity to grade or pool the produce. Standardisation of the produce cannot be attempted by these societies, as they get various varieties of the same crop. The commission and other charges collected from the seller in the Guntur market for chillies for 1 bag of 8 maunds is given below. (Cost of maund Rs. 20.)

| | Private Merchants. Rs. A. P. | Sale Society. Rs. A. P. |
|---|---|---|
| Commission at 3 pies in the rupee by the sale society and 6 pies in the rupee by private traders ... | 5 0 0 | 2 8 0 |
| Weighing charges ... | 0 8 0 | 0 3 6 |
| Voluntary (*i.e.* charity to the clerk of the trader ¼ to ½ viss per bag) ... | 0 6 0 | ... |
| Miscellaneous deductions alleged as sales tax ... | 1 8 0 | ... |

Besides this samples are taken from every bag in varying quantities by the private traders. The society pays the ryot the full amount even though it receives ¼ per cent less from the buyer for immediate payment. Besides, the buyer pays the agents (either the society or the private traders) a commission of annas 3 per every bag but the society passes on this to the seller himself. All considered the commission charged by the society amounts to about a third of that charged by the private traders. The commission and other marketing charges charged by the co-operative societies are generally less than those charged by the private merchants but they have various methods to attract the illiterate ryot. They generally send agents (in some cases maintain one or two villagers in each village) to meet them on the way, show a decent place for parking the cart, give him meals, tobacco etc., free and take him to the cenima at their own cost and above all let him not know about the sale society etc.

Almost all loan and sale societies deal with non-members also. In the Guutur Loan and Sale Society, the sales of the non-members' produce amounted to nearly two-thirds of the total business transacted by the Society. Another point to be noted is that many of the members of the society (especially those bringing all their goods to the society) are themselves petty traders. They purchase produce in the villages and combining it with their own produce (if any) bring it to the sale society and they stand to gain at least the difference in the marketing charges. This is reported to be the case in all the societies and much was already said denouncing it but little was done to stop it.

The necessity for linking credit with marketing was emphasized by Dr. P. J. Thomas in his note of dissent to the Provincial Banking Enquiry Committee Report. This has resulted in the introductio 1 of the controlled credit scheme, which, it is claimed, gave a new direction to the non-credit side of the movement. The essence of the scheme is that a ryot will be advanced a loan for agricultural purposes on his signing a bond agreeing to sell the produce through the loan and sale society to which the credit society is affiliated. The society watches the crops and gets it marketed through the sale society, if the ryot desires to market it immediately. If he wants to hold it up, the loan and sale society takes it into its godown on pledge and advances 60 to 75 per cent of the market value from which the loan of the credit society will be discharged. Thus the ryot will be bound to market his produce through a sale society and this serves the same purpose as a 'membership contract' in other countries, though for that season only. Where the controlled credit scheme is in operation a marketing panchayatdar will be appointed on some commission basis and it is his duty to see that all the members' produce is marketed through the sale society. But in practice, this scheme was never put into operation on a large scale so as to gather all the members' produce at least into the co-operative fold. We are told that the marketing panchayatdards don't find it difficult to get their constituents to the sale society. The following table shows the extent to which the scheme is applied :—

| Year. | Districts covered | Credit Societies covered | No. of acres covered | Amount of loans advanced Rs. (in lakhs) |
|---|---|---|---|---|
| 1937—38 | ... | ... | 15,584 | 1.96 |
| 1938—39 | 18 | 407 | 21,925 | 3.13 |
| 1939—40 | ... | ... | ... | ... |
| 1940—41 | ... | 918 | 54,864 | 10.30 |
| 1941—42 | 23 | 838 | 54,931 | 8.61 |
| 1942—43 | 18 | 421 | 35,334 | 6.27 |
| 1943—44 | 20 | 428 | 25,663 | 5.39 |
| 1944—45 | ... | 487 | 24,408 | 6.03 |

An important service of the sale societies during the war period is the working of the seed multiplication schemes. Under this scheme a loan and sale society will be supplied, generally free of cost, a certain amount of pure seed of a particular quality and the society is expected to get it sowed by its members and popularise the use of the same seed year after year and thus slowly bring all the land in its area under improved and selected seed suitable to that locality. Often the Agricultural Department also takes a hand in the actual working of the scheme. The scheme is applied in practice to potatoes, paddy and cotton. The potato seed multiplication scheme in the Nilgiris completed three years of working with 1941—42. It was tried on seed farms of 61.52 acres in Ootacamund Taluk and 36.75 acres in Coonoor Taluk but it was found very difficult to run the scheme due to lack of adequate storage facilities. The paddy seed multiplication schemes were tried at various places with no satisfactory results at any place. Those in Vellore and Malabar were unsuccessful and eight paddy seed multiplication schemes were working in Tanjore, East Godavari, West Godavari, Kistna South Arcot, Vizagapatam, Guntur, Chittoor and Chingleput Districts but the



Government ordered in 1943—44 that the seed multiplication schemes be taken over by the Agricultural Department which will utilise the co-operatives if and where suitable. The overhead charges of these schemes is borne half to half by the Provincial Government and the Central Government. The Tirupur Society is running the cotton seed multiplication scheme since 1937—38 with the aid of the Agricultural Department. Till 1942—43, it produced its own seed while then the Agricultural Department began producing seed by itself to be distributed by the Society over an area of 5,000 acres. Similar schemes were sanctioned during 1941—42 for Bellary, Adoni and Guntakal whereby each of them were supplied with 216 bags of H. cotton seed but the scheme was put into operation at Guntakal only during 1941—42 and in 1942—43 all these schemes suffered due to the failure of rains in Rayalaseema. The Guntakal Society purchased 32,700 lb. of cotton seed costing Rs. 1.211 and got it sown in 2,512 acres but could only recover 25 per cent of the estimated crop and seed amounting to 79,170 lb. In 1942—43, the Thiruchengodu Society purchased 325 bags of pure seed for Rs. 1,903-8-0 and distributed it to 343 ryots and recovered 878 bags of pure seed and got it sown in 4,500 acres in the next year. The societies having stock of seed on hand suffered due to fall of prices in 1943—44. Thus all the schemes are continuing but not with the vigour which we expect of them. It will take a very long time to bring all the land under improved seed, if the progress is not accelerated by any other incentive.

Amongst the other sevices rendered by the societies during the war, mention must be made of the supply of agricultural implements which were not available in the market. Due to the non-availability of iron for private purposes in large quantities, the prices of implements like steel tyres, axles and other agricultural implements soared high and black marketing in them became common. So the Department procured them and distributed through the sale societies and this served as an additional incentive to co-operative marketing. The details of the articles so distributed are shown below :—

| | | 1943—44 Rs. (in lakhs) | 1944—45 Rs. (in lakhs) |
|---|---|---|---|
| Manures | ... | 8.79 | 10.09 |
| Agricultural implements | ... | 0.29 | 1.66 |
| Cart-Tyres | ... | 1.10 | 3.42 |
| Axles | ... | 0.10 | 0.53 |

The sale societies are also undertaking processing activities like hulling paddy, decorticating groundnuts and ginning cotton. The value of goods so processed was Rs. 22.80 lakhs in 1943—44 and Rs. 37.47 lakhs in 1944—45.

They have also contributed to the success of the "grow more food" campaign by encouraging ryots to bring in additional lands under the plough. In 1944—45, the area so brought into cultivation was 24,299 acres under food grains and 718 acres under vegetables.

It is a well-known fact that many loan and sale societies are only loan societies but it is very difficult to know the exact number of such societies.

The marketing societies have received a very large amount of financial and other help from the Government and the co-operative banks. The Government have helped these societies with subsidies for expenses and personnel to run. They have appointed special marketing inspectors to supervise and inspect these societies, and in many cases lent the services of other officials (in some cases gratis) to run these societies in their early days. The Provincial Marketing Society since its inception in 1936 is the recipient of handsome subsidies from the Government. Besides, the Government helps the societies with loans and subsidies to construct godowns. Originally it was proposed to give 25 per cent of the cost of godown as subsidy the balance being either found by the society or lent by the Government at $3\frac{1}{2}$ per cent interest repayble in 25 equated yearly instalments. But for the first five years only simple interest at 3 per cent will be collected. Later on the subsidy by the Government was increased to 50 per cent of the entire cost of the godown. By 1938—39 such Government loans were issued to 25 sale societies to the extent of Rs. 2,13,186 besides similar loans to some select credit societies During the war, the demand for these loans has fallen off due to increased cost of materials and lack of skilled labour. But the Registrar was empowered to grant the loans without reference to the Government and instead of laying down some rigid rules they also stated that each case for the loan will be considered on its own merits. During 1944—45 six societies received grants and loans for construction of godowns. At present only 23 sale societies own their godowns and the rest hire the necessary godown accomodation. The Co-operative Central Banks and the Madras Provincial Co-operative Bank, were always, we think, extravagant in their help to the sale societies. The Provincial Bank advances loans to the Central Banks at cheap rates to help the marketing societies besides granting some subsidy for the development of such societies. The Central Banks themselves maintain additional staff to guide the marketing societies besides passing on to them, the cheap loans they received (with bountiful additions of their own at cheap rates) from the Provincial Bank. One Central Bank has even gone to the extent of lending a rent free building to a loan and sale society. The loans advanced to the loan and sale societies is generally in the form of cash credit and the credit limit of these societies is fixed at 50 times their owned capital. Besides the cheap loans already mentioned, the following amounts are granted as subsidy by the Madras Provincial Co-operative Bank to the Central Banks for the development of sale societies.

| | Subsidy Rs. | | Subsidy Rs. |
|---|---|---|---|
| 1938—39 | 21,900 | 1941—42 | 34,840 |
| 1939—40 | 20,425 | 1942—43 | 41,565 |
| 1940—41 | 35,485 | | |



## III

Before looking at the possible lines of expansion in the future, one must make a close study of the policy which guided the development of the sale societies in the past. This policy was ably enunciated by one ex-Joint Registrar, that "if the producer has to part with his articles to an outside dealer, he cannot in the nature of things get the maximum benefit for his labour. The need for a co-operative sale society is felt where there is great disparity between the price which the ryot receives for his produce, particularly the small illiterate ryot, and that which the consumer ultimately pays. Between the two come a large chain of "middlemen," the natural growth of a system resulting from trade development coupled with illeteracy, ignorance and bad communications. The middleman, is not essentially bad but when he exists only by large margins of profits at the expense of the peasantry, no treatment can be too severe for him............ Where the article produced is sold in a local market the benefit given to the producer may not be appreciable and it may not be worthwhile to have a society for the purpose..................Paddy sale societies except when paddy is exported out of India, serve only a limited purpose ... .....to hold up the produce for rising market...............The essential pre-requisites to organization of a sale society are :—

1. There must be a definite feasible objective in view.

2. There must be a real, well appreciated need felt by the promoters for a change in the marketing system.

3. The produce which it is desired to market co-operatively must contribute to an appreciable extent to the income of the proposed members.

4. The commodity principle must be observed.

5. There must be leadership available to encourage members to organise and to prevent them, if disappointed somewhat at the start from deserting their association.

6. Adequate volume of business.

7. Loyalty of members and understanding of co-operation.

8. Good and expert management.

9. An understanding of the principles and problems of marketing and especially of co-operative marketing."

A study of the policy and the pre-requisites as enunciated above will lead us to conflicting conclusions and of course the practice has no relation to the theory. This authority tells us that the producer doesn't receive the maximum benifit for his produce and that the middleman appropriates a large part of the consumer's rupee and ultimately brands a major portion of the produce of the province as not conducive for co-operative handling. According to the theory the co-operatives are to handle only such trade as the private traders either refuse or charge exhorbitantly for their services.

Evidently the framers of the theory are ignorant of the first and last of the pre-requisites laid down by themselves! Their policy simply makes co-operation a hand maid to capitalism. But, we feel, the aim of co-operation is the complete elimination of capitalism and the profit motive in all spheres of business activities and the substitution of organized, planned co-operatives in its place. Viewed from this point of view, the co-operatives must handle all the members' produce whether the middleman is extortionate or not and thus bring maximum possible benefit not only to its members but to the nation as well.

Paddy occupies about a million acres in 17 districts and is the main food crop of the province but the quantity produced is not sufficiently for internal consumption. More than anything, the war period has demonstrated the inefficiency and unsuitability of the private traders in respect of the distribution of food crops. Had we got a planned and co-ordinated net work of sale societies and a strong central selling organisation in our province, most probably food would have been distributed more equitably. The first aim of co-operative sale societies should be to evolve, propogate and popularise a limited number of varieties of paddy suitable to the different localities in the province. All the members must be bound to sell their surplus produce through the sale societies only and in the initial stages the produce may be marketed on commission basis as per the directions of provincial wholesale. The paddy should be converted into rice before export and the provincial wholesale will attend to other services like transportation, reimbursement etc. The chief object of the sale societies is not to hold up the paddy for a rising market but to secure equitable and fair distribution and efficient marketing services.

Groundnut is our chief commercial crop grown in 17 districts over nearly 46 lakhs of acres. No doubt many sale societies, now-a-days, handle groundnut but there is no organisation and in many cases they are an unwelcome addition to the already long list of middlemen. The produce is sold only locally and no marketing services are attempted. One is pained to see that the co-operators in Madras could not form a single oil refinery (vanaspati) society when so many capitalist companies are being floated, some sponsered by well-known co-operators themselves! And all these companies are going to succeed in squeezing the already poor ryot to fatten the already rich! And is there the need for so many factories and will they get adequate business? Producers must be organised into societies and the provincial wholesale will have to erect the necessary factories and see that the producers reap the benefit which in fact belongs to them. In all our commercial crops essential marketing services like grading, standardisation, pooling and demand creation on a large scale can be attempted and these must be attempted throughout the province with the help of a net work of sale societies.

Cotton occupies about 25 lakhs of acres in 18 districts and the cotton sale societies are said to have achieved some degree of progress. It is said



that the Tirupur Society handles 10 per cent of the trade in the market (the biggest market in South India) but it does not perform any marketing services. It simply acts as one middleman. Considering the amount of cotton handled co-operatively further developments are long overdue and that we don't have even one co-operative ginning factory, if not spinning and weaving mills, speaks correctly, most probably, of the quality of the co-operative leadership to-day.

The position of the tobacco grower is still worse, for he is at the mercy of foreign buyers to market his produce and there is no co-operative sale society dealing in tobacco at all.

The other commereial crops like sugarcane, chillies, turmeric, castor and other oil seeds, cocoanut, arecanut, etc., and fruits and vegetables like mangoes, plantains deserve immediate attention but the progress achieved in all of them is negligible. Each of these crops can be handled co-operatively to the advantage of the agriculturist and the nation at large, if only a definite plan is fixed and properly worked out.

But we cannot blame the co-operators for this poor show of our marketing co-operatives. The department also must take its share. The control over the societies, especially the production and sale societies (and unless these are developed our loan and sale societies cannot be of real use) must be, to say the least, judicious. The experience of the Vuyyur Sugar Factory and the reasons given for its conversion into a joint stock company, most probably, deter the có-operators from venturing on such big projects.

It is laid down as one of the pre-requisites to organisation of a sale society that the commodity principle must be óbserved but such specialised societies can be counted on fingers. We fear, this commodity-wise specialiasation is both impracticable and unnecessary in the alround development which we advocate here. It is common in our province for the ryots to grow four or five commodities *e.g.*, paddy, black-gram (as second crop) groundnut, maize, cholam, etc., under mixed farming. No doubt, there are areas where only paddy is grown and in such cases the society deals with all the crop. But where more than one type of crop is produced we cannot expect the ryot to be a member of as many sale societies as the number of crops he grows. Moreover, a sale society handling various commodities will have work-on-hand all the year round and if it can secure all the business of all the members, it can reduce its commission rates and improve its efficiency. The marketing services and the disposal of the goods will be laid down (directed) by the provincial wholesale and its branches will largely help the sale societies and improve their efficiency.

The area of operations of a society usually extends to a revenue firka containing about 40 to 50 villages. The society gathers some 500 members (average for 1944-45) *i.e.* on an average about 10 from a village containing about 150 to 200 ryots and tells the world that the whole firka is covered while, in fact, many villages will actually be left out and in the others the proportion of members to non-members is insignificant. Such societies are of no use to the majority of the needy ryots. Societies should be started for smaller areas at the maximum a dozen villages and they must sign up a majority of the ryots as members in all the villages and see that all of them market their extra produce only through the sale society. A society must formally be registered only when at least half the ryots in all the villages are enrolled and until that time one or two experienced propagandists assisted by local co-operative leaders must carry on intensive village to village propaganda. Every such society will certainly be in a position to own 2 or 3 godowns in its area and for this purpose it will make use of the Government subsidy and loan if it is not able to raise the necessary share capital by itself.

Besides the loan and sale societies, we have 5 District-Marketing Federations and a Provincial Marketing Society to serve as an apex for all the producers' societies. The District Marketing Federations are generally formed for a special purpose *e.g.* to act as an agent for the export of the produce or to utilise a particular Government grant for the development of a certain crop in a particular area etc. These Federations are given the right to make out right purchases on their own account. As a rule all these exist side by side with a sale society We do not know, whether the sale societies themselves cannot perform the special functions for which the federations are formed. The relations between the District Federations and the loan and sale societies are not always cordial. Whether these federations have any future is a question worth close study and seperate treatment. The Provincial Marketing Society has trade relations with a few of the loan and sale societies dealing in agricultural produce and there are always complaints about the treatment it gives to them. That the business methods of the Provincial Marketing Society are not always satisfactory is proved to us not only by the experience of some loan and sale societies but by some non-agricultural societies also. Moreover, any complaints against the Provincial Marketing Society are to be made, it seems, only with the Registrar and the Deputy Registrars always advise the societies not to deal with the Provincial Marketing Society if they cannot endure its treatment. It was emphasized a very long time back that "the most outstanding feature of external marketing is the lack of a well directed and unified selling organisation" and the Provincial Marketing Society was expected to fill the need but we find that it is as far away from that goal as it was on the day of its registration.

In our province there are a large number of consumers' stores and any plan for the development of the agricultural marketing societies should also consider the relationship between the two types of societies. It is pointed out that there should be a well directed and unified selling organisation to "undertake the essential functions of marketing *viz.*, collecting and



assembling, transportation, wholesale distribution, retailing, risk bearing and financing in all stages. The present wasteful method of individual selling of agricultural produce has to be given up in favour of collective and co-ordinated selling." This, as we have pointed out elsewhere can best be achieved only by forming a single wholesale for the province which can co-ordinate and direct the activities of both the consumers' and the producers' societies. Such a provincial wholesale alone will be in a position to develop a net work of loan and sale societies and direct them to the best advantage of the producer and the consumer. The provincial wholesale will be able to pass the goods from the producer to the consumer, itself undertaking all the necessary processing activities and thereby the producer stands to get a very large part of the consumer's rupee and co-operative marketing is not worth undertaking if it cannot undertake all the processing activities.

The three essential pre-requisites for the success of the agricultural marketing co-operatives are Regulated Markets, membership contracts and propaganda. The Madras Committee on Co-operation has recommended that the Madras Commercial Crops Markets Act of 1933 should be extended to all the important marketing centres in the province but no action is taken over it. Regulated Markets should be established for all the crops including food crops. Similarly the Agricultural Produce (grading and marking) Act of 1937 should be enforced more strictly. The controlled credit scheme must be extended to all the credit societies and all the members produce must be marketed through the sale society only. If necessary, the member may be asked to execute a contract to that effect. But when once the member promises, it seems, no difficulty is experienced in getting all his produce marketed through the society. If the success of co-operative marketing depends on the loyalty of the members, the degree of loyalty depends on propaganda. The Indian ryot is illiterate but not ignorant. If he is shown the evils of the profit motive and the benefit that accrues to him through co-operative marketing, we can certainly depend upon his loyalty. There is always a need for co-operative marketing but the ryots must be made to feel the necessity and certainly a demand for a marketing society will ensue. Intensive propaganda on a large scale must be undertaken and special propagandists must work side by side with other leaders of the movement. Every year the Madras Provincial Co-operative Bank is spending a large amount for the development of the marketing societies. We do not know how it is being spent, but the sum is so large that the Bank can maintain a propagandist in each district and this will certainly, lead to better results.

There is no reason why marketing co-operatives in our province cannot achieve as much as was achieved in other countries but our societies also must undertake all the marketing services and discharge them efficiently. The future of marketing co-operatives lies with those who being of the people live among the people and yet by their intelligence, prescience and energy direct the people on correct lines towards a definite ultimate goal, such were the leaders in U. S. A., Canda, Denmark etc., wherever co-operatives succeeded and taking the word Demark not as indicative of the name of a country but of a zeal, energy, patience and continuous devotion so thoroughly exemplified in that country and of the spirit of co-operation, perfection of techniques, high degree of business morality, intensive specialization in every line and national confidence in self and mutual help so thoroughly developed in that country we can sum up this paper in the two words "Realise Denmark."

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## THE UNITED PROVINCES PROVINCIAL CO-OPERATIVE BANK, LTD.

By

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The Indian Co-operative Societies Act of 1912 provides for affiliated type of co-operative societies. All primary societies are affiliated to the Central Societies which are in turn affiliated to the Provincial Society. The Provincial Co-operative Bank is at the head of the co-operative movement. The idea of having a Provincial Co-operative Bank for the United Provinces was propounded by the Maclagan Committee in 1915, but for various reasons it could not materialise till the 10th December, 1944. U. P. was the only major province in India which had no apex bank for co-operative societies. The active support of the Provincial Government and the guidance and help of the Reserve Bank of India are mainly responsible for the establishment of the bank.

The Bank was formally opened by H. E. Sir Maurice Hallet on the 10th December, 1944 and its area of operation extends to the whole of the Province.

Objects.—The following are the main objects of the Bank :—

(a) To make loans and advances with or without security to (i) Society members, (ii) a society which is not a member of the Bank, with the previous sanction of the Registrar.

(b) To lend money or grant over-drafts or open cash credits for individual members against security of their deposits, Government and other securities, bullion, railway receipts, insurance policies and agricultural and industrial produce.



(c) To purchase and sell raw materials, accessories, instruments of husbandry, manures and other agricultural requisities required by the societies or their members.

(d) To act as commission agent for members and registered co-operative societies.

(e) To serve as a balancing centre and a clearing house for societies.

(f) To act as a banking agent for the U. P. Government, public bodies approved by the Registrar, the Reserve Bank or for any bankers in the Province.

(g) To advise banks and societies in the matters of principles and practice of banking and to inspect them for the purpose. Also to facilitate the operation of any society.

(h) Generally to promote the economic interests of the members of the bank in accordance with the co-operative principles and to inculcate in them the spirit of self and mutual help.

**Capital and Liability.**—The working capital of the Bank is consisted of :—

(a) Individual shares not exceeding 5,000 of the value of Rs. 100 each.

(b) As many society shares of Rs. 100 each as may be issued by the Bank with the approval of the Registrar,

(c) Loans and deposits, reserves, profits and other funds,

(d) Grants and donations.

Every indivudual member has to purchase atleast five shares and no member shall at any time hold such portion of the share capital as shall exceed Rs. 10,000. Every member society shall purchase at least one share and such additional shares as the Bank may, with the approval of the Registrar, require it to purchase.

The Bank has so far issued 4,000 individual and 8,000 society shares of Rs. 100 each. The paid up capital of the Bank is Rs. 8,05,400. The following is the position of the Bank's liabilities as on 30th June, 1945 :—

| | Rs. |
|---|---|
| Paid up capital | 8,05,400 |
| Deposits :— | |
| Current deposits | 2,67,418 |
| Savings deposits | 87,982 |
| Fixed deposits | 3,07,918 |
| Loans raised on securities | 3,29,506 |
| Security deposits | 4,316 |
| Profit and Loss account | 7,893 |

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The liability of members for the debts of the Bank is limited to the nominal value of shares held by them.

**Membership.**—The membership of the Bank is open to:—

(*a*) Individuals above the age of 18 years residing or owning immoveable property or carrying on any permanent trade, business or industry in the United Provinces.

(*b*) Societies in the United Provinces.

Membership of the Bank comprises 158 Individual share-holders, 51 Central Banks, 75 Central Societies and 104 Primaries. Joint-stock companies also applied for shares which could not be allotted for want of necessary provision in the bye-laws.

The number of individual and society members seems to be very poor and I think this is due to the fixation of minimum five shares and the maximum of 100 shares which seems to be too high. This has concentrated the capital of the Bank into fewer hands.

**Borrowings.**—The maximum liability of the Bank shall not, without the permission of the Registrar, exceed ten times the owned capital of the Bank. Subject to this limit the Bank can raise moneys by receiving deposits either from members or non-members to such extent and upon such conditions as the Board thinks fit. On 30-6-45 deposits with the Bank were as under:—

| | Current Rs. | Savings Rs | Fixed Rs. | Total Rs. |
|---|---|---|---|---|
| Individuals ... | 36,117 | 35,671 | 31,100 | 1,02,888 |
| Co-operative Societies and Banks ... | 1,79,916 | 17,346 | 1,16,831 | 3,14,093 |
| Cane Unions ... | 51,384 | 34,915 | 1,59,987 | 2,46,286 |
| Total ... | 2,67,417 | 87,932 | 3,07,918 | 6,63,267 |

**Loans and Advances.**—The following general principles are observed by the Bank in granting loan and advances:

(i) That no loan or advance is made which will result in:

(*a*) increasing the outstanding against a member society to more than 10 times its paid-up share capital in the Bank. The Registrar may permit the Bank to make loans and advances to a member society to an extent not exceeding 15 times its paid up share money in the Bank.

(*b*) that in case a member society requires a temporary accommodation in excess of 10 times of its share capital the same is allowed by the Bank at its own discretion.

(ii) Loans are advanced for specific objects and are payable in suitable instalments fixed at the time of advance with reference to the object of the loan and the ability of the borrower to repay the same.



The Bank has granted cash-credits to various societies. It has also financed individuals against approved securities. The following loans were outstanding on 30th June, 1945:—

(*a*) Loans, cash credits and overdrafts to

| | | Rs. |
|---|---|---|
| (i) Primary Societies | ... | 1,88,052 |
| (ii) Central Banks and Unions | ... | 6,89,687 |
| (*a*) Loans to Individuals: | | |
| (i) Against Government Securities | ... | 515 |
| (ii) Against Produce | ... | 1,14,225 |

**Organisation and Management.**—The management of the affairs of the Bank is vested in the following bodies and officers:

(*a*) The general body which guides the general policy of the Bank. Every member has only one vote irrespective of the number of shares held by him.

(*b*) The Board of Directors,

(*c*) The Executive Committee,

(*d*) The President, and

(*e*) The Manager.

The general body consists of (*a*) The Registrar, as ex-officio Chairman, (*b*) Two directors nominated by the U. P. Government. (*c*) All holders of individual shares, and (*d*) one representative of each society holding shares.

The Board is the chief executive body and all responsibility for the affairs of the Bank are vested in it. It consists of:—

(*a*) The Registrar who is the President of the Board,

(*b*) Three directors elected from amongst the members holding shares in their individual capacity,

(*c*) Six directors elected from amongst the representatives of societies holding shares in the Bank, and

(*d*) Two directors nominated by the U. P. Government.

A director of the Bank will become unqualified if (*a*) he ceases to be a member of the Bank, (*b*) he himself or any relation of his accepts any office of profit under the Bank, (*c*) he is sentenced to imprisonment for moral turpitude, (*d*) he is declared insolvent or becomes of unsound mind, or (*e*) he absents from four consecutive meetings of the Board without obtaining previous permission of the Board, or (*f*) he is known in the opinion of the Registrar to have maliciously done anything against the vital interest of the Bank.

Every director whether elected or nominated by Government is paid travelling expenses and fees on a scale fixed from time to time by the General Meeting.

The President is the chief controlling and supervising officer of the Bank and exercises all the powers of the Board in emergent cases. The day-to-day management of the Bank is vested in the Manager.

**Disposal of Profits.**—The rate of interest to be charged on various kinds of loans, advances, and overdrafts shall not without the approval of the Registrar exceed 9 per cent. Additional interest at a rate not exceeding 3 per cent may with the approval of the Registrar be charged on all overdue loans. After allowing current expenditure including interest paid, cost of management, provision made for bad debts and depreciation on building etc. the net divisible profit is utilised for paying a dividend to the share-holders. But atleast 25 per cent of the divisible profits must be transferred every year to the permanent Reserve Fund. There is no provision for utilising a certain portion of the profit for charity purposes or for advancing the co-operative movement in the Province.

The profits of the Bank for the period ending 30th June, 1945 amounted to Rs. 7,893 and the whole of it has been credited to the Reserve Fund. The Bank is expected to make a large profit in course of time.

The Provincial Government gave Rs. 16,000 as grant for 1944-45 for recurring and non-recurring purposes. In 1945-46 a grant of Rs. 15,000 is expected.

**General.**—The Reserve Bank had circularised that it would give a rebate of 1 per cent on loans through the Provincial Bank for financing agricultural credit or seasonal marketing operations. At the request of the Registrar, it has agreed to increase the rebate to 1½ per cent provisionally. The Bank has been placed on the approved list for purposes of finance.

The Registrar has also moved the Provincial Government to recognise the Bank for deposit of Lucknow University funds and to amend the Municipal, Local Boards Act permitting them to deposit their funds with the Bank. The question of amending rules under the Co-operative Societies Act for transferring the burden of supervision fees and audit fees from central banks to primary societies is under consideration of the Registrar. If it is done it will be possible for central banks to lend to societies at 5 per cent and for the societies to lend at about 7½ per cent.

**Conclusion.**—The Bank is still in its infancy. It is too early to comment on the success of the Bank. As time goes on and the dealings of central banks with the Bank give them the necessary experience, the motto 'co-operative money for co-operative institutions only' will at once be realised in practice. So far, due to lack of an apex organisation co-operative institutions have kept their moneys with local joint-stock banks. The practice was unavoidable before the establishment of this Bank. The movement stands as a whole and the Bank represents the apex organisation on the financial side of the movement with ramifications extending all over the province in the shape of central banks, banking unions and primary societies. The out-flow of the finances from the movement is definitely detrimental to the interest of the co-operative movement. It is hoped that very soon all the societies including the central banks, marketing and industrial societies, isolated societies and cane unions will realise that their surplus balances should be kept with the Bank. This will ultimately enable the movement to get money at cheap rates and will therefore result in increased benefit to co-operative institutions. The department has already taken steps in this matter. Response from co-operative institutions themselves is awaited.



## THE CO-OPERATIVE MOVEMENT IN THE PUNJAB

BY

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**Introduction.**—The Punjab, most popularly known as the Land of Five Rivers, is very predominantly an agricultural Province. Before the advent of the British Rule, and even years after, the economic condition of the "tiller" of the soil was far from satisfactory; it was, in fact, deplorable. Government soon realised that unless some measures were taken to improve their lot in all the different aspects of life, there could be no prosperity. The problem of agricultural debt, as created by different adverse factors at work, assumed serious dimensions and thus naturally stood prominent for notice. This was, truly speaking, an All-India problem. The Government of India took a leaf out of Europe's history and introduced Co-operative Movement on the lines of Germany and Italy to meet the situation. It is hardly necessary to refer to the preliminary developments in different provincial administrations in this respect. Suffice it to say that all the Provincial Governments realised the potency of the measure and were in perfect agreement with the Government of India which enacted the Co-operative Societies' Act of 1904, amended subsequently as Co-operative Societies' Act II of 1912. With the change in the constitution after the first World War, some of the Provinces had their own Co-operative Acts.

**Kinds of Societies.**—The Movement in this Province is only 4 decades old, but it can be safely asserted that it has done a valuable lot for the achievement of the goal for which it was launched. Most of the people in the co-operative fold understand that self-help, mutual help and thrift are the only pillars on which a truly great economic edifice can rest. It must, however, be admitted that the necessity of proper education of masses in the rudiments of Co-operation will always stand unaffected. There is no aspect of rural life which cannot be governed under the Co-operative system, and governed to the best advantage of the people. There are now societies of different kinds—societies for credit, better farming, stock-breeding, consolidation of holdings, conservation of soil, redemption of encumbered lands, promotion of cottage industries, inculcating of habits of thrift among women etc.

All these forms breathe the same spirit, both in constitution and actual working—spirit of thrift, self-help and mutual help. It would appear that each of them is intended either to eliminate waste or to promote economic production. There are some which function to achieve both. The achievements in all these different fields are very great and would require voluminous chapter if all the details were reduced to writing. For the scope of this short note, which is intended to be of informative character, the brief material given hereunder, will do.

**Porgress of the Movement.**—There are 26,077 societies of all kinds in the Punjab at present. Primary societies with only individuals as members have an overwhelming majority. Number of villages in the Province is 35,000 and odd. A large number of the villages possess more than one society and another considerable number of these societies is situated in towns. Leaving away such societies, we get, on an average, one co-operative society for every two villages. These societies claim a membership of 11,66,066 persons. Presuming each co-operator to be representative of a separate family with five members, the percentage of population in the fold of the movement comes to 20. Working capital amounts to Rs. 18,14,47,007. This figure is not very adequate. However, about three fourths of this capital is owned by the societies themselves, while a very large number of primary and a still larger number of central societies is financially independent with almost entire working capital of their own.

**Primary Societies.**—Co-operative societies can be roughly divided into two classes—primary and central. The province being predominantly agricultural, the agricultural credit societies far out-number the non-agricultural. At the end of Co-operative Year, 1944 (in these lines figures are as on 31-7-44 unless where specifically mentioned otherwise), there were 17,138 agricultural co-operative credit societies with unlimited liability. Their membership stood at 5,38,711 and working capital amounted to Rs. 5,35,62,350 and of this amount, Rs. 3,93,40,445 was owned by the societies, which is about 71 per cent of the total. These societies financed 73,426 members to the extent of about Rs. 113 lakhs by making 87,696 advances during the year ended 31-7-44. The societies, while being instrumental in inculcating among the members the habit of thrift, have at the same time brought banking facilities within easy reach of the remote villages. This is amply shown by the deposits placed in these societies by the members as well as non-members which amounted respectively to



Rs. 57,05,900 and Rs. 35,20,175. This at the same time reveals the extent of the confidence reposed by the public in the solvency of these societies.

**Non-Agricultural Credit Societies.**—The movement has not confined itself at solving the problem of agricultural finance only but has also brought within its pale village menials, shop-keepers, small traders, government employees, and members of urban classes with average means as well. Their number stands at 1,307 and membership at 68,285. Working capital is Rs. 1,17,30,292 and owned part of it is Rs. 56,18,687. The members have deposited in them Rs. 51,22,983 and non-members Rs. 5,48,488. The unowned part of the working capital is almost entirely composed of the deposits by members. These societies accommodated 13,268 members by advancing 18,698 loans amounting to Rs. 58,56,968.

**Artisans' Credit Societies.**—Artisans of limited means in urban and rural areas, too, have not been neglected. Three hundred and seventy nine societies with 5,735 members and Rs. 10,83,575 working capital are exclusively working among this class of people. These artisans are mostly weavers, shoe-makers, carpenters, oilmen and smiths. In this class of societies, raw materials are purchased collectively and the finished goods are similarly marketed through either the societies themselves or co-operative sale depots set up at such places as Lahore, Delhi and Simla. One point needs particular mention for these societies. It is that the Department has now techinical personnel to be able to improve designing products so as to catch notice in markets. There are, now, societies for soap-making, *darrie* and *nawar* making and similar trades.

**Consolidation of Holdings Societies.**—The acute problem of ever-increasing fragmentation of land holdings has been successfully tackled through the establishment of the consolidation of holdings societies. This is the unique achievement of the Punjab Co-operation which can justfully be proud of having taken a lead in this respect. Through consolidation the uneconomic fragmented holdings are so brought together as to render their cultivation profitable. At present 1,874 such societies are in existence. An area of 81,883 acres was consolidated during the year 1943-44 bringing the total up-to-date to 13,67,989 acres. To get an idea of the benefits extended to the small holders, it may be added that the area consolidated during the year 1943-44 consisted of 2,50,266 blocks before consoldation and this big number was reduced to 37,743 after the completion of the work. As a result of consolidation, it has been possible to effect permanent improvement, such as sinking of new wells, repairing the old ones, plantation of fruits and other trees etc. and take in hand rural uplift work. Further, in consolidated villages, provision has been made for regular paths and roads, playgrounds, school buildings, cremation grounds and common meeting places for villagers. In fact the very landscape of these villages has become changed beyond recognition.

**Land Mortgage Banks.**—To afford financial facilities for the redemption of mortgaged lands, liquidation of old heavy debts and bring about expensive permanent improvements in the cultivable lands mortgage banks were introduced in the Province. At this time, there are 9 such banks with 3,249 individuals and 177 society members. Their working capital amounts to Rs. 4,52,630.

**Sale Societies and Commission Shops.**—Marketing of agricultural produce has always been in a very unsatisfactory condition. Dealers have been indulging in innumerous malpractices to exploit the unwary producer. Co-operative societies for the sale of agricultural produce have been organised to eradicate this evil. There are 37 societies of this kind with 8,571 members and Rs. 7,55,645 working capital. Produce sold during 1943-44 through these societies was 11,34,717 maunds valuing at Rs. 1,09,44,065. The probelm of marketing is, however, still far from having been solved and has for sometime past been engaging the serious attention of the Government. It has now been decided to organise the marketing of the agricultural produce on co-operative basis by spreading a net-work of such societies in the rural area.

**Better Living Societies.**—No scheme of rural reconstruction imposed from outside can be successful unless the villagers thoroughly learn the lesson of self-help and deal with rural problems through co-operative methods. Dehat Sudhar Societies have been organised with this end in view and aim at an all round improvement of village life including conditions of sanitation and hygiene, provision of recreation and physical culture, curtailment of expenses on ceremonies, avoidance of litigation, and improvement of morals. These societies number 2,097 and their members 97,278 with a working capital of Rs. 74,554. Much has been achieved by these societies in making the villages better, particularly in respect of the pavement of lanes, construction of drains and culverts, filling in of depressions, digging of manure pits and putting up of ventilators, besides the eradication of some of the social evils born out of the extravagant habits as practised in connection with the performance of ceremonies and rituals.

**Better Farming, Land Reclamation and Fruit Plantation, Societies.** Farmers are being persuaded to adopt improved methods of agriculture through better farming societies, which are 781 in number with 23,149 members and Rs. 1,53,915 working capital. Sale of improved seeds and implements and plantation of fruit trees is mostly undertaken by these societies. The above-quoted figures include 318 societies for land reclamation and soil conservation, a problem affecting very seriously some of the sub-mountain districts like Ambala, Hoshiarpur, and Jhelum. Anti-erosion measures like *watbandi*, plantation of various kinds of grass, *Sarkanda*, *shisham* and other suitable forest trees, conservation of water etc. have been taken. An area of 1,29,159 acres has been brought under reclamation operations of these societies. The closure of land under operation through these societies is bringing in seasonal income to the proprietors on account of the sale of grass or other plantations.



**Stock-Breeding.**—There are 727 Stock-breeding societies with a membership of 15,095 and working capital of Rs. 28,384. Separate societies exist for Cattle-Breeding, Sheep-Breeding and Mule-Breeding. These societies attempt at the improvement of the breed of the cattle in an organised and collective manner because this is a task which cannot be accomplished through individual efforts. Cattle wealth is of utmost importance to an agricultural province and thus the need to develop this type of societies is really very great. Apart from these societies, there are poultry-farming societies numbering 7 with 97 members.

**Arbitration Societies.**—One hundred and two arbitration societies with 19,148 members have been so far established to do away with the evil of litigation which was cutting at the very root of community life in the villages and resulting in the untold waste of money and time of the villagers. During the year 1943-44, 234 cases were decided which made the total up-to-date 8,838. Some of these disputes which related to property worth lakhs of rupees were settled by these societies amicably at a nomina cost.

**Thrift Societies.**—Practice of thrift is a basic principle of the Co-operative Movement. While this object is being gained in one way or the other through all the different kinds of co-operative institutions, special organisations have been set up for the practice of thrift through collection of savings. Thrift savings societies are working among agriculturists, factory workers, employees of various government departments, school masters, military personnel and women. In the case of cultivators savings are collected in the form of produce and in other cases in cash. Number of these societies comes to 1,806 including 29 grain thrift societies, their membership to 32,089 and working capital to Rs. 15,77,339. Savings collected from members stand at Rs. 2,31,570.

**Miscellaneous.**—Co-operative activities in the Punjab cover a very vast field and it is not possible to make separate mention of each activity. Nevertheless, a summarised account of all the remaining forms of the societies may serve the purpose of acquainting the reader with the variety and all embracing nature of the movement in this part of the country.

There are 49 supply societies with a membership of 5,179 and working capital of Rs. 1,79,938; 21 silt clearance societies with 492 members; 2 land revenue redemption societies with 42 members and Rs. 22,684 working capital; 5 land holdings societies with 98 members and Rs. 35,476 working capital; 92 crop failure relief and provident fund societies having 1,790 members and Rs. 20,251 working capital; 4 guzara jangelat societies with 581 members and Rs. 2,908 working capital; 149 veterinary first aid centres with 10,791 members and Rs. 4,540 working capital; one printing press with a working capital of Rs. 15,720; 4 house building and town planning societies with 1,411 members and Rs. 30,27,703 working capital; 64 compulsory education, and 64 adult schools with a total membership of 2,937 and a working capital of Rs. 17,561; four educational associations with 568 members and Rs. 62,536 working capital; 6 societies for promotion of economic knowledge with 164 members and Rs. 1,067 working capital; 3 human first aid centres with 135 members; and 2 anti-malarial societies with 188 members.

Recently a new venture has been made to start co-operative societies for the provision of medical aid in the villages. So far 101 public health medical aid societies have been organised with 14,991 members and Rs. 62,337 working capital. During the year 1943-44, 6,58,195 patients received treatment. The scheme has achieved unqualified success and the societies have proved to be the most suitable agency for the provision of cheap medical aid in far flung rural areas.

Of still later origin are the co-operative transport societies which have been organised to ensure regular road service for the benefit of travelling public. At the end of the year 1944, these sociaties stood at 4 with a membership of 269 and working capital Rs. 6,20,530. Since then the number of such societies has risen to 14. And it is expected that in due course of time, these societies would make journeys by road both cheap and pleasant.

**Central Societies.**—These societies were organised to facilitate the working of the primary societies. Separate kinds of societies have formed separate federations. Most prominent of them are the federations of the primary credit societies which have taken the form of Banking Unions and Central Banks. There is one apex bank to further co-ordinate and regulate the working of central credit institutions. It is known as the Punjab Provincial Co-operative Bank.

**Banking Unions.**—These number 68 with a membership of 3,535 primary societies and a working capital of Rs. 1,47,24,304. These unions have generally a compact area of operation. Primary societies alone are affiliated to them and to these only they provide credit facilities.

**Central Banks.**—These are large banks covering wider area of operation with individuals, primary societies, and banking unions as their members. Their primary object is the same as that of banking unions, but their functions comprise various other banking facilities for the members as well as general public resembling those of joint-stock banks. Their number is 47 and membership consists of 16,722 societies and 3,918 individuals. Working capital amounts to Rs. 3,07,645. If and when necessary, these banks employ staff on the recommendation of the local officers of the co-operative department to assist the permanent field staff.

**Provincial Bank.**—As mentioned above, there is an apex bank of the province. It has 11,928 societies as members and working capital of Rs. 3,07,91,246. It controls the inter-lending of the central banks and unions and supplies long-term credit to the land mortgage banks. It serves as the balancing bank for its member societies.



**Other Federations**—*Industrial Unions and Banks.*—Artisans' societies are federated into four Unions and one Bank at the top, called the Industrial Central Bank with headquarters at Amritsar. Their total membrship is 429 societies and 8 individuals while working capital amounts to Rs. 10,81,557. The Industrial Bank at Amritsar also advanced loans to the members in the shape of raw materials.

**The Punjab Co-operative Union.**—This is a provincial organisation of all the co-operative institutions and its primary functions are audit and supervision of co-operative societies, co-operative education and training and propaganda for the movement. It employes a large staff of Sub-Inspectors, Supervisers and Auditors and Sub-Inspectresses for this purpose. Its funds are raised by an annual contribution levied on all affiliated societies and a substantial grant made by the Government. It maintains a big library and publishes a monthly co-operative journal of its own—"Co-operation."

**Women Movement.**—Separate societies have been organised among women chiefly for thrift and savings. Their number is 37 with 8,108 members and Rs. 3,90,354 working capital. Membership of these societies mostly consists of employees of hospitals, schools, wives of the professional men, salary-earners and tradesmen in urban areas. Efforts are being made to introduce the village women folk as well to the movement. The scope of these societies has now gone beyond thrift and includes a number of activities directed towards the general welfare of the women, like better-living, home industries of various types, education etc. Demonstrations are given to them in fruit preservation, embroidary, knitting, sewing and so on. With the increase of staff, the speed of welfare work would go up.

**Education.**—The province was the first in India to realise the supreme importance of making organised efforts for imparting specilised training to the staff and education to the members in the principles and law of co-operation and the practice of the societies. At present there is a well-established branch of the departments undertaking all the educational activities. Special training classes are held for Sub-Inspectors and Inspectors and of late for military personnel as well detailed to become instructors in the Army under the post-war reconstruction and Army resettlement plans. Training classes of shorter duration are held for secretaries and office-holders of the societies. Besides, members of the staff of the branch deliver lectures in schools and colleges and broadcast talks to educate the general public in all what the movement is doing and what it is capable of accomplishing. Gurdaspur is the well known educational centre of the Department and it may soon develop into a well-equiped co-operative institute at some suitable central place in the province.

**Co-operative Department.**—The co-operative department consists of the Registrar, Financial Adviser, 5 Deputy Registrars a number of Assistant Registrars, Inspectors and Sub-Inspectors. This staff carries on its duties as a friend, philosopher and guide of the co-operative movement.

## TEN YEARS OF CO-OPERATIVE EFFORT IN SURAT DISTRICT

*(A Souvenir of Silver Jubilee Celebration of Diwan Bahadur C. M. Gandhi's Chairmanship of The Surat District Co-operative Bank, Limited).*

There are two ways of studying a social movement like the co-operative movement. One can take a long view of things and survey the movement as a whole as it obtains in a province and over a long period and note the general trends; or one can take a particular aspect of the movement and limit it in space and time and apply the microscope and study it in great detail. It is the latter method that is adopted in the book under review. The book deals with the co-operative movement in the District of Surat for the decade 1934-35 to 1943-44.

To a Co-operator in Madras, the movement in Bombay offers no strange and unfamiliar aspects. In our sister province as with us the movement has two broad divisions, the credit and the non-credit. The credit is again sub-divided into long-term credit, catered to by Land Mortgage Bank and the short-term credit and the intermediate credit catered by the District Bank. The Central Bank distributes the credit to the people in the District through the two main branches of Agricultural Credit Societies and Urban and Employees' Societies.

The non-credit side is comparatively new and the most important type of society under this category is Cotton Sale Society. The Stores are just now coming into existence owing to the war and it is too early to say anything about them, though they have done useful work during the short period of their existence.

Taking the movement as a whole there are only three institutions that can be said to be working successfully, namely the District Bank and its urban primaries on the credit side and the Cotton Sale Societies on the non-credit side.

The progress of the District Bank has been steady and it has been able to establish a number of branches in Taluq Headquarters. Various tables given in the book give us statistical information about the progress made by the District Bank. It does better than the sister District Bank at Broach or even the Provincial Bank in some respects. The Bank has got so much of spare money that it aspires to get out of the narrow limit of the co-operative movement and wants to do all that other full-fledged financial banks do, such as investing its money on first mortgage of immovable properties and in Preference Shares of selected and well-established Joint Stock Companies proposed by the Bank and approved by the Registrar. These suggestions are naturally not approved by the Department and the District Bank does not feel happy over it.

Agricultural Societies which form the rock-bottom basis of the co-operative movement as it was envisaged by the original founders have not been getting on well. With the starting of the Land Mortgage Banks to give long-term credit, the Rural Societies began to lose their usefulness. Overdues began to increase and there was stagnation. The Department took fright and stopped all expansion and their cry is rectification and consolidation. Not that the credit movement has achieved its ideal, namely redeeming every agriculturist from his indebtedness. There is considerable scope for expansion; but it requires vision and courage both of which are lacking in the official leaders of the movement.



Cotton Sale Societies have done wonderfully well and have been models for similar institutions in other parts of the presidency and in other provinces as well.

Evidently, the department and the non-official leaders do not see eye to eye with each other; the former cry halt, while the latter would advance and expand the movement. But unfortunately, the recent tendency all over India has been strengthening the official element so that non-officials feel quite helpless to implement their views and decisions. Dr. Gadgil, the head of the Gokhale Institute of Politics & Economics, Poona, who contributes a Forward to the book wants to cut the Gordian not by handing over the movement to the officials so that this dual control may cease, and one agency may be responsible for the movement as a whole. That remedy, however heroic, will not be accepted at least by Madras Co-operators. We have been always agitating for non-official lead and the late Sir Lallubhai Samaldas gave Madras credit for coining the word De-Officialisation. We would, therefore, suggest the formation of an Advisory Committee to the Registrar in the matter of laying down policy for the movement, so that the movement may follow the directions most wished for by the non-officials who actually work the movement.

A word of praise is due to the plentiful statistics which prove every statement made. The general effect of reading the book is rather pessimistic. We still hope however that the radical remedy advocated by Dr. Gadgil will not be adopted and that the non-officials will continue to have the controlling voice in the direction of the movement.

The Co-operators of Surat are to be congratulated on their having produced this fine study of the movement in the District as a Souvenir of Diwan Bahadur C. M. Gandhi's Chairmanship of the Surat District Co-operative Bank, Ltd., for an unbroken period of 25 years. I had the privilege of meeting Diwan Bahadur in December 1938 on my way to Karachi to attend the All-India Education Conference. Diwan Bahadur was pleased to meet me and take me to some of the Co-operative Institutions in the City. I am sure the Diwan Bahadur would have forgotten this small incident, but I cherish the memory of my contact with this great and able leader of Surat as a precious one and I am glad that the high esteem I formed of him is shared by the Co-operators of the District.

S. K. Y.

# EXTRACTS

## CO-OPERATIVE PROGRAM FOR PERMANENT PROSPERITY

Co-operators have a double reason for rejoicing to-day; they rejoice that the tragic casualty lists of war have again ended; they rejoice that a greater opportunity for the growth of the co-operative program of prosperity has now come. The victory over tyranny must now be followed by a victory over poverty.

One writer has expressed his relief by saying, "The heartaches are over—let the headaches come!" So say we all—no matter what the headaches of reconversion may be. And they will necessarily be serious. We cannot convert our economy to war and they reconvert it back to peace without tremendous readjustments.

### The Old Order Passeth

The job ahead is not simply reconversion to an old order. For we cannot reconvert our economy to-day back to what it was before. Two world shaking events have taken place which have made it impossible: the atomic bomb and the British election—a new form of physical power and a new form of social power have been born out of the womb of war. Both will have tremendous influence on the future.

The ending of the first world war brought Communism in Russia; the ending of the second world war brought Socialism in Britain; surely it is high time for every American to recognize the challenge to America to move forward to Co-operation faster. Or will it take a third world war to arouse us to action? The common man the world around is on the march, and he will no longer be denied his economic rights to employment and abundance. What are we, the people of America going to do about it?

Will we endeavor to turn back and "stagger in our vomit" as described by the prophet of old? Or will we accept that the old order is passing fast—that poverty, unemployment, tenancy and scarcity must go—that the competitive profit system "has been tried and found wanting"—that a New Day of Co-operation must come?

Will we recognize, as Senator McFarland has recently said in a two minute speech in Congress, that "with one exception—German Militarism, which we hope has been crushed forever—every cause of war which existed before the present war exists to-day?" We can no longer poultice the cancers of the old profit system with relief plasters to alleviate the pain; we must use a surgeon's knife and cut the cancers out at their roots.

### The Co-operative Program

What is the blueprint of the future—a future so near that the famous poet-economist George Russell could say, "We can almost reach out our hands and touch it"? There are four major planks in the co-operative program for permanent prosperity.

1. Mass production requires mass distribution of goods; mass distribution of goods requires lower prices and higher pay. We must distribute full purchasing power to all and eliminate the piling up of profits in the hands of a few who cannot consume the goods those profits represent.

How is mass distribution of purchasing power through lower prices and higher pay to be achieved? It cannot and will not be done by the voluntary action of the competitive profit system, no matter how many pious resolutions and pretentious plans are adopted. So long as the competitive profit system dominates our economy, the only way to remedy the deficiency of purchasing power it distributes is to take the excess incomes out of the pockets of those who receive them, by graduated income taxation, and redistribute them into the pockets of those who receive deficient incomes, through social security programs covering unemployment, illness, old age, etc.

2. However, it is not enough to alleviate the economic ills resulting from the failure of the competitive profit system to distribute full purchasing power. We must replace the system as rapidly as possible with a non-profit co-operative economy consisting of two majo kinds of organisation:



Transportation, communication, electric power and other similar industries, together with various natural resources which are monopolistic by nature must be converted into non-profit public corporations. Let it be clearly understood that these should not be politically controlled but rather controlled by all the people as ultimate consumers. Such public corporations would be an obligatory form of consumer co-operatives of which all the people would be members.

3. Other types of industry, both in the productive and the distributive fields, must be converted as rapidly as possible into voluntary non-profit consumer co-operatives. They should work hand in hand with farmer co-operatives and labor unions. Fortunately, the foundations for rapid extension of co-operatives and unions have now been well laid in America. These are the three principal methods of meeting the problems of conversion from war to peace—methods that will take us, not back to the old order of poverty for the many and riches for the few, but to a new order of prosperity for all. By adoption of these three planks of the co-operative program for permanent prosperity, we will distribute full purchasing power to all; we will provide full employment; we will eliminate poverty and tenancy.

4. As for the huge national debt and the equally huge national savings resulting from the money and credit inflation of the war, we should recognise both of them for what they really are—simply figures on pieces of paper—and gradually cancel them off the national ledger as time goes on. Unless we do, they may be the cause of civil war in our country between the haves and the have-nots.

The primary necessity which we face to-day is to extend the same democratic principles of liberty, equality and fraternity into the organization of our economic affairs that we have applied to a considerable degree in the organization of our religious, educational and political affairs. If these foundation stones of our nation are to become real, then our economic system must be made free, equal and fraternal; this is possible only by the adoption of a non-profit co-operative economic system.

### World Prosperity and Peace

As the second world war ends, the President and Vice-President of the Co-operative League, Murray D. Lincoln and Howard A. Cowden, are on their way to the first post-war meeting of the International Co-operative Alliance to meet with the representatives of other countries to speed the co-operative program for world prosperity. Only as such a pragram is adopted will the economic foundations of a peaceful world be permanently laid. The implementing of the World Charter of Political Peace is dependent upon the adoption of a World Charter of Economic Prosperity.

Hail to the passing of the day described by the poet, "where wealth accumulates and men decay." Hail to the coming of the day foretold by Bishop Gruntvig of Co-operative Denmark, "where few are rich and still fewer are poor." The day of deliverance of the people from the prisons of war and the poverty of peace is here. Hail to the coming of the New Day of Co-operation!

Now is the time to build Co-operatives faster and stronger.

—E. R. Bowen, *Co-op. Magazine*, September, 1945.

## THE NATIONALISATION OF INSURANCE

On the whole I am not an advocate of the nationalisation of industries, it would work badly and should not be put forward as a general policy. I think nationalisation should be confined to a limited number of industries of a particular nature; and I have no doubt whatsoever that insurance should head the list of those industries.

Industrial insurance, whether you look at it in England or Australia, definitely stinks. Of the premiums collected from poor families, 38 per cent are absorbed in profits and expenses. The number of lapses is about half the number of policies issued. The insurance racket is immensely strong, and is very well capable of preventing itself from being criticised. The only real criticism of British insurance companies was made by a Conservative M. P., Sir Arnold Wilson, who joined the R.A.F. and was killed at Dunkirk at the age of 58. He wrote a book on industrial insurance; any insurance man having read it would go and drown himself. He pointed out that the insurance racket works in four ways:

1. Very powerful financial interests operate the insurance companies.

2. There are strong Trade Union interests of the insurance collectors which ensure that the Labour Party and Trade Union Movement will never indulge in any criticism of the insurance companies.

3. There are also very large number of lawyers who suck the blood out of the victims of the insurance companies.

4. Perhaps the most despicable is the actuarial profession itself, which always places its professional knowledge unreservedly at the disposal of the insurance companies, however, much they exploit the community.

Sir Arnold Wilson also commented on the complete silence of the universities on the subject of insurance and its immense repercussions on the life of the wage earners. Sir William Beveridge, according to Sir Arnold Wilson, pointed out when he was the Director of the London School of Economics that it would be impossible for the School to undertake any criticism of the activities of insurance companies, for reasons which may be left to the imagination. Sir A. Wilson also quotes from the left-wing periodical, *New Statesman*, which every twelve months produces an 'Insurance Supplement' in which the activities of the insurance companies are belanded......

The British Cabinet (Mr. Churchill's) has rejected Beveridge's proposal for the nationalisation of insurance...It is obviously in a mood of muddle and indecision in this matter... No doubt we are up against a very powerful and a very stinking thing.

—Colin Clark in *The Advance to Social Security* (Melbourne New Press).

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## FEDERAL CROP INSURANCE IN U.S.

**Farmers who have to live with the weather have little to protect themselves from the hazards of draught, hail, excessive rainfall and plant diseases. In what way the crop insurance programme offers security to the farmer in U. S. is given below.**

Federal Crop Insurance is back in action on the farm front after a year's absence from the list of farm programmes.

Crop insurance had a five-year run on wheat and a two-year run on cotton before Congress called it back from the front line for overhauling during 1944. Late in 1944 Congress asked the Federal Crop Insurance Corporation to rush crop insurance back into action on the 1945 crops of cotton, flax and spring wheat, and also to test its practicability for other farm commodities.

Farmers have to live with the weather. The broad purpose of crop insurance is to protect the individual farmer against, the hazards of draught, floods, hail, fire, excessive rainfall, winds, plant diseases and insects. This protection helps to establish stability of farm income for the individual and for farm communities.

Principal reason why Congress discontinued crop insurance for 1944 was the fact that premiums were not matching losses closely enough to suit it. The Corporation had paid out about three bushels for every two collected in wheat premiums and nearly seven pounds for every four collected in cotton insurance premiums. Experience which was gained during the pioneering period provided a basis for altering the legislation with the objective of putting it on a self sustaining basis.



### Change In Programme

The revived crop-insurance programme is changed in some important respects designed to make it self-sustaining, so that the premiums which farmers pay for protection will in turn pay the losses of those who suffer crop losses. The costs of administration and operation of the programme are still borne by the Government.

The suspension of the first insurance programme did not decrease its general popularity. Farm leaders everywhere urged that it be given further trial. Both major political parties endorsed the principle of crop insurance.

The Federal Crop Insurance Corporation is tackling the new programme with a combination of vigour and caution. Protective provisions have been tightened, and operational changes have been made to make for better administration.

Actually, there isn't too much experience upon which to build a crop insurance programme. Previous attempts by private companies to write "all risk" insurance on growing crops were not continued long enough to furnish much guidance. However, the corporation has profited by some of the mistakes made by those ventures, all of which failed.

Federal crop insurance is written on a commodity basis rather than on a price basis. For example, a wheat grower is offered a guarantee of so many bushels of wheat in return for a premium calculated in bushels. If he has a loss, his indemnity is determined in bushels of wehat. Theoretically, this provides him with wheat to sell every year.

### Premium Rates

For yield and crop-loss information, the Federal Crop Insurance Corporation collected production data covering a period of years prior to the beginning of insurance from the Agricultural Adjustment Agency files, records of the Bureau of Agricultural Economics, and other sources. Appraisals were made for new farms and for farms on which yield records were not available. The loss experiences of farms in every community were studied, and premium rates were established accordingly.

Insurance of cotton, started three years after the beginning of wheat insurance was patterned closely after the wheat insurance, but many new problems had to be met. Unlike wheat, cotton is a cultivated crop making the personal element more important. Landlord and tenant relationships brought new problems in cases where there were numerous tenants or share-croppers on the same farm. Cotton more frequently than wheat is planted on land subject to flood.

To operate on a nation-wide basis, the programme required an extensive selling and loss-adjustment organization. During the first years, these responsibilities were assigned to the Agricultural Adjustment Agency and its farmer committeemen in every county. Crop insurance was sold and losses were Adjusted by AAA committeemen under direction of the FCIC between 1939 and 1943.

Whatever the weaknesses of the first programme many a farmer will admit that he still holds title to his farm because of it. The FCIC files aren't lacking in testimonials.

### Cotton: Insurable Crop

Under the present programme flax produced for seed has been added to wheat and cotton as an insurable crop. On these three crops farmers are insured against loss of yield with a choice of protection up to fifty per cent or up to seventy-five per cent of the average yield for the farm.

In trying to avoid pitfalls of former years, certain changes have been made. One programme innovation is "progressive" coverage, which provides for increased protection with the progress of the growing season. The logic behind this method is that losses occurring early in the season are not as serious as losses later in the season when additional production costs have been incurred. For example, under the original programme a wheat farmer having seventy-five per cent coverage on a 100-acre farm with a 16-bushel average yield, in the event of a total loss, would collect an indemnity of 1,200 bushels. Under the new programme he would in identical circumstances, collect a premium of 960 bushels, reflecting a reduction of twenty per cent to cover what the farmer would normally pay out in harvesting expenses.

A change also has been made in the method of adjusting losses. The Federal Crop Insurance Corporation will employ, train and supervise adjusters in place of the AAA farmer-committeemen formerly used. This, the FCIC feels, will make for more uniform adjustments.

County AAA committees still have responsibility for selling crop insurance, but, in addition, the AAA can designate agents other than committeemen to sell crop insurance on a commission basis. Bankers, merchants, regular insurance agents, elevator representatives and others may be appointed.

Another major change requires minimum participation before crop insurance is made available to growers in a county. Applications from at least fifty farms or from one third of the farms producing insurable crop are now required.

Beginning in 1950, if losses paid for an insured crop exceed premiums collected, indemnities will be paid to farmers on a prorated basis.

### Computing Premium

The method of computing premium rates has been revised, so that an individual farmer may find that insurance under the present programme costs him a little more or less than formerly. Where past premium rates varied from farm to farm, they are now computed in the case of wheat and flax insurance on a flat basis for a county or an area within a county. Exceptions are made for extremely hazardous farms, with premium rates adjusted to cover any additional risks.

Insured yields will continue to vary from farm to farm on the basis of the farm's production history. Insurance will not be offered on certain farms or in areas where the risk of loss is so high and unmeasurable that sound insurance cannot be written.

The experimental insurance test for any commodity is limited to twenty counties and to three years. Three new commodities may be added each year for trial. Annual progress reports to Congress are required.

Trial insurance programmes are now under way on corn in sixteen counties, and on tobacco in eleven counties, scattered through representative producing states. Two types of insurance are offered to growers in the test areas. One follows the pattern of the regular insurance programmes on wheat, cotton and flax, and in the case of tobacco, quality as well as yield is protected. The other plan, called "investment" insurance, operates on a cash basis. It offers the grower protection up to seventy-five per cent of the investment in his crop. Production costs are determined on an area basis by the FCIC in co-operation with local agricultural leaders.

Crop insurance was born out of a general demand for an increasing certainty and continuity of income for the former. It fills an age old gap in the farm security structure.

—*Indian Spectator*, July 23, 1945.

## ACTIVITIES OF THE MILK MARKETING BOARD IN U. K.

The Milk Marketing Board is composed of 15 representatives elected by a demoratic vote of the farmers themselves and two nominated members. The task confronting the Board on its creation was to achieve stabilization in the dairy industry. The Board were invested with powers which compelled the registration of all milk producers who hence-forth could only sell their milk in accordance with the terms and directions of the milk Marketing Board. In 1933 about 86,000 producers were selling their milk by wholesale contract. Five years later the number of contracts had increased to 101,090. Similarly, in 1933 47,000 producers were selling their milk by retail. In 1939 the number of licences current had increased to 63,000. This must be taken as an indication of the confidence producers reposed in their own organization.

*Activities of the Board.*—One of the principal duties of the Board was to negotiate prices of milk by agreement with the distributors or failing that a Government-appointed nominee described as 'an appointed person' was given the responsibility of fixing the price When the Board commenced operations it raised the price to producers to 1*s* 2*d* per gallon. Distributors received 10*d* per gallon for distribution which enabled the milk to be sold by retail at 2*s* per gallon. These were minimum prices which could not be undercut. It must not be assumed that the wholesale producer received 1*s* 2*d* per gallon because this price was subject to a substantial reduction to meet the loss on manufacture, a fundamental principle of the scheme being that the proceeds for milk should be pooled and the total sum less a small charge for administration be sub-divided amongst all producers.

As a simple illustration we may assume that one gallon of milk was sold for liquid consumption at a price of 1*s* 2*d* per gallon and that other milk sold for manufacture did not realize more than 6*d* per gallon. Assuming that half for manufactures this would give us a gross figure of 1*s* 8*d* for the two gallons or 10*d* per gallon.

It did not work out quite in this way because the proportion of manufactured milk was not so high as 50 per cent. The producer was also subject to other deductions for transport and transit risk so that whereas a price of 1*s* 2*d* per gallon may have been the nominal wholesale price, the producer in many cases received no more than 10*d*. This, however, was a considerable addition on the prices obtaining immediately before the introduction of the scheme.

To secure a permanent improvement in price it was necessary to sell as much milk as possible in liquid form and thus avoid the necessity of manufacturing the surplus. Strenuous efforts by publicity such as the promotion of Milk Bars and the introduction of the Milk-in-Schools Scheme together with a scheme whereby employees consumed a daily quantity of milk during their hours of employment failed to bring about any real improvement because at the end of five years the quantity of milk manufactured had risen from 24 per cent to 29 per cent of the total. This must not be taken to imply that less milk was sold in liquid form but rather it was an indication of the attraction of the Milk Marketing Scheme to farmers, enaged in other far less profitable activities, who were tempted to commence the production of milk.

One fact which must not be lost sight of is the low purchasing power of the British population during the years of depression and thus in many of the highly industrialized areas where unemployment was rife it was common to find an extremely low per capita consumption of liquid milk—one sixth pint per head per day was the estimated consumption on the north-east coast. Therefore, the surplus was entirely an artificial one created by the low purchasing power rather than lack of demand.

This has been demonstrated very clearly by the National Milk Scheme introduced by Lord Woolton in 1940 whereby expectant and nursing mothers and children are all entitled to receive one pint of milk per day. To explain it in another way, in the first year of the Scheme, 1933-34, about 866,000,000 gallons of milk were sold in liquid form and 24 per cent of the total production had to be manufactured. In the last year liquid consumption has been well above one thousand million gallons which is a record total, and yet the adult population are restricted through most of the year to a quantity of 2 or 2½ pints per week. It seems obvious that had the Government been prepared to subsidize the consumption of milk in the years before the war to the extent that they have done so since the outbreak of hostilities there would have been little surplus milk for manufacture. Under war-time conditions the Milk Marketing Board have been subject to the directions of the Ministry of Food. The producer has been given a guaranteed price as has the distributor. Taking the average price paid to the producer during the past year at 2*s* per gallon and about. 1*s* for the distributor we reach a total of 3*s* per gallon which is the present retail price of milk. It must, however, cost the Ministry of Food many millions per year to meet the expenses of the National Milk Scheme and to pay the allowance for transport which the distributors can claim. This is in accordance with the Government policy of maintaining food prices at a regular level by means of subsidizing the consumer.

*Achievements of the Board.*—It would be quite fair to claim on behalf of the Milk Marketing Board that but for its existence British Dairy Farming would not have been in position to take on the enormous burden which it has shouldered during the war, and in no stage of the limited preparations for war made by Great Britain could any greater successes have been achieved than by the policy of agricultural marketing which brought to an end the wholesale bankruptcy and enabled producers to concentrate on the task of production with the sure knowledge that they would receive a reasonable price and would be absolved from all problems such as marketing and collection of money, a task which has been undertaken on their behalf by the Milk Marketing Board, whose business it is to pay to each of the wholesale producers a monthly cheque for the milk delivered during the previous month. Similarty, the Board obtain from the buyers the amount of milk so delivered.

—*Indian Farming*, November, 1945.

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# COOPERATIVE CONFERENCES AND MEETINGS

## THIRTY-SECOND MYSORE PROVINCIAL CO-OPERATIVE CONFERENCE

**13th October 1945**

### Extracts from the Welcome Speech by Lokasevasakta Mr. C. S. Kuppuswamiengar, President of the Mysore Co-operative Institute.

During 1944-45, the Co-operative Movement showed a marked improvement. There were 2,501 societies at the end of the year with a membership of 2,83,100, share capital of Rs. 83 lakhs and a total working capital of Rs. 422 lakhs as against 2,410 societies with a membership of 1,90,000 a share capital of Rs. 62 lakhs and a total working capital of Rs. 314 lakhs in the previous year. The deposits held by them amounted to Rs. 190 lakhs, their reserve funds to Rs. 62 lakhs and their net profits to Rs. 8.1 lakhs during 1944-45; while in the previous year their deposits amountd to Rs. 158 lakhs, their reserve funds to Rs. 41 lakhs and their net profits to Rs. 6.25 lakhs. Co-operative societies played a prominent part in the distribution of food grains; 192 urban and 560 rural societies took part in the work and their total sales amounted to Rs. 2.5 crores.

On 30—6—1945 there were 75 land mortgage societies with their operations extending over 72 taluks and 3 sub-taluks. The loans granted so far by the Central Land Mortgage Bank amounted to Rs. 29.38 lakhs in 2,734 cases. A noticeable feature was that the Bank had not only recovered all its dues but had also received a sum of Rs. 30,853 in advance of the due dates.

The Provincial Co-operative Marketing Society was started during the year under report. On 30-6-1945 it had 159 members on its roll and its purchases and sales amounted to Rs. 74,638 and Rs. 66,938 respectively. There were 31 marketing societies at the end of the year. The Malnad Areca Marketing Co-operative Society of Shimoga, the Arasikere Cotton Co-operative Society and the Saklespur Bee-keepers' Co-operatve Society are reported to have turned out good work. The Marketing Societies have rendered a great service to the agriculturists in regard to the distribution of Koleroga materials and agricultural implements. Their sales in this direction amounted to more than Rs. 4 lakhs.

### Extracts from the Presidential Address by Mr. B. R. Krishnamachari

During the past 40 years the co-operative movement has been in existence in our State, the progress made has been slow, and it has touched only the fringe of the total population. On 30th June 1945 there were only 2,501 Co-operative Societies with a total membership of nearly 3 lakhs for a population of about 74 lakhs. The remaining 71 lakhs of people are yet



untouched by this movement and only 4 to 5 per cent of the total population has been brought within its fold so far.

Co-operation, being one of the nation-building institutions, its slow progress in the past should not discourage or disappoint us. It has stood the test of time and has come to stay. Although only about 4 to 5 per cent of the total population have taken to this movement so far, there is every prospect and probability of its rapid onward mach if proper ways and means are adopted both by the Government and the public.

As nearly 80 per cent of the population live in villages and the rest in rban uareas, any scheme intended for the economic uplift of the people in the State must be so framed as to benefit that large number. The ryots are mostly poor and deeply indebted. They have no reserves. They sell the major portion of their produce soon after harvest when the prices are very low in order to pay land assessment and the debts due to the village money-lenders who take the first opportunity to recover their loan amounts. It is at this season that the middlemen and the Mandi merchants of Urban areas are most active and commit havoc by exploiting on the ignorance and helpless condition of the ryots. The rest of the produce will hardly be sufficient to take the ryots through to the year end. Fresh borrowing will accordingly become inevitable and indebtedness is perpetuated. Remedies must be found to prevent this catastrophe. There must be an intensive literacy drive in rural areas and the elementary principles of Co-operative movement and its advantages must be brought home to them. And, facilities must be created by the Government for marketing the agricultural produce so as to secure the best prices at an early date.

The case of landless agriculturist labourers who constitute nearly 30 per cent out of 80 per cent of village population and who have to labour on the fields for low wages to eke out their livlihood and who are on the brink of starvation when there is no employment for them does not seem to have been seriously considered by the promoters of co-operation so far. They are men of no property and no credit can safely be given to them. But, it is in their case that credit is necessary. For a group of villages, say within a radius of 5 miles, a Co-operative Credit and Stores Society may be established and all villagers admitted as members. The credit section of the Society should lend to its members for domestic expenditure and consumption purpose. In the case of landless members, their wage-earnings have to be estimated and leaving a margin of about 30 to 50 per cent loans have to be sanctioned to those members. But such credit will not be paid into their hands, but deposited with the Stores Section. The Stores will supply the domestic needs to the extent of the deposit. The Credit section has to make arrangements for collecting the loan from the wages earned by those members. If any member makes default in repayments, the Credit section will instruct the Stores section to stop supplies. Since the loans to these members will be of small amounts and will be collected in diblets, risk of loss will not be great. The advantages secured by these members will outweigh all temptation for default. These loans may be granted on the joint personal security of the member concerned and one or two other members of the Society. This system is well worth a trial.

Rural Credit Societies which cater only to the ryots' agricultural current needs by lending money should be converted into Multi-purpose Societies which can cater to some of their other needs also. They should purchase manures and improved seeds wholesale and sell them retail to their agricultural operations such as improved ploughs, sugar-cane pane, sugar-cane crushers, paddy hullers, etc., which it is not possible for individuals to purchase and own and lend the same to their members for a small hire.

Luckily we have at present many Rural Credit Societies functioning as Stores Societies also, controlled commodities being supplied by the Government for distribution at fixed rates. Advantage should be taken of this situation and combined Societies or Multi-purpose Societies as they are called may be constituted by making suitable changes in the Bye-laws and business may be profitably expanded on the lines indicated above. These new Societies will be functioning as Credit-Stores-Supply Societies in the place of 3 varieties now existing. It may be an ideal and a consummation devoutly to be wished for that Rural Societies should be constituted as to comprise all aspects of an Agriculturist's life. To introduce such a comprehensive and an all-out scheme would be revolutionary and would tend to undo the structure which has been built and developed during these 40 years and to complicate the movement which may result in its utter collapse.

The root cause for the slow progress of this movement is the lack of Co-operative Education. The public both in Urban and Rural areas have not become Co-operative minded. Co-operative feeling and Co-operative Consciousness have yet to come in the case of a very large number of the population. On 30th June 1945, although there were 2,501 Co-operative Societies in the state with a membership of about 2,83,100, only 306 societies and 55 individuals had enrolled themselves as members of the Mysore Co-operative Institute. A sum of Rs. 400 graciously granted by the Government for Training Classes was not drawn as the Classes themselves were not held owing to the number of candidates being too small. Many of the short comings of the movement are observable at the time of Elections to the Committees and Boards of Management of Co-operative Societies. Although Co-operation is a Democratic institution where every member is expected to exercise his right of franchise freely and voluntarily, currents and undercurrents are rampant and the best man is not oten elected. The candidate who begs and cringes, the candidate who entertains voters at parties and the candidate who is rich and influential gets a seat although he is a second or a third rate man to the exclusion of the very best man. After the elections are over, there is apathy and lack of interest shown in the management by a majority of members. There is a loud cry against the members of the purchasing Committees in Stores Societies and against the staff. Temptations are great and opportunities for leakages are many. It is common knowledge that large quantities of commodities are unaccounted for and are generally written off. Administrative and clerical staff require proper training to run various types of co-operative organisations satisfactorily. Members themselves have to be educated in order to enable them to exercise their rights and discharge their responsibilities. It must be brought home to them that it is every member's right as well as his duty to participate in the deliberations of the institution to which he belongs. Intensive and sustained Education in theory, principles and practice of co-operation is essential for a rapid advance of the movement.

"Propaganda" is another method of Co-operative Education—that is propogating the aims and ideals of the movement through publication of Co-operative literature, magic lantern lectures, Cinema shows, Exhibitions and Radio broadcastes, so that the people may easily understand the advantages of joining the movement.

Co-operation must form a compulsory subject in the Secondary and in the College courses of Educational institutions.

Co-operative Research has not yet been seriously thought of and no provision has been made therefor. The need for a continuous study and research of Co-operative problems has not yet been realised in the State. A small percentage of net profits of all societies should be pooled into a Central Fund and the same utilised for purposes of Co-operative Research and Co-operative Education.

There is no New world Order so far as the principles and ideals of co-operation is concerned. The principles and ideals of co-operation are more than a century old and they are there for ever, and the movement has taken root all the world over. The success of the movement depends upon the machinery set up to work out these principles into action and the capacity of the people to imbibe them. The wheels of the machinery which has been working in our State during the past 40 years have got stuck upon the road to progress which is full of pits aud ruts. If the machinery is not changed suitably and the mind of the public made receptive, even the next 40 years are not likely to take us far. There must be a re-orientation of this agency whose working has become steriotyped. It is for the Experts o the Economic Conference which has, *inter alia*, this movement on its agenda to find out ways and means to alter the existing machinery suitably and to set it going faster and achieve quicker and more satisfactory results than in the past.



**The following resolutions among others were passed at the Conference:—**

That co-operative societies be exempted from payment of Municipal Tax in respect ot mortgage deeds executed in their favour.

That the Government be requested to appoint Lady Inspectors of Co-operative Societies to organise and supervise Women's Co-operative Societies.

That the Regulated Markets Act be brought into effect as early as possible throught out the State.

That this Conference requests the Government to give due place for Co-operation in the Post-War-Reconstruction.

That this Conference recommends to Government to arrange for the supply of agricultural implements and spray materials to co-operative societies for sale, and to recover the cost of the same as and when sales are effected and to take back the unsold materials.

That this Conference urges on the Government the necessity of issuing Takavi Loans at low rate of interest to rural and other co-operative societies for lending in their turn to their raiyat members, and arranging for the recovery of the same in easy instalments.

That the following scheme for appointment of Co operative Life-Workers be approved :

(1) The Mysore Co-operative Institute will train men and women who are prepared to devote their lives to the cause of Co-operation in a missionary spirit.

(2) Every worker, on admission, shall undergo a special training for a period of three years- During this period be will be called a Probationer.

(3) Every Worker shall, at the time of admission, give a pledge in writing embodying the following views :

(*a*) That he will give to the service of Co-operation the best that in him;

(*b*) That in serving Co-operation, he will seek no personal advantage for himself;

(*c*) That he will lead a pure personal iife ;

(*d*) That he will be eontent with such provision for himself and his family, if he has any, as the Institute may be able to make, and devote no part of his energies to earning money for himself ;

(*e*) That he will always keep the true ideals of Co-operation and the objects of the Institute and will never do anything which is inconsistent was them.

(4) Every Probationer shall place himself under the guidence and control of the Governing Body of the Institute and shall do such work and devote himself to such studies as the Governing Body may direct ;

(5) The Governing Body may confirm a Worker in his appointment at the end of the probationary period provided that he is found to be satisfactory ;

(6) The Governing Body may release a Worker from his pledge and permit him to resign on the ground of continued illness or for any other sufficient cause ;

(7) The Governing Body shall have power to remove any Worker who is found to be unsatisfactory ;

(8) Every Probationer will be granted an allowance of Rs. 30 per month ;

(9) Every worker will be granted an allowance of Rs. 40 per month for the first five years, Rs. 50 for the next five years and Rs. 60 afterwards.

(10) Every worker shall be entitled to leave according to the Government Service Regulations.

(11) The life of every worker will on confirmation be assured by the Institute in favour of the President of the Institute for the time being for a sum of Rs. 2,000 payable at death. On the death of a worker whose life has been assured, the President shall pay the

amount recovered on the Life Policy of the deceased to such member or members of his family as the Governing Body may determine in the absence of any direction of the deceased by will or otherwise in writing. If a worker resigns or is removed, he and his family shall forfeit all claim to the benefit secured to him or them under this rule;

(12) The Governing Body may frame subsidiary rules to regulate the work of the workers.

## ALL-INDIA CO-OPERATIVE DAY

**Summary of the speech delivered by Sjt. J. C. Kumarappa, Organiser and Secretary, All-India Village Industries Association' while presiding over the last Co-operative Day Celebrations at Nagpur on the 1st November, 1945.**

The Registrar, Sjt. Nagarkatti, criticised the A.I.V.I.A. in his speech, as standing aloof and not pulling its full weight with the co-operative movement in the work in the villages. I have gone through Sjt. Nagarkatti's five year plan. He impressed me as being a sincere officer who has taken his job seriously. Hence his remarks merit our considerations and cannot be dismissed lightly.

To begin with, the co-operation that Sjt. Nagarkatti has in mind is organisational co-operation falling within the four corners of the Co-operative Acts. This has no meaning to me. If we want co-operation we have to ellicit it from the people by gaining their confidence and serving them disinterestedly. They have to be drawn towards us. There is more coercion than co-operation in the enforcement of the Act in practice, for the simple reason that there is no homogenity in the group. The Registrar represents the mighty British Empire and the people are poor helpless peasants. How can these unequals co-operate? I see on one of the banners on the wall "Free India in a Co-operative Commonwealth". What is a "Co-operative Commonwealth"? Co-operation requires equality of all the units in their capacity to work together with a common purpose and for mutual benefit.

From the economic point of view, the atmosphere in India is vitiated for any co-operation between the Government and the people. There is no unity of purpose. The Government represents the interests of the big industries of Great Britain and if they have any interest in the masses it is only to see how best to exploit them. Any one who evinces the least real interest in the masses will soon be placed out of harm's way-behind bars. I may be permitted to recount my own experience. In 1942, when our currency began its inflationary course upwards and the Government was sending out of the country commodities bought at controlled rates with paper notes, I warned the people of an approaching famine if those conditions were allowed to continue. I was prosecuted. When I pleaded that I was doing my duty by the people, the trying Magistrate stated that was not the approach he was concerned with. He was only to see what would have been the effect of the course suggested by me on the military. If they did not get their supplies readily it would adversely affect the war effort. This was punishable under the D.I.R. So he sent me for two years' hard labour! This incident clearly shows that the basis of co-operation—a common purpose—is lacking. Until the all-absorbing interest of the Government is the well being of the citizen, we who desire the welfare of the masses cannot advocate any co-operation where there is such diversity of interests. Hence it is that the A.I.V.I.A. does not find it possible to pull its whole weight with the Co-operative Department of Government.

Leaving institutional and organisational co-operation, let us now pass on to real co-operation. What is the place of Co-operation?

Man strives to meet his daily needs by his economic effort. He is a member of a social group. Therefore, he has to see that his individual effort does not run counter to the interests of the whole group. In group life, certain things conform to a short-range treatment and some others call for a long range view. A forest cannot be allowed to be cut for fuel according to the wishes of individual citizens. The forest utilisation plan may well run into fifty years. In such cases, the working of long-term organisations or institutions are



entrusted to a group of persons who can be relied on to look at affairs from a detached view-point. Co-operative Societies should function in such matters and work in the interests of the whole group. To be so entrusted, these societies should command the confidence of the people. In a sense, the state itself should stand in this place and be a principal partner in the business of the people. At present, the Government in India cannot be trusted further than you can see. How can it claim to have the affairs of the unborn generation placed in its hands?

Then, again, where certain services cannot be obtained by individuals because they are beyond their financial means, such services too should be obtained by co-operation. It is not possible for individual potters to carry on research in the methods of glazing, nor is it possible for them to maintain high temperature furnaces for their individual wares. But these can be rendered or obtained co-operatively if the co-operative organisation can be trusted not to work with a profit motive but in a spirit of service. A Co-operative Society has not to exercise its rights, but should be known for the punctilious performance of its duties to its constituents. In this manner, the production of the masses can be increased both quantitatively and qualitatively.

Proper co-operation will lead to equitable consumption also. Any business transaction that does not lead to the mutual benefit of both the parties to the exchange will result in gain of one party and loss to the other. Such a condition cannot be tolerated where a co-operative commonwealth is contemplated.

True co-operation will bring about a cultural development of all constituent parts. Material advancement is not the only aim of co-operation. If we ensure mutual co-operation amongst a group of individuals we shall also have as a necessary consequence the furtherance of the moral values holding sway in the group. In this manner, co-operation of the right type serves to usher in civilization along with material prosperity which is the only course open to mankind to ensure peace in the world. In such a world alone can Free India form a co-operative commonwealth.

*Note*—We have received reports from all over the country about the successful celebration of the Co-operative Day. Owing to exigencies of space we are not able to give a complete account of the celebrations.

—*Editor*.

## BAKARGANJ DISTRICT CO-OPERATIVE STORES CONFERENCE

**November, 6, 1945.**

**Extract form the Opening Speech of Prof. Benoyendra Nath Banerjee, Calcutta University.**

It is a proud privilege to be called upon to inaugurate a conference to rally the forces of brotherhood and co-operation in an attempt to rid our country,—still suffering from the maladies of a system that is responsible for aggressive wars and a man-made famine,—of the festering sores of greed parochialism and denial of the moral values of man. As a student and active worker in the cause of the co-operative movement in the country for well over 15 years, I should have, by this time lost all enthusiasm. Bengal of all provinces had the continuous misfortune of an administration which has regarded co-operative activitives as of the least consequence and the department the dumping ground of misfits and party patronage, and whose politicals have steadily ignored the potentialities of the movement even to the extent of allowing charlatans and organised capitalists to fleece the people "until political swaraj came", culminating, in the words of the Woodhead Commission's report, in the shameful dealsunder which "every death in the famine was balanced by roughly a thousand rupees of excess profit." But, I have never despaired, because my faith in co-operation is organically bound with the broader picture of swaraj whose socio-economic content is now generally enunciated in the 'People's Plan for the Economic Development of India." Co-operative endeavour is the very bed-rock of social democracy in a country like ours; and I feel that it is through co-operative panchayets that the basis of Indian Soviets may be strengthened, galvanised and concretised. Negatively speaking profiteering, the exploitation of man by man for selfish and group ends, the repudiation of egalatarianism, and economic backwardness can be effectively checked under properly conducted co-operative endeavour. It is a call to that goal through purposive co-operative organisation that should, in my view, be the meseage of this conference.

### Governmunt's Post-War Plan

It was, however, with great dismay that I went through the sections and schemes relating to the co-operative movement in the "Preliminary Draft" of the Bengal Government's twice-belated "Post-war Reconstruction Plan." Co-operation is treated therein as just one of the departments and the scope of planning through co-operation is indicated by the euphemistic testimony that "there is no better way of helping the small cultivator than through co-operative effort." I do not intend to take you through the details of the 18 schemes relating to the Co-operative Department in the compendium of 199 "catechism of schemes" constituting the Bengal Government's Plan. The schemes mostly relate to the creation of new posts and endowing additional emoluments to the encouragement of the new fad of making experts of officers as a result of the "enlightenment-tours" being organised as part of the financial adjustment between Great Britain and India, also to the basic rehabilitation of the credit structure of the movement from the discredited bottom to the Apex Provincial Bank. This last sceneme (No. 109) has certain features which should commend themselves to every co-operator in the province, *e. g.*, the anti-economic and improper influence so long given to debtor-banks, the reduction in the rate of interest, and active participation by the Government etc. But this scheme read with others, especially the scheme for the rehabilitation of the Agricultural Credit Movement, show the meagre amounts sought to be placed at the disposal of the formidable task of tackling the problems of agricultural finance. Lack of imagination and boldness characterise these poor essays at "overhauling and reconstructing" the "entire structure of co-operative credit." The shaky "BASHAS" of co-operative endeavours miscalled structure had long been blown away from their possible roots in public confidence, thanks to official misdirection and interference and the greed and selfishness of the jo-hukum' co-operative non-officialdom sponsored and maintained in the interests of politics, nepotism and misapplication of funds. The failure of India's first Co-operative Insurance endeavour—The Bengal Co-operative Insurance Society; the liquidation of the Bengal Co-operative Organisation Society; the tardy progress of the Co-operative Milk Union; the Jute Sale Societies' debacle and the poor record of the Provincial Bank and particularly of land-mortgage banking in this province are sad commentaries, not so much on popular or genuine co-operation but on the spurious variety foisted on us.

### Basic Reforms

As one who had intimate knowledge of some of these institutions and also of similar activities in India, may I place before you some basic requirements for creating the atmosphere under which genuine co-operation may thrive? First, I should place the need for making the movement a popular one, based on popular demands, run by the men who feel where the shoe pinches. That *dozen* of Irish co-operation—Sir Horace Pleunkett—had lamented in his evidence before the Linlithgow Commission on Agriculture of this lack of a popular urge motivating the co-operative movement in India. Such an urge may only come when the movement is rid of the trammels of official red-tape and the departmental officer's gaudily-robed CHAPRASI in front of the office-room. Nothing, therefore, could be a better augury for launching such a re-orientation than conferences like yours and the example of the youthful sponsers of the Bakerganj co-operatives in recent years. The best school of co-operation is co-operative democracy in action and I am sure the basic of a vigorous movement is thus being well laid.

Next to this comes the need for a bold bid for power in the economic counsels of the province by those who belive in co-operation. The growing influence of Big Business on the state-in-transition in India, on the older political parties and the organs of expression has been characterised as a menace, comparable to the situation in Germany preceding Hitler's



advent. It is high time that men who work in the fields and factories, the consumer and the tax payer who pays the piper and the experts and scientists should come together in devising and running a scheme of things in which the common man comes to enjoy the heritage to which, in all reason, he is entitled. And ours is a movement which can comprehend all the nation-building activities and which should have made the Civil Supplies departments and the channel of committees (which had to be created to fill in the gap in the peculiar administrative system of the province), unnecessary, if co-operation had a chance to grow and provide the shelter and security offered by the proverbial BANYAN tree in Indian lore.

No less important however, in my view, is the necessity of a complete overthrow of the antiquated land system—the breeding ground of intermediaries and interlopers in the economic sphere as money-lenders, landlord's agents, ARATDARS' beparis, etc.—if co-operation, and for the matter of that any rational economic system is to thrive. Sir Manilal Nanavati, a member of the Famine Commission, and President of the Indian Society of Agricultural Economics has recently added the weight of his authority to this proposal in his supplementary note to the Final Report of the Famine Commission. It is, therefore, a matter of sincere regret to those who do not think of co-operatives as a relief-centre and poor-house organisation for the indigent in one's own lzamindary, to find that the Floud Commission's recommendations have been safely placed in cold storage for years to come.

### The Co-operative Way

Bengal with her great resources of men, minerals, water-power, raw materials, scientists and finance can achieve wonders. Electrification and planned economic development comparable to the TVA schemes in U.S.A., may be reproduced, as proposed sometime ago by an expert, in not only the Damodar area but of also elsewhere in Bengal. If the Soviet's example is emulated, co-operation may bring about this veritable revolution. We aspire to transform the face of our country by democratic, free, co-operative methods and it is this faith which should give us the strength to plan boldly and wrest the leadership of the movement from the timid, routine-bound, departmental tutelage.

Friends, I have already, in my enthusiasm, covered wide grounds in much too straightforward language, and I should now desist. But before I do so I should again protest against the Bengal Government's attitude to co-operation as expressed in the latest attempt at administrative re-organisation according to the Rowlands Committee's Report. The Department of co-operation is getting the appendage of Relief added to it. Names do not matter always but the attitude betrayed is the old one of regarding co-operation as the poor-man's solace and the rich neighbour's sop to conscience. We envisage for the movement a vast field of work and a big future undeterred by the follies of the past, because it would be co-extensive in function with human needs and shall be the agency of economic activities cutting across the barriers of classes,—of the two worlds of the rich and the poor. Until that stage of recognition for our movement comes, our conferences must not only be a forum of discussing mutual problems but also a platform for putting forth our claims and proclaiming the inherent economic and ethical superiority of the co-operative way. The achievements of co-operation on a world scale even in a world whose topmen are wedded to the other ways are as yet hardly realised by many in this country. To such unbelievers I always recommend the scholarly work of my teacher the late Professor Stanley Jevons: a scientific study led him at the end of four decades of academic work as an Economist in Great Britain, Australia and India in finding in co-operation the way of the common man's salvation. No relief, nor rahabilitation, but a veritable revolution is vouschared by the co-operative way of life and living and to that consummation let us here in historic Barisal re-dedicate ourselves.

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## THE ALL-INDIA CO-OPERATIVE INSURANCE SOCIETIES' CONFERENCE

**Bombay, 10th and 11th December 1945**

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

"This Meeting of the All-India Co-operative Insurance Societies' Association is of the considered opinion that, in view of restrictions on investments of Insurance Companies already placed under Section 27 of the Insurance Act, 1938, to which the Co-operative Insurance Societies are also subject, the further restrictions on their powers to invest, imposed by various Co-operative Acts in force, place them at a considerable disadvantage as against other Insurance Companies. These restrictions result in their realising on their funds a comparatively lower rate of interest, which has far-reaching consequences. This Meeting, therefore, requests the Provincial Governments, the Government of India, the Governments of the Indian States and other authorities concerned to remove all restrictions on investment of funds imposed by Co-operative Societies' Acts.

"This Meeting of the All-India Co-operative Insurance Societies' Association begs to draw the earnest attention of the Central Government in the matter of assessment of Co-operative Insurance Societies to income-tax, with particular reference to the anomalous position created in the case of Co-operative Insurance Societies by, on the one hand, exemption under Section 60 of the Indian Income-tax Act from taxation of the profits of a Society and on the other, by taxation of the income derived by the Society from interest on Securities or Dividends. There is no justification for this so far as Co-operative Insurance Societies are concerned, as, by the very nature of their business, they have got large Life Funds, which have to be invested. The earnings of these funds cannot be construed as profits. This Meeting, therefore, strongly urges upon the Central Government to remit the tax payable by the Societies on the income derived by them from investments on Government Securities.

"The attention of this Meeting of the All-India Co-operative Insurance Societies' Association has been drawn to the Orders made under the Payment of Wages Act by the Provincial Governments, whereunder deductions from the wages of an employed person are not allowed to be made for the purpose of making due payments in respect of any scheme of insurance other than the Postal Insurance Scheme, unless such schemes are approved by the Government. Such Orders have debarred employees from insuring their lives and arranging to pay the premiums thereon directly by a deduction from their wages by the employer or by their Co-operative Society except under the Postal Insurance Scheme. This Meeting is of the emphatic opinion that Policies issued by Co-operative Insurance Societies should be put on the same footing as those under the Postal Insurance Scheme and that the said Orders under the Payment of Wages Act be amended accordingly, so that employees who become members of Co-operative Societies, can place their insurance with Co-operative Insurance Societies and have their premiums deducted from their salaries or wages.

"This Meeting of the All-India Co-operative Insurance Societies' Association welcomes the development of Housing Societies on co-operative lines, and with a view to relieve the present acute shortage of decent housing accommodation, both in the urban and rural areas, requests all Co-operative Insurance Societies to render the necessary financial assistance by means of loans at reasonable rates or otherwise to such Societies. This Meeting further requests the Central and Provincial Governments, the Governments of the Indian States and other authorities concerned to formulate schemes for enabling Co-operative Insurance Societies to render the necessary financial assistance to Housing Societies by guaranteeing the security of capital and reasonable interest. This Meeting further requests the Central Government to treat such investment as falling within the scope of Approved Securities for the purpose of Section 27 of the Insurance Act, 1938.



"This Meeting of the All-India Co-operative Insurance Societies' Association requests the Provincial Governments, the Government of India, the Governments of the Indian States and also quasi-Government Bodies, Local Bodies and other employers of labour on a large scale to encourage the habit of insurance amongst their employees by grant of special facilities such as permitting them to utilise their accumulated Provident Fund amounts towards payment of premia on Policies taken out with Co-operative Insurance Societies and by assisting in the recovery of the premia by direct deductions from their salaries'

"This Meeting of the All-India Co-operative Insurance Societies' Association is of the opinion that all Co-operative Insurance Societies registered under a Central or a Provincial Co-operative Act or a Co-operative Act of an Indian State should be recognised as registered under a Co-operative Act both in British India and in the Indian States on a reciprocal basis.

"This Meeting of the All-India Co-operative Insurance Societies Association recommends that reinsurance by a Co-operative Society shall be placed with a sister Co-operative Insurance Society, as far as possible."

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| | Rs. | | Rs. |
|---|---|---|---|
| Capital ... | 6,70,400 | Cash ... | 12,34,581 |
| Reserves ... | 36,80,330 | Investment in Govt. Securities ... | 1,69,35,742 |
| Deposits ... | 2,61,46,570 | Other investments ... | 2,77,000 |
| Loans ... | 10,80,849 | Loans and Overdrafts | 1,28,07,924 |
| Sundries ... | 1,95,461 | Premises (acquired entirely out of profits Rs. 3,58,401). | |
| Profit & Loss A/c. ... | 2,60,219 | Sundries ... | 7,78,582 |
| Total ... | 3,20,33,829 | Total ... | 3,20,33,829 |

**Analysis of Working.**

| | Year ending 30th June | | | |
|---|---|---|---|---|
| | 1941 | 1942 | 1943 | 1944 |
| | Rs. | Rs. | Rs. | Rs. |
| Paid up Capital ... | 6,66,500 | 6,70,300 | 6,70,800 | 6,70,400 |
| Reserves ... | 27,88,803 | 33,25,730 | 33,91,109 | 36,80,330 |
| Fixed, Current and other deposits ... | 2,41,46,411 | 2,51,49,678 | 2,92,27,881 | 2,61,46,570 |
| Net Profit ... | 2,53,398 | 1,66,886 | 77,567 | 2,14,709 |
| Amount transferred to Reserve Fund ... | 75,000 | 50,000 | 25,000 | 1,00,000 |
| Other Accounts ... | 94,004 | 12,500 | 5,740 | 61,100 |
| Dividend at 9 per cent. | 59,941 | 60,107 | 60,365 | 60,368 |
| Carried Forward ... | 52,127 | 91,086 | 70,510 | 32,825 |

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