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THE

Madras Journal of Co-operation

EACH FOR ALL AND ALL FOR EACH

Journal of the Madras Provincial Co-operative Union, Esplanade, Madras.

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The Shape of Things.

Two Unique Gatherings:

Madras had the unique honor of welcoming Co-operators from all over India on two occasions during the course of one week in May. The First Conference of Co-operators met in the Banqueting Hall, kindly made available by the authorities for the use of the Conference, under the distinguished presidency of the veteran co-operator, Dewan Bahadur Kaji. The Hon'ble Sri K. Chandramouli, Minister in charge of Co-operation, opened the Conference while that redoubtable champion of Co-operation and all that it stands for, Sri T. A. Ramalingam Chettiar, extended a hearty welcome to the unique gathering on behalf of Madras. The Conference lasted for two days and dealt exhaustively with all points raised by the Co-operative Planning Committee. The Conference had also the advantage of the presence of Mr. Saraiya, Chairman of the Planning Committee, who was ever ready to explain the reasons which made the Committee to make a recommendation on a particular question in a particular way.

The second Conference met at the Museum Theatre under the distinguished presidency of the Hon'ble Dr. Rajendra Prasad, Food

Member of the Government of India, ably assisted by Sir Phiroz Kharegat. This gathering was under official auspices and is usually known as the Registrars' Conference. The Hon'ble the Prime Minister of Madras extended a hearty welcome to the gathering. The Conference carried on its deliberations for three days and the subjects dealt with also related to the Planning Committee's Report. As only a limited number of non-official co-operators are nominated by Provincial Governments to attend and take part in the deliberations, the gathering was comparatively small.

The resolutions adopted by both the Conferences are similar and even when they differed the differences are almost negligible. Even the resolutions of the Registrars' Conference, as in the case of the other Conference, are only recommendatory. The Provincial and State Governments are required to adopt the course suggested in the resolutions with such modifications as the circumstances necessitate.

Both these Conferences were of great educative value as the delegates, both official and non-official, were persons fully conversant with the working of the Movement in their provinces and States and could always speak with authority and experience. In Sir Phiroz Kharegat, who conducted the proceedings in the absence of Dr. Rajendra Prasad, the Conference found an ideal Chairman. His outstanding ability, wide administrative experience and intimate knowledge of the Movement proved an asset to the Conference. In the midst of a heated discussion on a controversial topic, he could steer clear of differences of opinion and offer a solution acceptable to all. Rao Bahadur J. C. Ryan, who acted as the Secretary of the Conference, displayed his remarkable organising capacity in the eminently satisfactory arrangements made for the Conference. Madras has done well from every point of view especially in extending her proverbial hospitality to the assembled guests from all over India.

Why not one Conference :

From the proceedings of the two Conferences published in this issue it will be seen the topics dealt with and the ground covered are almost the same. Even the resolutions bear similarity except that the resolutions of the Registrars' Conference are more explanatory. The question of the amalgamation of the Registrars' Conference with the All-India Co-operative Conference to avoid duplication of effort, was sympathetically considered and a Committee has been set

up to work out the details to bring about fusion of both the bodies. We feel this is a step in the right direction and we have every hope that when the time for convening an All-India Co-operative Conference comes these two bodies will meet as one body either under the name of the All-India Co-operative Council or some other name. We have always maintained in a Movement like the Co-operative Movement there ought not to be any difference in outlook, methods of work, etc., between the officials and non-officials. Moreover, the Movement is intended to be an essentially non-official Movement and official support, which some times is interpreted as official interference, is desirable and necessary till the non-officials can themselves organise and run co-operative institutions efficiently. But the objective should not be lost sight of.

De-Officialisation :

The All-India Co-operative Conference has adopted a resolution asking Government to adopt de-officialisation as their policy. The need for this resolution arose out of the minute of dissent of Dewan Bahadur Kaji to the report of the Planning Committee. We have also heard of this cry for de-officialisation in this province also in our co-operative gatherings. As an ideal no co-operator can take exception to the demand for de-officialisation. To the extent non-officials can organise and conduct co-operative organisations with credit, to that extent official interference is unnecessary. We are not mistaken in saying even now the Co-operative Department follows this principle, at any rate in this province. As far as the statutory functions are concerned, the Department must continue to exercise them. But it is a sad commentary on the attitude of co-operators if it is stated that the non-officials themselves seek official interference. Hardly a day passes when frantic appeals are not received from some aggrieved party or the other seeking the interference of the Registrar of Co-operative Societies in undoing some injustice or settling some dispute. Is it contended that the Registrar should sit with folded hands and allow the institution to go to rack and ruin torn by dissensions? Therefore, in actual practice it is difficult to say what constitutes official interference. Each case must be judged on the set of circumstances governing it. Then again we have heard it said that the Department is anxious to "officialise" the Movement by thrusting their officials on co-operative institutions against their will. This is not true if not absurdly false. It is the co-operative institutions which plead for deputation

of Co-operative Officers to be in charge of their institutions and we know how the Registrar finds it difficult to meet these insistent demands.

Then again there are areas like the Rayalaseema where conditions are peculiar. It is believed that if the Movement is to be revived officialisation, for a period is necessary to a great extent. Owing to various circumstances the Movement has not made any progress in that area. Therefore, it is difficult to rule out officialisation altogether though as a general principle and ultimate goal no body can quarrel with it.

Original Sin :

Under the caption "Original Sin" the *Statesman* of Calcutta comments on the proceedings of the Registrars' Conference. One is naturally inclined to know what the "Original Sin" referred to is. Co-operation has since the time of its introduction into this country, forty-three years ago, has been regarded as the ideal way of improving village life. But statistics, though they sometimes look imposing, show it has hardly touched the fringe of village life. Even that fringe has not been touched in all its aspects. Unfortunately the Movement has all along suffered from what Dr. Prasad describes as "Original Sin" obsession with credit. But a closer examination of even the credit side of the Movement will reveal that the peasant was not provided with all the credit he needs to carry on his agricultural operations and has been forced often to seek accommodation elsewhere especially from that ubiquitous but none the less useful institution the village money-lender. There are many other directions in which co-operation can assist the peasant. In the following words Dr. Prasad envisaged the future of Co-operation and they bear repetition.

After dealing with the recommendation relating to the institution of Agricultural Credit Corporation, Dr. Prasad said :

Whatever may be the form of organisation, it is clear, that our Co-operative Movement would have to be strengthened and re-organised so as to save the agriculturist from the clutches of the unscrupulous moneylender and to provide him with a more satisfactory and adequate form of credit. Further, Co-operative Society should be reformed and re-organised so as to serve as a centre for the general economic improvement of its members. It is considered that it should develop into a multi-purpose society. It should not only finance crop

production, but also act as an agent for the sale of crop, supply the farmers with seed, cattle-feed, fertilisers and agricultural implements; serve as a milk collecting station for the nearest dairy and as a centre for animal first-aid; serve as a centre for maintaining agricultural machinery for joint use of members and encourage subsidiary occupations for its members.

This topic was the subject of anxious consideration of the Registrars' Conference when representatives of different provinces expressed their views frankly and passed the following resolution. In view of the importance of the subject, we need offer no apology to reproduce it *in extenso*.

Resolution No. 4.

This Conference endorses Recommendation No. 15 of the Planning Committee about the basis of reorganised agricultural primary credit society; and

Considers that (1) as the supply of credit touch only one aspect of the life of the cultivator, the activities of the primary co-operative societies should be so extended as to cover the whole of his life. The primary credit society should, therefore, be developed so as to serve as a centre for the general economic development of its members;

(2) The membership of the primary society should be open to all persons residing in its area of operation. The society should be so organised as to have at least fifty members and its area of operation should be such as would permit adequate business, and at the same time efficient supervision and effective control; and

(3) Recommends that the re-organised agricultural primary co-operative society should, in particular, (a) finance crop production; (b) act as the agent for the sale of produce to the nearest co-operative marketing organisation; (c) supply the farmer's simple needs for crop production like seed, cattle-feed, fertiliser and agricultural implements, and also consumer goods like cloth, kerosene, salt, and matches on indent basis or on the basis of established needs provided that such a society may be permitted by the Registrar to function on the system of outright purchase and the sale to the extent of twice the paid up share capital where its size, financial strength and soundness of management permit;

(d) serve as a milk collecting station for the nearest dairy and as a centre for animal first-aid and maintenance of stud bulls; (e) serve as a centre for maintaining agricultural machinery for the joint use of the members; and (f) encourage subsidiary occupation for its members.

To enable our readers to know what the recommendation No. 15 referred to in the resolution is we reproduce it here :—

"Where unlimited liability has been found to work successfully no change in the liability of the primary society is called for.

In most provinces, however, unlimited liability has not been very helpful to the progress of co-operative credit and the trend of thought is in favour of limited liability. Therefore, except where unlimited liability has produced good results, the liability of the reformed and re-organised primary society should be limited either to the value of share held by a member or to a multiple thereof, provided that a substantial part of the funds required by the society can be raised through share capital.

There may, however, be cases where unlimited liability is more appropriate; such cases should be treated by the Registrars on their own merits and with regard to local opinion and circumstances."

May we request our readers to examine if the proposed "Rural Banks" do not approximate in many respects, if not all, the description given by Dr. Prasad and satisfy the conditions laid down in the resolution of the Registrars' Conference. A careful examination of the proposed set up of the "Rural Banks" will dispel all doubts and remove misconceptions which seem to persist in regard to this new type of Co-operatives. Our complaint is the functions proposed for the "Rural Banks" are not comprehensive enough and do not include all that Dr. Rajendra Prasad prescribes and the resolution ratifies. We would also like to know if it is the intention of the Department to "reform and re-organise" the existing primary societies also into "Rural Banks", whether it be on limited or unlimited liability basis. In this connection we would once again invite the attention of our readers to the recommendation of the Rayalaseema Co-operative Enquiry Committee on the same topic and solicit their opinions on the points raised in this note, especially on the basis of the re-organised agricultural primary credit society, limited or unlimited, and on the functions of multi-purpose societies.

Funds of Urban Banks:

There was considerable discussion on the question of investment of funds of Urban Banks. The recommendation of the Co-operative Planning Committee was to the effect that Urban Banks with a paid-up share capital and reserve fund of Rs. 50,000 and over and with ten years standing should be permitted to invest up to 40 per cent of their surplus funds in such manner as their boards may unanimously determine. As investment of funds outside the Movement, especially while there is a crying need for credit in rural areas, is alien to co-operative ideas and ideals, there was considerable opposition to this recommendation. Those who took part in the discussion made various suggestions. A valuable contribution to the discussion was made by Sri T. A. Ramalingam Chettiar in which he suggested that surplus funds of Urban Banks may be utilised to give financial assistance to co-operatives within the area of jurisdiction of the banks and even to finance rural societies within a radius of 3 to 5 miles. It may be remembered this suggestion is in accordance with the recommendation of the Rayalaseema co-operative Enquiry Committee. However, Bombay which sponsored the recommendation of the Planning Committee succeeded in making the Conference accept the principle of investment outside the Movement though such a step was to be allowed as a last resort. The resolution says that the surplus funds of Urban Banks should ordinarily be invested in Provincial and Central Co-operative Banks to enable them to finance co-operative societies and where such investment is not necessary, the Urban Banks may be empowered to invest 15 per cent of their surplus funds after providing for fluid resources in such manner as their Boards may unanimously decide and in accordance with such terms as the Provincial Government may lay down. May we hope so far as Madras is concerned the idea of investing surplus funds outside the Movement will not be permitted and that the Urban Banks will be enabled to assist co-operatives within their area of operations and if need be even rural co-operatives within a radius of 3 or 5 miles, a suggestion so warmly put forward by Sri Ramalingam Chettiar.

Still to come :

We shall deal with other important resolutions in the subsequent issues of the *Journal*. Meanwhile, may we request our readers to read carefully all the speeches delivered at the two Conferences published in this issue as also the resolutions adopted by them. We

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shall be happy if our readers write and initiate discussion on any of topics covered by the resolutions.

Sabotage from within :

Swatantra which has attained notoriety for its quick-changing loyalties in politics has ventured to tread on a ground of which, we venture to state, its knowledge of facts is neither complete nor trustworthy. Under the above heading it chooses to attack Sri Ramalingam Chettiar for his remarks on the much-advertised but least co-operative, the producer-cum-consumers' societies. If the Editor had only cared to read Sri Chettiar's speech carefully, he would have seen that Sri Chettiar and Sri Venkataratnam did apprise the ex-Premier of the weaknesses of the new societies and how they affect the old societies especially in a district like East Godavari where they were working satisfactorily. But Mr. Prakasam would not listen and had his own way. There was no need for the *Swatantra* to use the occasion to preach homilies as to how public men should conduct themselves and use vituperative language in condemning them. The Editor forgets that in co-operation, as in any other branch of business activity, 'technical clap-trap', however much he may deride it, is important for the successful conduct of institutions. Sri Chettiar was only making a bare statement of facts when he merely described the defects of the new co-operatives and showed how 'unco-operative' they are. In doing so he did not put on the airs of an exclusive expert though co-operators will not grudge to accept him as an expert in co-operation. It is the Editor of the *Swatantra* who is putting on the airs of an exclusive expert taking advantage of his privileged position and indulging in criticism in a partisan spirit. The Editorial chair is one of great responsibility and those who occupy it will do well to use their pen with restraint, base their criticism on impartial study of facts and avoid the danger of becoming partisans in a controversy. We lament as many others do *Swatantra's* role in this controversy.

R. S. R.

*You will never find in the World below
A land like our land of birth :
Queen of the Continents is she,
Supremely fair on earth.*

NOTICE.

Volume No. XXXIX Madras Journal of Co-operation.

With the next issue the Madras Journal of Co operation completes Vol. XXXVIII. Subscribers are requested to remit their subscription for the next Volume, i. e., No. XXXIX commencing from July 1947 and ending with June 1948 in 'advance' so as to reach this office before the 25th July 1947. If for any reason remittance is not received before that date, the July issue will be sent by V.P.P. which means an additional avoidable expense of annas three to themselves and some unnecessary work to the office.

If subscriptions are remitted by cheques drawn on banks other than the Madras Clearing Banks, the minimum bank commission of four annas may kindly be added also to the subscription.

V. VIYYANNA,

General Secretary.

The Madras Provincial Co-operative Union,
Esplanade, Madras..

Notice to Non-members.

Sub : MADRAS JOURNAL OF CO-OPERATION--Subscription rate--
increase of.

This is to inform the Non-members of this Union, in view of high cost of printing and paper, the Executive Committee of this Union has been obliged to increase the rate of annual subscription from Rs. 4 to 6. Hence the Non-members are requested to remit the revised rate of subscription for Volume XXXIX (July 1947 to June 1948).

MADRAS, }
15th March 1947.

V. VIYYANNA,
General Secretary and Publisher,
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JUST OUT.

Conferences.

**THE SEVENTH ALL-INDIA CO-OPERATIVE CONFERENCE,
MADRAS,**

10th May 1947.

I

OPENING ADDRESS

By

THE HON'BLE SRI K. CHANDRAMOULI,

Minister for Co-operation, Government of Madras.

I am grateful to the organisers of this Conference in giving me this opportunity to express some of my ideas regarding the Co-operative Movement and its scope for the betterment of the society.

It may be a matter of pride that Madras is leading in some branches of Co-operative Movement in India. She definitely does so in regard to land-mortgage banks and consumers' societies. There is no doubt that she is one of the foremost amongst Indian Provinces in the Co-operative Movement. Yet, when we delve into figures, the miserably inadequate progress made is all too apparent. Although about one-eleventh of agricultural population has directly or indirectly come into the fringes of the rural co-operative agricultural credit societies, it is only 3 per cent or so of the agricultural population of this Presidency that has had some appreciable help from them. The same is true in a more or less varying degrees in regard to all branches of Co-operation in the Province. The contrast is still more glaring in regard to the effect of and benefits received out of the Movement by the urban and semi-urban population.

Our province, in common with most other parts of the country, is a preponderantly agricultural province. All movements, attempts and efforts—official and un-official—in political and economic fields must take note of the welfare of the rural population whose mainstay is agriculture. Every scheme that ignores cognisance of this aspect is bound to be a miserable failure. Otherwise they have no business to be formulated or put into practice. The socio-economic policy should create a new society without giving rise to disturbances and conflict and should be able to exercise an effective control over the means of production and distribution. Existing disparity between the rich and the poor should be narrowed down to elimination. The basis of all Co-operation in the rural part is agricultural credit society. It is needless at this juncture to go into the details concerning the weakness and drawbacks of these societies. Again, they are too apparent and obvious. The limited activity of their functions is the most striking of all the drawbacks of these institutions. Rightly has it been stressed that these societies should function as rural banks. The word 'bank' has to be used in no 'narrower or stricter sense of the term. The village credit societies have to be organised on a fairly broad basis and have certain functions in addition to that of short and medium period loans

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and advances on personal security, immovable property, agricultural produce, jewels, etc. They have also to operate over a group of villages and not over a particular village or two. Then only they would be in possession of adequate funds to have regular offices, pay reasonable salaries to get an efficient staff and help their clientele effectively. The societies should be developed in such a manner as to enable them to grade and market agricultural produce, purchase and own implements and machinery for the benefit of their members, own, hire and let out godowns to their clientele. The recommendations of the Committee appointed by the Government of India and which reported towards the close of the last year, envisaged the reorganisation of credit societies so that they may serve as a centre for the general economic improvement of its members and should, in particular, (a) finance crop production; (b) act as agent for the sale of crop to the nearest co-operative marketing organisation; (c) supply the farmer's simple needs for crop production like seed, cattle-feed, fertiliser and agricultural implements, and also consumers' goods like cloth, kerosene, salt and matches on indent basis or on the basis of established needs; (d) serve as milk-collecting station for the nearest dairy and as a centre for animal first-aid and the maintenance of stud-bulls; (e) serve as a centre for maintaining agricultural machinery for the joint use of members; and (f) encourage subsidiary occupations for its members.

If societies can undertake these functions, they naturally develop into multi-purpose societies. Such multiple-societies have done good work in Denmark and a number of western countries. The question in India is whether we should not deliberately encourage the development of primary societies into such multi-purpose societies. The consensus of informed opinion has been steadily and largely tending to favour such development.

In a country like India, and especially in a province like Madras, the problem of the rural inhabitants has to be kept in the forefront at all times. Our agricultural population is living on the verge of semi-starvation. They have little to eat and not much to do, thanks to fragmentation, uneconomic holdings and great pressure on the soil following increase in population. The development of large-scale industries, situated as we are, is not likely to yield beneficial results for the large masses of the population in the immediate future. The only effective method of keeping the huge masses of our rural population busy, contented and economically self-reliant is by sustaining and fostering the cottage industries of our land. "Industrial co-operation is a workshop or factory owned, managed and run for the profit of those who work for it." "It would be a great boon if in bad weather and winter, the agriculturists had something to do in their homes of a remunerative character as in days of old." (Green on *Rural Industries of England*). Under cottage industries it is better to include such small-scale industries which employ one to five persons.

CONFERENCES

Under such a definition, the principal cottage industries easily comprise, in addition to others, of the following:—

- (1) Textiles—(a) Weaving of cotton, silk and woollen fabrics, (b) Duries weaving, (c) Carpet weaving, (d) Hosiery, (e) Dyeing and printing;
- (2) Leather, including flaying and curing of hides;
- (3) Oil pressing;
- (4) Ghee making;
- (5) Glass;
- (6) Basket making;
- (7) Hand-made paper making;
- (8) Gur industry with Khandsari Sugar and *Deshi Chini*;
- (9) Poultry and eggs;
- (10) Bee-keeping;
- (11) Horticulture;
- (12) Fruit Preservation and canning; and
- (13) Rope and ban making.

These industries are even now in practice in the villages but they are ill-organised, ill-equipped and are in a haphazard and inefficient manner. Guidance, Direction and Co-ordination are marked by their absence. They have little knowledge of the improvements of small scale machinery which could be utilised. Co-operative Movement has done practically nothing so far towards the amelioration of the lot of those engaged in cottage industries. The All-India Spinners' Association and the All-India Village Industries Association have been started under the guidance of that Great Soul and Benefactor of our country, Mahatma Gandhi. These institutions, however, should be strongly aided and supplemented and their experience and advice should be copied and practised wherever they fit in the regular co-operative organisations. There is a five-year plan before the Madras Government for a planned expansion of Cottage Industries Societies. It is not possible on this occasion to say more about this plan. In any case, the need for such plans and for effective and prompt action is too obvious to need any reiteration. The *Gramism* and Gandhian Economics have for one of their principal pillars, the strengthening, supporting and growth of cottage industries.

The problem of cottage industries has been successfully tackled in a number of foreign countries. In fact, that has been the mainstay and hope of a number of Asiatic countries as well. Nym Wales, in her book, *China Builds for Democracy*, has shown how and in what manner China has been able to put her cottage industries to the best use during the period of travails, trouble and war with Japan. What is Indusco, which has been so

much talked about in China and other places? It is nothing but industrial Co-operatives, mainly, if not wholly, run for the benefit of small scale and cottage industries. Nym Wales, the author referred to, holds that "it is the carefully considered opinion of Chinese industrial experts and a number of American and British observers that the industrial co-operatives can provide not only the best but the most feasible form of industry for China in the future as at present". The great value of the Chinese Indusco Movement to India has been stressed by the great leader of the present Indian Government, Pandit Jawaharlal Nehru, in his foreword to Nym Wales's book. He holds:

"India, like China, has enormous man-power, vast unemployment and under-employment. It is no-good comparing with the eight little countries of Europe which gradually became industrialized with small and growing populations. Any scheme which involves the wastage of our labour power or which throws people out of employment is bad. From the purely economic point of view, even apart from the human aspect, it may be more profitable to use more labour power and less specialized machinery. It is better to find employment for large numbers of people at a low income level than to keep most of them unemployed. It is possible also that the total wealth produced by a large number of cottage industries might be greater than that of some other factories producing the same kind of goods".

Some economists, blinded by the lustre of large-scale factories have been holding and propagating the opinion that the small-scale industries have no future and the world, is all for mammoth enterprises and gigantic plans. In any case, Switzerland, Germany, Russia and Japan's industrial history does not lend any support to such a view. In Switzerland, even watches are made with their delicate mechanism on cottage industry basis. "A noteworthy feature of Rural Industries in Switzerland is that they have organised themselves on the commercial side into a Trading Corporation known as Kaufarbunda with branches at several places." "The Banks lend money to the artisans on invoices, labour bills, etc." Prof. Allen, in his book *Japanese Industry*, while commenting on the small-scale industries of Japan, writes thus: "We may conclude that the predominance of the small technical unit in many of Japan's industries is not an indication of the economic weakness of the country, but that it represents an appropriate adaptation of industrial methods to the economic conditions existing there . . . In that country, capital is relatively scarce and dear, while industrial labour is relatively plentiful and cheap." The same is true of India.

The essence of *Gramism* or *Villagism*, which has been propagated by Mahatma Gandhi and his disciples seeks to build the economic life of the country by developing strong self-reliant village units, "the members of

which will be bound together by mutual obligations and will co-operate with each other to make the units prosperous and self-sufficient for all their essential needs." No better movement could be envisaged than the Co-operative Movement for such a purpose. After all, what is Co-operation? The quintessence of it is the abandonment of the unnecessary and wasteful competition of distribution and production, the elimination of middlemen, and the securing by groups and individuals by joint efforts the betterment of their common economic goals. The intrinsic and ulterior motive of Co-operation is Peace, Prosperity and Happiness of the country so that every citizen may lead a peaceful, plenty and happy life and be capable of conscientiously and properly following his *Dharma*. The moral and ethical value of the Movement, especially for our people, steeped in ignorance and lack of business qualities, is of undoubted blessing. For the political and economic regeneration of our country, as well as for the development of co-operative concept and practice, the lack of education is a great stumbling block. The Saraiya Committee has rightly pointed out that "the inadequate and uneven progress made by the Co-operative Movement in India is largely due, among other things, to the lack of general education among those whom it seeks to serve. If the Co-operative Movement is to develop on a sound basis and to expand in diverse directions, it is necessary not only to spread, in general, education but also to make members of societies conversant with the principles and practice of Co-operation". It should be the bounden duty of every Indian first and foremost to wipe out this blot and the stigma which is the greatest handicap and potent hindrance to the progress and well-being of our people and the country. Eradicate it, then most of our worries are rectified and ills are cured.

I am confident that this Conference will give a lead to the future working of the Movement in the light of the past experiences of this province and India and enable the people to stand on their own legs and lead a better, contented, prosperous and peaceful life.

I thank you once more for giving me this opportunity and wish the Conference all success.

II
WELCOME ADDRESS
By

SRI T. A. RAMALINGAM CHETTIAR, B.A., B.L., M.L.A. (CENTRAL).
President, Madras Provincial Co-operative Bank.

I have great pleasure, on behalf of the Co-operators of Madras, to welcome you here. We are meeting in mid-summer in a city under controls of food and other inconveniences. We have tried to make your stay here comfortable. Credit is due entirely to our indefatigable Secretary, Mr. Viyyanna, for all arrangements made.

This Conference is of great importance as it has to make suggestions for the future of the Co-operative Movement in the country and for settling the immediate programme of the Central and Provincial Governments. In addition to various Committees appointed by the Provincial Governments, the Central Government appointed a Co-operative Planning Committee in January 1945. Out of the 12 members of this Committee only 5 were non-officials and one of them did not attend any of the meetings. I am sorry the non-official co-operators were not more largely represented on the Committee so that their point of view and their experience in the different parts of the country were properly represented. The Committee has dealt with the whole field of Co-operation. The report was released for publication only recently. The Government have convened a Registrars' Conference to consider the recommendations and advise them. The representation of non-official co-operators is necessarily limited in the Registrars' Conference. It is for you to consider the recommendations and also supplement them with your suggestions and give a lead to the Registrars' Conference which is to be held here on the 12th, 13th and 14th immediately following our Conference.

Co-operation is only a method and it can be adopted where the people think they can, by combination, get benefits to improve their economic position. It avoids the evils of, on the one hand, capitalism and on the other, State regimentation. It is a voluntary Movement preserving individual freedom and individual initiative but at the same time requiring loyalty on the part of the members and adherence to strict rules of business. The place of Co-operation in the progress of the country is an important one. In what fields and how the method of Co-operation is to be applied has to be considered without prejudice.

Co-operative societies have been formed for supplying credit for cultivation expenses including the purchase of seeds, manures, cattle feed, etc., the maintenance of the cultivator's family, for the processing and marketing of agricultural produce and for the introduction and expansion of cottage industries. These are intended for the rural parts. In the urban areas, banks for giving credit and building societies for construction of houses have been working. Both the rural and urban societies are financed by the local deposits and by the Central Banks formed for the purpose. Consumers' societies have also been formed for supplying the needs mainly in towns. These societies have not been universally developed in all parts of the country. The progress has been slow. How to speed up the progress and what changes are necessary both to make the work more effective in the fields already covered as well as to extend the Movement to other fields is the problem.

The present financial arrangements have been fairly satisfactory to finance the present activities of the Movement in normal times. The first question raised in Gadgil's Committee (also appointed by the Central

Government) was the establishment of a new agency called the "Agricultural Credit Corporation" in each Province with branches in various parts of the Province. That Committee considers it necessary to bring into existence this new agency. I am glad the Registrars of the United Provinces and the Punjab have dealt with this proposal at length in their dissenting minute. It is not necessary for me to add to what they have stated. But I have no doubt that the opinion of the Movement as a whole will be against the proposal.

Our President, Mr. Kaji, has raised the question of the official control of the societies in his dissenting minute. He advocates the restriction of the powers of the departmental officers to the statutory duties. I have no doubt his view will be endorsed by all the workers in the co-operative field. I will only stress the necessity for the separation of the audit staff from the administrative staff and keep the two completely separate. The audit staff should be more efficient and better qualified and should not be placed under the influence or control of the administrative staff. The audit should be carried out periodically at regular and necessary intervals.

There is much talk about the multi-purpose societies. But it is not realised that, from the beginning, those who framed the by-laws of rural societies contemplated their undertaking multi-purpose activities. There is room under the by-laws for the purchase and supply of seeds, manures, etc., for the purchase and maintenance of implements and machinery for the use of the members and for collecting produce for marketing. If these are worked properly, the purposes, which, those who advocate multi-purpose societies have in view, will be served. When anything has to be done on a large-scale or to serve the area of more than one society there is always room for a federation of societies to serve the common needs. It is as federations we have been organising the processing and marketing societies. There is no need for giving up the advantages of unlimited liability in the pursuit of this idea of multi-purpose societies. In a limited liability society the landless cultivator and the artisan will find it difficult to get accommodation without visible security which they have not got and it is this class of people who require help most.

As Co-operation is a Provincial subject and the Central Government will have much less to do hereafter in relation to it, I do not think there is need for a Central Council or for a costly Central staff. Comparing of notes and exchange of ideas can always be done by periodical conferences. On the other hand, stronger Provincial Councils with larger representation of those working in the field are necessary. I will further advocate that the departments of Agriculture, Cottage Industries and Co-operation should be vested in one Minister and he should be supplied with ample funds to improve these essential services. The planning should be comprehensive and agricultural and cottage industries should be planned together so that

agricultural production may be increased and the pressure on land diminished. Supplementary occupations for agriculturists and cottage industries for the spare hands in the villages are necessary to prevent the present waste of part time and whole time labour available in the villages. Cottage industries should be made more efficient and all appliances, simple machinery and power, should be made available to cheapen the cost of hand-made articles and enable them to compete with machine-made articles. The example of Japan can be followed. For this, the help of Government is largely needed. We should on no account fight shy of introducing machinery and power to help the workers in the cottages.

During the War, the co-operative societies have done much commendable work. Stores have been organised in large numbers all over the country to undertake distribution of controlled articles. The future of these stores is one of the matters which we will have to consider.

In Madras, distribution of controlled articles, mainly foodstuffs, was undertaken in a large measure by the stores which existed and those newly organised. Many of the rural credit societies also undertook distribution under a temporary by-law. When it was found that the merchants were resorting to black-marketing on a large-scale, the Government wanted the co-operative societies to undertake the procurement of the foodstuffs. Many of the loan and sale societies and some of the big stores undertook procurement and it was considered that they were carrying out their functions satisfactorily. In some cases procurement of paddy and millets in a whole district was entrusted to the wholesale store established in the district. The wholesale stores in South Kanara and Malabar were specially commended for their work. When a popular Government came and it wanted to entrust the procurement of foodstuffs to co-operative societies the department as well as the non-official co-operative agencies in the district examined the position and competence of societies to undertake the work. It was the official and non-official opinion that only societies which were efficient and satisfactorily managed should undertake this responsibility. In many districts the societies were selected and the area within which they should take the procurement was also settled. The financing agencies after examining their resources agreed to find the necessary finance for these societies. In the meanwhile the Ministry, under the advice of a young I.C.S. Officer, with more enthusiasm than experience decided to establish what are called 'Producers'-cum-Consumers' Societies, without consulting those working in the co-operative field and without any education or propaganda. They established societies in Malabar and later in the delta districts in the Circars through the Revenue officials. No selection of members was made. The societies were to serve 5 or 6 villages and they were to consist of 2 to 3 thousand members recruited by the Revenue officers at random and large amounts of capital were collected by the Revenue officials in ways familiar to them

during the time they collected subscriptions for the War Fund. Boards of management were nominated and secretaries or managers were recruited without any consideration for their qualifications and experience. A barely 20 days' training was given to those secretaries. Considering the emoluments received by the workers in the co-operative societies these secretaries were provided with large salaries. These were all appointed by the Special Officer or by ordinary Revenue officers. Once the controls have been removed and compulsory procurement stopped, what will these societies do with their large membership and larger capital with a costly establishment escaped the attention of the organisers. But the net result of this new organisation was to disturb the working of the co-operative societies which were built up by a large body of enthusiastic co-operators during a long period of self-sacrificing honorary work. The future of these new societies will have to be considered. They cannot be called co-operative societies except in name as they are registered under the Co-operative Societies Act. Even the registration is done by the Revenue agency. Those working in the co-operative field know with what care applications for new societies are scrutinised and what preparation and propaganda precede the registration of the societies. It is a pity that the ex-Premier had no knowledge or experience of co-operative societies nor will he heed the advice and warnings given by those who had such knowledge and experience. I and Mr. B. Venkataratnam, the President of the Provincial Co-operative Union, who subsequently was taken into Mr. Prakasam's Ministry, met him and explained the weakness of the new societies and how they affected the old societies especially in districts like East Godavari where they were working satisfactorily. The Prime Minister turned a deaf ear to the representations and issued a communique after a few days advising the old societies to get absorbed in the new societies. Co-operators are familiar with the difficulties which a society with a large membership feels in managing its affairs. I am already hearing reports of the defects in the working of some of these societies. Accounts are not kept up to date. Godowns are not satisfactory and they are not insured. Money is said to be in suspense account with the secretary or some director. These are some of the defects pointed out. There is no audit at frequent intervals as there should be, nor inspection by departmental officers. Only last week, it was said that the societies in the Circars newly organised failed in their procurement work and that the Government were forced to rely on the millers and merchants for procurement. It is a great pity that the work of the Co-operative Movement which was developing and extending in all possible directions should be interfered with by this hasty move on the part of the Government without consultation with those working in the Movement. I appeal to the present Government to take competent advice and then proceed on safe and sound lines both with reference to these new societies and the Movement as a whole.

The elimination of all the merchants and millers from procurement work suddenly has upset the financial position of the Provincial and Central Banks to help co-operative societies. Commercial Banks like the Imperial Bank of India disapproved of the policy of the Government. To show its resentment the Imperial Bank of India declined to advance money to the Provincial Bank even on the security of the Central Land Mortgage Bank Debentures which are fully guaranteed by the Madras Government. Thanks to the present Ministry, they came to the help of the Provincial Bank by promptly lending a crore of rupees. Even with this help we are not able to finance the requirements for procurement and for normal work.

Mr. Prakasam in explaining why he decided to start the 'Producers'-cum-Consumers' Societies, said that the Co-operative Movement has failed because several societies were working at a loss. He ignored the very good work that was being done by so many other societies and the progress made by the Movement in this Province in financing several activities and organising their work. If he really thought that the societies lacked efficiency it should have deterred him from venturing on the big scheme he launched. If societies started after careful examination and with previous preparation did not come up to his standard, could he have seriously thought that the new societies with a large membership recruited at random were going to succeed?

It is not my desire to refer to every recommendation made by the Committee, but it is only to draw your attention to some of the salient points that I have ventured to detain you so long.

I know there will be many shortcomings in the arrangements made for your comfort but I am sure you will make allowances on account of the prevailing difficulties and excuse us.

III PRESIDENTIAL ADDRESS

By

DEWAN BAHADUR HIRALAL L. KAJI, M.A., B.SC., J.P., I.E.S. (RETD.)

We meet to-day in Special Sessions, as per the resolution of the Lucknow Conference, to consider carefully the report of the Co-operative Planning Committee appointed by the Government of India in 1945. We had hoped, to meet in Hyderabad, the picturesque and glamorous capital of His Exalted Highness the Nizam's Dominions, but we meet instead in Madras. Our official friends, the Registrars, are meeting here in Conference in the next two days for an identical purpose and we could not resist the opportunity of having them with us and of being with them, when Co-operation is entering upon a new phase. The MacLagan Committee, of which Sir Lallubhai Samaldas, our first President was a member, considered the Co-operative Movement in all its bearings and laid down in

1915 the lines of co-operative development in India. Fifteen years thereafter, in 1930, the Central Banking Enquiry Committee, of which the Honourable Mr. V. Ramadas Pantulu, our second President, was a member, reviewed Co-operative Credit and Banking. Fifteen years thereafter, in 1945, the Co-operative Planning Committee, of which I have had the honour of being a member, brings out its report suggesting the expansion, diversification, and re-orientation of the Co-operative Movement. The report is a large and compendious volume, and if we attempted to consider the very large number of its conclusions and recommendations, in two days, we would have to make at Madras a mad rush at them, which is not the proper thing to do. We must content ourselves with its plans and projects, with its principles and policies, and leave the details to Provincial Governments, Conferences and Meetings.

A Stage of Transition.

As a preliminary, it is useful and very necessary to examine the report in its correct setting, political and economic. India is on the eve of its political emancipation; it is on the threshold of freedom; the bondage of ages is about to be completely shaken off; an Interim Government formed of front rank national leaders is functioning; the Constituent Assembly is evolving the constitution of a New India; the last of the Viceroys is busy arranging for the transfer of power to Indian people not later than June, 1948. We are passing through a transition stage and all transitions are painful. The easy peace and security under the iron heel of the master and the mentor are gone; the new life, buoyant and boisterous, clamant and clangorous, is bubbling out with exuberance and communal clashes mar the serenity and tranquillity of the transition. The village patil and his wife quarrelled before purchasing a buffalo over the distribution among their respective relations of butter-milk. Shamsuddin and Nurruddin, in the *Arabian Nights Tales*, quarrelled, before the birth of their children, before even their own weddings, over the dowry. And our communities are quarrelling before freedom has come, over what each should get and do, over how that freedom should be shared by each. The issue is Sovereign States and a weak Centre *versus* Autonomous States and a strong Centre. With the higher international status that India already enjoys, with the acceptance of India as the nerve Centre of the Asiatic and Indian Ocean Countries, at the recent Asian Relations' Conference, the need for a strong centre in our foreign relations is but too obvious; and with the great diversity of climate, customs and creeds of the Indian sub-continent, autonomy to the smaller sub-regions is equally obvious and the emergence of a strong United States of India appears to be the only solution; and we can but pray that June 1948 will see India started on her destiny as a great cementing force of culture and civilisation on a career of peace, progress and plenty, with its heavy and key industries making strident

marches, with its foreign trade brisk and vigorous, with its urban population standing abreast of the world and holding its own with other peoples and with its vast rural masses being emancipated from the crushing and benumbing burden of indebtedness by the rapid conversion of agriculture from a deficit into a surplus economy.

Control Regime.

The economic setting in which the report comes to us, is also peculiar and complex. The regime of economic controls, born during the War, is still with us. Decontrolling has not yet begun. The high prices following upon shortage, control and inflation still soar at bewildering heights. The working classes, in spite of, or perhaps because of, increasing dearness allowances, disorganise life in cities and towns by strikes; their collective bargaining tends to become collective domineering by disorganisation. The blackmarketeer, the *pagri* (premium) crazy landlord, the corrupt official—pests of society—find congenial soil to flourish and prosper. Food shortage, strange to an agricultural land like India, is a constant menace. During the War, India could, without rationing, feed its own population and could feed its own and allied armies at home and abroad. And, to-day, with the armies gone and going, its population reduced if at all, because of the War and famine casualties but certainly not increased, the position as regards food remains as bad if not worse than before. Why, we cannot understand. Crops fail here and there; the rains hold off or locusts ravage, or frost destroys or floods inundate. This has happened not now only but through the ages. The Grow More Food Campaign undertaken by Provincial administrations has resulted in a reduction in the money crops grown; it is true; it has led to a shortage of important cattle foods like cotton seeds and groundnuts; it has led to a little increase in the area under food crops; but the procurement statistics do not show any increased supplies available. Whether the obduracy of surplus provinces accentuates the difficulties of the deficit provinces; whether faulty procurement and storing are responsible, whether rationing has stimulated adroit black-marketing—who can say? Consumers pay high prices, and get bad quality and yet the agricultural producer complains that he is not paid sufficiently well. In the procurement and distribution organisation of the Government, the Co-operative Movement has offered its services. We are glad that Governments have accepted the idea and laid down a policy of preferring co-operative agencies. But it is sad to relate that in practice we are held to be inefficient and private agencies and syndicates are preferred. If co-operative organisations are inefficient, why not make them efficient by effective subsidies towards the expenses of better management? They are of the people and work for the people; they are not black marketers; they are not exploiters; they come from the class of the exploited. If forty-three years of Government regimentation and control has not made

them efficient enough, the less said about the control and supervision, the better.

It is true that the Central and Provincial Governments to day are earnest about bringing about rural betterment. Their genuine sympathy and desire cannot be questioned. And yet, their pre-occupations are great and leave them, I am afraid, but little time and leisure to study, plan and execute programmes for village improvement, on a scale and in a manner that may spell success. The industrialists are more vocal; the foreign problems are more insistent; the communal puzzles are more clamant and the villager still largely remains where he was. We may be impatient; schemes take time to mature, but the pace at which we seem to be going on the path of village uplift is painfully slow. Committees and sub-committees take time. A vigorous policy towards the objective should be adopted; even if mistakes are made, they can be corrected; but if we wait for examinations, researches and reports of commissions, committees and boards, I am afraid, but little will be done. A bold decision will, I am hopeful, take us a long way on our path.

The Report.

The Report of the Co-operative Planning Committee is now before us. It is a large and compendious volume; there is nothing particularly striking or original in it. It is a study and a plan for co-operative development and expansion in all conceivable directions. Agricultural production and joint farming, forests, fruits and vegetables, consolidation of holdings and irrigation are there; animal husbandry, milk and fisheries are there too; marketing and small-scale industries receive attention; labour comes in; consumers' stores, urban credit and housing receive consideration; health and better-living, transport and insurance come in too and women are not forgotten. In all these cases, speaking generally, the position in other countries of the world is noted; even small countries like Finland and Palestine are not lost sight of. The position in the different provinces and States of India next comes in for examination and suggestions are made for development. If England has consumers' stores, why not we? If U.S.A. has developed a marketing organisation, so can we. If Italy has labour contract societies, so should we. If Germany reared up co-operative organisations for agricultural finance both for short and long-terms, so have we. The examples of other countries have been the stimulus to urge similar developments in India. There is nothing wrong in this—the desire to profit by the experiences and experiments of others. But, in one respect, the report has not chosen to recommend what all other countries have—the de-officialisation of the Co-operative Movement, but advocate, on the other hand, greater assistance, by the State, greater officialisation and greater control. In the recommendations, we observe the more or less uniform suggestion of village units, taluka and district organisations, provincial federations and possibly an All-India Association.

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Lack of Publicity.

The merit of the report lies in its comprehensiveness ; its defect lies in its lack of differential emphasis in directions and on types which call for priority. It is apparently impossible for any Government, however national and sincerely anxious for village uplift, to take up all the types advocated and suggested at the same time. Financial difficulties and lack of effective and efficient man power will always demand marking out the priorities so that a programme or plan could be adopted and worked out in stages and in proper sequence.

It is very strange that though the report has been before the public for several months, it has not received that amount of public notice, reviews and criticisms which it should have evoked. The Press, too hard pressed, perhaps by insistent political news, and compressed by the inadequacy of newsprint quotas, has apparently not been impressed with the great importance of co-operative developments in national economy ; and the public, depressed at the riotous exhibition of disharmony, has not chosen to express what they feel and think about the depressed masses of India whose needs should call forth urgent efforts through Co-operation and otherwise. Co-operation needs publicity like anything else in the world and it is a pity that Co-operative Departments and institutions have no publicity organisation except perhaps in the United Provinces where there is a Publicity Officer attached to the Co-operative Department at Lucknow. This is an age of publicity. Various people, big and small, arrange for Press conferences and interviews ; but we have so far chosen to remain in the back-ground and even our Conferences from the Taluka to the All-India Conference are not as well publicised as they should be. Radio stations broadcast talks on a multitude of subjects, but Co-operation is generally ignored or neglected. It is high time that we ourselves realised the importance and need for effective propaganda through publicity so as to enlist a greater volume of public support for the village masses from the urban classes, and for that purpose, organised publicity for the Co-operative Movement. The co-operative institutes are obviously the proper agencies for the purpose, their chief functions being education and propaganda ; and it is up to Governments—Central and Provincial—to make grants adequate enough for the purpose.

The Two Conferences.

The Government of India has not so far expressed any opinion on the report and has not so far issued any resolution thereon. Apparently and rightly too, Government is probably waiting to get the considered opinion of co-operators through their Conferences on the various suggestions and recommendations of the Co-operative Planning Committee. I hope, Provincial Governments will not further seek the considered opinions of their Co-operative Departments and co-operative workers through Provincial

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Conferences. Much time has already passed since the report was submitted to Government and I earnestly hope that Government will take rapid action now and no longer countenance further delay. A definite programme should now be drawn up and a start should be made as early as possible. Attempts at perfection by confabulations and consultations, conferences and references, are now out of place and we trust the deliberations of our Conference and of the Registrars' Conference will be followed soon by action to implement the accepted programme.

This brings me to the question of our two Conferences. The Registrars of Co-operative Societies in the various Provinces and States have been meeting once in about three years and their Fifteenth Conference will be held on the 12th May and two subsequent days. At these Conferences it is customary for each Registrar to take with him about two or three co-operative workers, officials or non-officials, and for the Central Government itself to invite a few co-operators. Since the formation of the All-India Associations of Co-operative Institutes and Provincial Co-operative Banks in 1930, All-India Co-operative Conferences are also being held also once in about three years, so that the present is the 7th All-India Conference. At these Conferences, Provincial Co-operative Institutes and Provincial Co-operative Banks are invited to send representatives and the Registrars of the various Provinces and States are invited to attend. Both these Conferences, therefore, are composed of government officers of the Co-operative Department and office-bearers of co-operative organisations. It is true that at the Registrars' Conferences, co-operative officials are more in evidence ; while at the All-India Conferences, co-operative workers are more in evidence ; but it is more or less the same set of people. Obviously, therefore, it is useless and wasteful duplication of time, money and effort to have two conferences, where more or less the same set of people gather together for the discussion and consideration of problems and policies of the same Movement, and I earnestly make a plea for their amalgamation. Co-operation is no longer a Central subject and in the free India of tomorrow is definitely going to remain a Provincial subject. Besides, Co-operation to-day is after all but a State policy. It must now at least be transformed into a Movement of the people, by the people, for the people. Co-operators from all over India must gather together periodically for exchange of views and formulation of policies and at these Conferences, officials and non-officials must work together for the common cause. The Movement is after all for the people and the officials cannot stand aloof ; the Movement is and has to be vigorously assisted by the State and the non-officials cannot ignore the officials. Both officials and non-officials must co-operate heartily and try to understand their respective points of view. The Registrars' Conference, therefore, having served its purpose in the past, appears to me to be no longer necessary in the new order of things and the All-India Co-operative Conference must take the field. Of course, the All-India

Associations must so change the constitution of the Conference as to make it fully representative of all aspects of the Co-operative Movement in India, where the administrators and workers can meet on a footing of equality and arrive at reasoned conclusions. Such an All-India Co-operative Conference need not meet every year. Once in three years would be enough and the Standing or the Executive Committee of the Conference or of the Association can meet much more frequently and carry on the work during the period between successive Conferences.

The Voluntary Principle.

Let us now examine the major indications and implications of the Report of the Co-operative Planning Committee.

I am glad that the Committee endorses the plea for the continued recognition of the voluntary principle governing the membership of a co-operative society, and lays down that no one should be compelled to join a society. A contradiction has been sometimes felt between planning and the voluntary principle of Co-operation. But planning need not necessarily be by compulsion. Planning by attraction, by inducement, by denial of concessions, make planning by compulsion unnecessary. Though the Report of the Committee is clear on this point, I am afraid, officials, generally speaking, seem to me to be favourably inclined to resort to compulsion and Government might also feel inclined to lend their support to compulsion as an easy alternative to planning by persuasions, propaganda and privileges.

But I would like to reiterate here what I said in my Minute of Dissent to the report. "Compulsion and regimentation may be in a large measure the necessary accompaniments of economic planning; but they are not and cannot be the attributes of Co-operation. The societies or associations formed under compulsion may be very necessary in the interests of economic development; but they would be State agencies and cannot be camouflaged as co-operative organisations". I do hope devoutly that the voluntary character of the Co-operative Movement will be sedulously preserved in the plans and programmes of development that may be decided upon.

Progressive De-officialisation.

The report very rightly lays down that the village co-operative society is a useful instrument of the economic development of the village and very rightly recommends, in no uncertain terms, the transformation of the primary credit societies into multi-purpose societies. The idea of one village-one society is perfectly sound, and yet the report goes on in its various chapters recommending the formation of many more other societies in and for the village. Without popular initiative, leadership and

management ultimately, Co-operation is bound to fail. As it is, it is indeed difficult to secure for even a small primary credit society efficient village workers and it is clearly impossible to secure sufficient and efficient workers for so many other societies for the same area. The Committee, however, envisages greater assistance by the State, greater officialisation and greater control. It is this aspect of the Committee's recommendations, to which I take strong exception, and in my Minute of Dissent, I have advocated what is my considered opinion that while State assistance and supervision could be excellent aids in the training up of the co-operators, perpetual tutelage is entirely foreign to co-operative ideology. State sponsoring and State control should be but meant for training and not for perpetual tutelage. The whole point of view in connection with the Co-operative Movement needs revision. It can never possibly be conceived as necessary that co-operative societies should grow vastly in number, membership and capital and cover in course of time a large part of the population of the country and yet remain all the time under the full control of the State and its officials. This cannot be. New societies come in; older societies pass out from the orbit of State control, as new students enter the University and the older students pass out on graduation. Forty-three years of a controlled regime in an essentially democratic and popular Movement and the failure to achieve success to any appreciable extent should be enough to suggest that the solution lies not in the further tightening of the control and in the appointment of even more and more officials but in the de-controlling of the Movement. Expansion and diversification would need greater control but unless this greater control is associated with a definite policy of progressive de-officialisation, success seems to be extremely doubtful.

Post-organisation Complacency.

One great weakness that I have perceived in the working of the Co-operative Movement consists in our post-organisation complacency. Once a society is organised, no one bothers much about working it to success. Organisers march on to fresh organisations, office-bearers have not much personal incentive to goad them to regular and sustained intensive work and the society languishes and drags on. A few prods from the higher departmental officials might bring about temporary awakening; but solid success holds off. Who is there to gradually transform a mere loan giving agency formed of loan hunters in the village into a genuine co-operative organisation? Who is there to look after and insist on the productive use of the loans apart from the productive purpose stated in the loan applications? We create shells but these remain lifeless without the infusion of any soul therein. Propaganda, departmental or otherwise, creates marketing societies and industrial societies. Suitable by-laws, correct book-keeping and exhortations, however, do not spell success. An efficient staff becomes essential. Herein lies our weakness. With the small capital and small scale of co-operative societies, suitable

salaries cannot be offered and we have to prefer cheapness to efficiency in our selection of men for the key posts. The Registrars and their officers are often not in touch with the scale of remuneration suitable for commercial enterprises and high emoluments are not readily sanctioned. If Co-operation has to succeed, it must be able to compete with competitive business run on proprietary or joint-stock capitalistic basis and comparing in the emoluments of the key-men in business societies would be a spoke in the wheel of success. Even if this hurdle is negotiated successfully, in these new directions—business, trade and industry—which Co-operation seeks now to enter, departmental control and direction are most harmful. Registrars, however able and conscientious, cannot possibly be experts in marketing and in industrial production and at best they would act as brakes to faulty acceleration by enthusiasts in charge. Assuming that, with the appointment of specially trained officers, not theorists but men hardened by experience and knowledge of business conditions and methods, this difficulty also is surmounted, there is yet another danger. A marketing society is both a purchase and sale organisation and in these days of controlled regime, when food grains and various other items of agricultural produce are controlled and rationed, what can a marketing society purchase and to whom it is to sell? The absence of an open market leaves very little scope for marketing societies to develop unless under the wings of the Government, which might release outlets here and there, and now and then for the benefit of such societies. An industrial society must be a production and sale society. Merely producing some manufactured articles is not enough; the products must be sold at fairly remunerative prices in competition with mill-made articles. If we sit content with starting a few hundreds of industrial societies and arranging for their finance and general guidance through district and provincial organisations, as unfortunately we often do, the net result is bound to be failure. Unless a sales organisation is promoted and unless tariff protection is also forthcoming as and as much as necessary, the present drive towards Industrial Co-operation will not bear the fruit which we so earnestly desire. The analogy with the Chinese Induscos is false and misleading. Born under War-time conditions, when they met the requirements of armies and civil populations, practically isolated and cut off from all outside sources of supply, the Induscos succeeded. But the conditions under which the Indian Induscos will have to work are fundamentally different, and unless the remunerative sale of the finished articles is properly arranged for, and unless efficiency in production is made certain, the experiments of the Indusco might, I am afraid, land us into trouble.

Increased Control.

Further the Registrar's control and increasing officialisation constitute a very serious danger which has, to my mind, been one of the basic reasons for the want of success that has dogged our footsteps in the co-operative

field. There is a great sense of irresponsibility among the members of the Board of Directors or of the committee of management. They do not develop initiative; they do not feel the urge; with the lack of a financial stake, they have not the spur and an identification of interests which could lead to the intense pursuit of success of the institution. In a proprietary concern, the proprietor sinks or swims with it; in a joint-stock concern, the managing agents or the managing directors have a large holding and also more or less sink or swim with it; in a co-operative concern, which one of the management suffers badly if it sinks? None, I am afraid. The Manager, the Chairman and the Directors, if adequately paid and remunerated might put heart into their work; but when the Registrar or his representative peeps round the corner almost at each step, when any urgent and bold step cannot be taken without the approval of the Registrar involving a loss of time, initiative cannot develop and the concern hangs on to the Registrar and the management is tempted to remain on the safe side of the department. I have no quarrel with those who advocate increased Government control. All I am insistent about, is the result. The result so far has been poor. With increased departmental control and decreased responsibility of the management, the result, I am afraid, is not going to be any better. If Co-operation is to succeed, it must not be tied up to the apron strings of the Registrar, who, however able and conscientious, cannot possibly be an expert in Agriculture, Banking, Marketing, Industries and so many other sectors of the economic life of the country as also in Administration. If the Government were to assume responsibility for particularly important and big societies, I have nothing to say. I would in a way welcome it. It is the present half-hearted way which prevents popular initiative and deadens the sense of popular responsibility and which gives to the department powers of control without the responsibility for the result. It is the present policy of making the society a semi or a pseudo-Government institution that has largely contributed to the poor results so far achieved. To-day there is not enough control for the State to hold itself responsible; there is not enough latitude for popular initiative. People assume that a co-operative society is a sort of a Government institution and yet it is not. It is high time that the State shook off this half-hearted policy and either assumed entire control and responsibility or gradually restored to the Movement the popular character it lacks.

All-India Council of Co-operation.

For the formulation of the co-operative policies and programmes from time to time and for co-ordination of efforts the Committee has recommended the setting up of an All-India Council of Co-operation. I warmly welcome the idea underlying this recommendation. A fully representative all-India body is certainly necessary. But it is extremely doubtful, if the Central Government in the India of to-morrow will have anything to do with Co-operation, which will very probably be entirely a Provincial subject,

In that case, an All-India Council cannot be set up, as proposed, by the State. Besides, as I pointed out in my address to the Lucknow Conference, an All-India Co-operative Council should be a body where co-operators, responsible heads of big co-operative organisations and responsible heads of Co-operative Departments—the Registrars, must meet on equal terms. A Council of Ministers and Registrars, with a sprinkling of co-operators, cannot be the All-India Co-operative Council—it would be a strange misnomer! I suggest that its place can be very appropriately taken by the All-India Associations, which must so revise their constitutions as to evolve one All-India Association, the membership of which will be open to the representatives of all the various interests—official and non-official—and which will be financially assisted not only by the Provincial Co-operative Institutions but also by Provincial Governments, so as to enable it to function properly and efficiently. The proposed All-India Council is entrusted also with the establishment and control of the proposed Co-operative Institute of Advanced Studies and Research. I do not propose to present to you a detailed plan or scheme. If, however, my plea about the substitution of the proposed All-India Council of Co-operation by the All-India Co-operative Association with a revised constitution meets with favour, I would suggest the appointment by the Conference of a very small Committee which may prepare a suitable scheme for this purpose as also for the amalgamation of the two Conferences and after discussions and consultations with Government arrive at conclusions acceptable to all in the interests of the Co-operative Movement.

Agricultural Finance.

Among the subjects that call for close and urgent attention to my mind are those connected with *marketing, small-scale industries and education*. Agricultural finance, however, cannot be ignored; for after all, for all these 48 years, we have been concerned with the co-operative organisation of agricultural credit and we have built up a very imposing structure of primary credit societies, with their taluka or district central financing agencies and the Provincial Co-operative Banks. At the last Conference held at Lucknow the question of setting up agricultural credit corporations, as recommended by the Agricultural Finance Sub-Committee, was considered and the Conference came to the conclusion, that such a new credit agency side by side by the old one, was not necessary and might only lead to confusion and inefficiency. To serve the needs of all credit-worthy agricultural borrowers who were outside the Co-operative Movement to-day, the Conference was of opinion, that co-operative credit organisations should be enlarged and extended and should receive sufficient aid to secure efficiency of administration and sufficiency of funds. You will have noticed, that the Co-operative Planning Committee also endorses the same view and that there is a special Minute of Dissent by two members, Messrs. Siddiq

Hasan and Bhide, who explain in detail the reasons why the basic recommendations of the Gadgil Committee are not acceptable. I am glad to be able to tell you, that in Bombay the question was considered by the representatives of the District and Provincial Co-operative Banks, who came to the same conclusion. The Government of Bombay have appointed a Committee to suggest in what manner the existing co-operative organisations should be extended and assisted in order to achieve the same objects as the agricultural credit corporation. I do not think it is necessary therefore to say anything more on the subject at this session. I can only hope, that as a result of the Gadgil Committee's analysis and examination of agricultural finance, our co-operative credit organisation will emerge revitalised and strengthened, so as to enable them to perform their functions satisfactorily for all agricultural credit-worthy borrowers.

Co-operative Marketing.

The development of co-operative marketing of agricultural produce is, to my mind, a matter of urgent and transcendental importance. While all improvements and aids to agricultural production are not only welcome but are essential in the interests of self-sufficiency in the matter of food grains and the Grow More Food Campaign, and while therefore all earnest efforts for the supply of better seeds and better manure, better irrigation and better tools and implements and for bunding and for consolidation of holdings are to be very much appreciated and furthered, and while even experiments in joint farming in the restricted sense recommended in the report may fruitfully be made, I pin my faith most on the proper organisation and speedy development of co-operative marketing for immediate benefits to the agriculturists. Co-operative credit, by providing cheap finance and making a little saving in the interest to be paid to the creditor, can be but little beneficial to the needy and ignorant agriculturist who is exploited on all sides and not only in financial transactions. Co-operative marketing, when properly organised, co-ordinated and developed, would make available to the agriculturist, at cheaper rates, supplies not only of agricultural requisites but of household goods, and withal, sell his produce at better rates. Linked with co-operative credit, marketing would provide cheap finance, cheap supply and greater realisation on sale, leaving thus a wider margin of gain which possibly would bridge the gulf between the deficit economy in agriculture of to-day and the surplus economy we hope for tomorrow. Indeed to my mind the importance of co-operative marketing is so great that I feel that if we had devoted ourselves to marketing instead of to credit for the last forty-three years, the result would have been different and the village *sowcar* or the *Mahajan* would have been ousted from the field, his moneylending for crop production and marketing, his retail shop-keeping and his buying up the produce—all having been absorbed by the co-operative marketing society, which would have been able to func-

tion as a sale society and also indirectly as a credit society, and a village co-operative store. The Government of India have been concerning themselves for very many years with the agricultural marketing and have a fairly large staff working at headquarters and also in the various provinces. What this staff is doing, it is hard to say ; but I beg to ask whether the time has not come to take a large part of this staff away from the researches, and report writing, which are often so belated that when their reports on one particular class of commodities get ready, they have largely a mere historic interest, for facts have moved more speedily than findings. I beg to ask whether the time has not come to put this staff to active work for the organisation and development of co-operative marketing. Multi-purpose societies in villages, taluka and district purchase and sale unions, sale societies and marketing federations can but feebly function in these days of control ; but even with free movement, they cannot be effective unless their work is well co-ordinated and unless all these organisations are attached one to the other to form an organic whole. We hear a great deal of loose talk about marketing. Co-operative banks are told that it is to their interests to give loans in kind and to undertake the sale of the produce of members. So a banking institution seeks now to grow into a sort of a rival of the sale institution. The bank seeks to purchase and sale ; and seeks to advance loans for crop finance and marketing finance. In all countries of the world, an important lesson has been learnt about not mixing up banking with business or trade. Even joint-stock banks are not permitted to indulge in commerce, and yet co-operative banks, tinier and less efficient, are seeking to add marketing to their functions. Let banks steer clear and let marketing societies take up the field and co-ordination between these two will bring about the success that we long for. When finance from the banks and purchase and sale by the marketing societies are linked closely and definitely, the picture will definitely be different and the spectre of failures and overdues that has so darkened our horizon will vanish into thin air. I devoutly trust that Governments—Central and Provincial—will give effect to the recommendations of the Planning Committee in this connection at an early date.

Small-scale Industries.

Equally important for the reconstruction of the rural economy of India is the resuscitation, strengthening and promoting of cottage industries. So far as the agriculturist is concerned, subsidiary occupations affect him infinitely more closely. Agriculture being at present a eight-or nine-months' job, it is commonsense to so increase irrigation facilities and to so improve dry farming methods as to make it a full twelve-months' job and till agriculture becomes so intensive, to provide and facilitate subsidiary occupations for the agriculturist which might bring him some much-needed additional income. Industrial Co-operation is a matter of finance, supply, production and sale. The Regional Promotional Agencies advocated in

the report would be admirable for bringing into existence a large number of industrial societies. But for the success of these societies, supply and sale are very important factors also. To buy cheap and sell dear is the gist of trade and it would be infinitely better, more economic and more conducive to greater efficiency if the marketing organisations were entrusted with these functions. To evolve separate organisations for the rural industries, including therein subsidiary and secondary industries for the agriculturist, particularly in the district and the Provincial headquarters is to invite unnecessary duplication. No separate financial or purchase and sale organisations should be countenanced for agricultural and industrial producers and efforts should be concentrated on evolving strong and efficient institutions at the district and Provincial headquarters for the performance of these functions for all co-operators.

Education and Training.

One other item of outstanding importance urgently demanding attention is that of Education, Training and Research. The Committee's recommendations in this respect command our acceptance in general. Adult education, as distinguished from adult literacy, education in co-operative ideology, methods and achievements in schools, colleges and universities, the establishment of Provincial Colleges and an All-India Research Institute, leave but little for criticism or comment except in one important particular, *viz.*, that Co-operative education and training should be entrusted to a non-official organisation like the Co-operative Institute and should not be officialised. I understand, Provincial Governments have already begun taking action and I am glad to be able to tell you that Bombay is placing the Provincial Co-operative College under the Provincial Co-operative Institute. I have no doubt other Provinces will be following suit not only in the establishment of colleges and schools but also in giving to these institutions a non-official flavour, which after all is the breath of life to true co-operators.

A Co-operative Party.

One thing more and I have done. Co-operators have become and are becoming more class conscious, and they demand a voice in the shaping of the country's policies. At the Lucknow Session there was actually tabled a resolution about the need for a Co-operative Party, to contest elections and to send representatives to the Legislatures. To-day it is the Congress and the Muslim League that hold the field, but when freedom becomes a reality, these parties will not have much meaning and new parties will come into being. What is then more natural in a vast country like India with 90 per cent of the population in villages and served more or less by the Co-operative Movement than for co-operators to form a Party, not only as advocates of the co-operative creed and methods, like the Socialists do for Socialism, but also as true representatives of the economic

interests of rural India whose betterment and uplift has been their creed, occupation and obsession. But while in theory, therefore, I fully endorse the need for a Co-operative Party, I do not know how far in actual practice it will be possible for us to form one. Political parties require funds to run elections and co-operators are generally poor; and yet, where there is a will, there is a way.

Brother Co-operators, I have trespassed upon your patience far too long and I crave your indulgence. The occasion is peculiarly important; the policies that are now adopted, the decisions that are now taken, the programmes that are now constructed will probably hold the field for years to come and it behoves us to devote very careful attention to the facts and findings of the Co-operative Planning Committee and arrive at reasoned conclusions.

RESOLUTIONS

1. Report of the Co-operative Planning Committee— Publication Welcomed:

This Conference welcomes the publication of the Report of the Co-operative Planning Committee. The Report is a comprehensive and compendious survey and will serve as a useful guide to Provincial and States' Governments and to Co-operative Officials and Co-operators for expansion, extension and diversification of the Co-operative Movement in India. This Conference requests that the usefulness of the Report be increased by translations in regional languages.

2. Voluntary Principle of Co-operation:

This Conference is of opinion that the voluntary principle governing the membership of a co-operative society should be respected and that no one should be compelled to join a co-operative society.

This Conference, however, is of opinion that where there is need for provision of common essential economic service in pursuance of State policy and where the larger interests of the community require it, a resolution passed by the members of a co-operative society who form two-thirds of the community affected should be made binding by law on non-members also.

3. Priorities in Co-operative Planning:

In view of the length of time that will be taken in implementing all the recommendations of the Co-operative Planning Committee, this Conference is of opinion that Governments—Central,

Provincial and States', and Co-operators, official and non-official, should give priorities to the different types of co-operative societies recommended to be organised, according to the circumstances in and requirements of different Provinces and States. In general however, this Conference invites particular attention to the following:

Co-operative Education and Training; Consumers' Stores; Co-operative Marketing; Co-operative Industrial Societies; Agricultural Production; and Development of multi-purpose activities in rural societies.

4. Co-operation and State-aid:

This Conference strongly recommends that Central, Provincial and States' Governments should make available to the Co-operative Movement, State-aid in the manner and to the extent envisaged in the Co-operative Planning Committee's Report. It draws the attention of the Central, Provincial and States' Governments to the fact that such help will be merely a contribution from the State for effecting the economic betterment of the rural masses of India.

5. Co-operative Marketing:

(i) (a) This Conference is in full agreement with the recommendation of the Co-operative Planning Committee that marketing of the surplus agricultural produce should be done only through Co-operative organisations and for this purpose requests all Provincial and States' Governments to take immediate steps to promote Co-operative Marketing.

(b) This Conference is of opinion that Co-operative Marketing organisations should be promoted at convenient marketing centres for marketing commercial and food crops.

(ii) (a) This Conference emphasizes the fact that, as the prosperity of the agricultural community depends largely on the marketing of agricultural produce, in all schemes of rural reconstruction, Central, Provincial and States' Governments should give a high priority to Co-operative Marketing; especially by

- (1) effectively linking credit with marketing;
- (2) making necessary funds and land available and granting subsidies for construction of godowns and installation of processing plants;
- (3) facilitating the training of their staff;
- (4) providing an expert staff where necessary; and

- (5) utilising the marketing organisations in all their schemes of procurement and distribution.

(b) This Conference strongly urges the Central, Provincial and States' Governments to give special concessions to Co-operative Marketing Societies in railway freights and also in getting high priority for obtaining wagons for transport of goods handled by them.

(iii) This Conference strongly recommends that in all schemes of distribution of seeds, manures and implements, the Government Departments should utilise only co-operative organisations so as to make the distribution popular and more effective.

(iv) When bulking agricultural produce for purposes of marketing, it should be graded into standard grades, preferably under the provisions of the Agricultural Produce (Grading and Marketing) Act, 1937, as this will be conducive to realising a better value for such produce.

(v) This Conference strongly recommends that Inter-Provincial Co-operative Marketing should be promoted.

(vi) This Conference further recommends that separate Co-operative Marketing Sections under the Co-operative Departments, be organised immediately.

6. De-officialisation as Government Policy :

This Conference is definitely of opinion that the time has come when, along with the necessary increased assistance by and association of the State for new societies, a policy of de-officialisation should be adopted for successful groups and types of societies. This Conference urges upon the Government the need for a declaration of its policy in this behalf in no uncertain terms and to begin to formulate steps necessary in that connection at an early date.

7. All-India Co-operative Council - Neither Desirable nor Practicable.

(a) This Conference is of opinion that the All-India Co-operative Council as recommended by the Co-operative Planning Committee is neither desirable nor practicable in view of the provincialisation of Co-operation. The purpose of such a Council can best be achieved by All-India Co-operative Conferences held periodically under the auspices of the two All-India Co-operative Associations with a suitably modified constitution.

(b) This Conference requests the office-bearers of the two All-India Co-operative Associations to prepare a scheme for suitable modification of their constitutions and evolving an All-India Co-operative Association to represent fully all types of co-operative institutions. They should also prepare a scheme for the amalgamation of the Registrars' Conference with the All-India Co-operative Conference and for the All-India Co-operative Association to undertake the work assigned by the Co-operative Planning Committee to the All-India Co-operative Council.

8. Provincial Co-operative Councils :

This Conference is in general agreement with the recommendation of the Co-operative Planning Committee regarding the creation of a Provincial Co-operative Council for every province. It is, however, of opinion that greater representation should be given to non-official co-operators both in the Council and in the Executive Committee.

9. Confining Government Control to Statutory Duties Only :

(a) This Conference is very strongly of opinion that Government control over the Co-operative Movement should be limited to the performance of statutory functions prescribed in Co-operative Law and requests Governments, Provincial and States', to direct their Registrars to forthwith cease performing non-statutory functions.

(b) This Conference is also of opinion that audit and administration should be separated.

10. Co-operative Education and Propaganda :

(a) This Conference is of opinion that except advanced studies, all training and education for all types of co-operative workers should be entrusted to the Provincial Co-operative Institutes.

(b) This Conference is of opinion that in Provinces and States where a College of Co-operation is felt necessary, it may be started, but that it should be under the control of the Provincial Co-operative Institute, setting up, if needs be, a governing body to assist it.

11. All-India Industrial Finance Corporation—Participation by Co-operative Institutions in its Structure :

This Conference strongly urges the Government of India to allow co-operative institutions in Indian Provinces and States to

participate in the share capital of the proposed All-India Industrial Finance Corporation by allotting them a fixed percentage of share capital or by treating them at least on the same terms as scheduled banks. Co-operative institutions should be given representation on the Governing Board of the proposed All-India Industrial Finance Corporation.

12. Place of Co-operation in Development Plans :

This Conference regrets to note that the Report of the Advisory Planning Board has failed to accord its proper place to Co-operation as an instrument both for the preparation and execution of plans of development in India. This Conference reiterates its firm conviction that the Co-operative method and spirit of co-operative organisation are particularly suited, among other things, for the planning and execution of programmes of development of agriculture and cottage industries, and urges upon the Central, Provincial and States' Governments that representatives of the Movement should find a prominent place on the Planning Commissions and Consultative Bodies proposed to be set up at the Centre and in the Provinces and States.

13. Co-operative Societies for Ex-Services Personnel :

(a) This Conference requests Provincial Co-operative Institutions and their affiliated bodies to implement the recommendations and suggestions made by the Co-operative Planning Committee for the promotion of co-operative institutions for ex-services personnel and I. N. A. personnel and, in particular, the organisation of small and cottage industries, construction of public works, multi-purpose societies, etc.

(b) This Conference further recommends that the Services of ex-services personnel and I. N. A. personnel should be fully utilised in the post-war planning and development of co-operative institutions.

14. Land Mortgage Banks' Debentures—Guarantee by Government:

(i) This Conference is strongly of opinion that the guarantee of the principal of and interest on debentures of Co-operative Land Mortgage Banks by Provincial Governments is as necessary as ever in order to make long-term credit available to agriculturists at reasonable rates of interest.

(ii) This Conference regrets to note the unfavourable attitude taken up by the Imperial Bank of India in the matter of giving advances and requests the Government to see that the debentures of Land Mortgage Banks are treated on a par with other Provincial Government Securities.

15. Role of Co-operation in Procurement and Distribution in the present Economic Conditions :

This Conference notes with regret that in practice the Co-operative Movement has not been utilised so far to any adequate extent for the purposes of procurement and distribution. To eradicate black-marketing and to check profiteering, this Conference appeals to all Governments, Central, Provincial and States' to entrust to the Co-operative Societies the entire procurement and distribution of all essential articles, such as food, clothing, etc.

16. Co-operative Insurance :

This Conference notes the proposals contained in the Report of the Co-operative Planning Committee in regard to Co-operative Insurance and is of the opinion that :

(a) the Government should subsidise rural policy-holders, who take out a policy for small amounts so that co-operative societies may be enabled to propagate life insurance among rural masses. Whereas it is a fact that the expense of field organisation and the cost of procurement of business from rural areas are on the high side and that there is an inherent higher mortality risk involved as the policies may have to be issued without medical examination, the premium required to be charged to rural policy-holders will naturally be higher than that charged to urban population. This Conference strongly urges upon the Co-operative Insurance Societies to see that such difference in premium does not exceed 25 per cent of the regular premium and requests the Government to subsidise the difference so that the benefit of insurance may be made available to the rural population at the same rate of premium applicable to the urban population.

(b) the benefit of insurance cover through co-operative insurance should be made available to the industrial workers and other employees. In the considered opinion of the Conference, unless co-operative insurers are permitted to recover the premium at source from the salaries, it is not possible to extend the benefit of

insurance schemes to this class. This Conference, therefore, very strongly recommends that the Payment of Wages Act and the orders thereunder be amended suitably so as to permit deduction of premia from the paysheets in respect of policies taken by industrial workers and other employees from co-operative insurance societies.

(c) Co-operative Insurance Societies should be encouraged by payment to them of interest at 1 per cent above the Reserve Bank rate in respect of the Statutory Deposit and the proportion of their liabilities which are required to be invested in approved securities under the Insurance Act and Co-operative Societies Act.

(d) As recommended by the Co-operative Planning Committee, the Central Government should exempt Co-operative Insurance Societies from the payment of income-tax on the interest derived on their investments.

(e) The Government should take steps to implement the recommendations of the Co-operative Planning Committee in regard to the Insurance of Cattle and Crops, but as regards Cattle Insurance, after the initial period, control or organisation of Cattle Insurance should be entrusted to Co-operative Insurance Societies.

17. Agricultural Credit Corporations.—Not Required.

This Conference reaffirms its opinion expressed at the Lucknow Conference against the proposal of the Agricultural Finance Sub-Committee for starting Agricultural Credit Corporations to provide adequate agricultural finance to all credit-worthy agriculturists. The Corporation would be a competitive financing agency. The present co-operative structure with necessary modifications will be able to achieve the same ends better and hit the same targets earlier provided the same administrative and financial facilities by the State are made available to them as are proposed in the case of the Agricultural Credit Corporations.

Fifteenth Registrar's Conference.

Held at Madras on 12th May 1947.

Opening Speech by the Hon'ble Sri O. P. Ramaswamy Reddiar, Premier of Madras.

On behalf of the people of Madras, I am very happy to welcome the President and delegates of the 15th Conference of Registrars of Co-operative Societies in India to this historic City of Madras. I hope you will find your stay here pleasant, in spite of the summer-heat, and that when you go back to your homes, you will carry with you sweet memories of the fine city of Madras and warm feelings of old friendships revived and new friendships established. Now that independence is in sight, the greatest need of the country to-day is to strengthen the unity of the nation by bridging over differences between the North and South, the East and the West, between communities and castes, and between creeds and languages. Political conferences are playing a useful part in building up such solidarity, and it would be all to the good of the country if more people from all parts of India meet together often in non-political conferences of the present kind. They will help to fasten attention on common needs and problems and give them precedence over local and sectional interests.

2. It is now forty-three years since the Co-operative Movement was introduced in this country. During this period, officials and non-officials have contributed their best to the progress of the movement. It has had varying fortunes; it has developed well in certain provinces and States; it has progressed feebly in certain others. Nevertheless, it has now definitely come to stay. There was a time (1928), when the Royal Commission on Agriculture observed in a despondent tone. "If Co-operation fails, there will fail the best hope of rural India." But we have now reached a period when we realize that Co-operation has not failed but is a live movement, rich in promise. We have so far been inclined to confine our activities only in the co-operative credit side. We note with satisfaction that recently in some parts of the country the co-operative credit structure is so strong that it has made it possible to launch and finance non-credit co-operative institutions on a pretty large scale. The producer-cum-consumer Co-operative Societies are one of our greatest experiments in the co-operative field. They have been successful in Malabar and it is a pity that the timing of their beginning to function in the Circars and the lack of trained personnel has led to a temporary partial suspension of their activities there. But I have no doubt that the principle is good and those societies deserve to succeed. If you will forgive me a bit of local pride, 35 crores of rupees worth of business a year in the co-operative stores of

this Province, 3 crores of transactions in the Land Mortgage Bank, 4 crores of sales in the handloom weavers' co-operatives and over 1/2 a crore of milk produced in co-operative milk supply societies are some indications of the benefits which co-operation can confer on the masses. But even this is not enough. The co-operative movement must identify itself with the cultivator. I am sorry to see that even co-operative institutions are charging the cultivators nearly double the rate of interest at which money is available in the open market. This situation must be remedied. Some banks are refusing credit to Co-operative institutions on the ground that they are interfering with the activities of normal trade channels. On behalf of the Government, I want to sound a note of warning to them. If banks become mere tools of vested interests and try to stand in the way of people developing a spirit of self-reliance and developing the Co-operative movement, these tactics will not be tolerated for a moment. I request the Government of India to take note of the situation and do the needful. I am envisaging the time, at a not distant future when all the financial transactions of the Governments and institutions like the Insurance Companies will be with Co-operative Banks. We look upon co-operation as the harbinger of a new India built on new economic foundations. We realise that in it, the greed for profit which animates capitalistic endeavour is subordinate to the desire for mutual well-being. We see in it a means of conferring the highest good upon the largest number, without sacrificing the stimulus for individual gain which is so necessary for economic progress. More than all, we are convinced that a new economic system can be established in the country through co-operation without having to go through the travails of a revolution. My own dream for the villages of our country is villages like Coshba in Bengal started by Sir David Hamilton.

3. This is presumably the reason why the last Registrars' Conference which met at Bombay in 1944 suggested the constitution of a Committee to plan out the economic progress of this great land on co-operative lines, and the Government of India set up the Planning Committee on Co-operation in 1945. I understand that your chief work during this Conference will be to discuss, dissect and decide upon the elaborate recommendations made by this Committee. Some of them are of far-reaching importance like the constitution of an All-India and Provincial Co-operative Councils, the establishment of an All-India Research Institute and Provincial Co-operative Colleges, the setting up of Provincial Agencies for small industries, the creation of Agricultural Credit Corporation, etc. I am sure that both the Government of India and the Provincial and State Government will have your considered opinion on these subjects based on your wide practical experience in the field of co-operation. It will be a representative opinion because this Conference is constituted with delegates coming from all the 11 provinces and as many as 11 of the Native States, besides

representatives of the Government of India, the Agricultural Research Council, the Central Marketing Board, the Reserve Bank of India and the All-India Association of Co-operative Banks and Institutes.

4. If I may make one observation to the Conference on the recommendations of the Planning Committee, I should draw attention to the fact that the bulk of their recommendations relate to State-aid. I recognise that in any scheme of Planning the agency which plans out the scheme should meet the cost of the plan in very large measure. At the same time, it should not be ignored that co-operation is essentially a system based on self-help. Dependence on the State for progress will detract the spirit of self-reliance and independence which make for true progress. The Co-operative Movement should enter all walks of life like industry, dairy-farming, co-operative commerce, agriculture and agro-industries. Co-operative insurance institutions should take up new lines like crop insurance and cattle insurance. There must be an Agricultural Finance Co-operation on the lines of Industrial finance, Corporations and the various Governments, Central and Provincial, should help towards that end. The benefits of co-operation should be brought home to the children at school as also to the grown-ups. It is not too much to say that this spirit should be inculcated in persons in power as well as officials. I am, however, conscious of the fact that if co-operation is to expand and develop it should have a considerable degree of State-help but the degree of State-help will be necessary for some time until profits fixed for development are attained; that can be given by any provincial Government or State will depend on the extent of their own resources which are pretty limited and on which there are various demands. I hope the Government of India, under the able guidance of our beloved leader, the Hon'ble Dr. Rajendra Prasad, will supplement the resources of local Governments liberally so that we may attain the rapid and stable expansion of the co-operative movement which we all desire. We have benefited a great deal under his leadership. Not only Bihar but the whole of India owe him a deep debt of gratitude for his self-less endeavours in the cause of political emancipation. The right to rule our land has been won, thanks in a considerable measure to his counsels and his deep sacrifice. The freedom from famine in India in these hard days of food scarcity is due to his able administration of the Food Department of the Government of India. But may I be permitted to request him to reconsider the question of prices of food grains in Madras so as to give the agriculturist a fair price and make him produce more grain. May we not hope that the establishment of a new economic order based on co-operation in this vast land will also owe much to his leadership and generosity?

5. Gentlemen, I thank the Government of India for having chosen Madras for the first time as the venue of the Registrars' Conference and wish you all an enjoyable stay in Madras and a successful Conference.

PRESIDENTIAL ADDRESS

By

THE HON'BLE DR. RAJENDRA PRASAD

The Co-operative Movement has been with us now for nearly half a century. During this period, it has passed through many vicissitudes, but, on the whole, the general expansion cannot be said to have been affected. The Movement has been working long enough for us to pause and reflect. On the one hand, we have to look backward and estimate our achievements and failures. On the other hand, we have to look forward and decide the lines along which expansion and progress should be directed.

2. It started with the organisation of co-operative credit societies under the Act of 1904. The kind of societies visualized there, was the type that obtains now, namely, that rural society composed of agriculturists with unlimited liability. Rapid growth of the movement made it necessary to remove some of the defects of the previous Act. The result was that the Co-operative Societies Act, 1912, which can be said to be the basis of the present co-operative movement, was passed. Under this Act legal recognition was given to societies organised for purposes other than credit and the distinction of rural and urban societies was abolished. With the passing of this Act the number of co-operative societies increased considerably and new types of societies for the sake of production, purchase of manure, retaining of farm implements, better housing, sanitation, primary education and so on came into being. In 1919, Co-operation became a Provincial subject. Since then in every Province emphasis has been laid on the type of co-operation that suited the Province. Up to 1929 the Movement grew in strength, but on account of the depression which began in that year it received a severe setback. Accordingly from 1929 up to the beginning of the War, emphasis in the co-operative movement was more on consolidation and rehabilitation rather than on expansion. It was but natural that on account of the need for reorganisation official control on the movement increased during this period. When war began the agricultural prices started going up in common with other prices. The co-operative movement received an impetus. The members repaid their debts, deposits with Co-operative Banks increased. In fact, they increased so rapidly that, with the proportionately smaller demand for loans, the banks were faced with the problem of surplus funds. The significant feature of the movement during the war was the growth of Consumers' Co-operative Societies and Stores especially for the procurement of food-stuffs. Co-operative marketing also grew. In the post-war period which has just begun, we are now confronted with the problem of fitting in the co-operative movement in the general plan for the economic development of the country.

3. In the earlier years, the movement was confined to the provision of rural credit, based on the principle of unlimited liability. The development of co-operation was guided and controlled by the Government; Government control had both advantages and disadvantages. The advantage was that an experiment in social economics, largely dealing with the poor cultivators, was started with the authority of Government behind it and this helped to sustain the movement in its infancy in spite of failures here and there. We must accept that this foundation has been of immense value in making possible much rapid development in the later years. At the same time, with the development of a co-operative consciousness among the more intelligent public, several leading non-officials interested themselves in the development of co-operation. It would be true to say that, under the conditions of Government then existing, the co-operative movement offered about the only opportunity for the Government and the public to get together for improving the conditions of life of the people. Under the Reforms Act of 1919, Co-operation became a Provincial transferred subject, and was placed under the charge of a Minister. During this period, there was considerable development. Non-credit co-operation came to increase in importance. Provincial legislation, to suit the special conditions of each Province, was introduced. Non-official institutions for propaganda and education were encouraged. Certain Provinces appointed committees of enquiry to report on the progress of the movement. It was clear by then that the movement had taken root in the country and both official and non-official opinion came to be directed towards guiding its future along proper lines. The depression during the last decade, no doubt, checked the rapid expansion of the movement but it helped to focus attention on defects that naturally assumed importance during a period of stress and strain, and in this sense, had a beneficial effect on the movement. During the war, the elaborate controls instituted by the Government imparted a stimulus to consumers' societies—a side aspect of the movement which has long continued to be rather weak—and marketing activities, by the co-operative method.

4. The Co-operative Planning Committee have defined Co-operation to be "a form of organisation in which persons voluntarily associate together on basis of equality for the promotion of their economic interests. Those come together to have a common economic aim which they cannot achieve by individual isolated actions because of the weakness of the economic position of a large majority of them. This element of individual weakness is to be overcome by the pooling of their resources, by making self-help effective to their mutual aid and by strengthening the bond of moral solidarity between them." The essentials of the co-operative movement as distinguished from other forms of organisations are: (a) the willing co-operation of the members; and (b) the recognition of the democratic

principle as evidenced by the practice of one man having one vote and no more. It is these principles which make the co-operative movement so different. As has been said, "Economic security could conceivably exist with a high degree of material prosperity in the slave State, but at the price of slavery." The kind of economic security is however hardly worth having.

5. In formulating policies of further development of the co-operative movement so as to suit the needs of this stormy post-war world in which we find ourselves, it is well to remember how eminently suitable the co-operative method is to the peculiar problems of India.

6. The Committee set up by the Government of India, namely, the Agricultural Finance Sub-Committee presided over by Professor D.R. Gadgil and the Co-operative Planning Committee of which Mr. R. G. Saraiya was the Chairman, agree that the co-operative movement will provide that best solution of many of our problems. Co-operation is primarily a poor man's organisation. It fits in with an economy in which the small cultivator is the central figure. As an individual the cultivator is weak and cannot hope to stand up against the gigantic forces that lead to his exploitation. Through co-operation he acquires strength. At the same time the co-operative method affords sufficient freedom to the individual, unlike extreme forms of planned State control in which the individual is perhaps better housed and better fed and clothed, but is drilled into a uniformity that cannot but ultimately stunt his stature as a human being. There is an element of democratic freedom inherent in co-operation and this freedom has to be prized above all things. The freedom of the individual, however, has to be used for the benefit of the community of which he is a part, and it is this healthy compromise between discipline and freedom that is embodied in the co-operative method "all for each and each for all." One cannot think of a more wholesome philosophy for a country of self-reliant cultivators living in communities small enough for one person to know another, and willing to pool their resources and create social and economic unity and strength. The various organisations in the co-operative movement have to be conceived and created in this combined spirit of advantage to one's self and benefit to others. Without the background of this ideology, individual institutions will lose much of their significance.

7. In turn, this background of the co-operative movement points to the importance of looking at co-operation more as a way of life than as a series of separate institutions for specific purposes. The various forms of co-operation are intended to subserve the varying needs of the cultivators, the labourers and the general public. All these various institutions together help the individual to lead a better life. The cultivator should be made to feel that the co-operative movement can help him at all stages. It affords

credit for redeeming past debts through Land Mortgage Banks. For his cultivation expenses it extends facilities for securing good seed, manure and implements. It is a healthy sign that these facilities are increasingly being provided in kind rather than in cash. Societies for consolidation of holdings help to arrest the evil of fragmentation. He can improve his land by digging wells or raising bunds by loans of a medium dated character. The co-operative society purchases his produce, stores it and sells it for him thereby helping him to secure fair prices for his produce which he has to sell. His daily needs are met by the consumers' society which secures to him what he needs to purchase at fair prices. Cottage industries to occupy the spare time of the cultivator and his family offer a fruitful field for co-operative effort. Thus the movement contacts the cultivators' every point. This is proper and healthy, and the tendency to bring together as many aspects as possible in one institution which has a "multi-purpose" character is to be welcomed. It is true that the movement originated with credit and that original in still sticks to it. Even to-day the primary credit society is the base of the movement, but it has to be enlarged so as to move one step higher up and provide those facilities for which credit is utilised. The co-operative circle will then start with their provision of seed and manure, and will be completed by the marketing of the produce.

8. That credit should have played and should continue to play such an important part in the movement is but natural inasmuch as the want of it or the lack of the capacity to command it at reasonable rates is the greatest weakness of the small man. The two Committees have accordingly recommended that the financial structure should be reconstructed so as to provide agricultural producers with an agency of credit alternative to the private moneylender. The village moneylender is and has been the target of much criticism. Whatever his sins may be, it must be admitted that in the absence of credit societies he played a most useful part in supplying credit. His terms may have been exorbitant and his methods not always and in all cases quite honest. But I cannot help saying that I have seen co-operative credit societies charging something like 15 per cent per annum as interest on the loans advanced by them, and that when they had not only the benefit of the unlimited liability of all the members of the society for the default of any member but also of the legal right to claim facilities for quick realisation of their dues. The village moneylender had none of these and if he charged more than 15 per cent interest in some cases for the extra risk involved, I for one would not be prepared to blame him. Dishonest dealings of those who indulged in them are apart and of the course deserve strongest condemnation. One great weakness of the co-operative movement proceeded from what we regarded as its strong point. Co-operative societies could not charge interest at lower rates from their borrowers when to attract deposits they were themselves paying 7 or

8 per cent to their depositors. The unlimited liability of their members and the facilities for enforcing their claims created a facile complacency and loans were advanced which did not fall strictly within the objects for which they could be advanced and further hardly any check was exercised on the utilisation of the loan by the debtor who very often used it for non-productive purpose. The natural consequence was strict enforcement of the rules for realisation of the debt, taking over of lands in lieu of the debt not only of the debtor but in many cases of others who had unwittingly assumed unlimited liability and had been too lazy to see to it that the debtor did not abuse the trust and thus throw their own liability arising out of their impecuniousness on others. When debts could not be realised in spite of all this, societies were unable to fulfil their obligations to the co-operative banks, and the latter in their turn closed their doors in several cases and those who had deposited their savings and small earnings in the hope of getting interest at a higher rate than was available from other banks lost heavily not only the interest but in some cases also their capital. Efforts were made to stop the rot and Provincial Government came to the rescue of the movement after this period of depression, and but for the events that followed the starting of the World War II the movement in many places would have collapsed. In any scheme of reorganisation the defects of weaknesses should not be lost sight of and should be provided against.

9. The Gadgil Committee have recommended that the alternative agency should be an Agricultural Credit Corporation to which the State should provide a part of the working capital and take responsibility of administration. It is further recommended that each State or Province should prepare separately a scheme for such a Corporation for themselves. The Saraiya Committee however feel that much time may be lost in preparing such a scheme and recommend that the existing number of Co-operative Banks and other Central Financing Organisations should considerably be reconstituted. Whatever may be the form of organisation, it is clear, that our Co-operative movement would have to be strengthened and reorganised so as to save our agriculturist from the clutches of the unscrupulous money-lender and to provide him with a more satisfactory and adequate form of credit. Further, Co-operative Societies should be reformed and reorganised so as to serve as a centre for the general economic improvement of its members. It is considered that it should develop into a multipurpose society. It should not only finance crop production, but also act as an agent for the sale of crop, supply the farmers with seed, cattlefeed, fertilizers and agricultural implements; serve as a Milk Collecting Station for the nearest dairy and as a centre for animal first-aid; serve as a centre for maintaining agricultural machinery for joint use of members and encourage subsidiary occupations for its members. The Co-operative

Planning Committee has suggested that a target should cover 50 per cent of the villages in British India and 80 per cent of the rural population within the ambit of the reorganised primary societies within a period of 10 years in two 5-year periods. The membership of a primary society should be at least 50. To reach the target it will be necessary to increase the number of members in the existing societies and to start new societies and it has been calculated that 1.7 million members should be added to the existing 97,387 societies and 21,600 new societies should be established annually for 10 years. It has further been recommended that the Government should give a subsidy amounting to 50 per cent of the cost of management to all the societies—old and new—for the first five years.

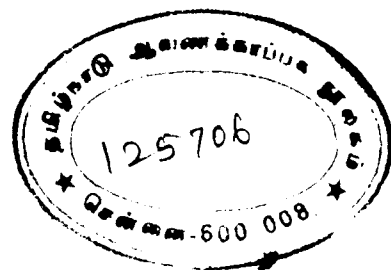
10. We have met here in this Conference to consider these and other recommendations of the Co-operative Planning Committee which are of a very far-reaching character and involve heavy cost. In doing so we shall have to bear in mind that Co-operation is a Provincial subject and the Government of India can only guide and suggest and offer such financial and technical assistance as it can afford; but the burden of giving effect to and implement recommendations will fall mainly on the Provinces. It is possible that in the set up which will follow in train of the impending constitutional changes the scope of the functions of the Central Government may be still further circumscribed. Whatever the future may bring, we have to give our considered views on the recommendations and a detailed agenda has been prepared for the Conference.

11. I now indicate only some of the points of principle which should receive the careful attention of the Conference. Of these the first and foremost is the suggestion to increase and widen the scope of co-operative activities from being very largely credit societies to multi-purpose societies. In this connection the question whether the liability of the members should be limited or unlimited is one of fundamental significance. Another question of importance is whether co-operation can at all have resort to compulsion in any form, and if so, the extent to which it can go in that direction. Co-operation is based primarily on voluntary association and this should not be departed from. But there may be certain activities essential for economic progress, like consolidation of holdings, crop production or irrigation in which the desired object may not be attained without resort to compulsion and the question arises as to what may be recorded essential schemes and what should be the proportion of the community which through co-operative societies could make its decisions binding on others. A third fundamental point requiring consideration is the extent of Governmental control, interference and assistance in the affairs of co-operative societies. Apart from those and such other questions, there are other recommendations dealing with details relating to each particular kind of activity that co-operative societies may undertake. These relate to supply

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of agricultural credit, co-operative farming, milk production and supply, co-operative marketing of agricultural produce, small and subsidiary industries, consumers (co-operative, urban credit, co-operative housing societies—urban and rural; co-operative insurance including life insurance, fire insurance, cattle and crop insurance, general administration and training of workers and propaganda, etc. I would invite the Conference to take up the consideration of these relating to the agenda.

12. I am glad and grateful to have this opportunity of joining in your deliberations and hope the decision we shall be able to arrive at will result in expanding and strengthening the co-operative movement which holds out such a rich promise of progress for the great bulk of our vast population. We have to tackle the problem of the poverty of our masses and improvement of agriculture and animal husbandry and expansion and improvement of industries are essential for this purpose. We have to tackle the problem of illiteracy and insanitation, and disease and in all these and many other spheres co-operation has a great part to play. The prospects are vast and varied and it requires a correspondingly increasing interest on the part of the people at large to be evinced and taken in the work. That depends upon the number of women available and even more upon the qualities ofand heart and the equipment of those who will choose this line of public service. It requires an over-increasing number of enthusiastic public-spirited workers imbued fully with the spirit of co-operation and in the difficult and interesting times ahead let us hope we shall get them. (Loud and continued cheers).



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