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Review

1947- January - March

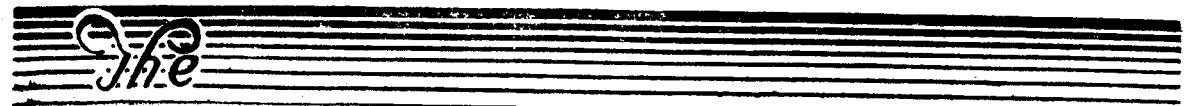
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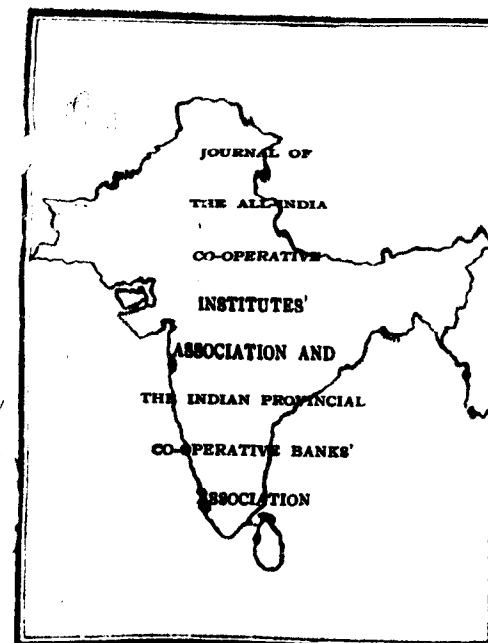
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JANUARY—MARCH, 1941



INDIAN CO-OPERATIVE REVIEW



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VOL. XIII

JANUARY—MARCH, 1947

No. 1

CONTENTS

PAGE

EDITORIAL NOTES

Report of the Co-operative Planning Committee; The Madras Provincial Co-operative Conference; Industrial Co-operatives; Land Mortgage Banks' Conference at Madras	1
Principles of Co-operation By Diwan Bahadur H. L. Kaji, I.E.S. (Retd.), J.P.	7
Place of Co-operation in Planning Ignored By R. G. Saraiya, O.B.E.	12
The All-India Co-operative Plan By K. C. Ramakrishnan	15
A Ten-Year Co-operative Plan By Kasthurchand Lalwani	22
A Critique of the Saraiya Committee Report By Mahesh Chand, M.A., B.Sc. (Hons.)	27

SUPPLEMENT

REPORT OF THE CO-OPERATIVE PLANNING COMMITTEE APPOINTED BY THE GOVERNMENT OF INDIA.

Summary of conclusions and recommendations	1
Minute of Dissent by Dewan Bahadur H. L. Kaji	46
Do. by Mr. Siddiq Hasan, I.C.S., and Mr. M. R. Bhide, I.C.S.	53

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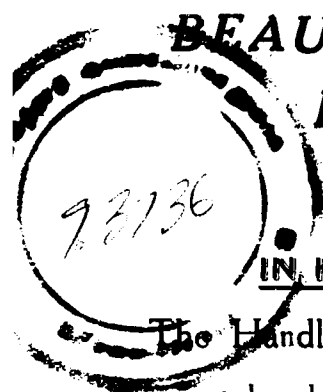
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EDITORIAL NOTES

REPORT OF THE CO-OPERATIVE PLANNING COMMITTEE

We are publishing as a supplement to this issue of the *Review* the main conclusions and recommendations of the Report of the Co-operative Planning Committee appointed by the Government of India on the recommendation of the 14th Registrars' Conference. We regret that the response to our invitation for comments on the Committee's report has not been adequate. We publish what we have received. Readers will see that every aspect of co-operation has received the attention of the Committee and that the extension of every kind of co-operative activity has been planned for. The only surprise is that credit has less space devoted to it than used to be the case in reports of previous committees of enquiry on Co-operation. This is not because the Committee attaches less importance to credit, though it emphasises the benefit of non-credit activities, but because another Committee, known as Gadgil Committee, on agricultural finance, had already fully considered the whole question of agricultural credit including co-operative credit and submitted its report to the Government of India, who made it available to this Committee before its publication. The Planning Committee, while agreeing with the analysis of the problem of rural credit by the Gadgil Committee and its strong support of co-operative credit, wherever it had taken root and spread, differed from that Committee on its central recommendation—that in every Province where co-operation had not spread, an Agricultural Credit Corporation should be established with State-aid and control to provide finance for all those who are outside the co-operative movement. Given the same type and measure of aid, it affirms that the co-operative financing agencies will be quite able to finance the agriculturists to the same extent as the Corporations could do; and co-operative banks have the additional advantage of having on their boards of management representatives of borrowers whose needs and difficulties are better understood. On this question, "the Minute of Dissent" by the two Registrars of Co-operative Societies is a clear and full amplification of the point of view of the Committee. We daresay that all co-operators agree with them, as was made abundantly clear in the last Conference of the All-India Co-operative Associations. The reports of both the Planning Committee and the Agricultural Finance Sub-Committee which have since been published are coming up for full discussion at the ensuing Conferences at Madras of the All-India Co-operative Associations

and of the Registrars of Co-operative Societies. We are sure that both will receive the attention that is due to them and co-operators will express their views frankly and fully. On another important recommendation of the Gadgil Committee on finance, the Planning Committee has expressed no definite view—that the weight of prior debts of agriculturists should be reduced to an equivalent of half the value of assets held by them. We trust that this craving for a clean, rather half clean, slate will receive due consideration at the Conferences.

The Planning Committee is very much against single purpose societies and pleads again and again for the multiplication of functions to be performed by the primary society in the village. It is to be a sort of universal provider. While we agree that it would be beneficial in many cases to add on a function or two to the primary purpose of a co-operative society, it would be vain to expect any number of functions to be performed by such an agency unless there were in every village a missionary like Raiffeisen. Membership may, by all means, be thrown open to all eligible persons in the village, but competing and mischievous elements must be eschewed. Wider area of jurisdiction is recommended and as one result of it the liability; as the Committee recommends; should be converted from unlimited to limited with one or two safeguards. This is a bold step to recommend in view of the persistent refusal of the Reserve Bank authorities to face facts. On this and some other points of reform suggested, the credit must go to the lead given by the Madras (Vijayaraghavacharya) Committee on Co-operation, 1940.

The Planning Committee has fixed up a high target to be reached within ten years, in two five-year periods; every year 21,000 societies should be organised bringing in 1.08 millions of members so that 50 per cent of villages and 80 per cent of the rural population (of 1941 census) may be brought within the ambit of the reorganised primary societies. This would involve a tremendous strain on the economic and social fabric.

The report deals with many other types of activity—co-operatives for marketing and processing, small and subsidiary industries, labour and civil construction, transport, insurance, urban consumers and credit, etc., which are all important; but space forbids us to deal with in this issue.

We, as voluntary co-operators, have a serious grievance which has been given expression to in a dissenting minute. The initiation and control in most matters have been entrusted to the Registrar and his staff and the co-operation of non-officials is sought only at certain stages. This policy of increasing officialisation is opposed to the first principles of co-operation and the movement cannot long enlist the support of public-spirited and self-respecting leaders if it is continued. If so much of perpetual tutelage is essential for the safety of societies, by all means let them all be taken over in entirety by the Department of Co-operation and the movement, such as it is, be wound up. It is an irony that while political democracy is advancing by leaps and bounds, co-operative democracy is in retreat.

It is amazing that even in matters of education which ought to be the sole sphere of Provincial and Central Unions or Federations, the Government should have the initiative and control and direction with an apology of a so-called 'Advisory Body' which is often so constituted as to become an acquiescing body. It is surprising that so little notice has been taken of the proper role of the Provincial or All-India Co-operative Associations.

THE MADRAS PROVINCIAL CO-OPERATIVE CONFERENCE

The 26th Madras Provincial Co-operative Conference was held in last January. Mr. B. Venkataratnam, President of the Madras Provincial Co-operative Union, welcomed the gathering of co-operators and the Minister for Co-operation and Agriculture. He offered to the popular Government the wholehearted support of co-operators in its fight against famine, corruption, black-marketing and other anti-social practices. He was grateful to the Government for entrusting monopoly in procurement and distribution of paddy and other controlled consumers' goods in certain districts to co-operative agency, eliminating middlemen merchants who had not played the game in a time of crisis and amassed large fortunes at the expense of masses of consumers. But he expressed, in no uncertain terms, the concern and dissatisfaction of co-operators who had been working in the field for a long time buying and selling goods and helping producers with credit and marketing facilities, that the work of procurement and distribution should have been assigned to a new set of societies called "Producers'-Cum-Consumers' Societies", hastily organised on methods not altogether co-operative, by a Special Officer and not the Registrar of Co-operative Societies. This issue really occupied a great deal of the time of the Conference and evoked a lot of discussion. The Hon'ble Mr. V. V. Giri, Minister for Co-operation, adverted to this topic in his opening address, and said that the producers'-cum-consumers' society was an "experiment in co-operative ideology and practice in so far as it seeks on a high co-operative and moral plane a reconciliation of the interests of the producer and the consumer." The Government believed that these societies would give a "new orientation to the co-operative movement and bring into its fold a large section of the community," which had so far stood aloof. But actually the conflicts between the two interests—producers and consumers—have increased. There were protests from consumers that prices were too high, while producers were asking for still higher prices because of the higher costs of cultivation. The Minister said he was aware of the fear of old societies and cryptically stated that "there should be some sort of adjustment and compromise between the old and the new societies". This was no solution or even offer of a solution. The Conference passed a resolution requesting the Government to revise its attitude towards existing societies and allow them to function as before and defer formation of new societies pending the report of a Committee of Enquiry to go into these and other questions. The Conference further entered its protest at the permission given to the new societies to borrow from commercial banks, while central

banks were there as financing agencies for all co-operative institutions and had plenty of funds. We endorse the views expressed by the *Madras Journal of Co-operation* of January 1947 :

"The opening address of the Hon'ble Mr. Giri is a very lucid statement of the present position of the Movement and the hopes for its future. He paid a handsome tribute to the co-operatives for the gallant part they have played in times of stress and strain. But Mr. Giri failed to realise that, in sponsoring the new co-operative experiment without reference to the existing co-operatives which threatens their very existence, he was unconsciously dealing a death-blow to the very institutions which he was complimenting on their good work. We hope he will not allow further inroads to take place into the co-operative field by novices who, however well-intentioned they may be, show blissful ignorance of the principles and ideals for which the Movement stands. To use authority to bring co-operatives into existence is not to lay sound and sure foundations. Co-operation is essentially voluntary in character and co-operatives should not be made to order.

"It is hoped the fears expressed at the Conference will be taken note of coming as they do, not from vested interests, but from those who have ceaselessly laboured to bring the co-operatives into existence. To ignore the existing organisations in a line of new development is to say the least casting unmerited slur on them. To allow them to die lingering death is to sound the death knell of the Movement. Time will show who are wiser—the Government or the co-operators."

Another subject on which the co-operators had been feeling strongly was the distribution of agricultural implements, manures, etc., which had been done by co-operative societies but recently transferred to the officers of the Agricultural Department. This resolution pointed out that it was not only to the detriment of societies but interfered with the legitimate work of demonstration and propaganda expected of agricultural officers, who have been obliged to do the work of traders.

The Conference reiterated the requests made to the Government that the work of distribution should be restored to co-operative institutions. This is a legitimate request, which we endorse in the interests of the Agricultural Department as well as of co-operative societies.

INDUSTRIAL CO-OPERATIVES

The success of the Induscos in China has acted as a stimulus to co-operative workers all over India, who have, under the encouragement of Provincial Governments, been organising industrial co-operative societies. An account of industrial co-operation in some of the Indian Provinces has already been published in the last issue of the *Review*. This is a very welcome development in the progress of the Co-operative Movement in India. India is not only a land of agriculture, but also essentially a land of small industries. Japan has more conclusively shown that the western countries, how well organised cottage industries can co-exist with large scale manufacturing industries to the mutual advantage of both. India has been well known for handloom weaving and many other small scale industries which have refused to be crushed even by the existence of competitive machine-made goods and cheap imports from abroad. They are struggling

and yet existing. It is, therefore very appropriate that, on the eve of India's political regeneration and emancipation, we should also work seriously and earnestly for the regeneration, resuscitation and rejuvenation of the handicrafts and small industries of our ancient land. It is true that the Induscos of China were born under war-time conditions to meet the needs of China's armies and population, which were almost completely isolated from the rest of the world and they flourished under the strong drive of a National Government. The conditions in India, however, are different and the analogy of the Chinese Induscos is false and misleading. Yet the scope is vast and well merits earnest efforts by the States and the co-operative workers.

We would like, however, to enter one caveat. Organisation is easy; financing is not so difficult; production is already there and with little technical assistance should improve. But it is the marketing of the finished product that will really be the crux of the matter. Unless the products are disposed off speedily and at remunerative rates, artisans and their societies are bound to fail. We strongly invite the attention of the Government to this aspect and hope, that they will not be content with mere organisation, financing, supervision and technical assistance, but will actively assist and organise the sale of the finished products of these assisted industries. Tariff protection may be necessary, even against the corresponding mill-made articles; subsidies may have to be given: stores and sales emporiums may have to be opened and goods properly advertised; and a competent staff for sales will have to be engaged. All these are bound to require adequate assistance in men and money from the State. In the energetic development of cottage industries on co-operative lines, we trust the problem of sales will receive the careful attention of all concerned. Without this, the societies would be but empty shells lacking the principle, the soul.

LAND MORTGAGE BANKS' CONFERENCE AT MADRAS

The Seventeenth Conference of Land Mortgage Banks in Madras was held on the 19th January last. Dewan Bahadur Sri C. S. Ratnasabapathi Mudaliar, President of the Madras Co-operative Central Land Mortgage Bank, welcomed the gathering of delegates from the primary banks and the Minister for Co-operation. In the course of his address he expressed the gratitude of the Central Land Mortgage Bank to the Government of Madras for enhancing the guarantee of debentures of the Bank from Rs. 350 lakhs to Rs. 400 lakhs. The Bank has been able to borrow at as low a rate as $2\frac{3}{4}$ per cent—the lowest on record—thanks to the Government guarantee and the confidence the conduct of the Bank itself has inspired in the minds of investing public. That is an achievement of which many a co-operative institution can be proud. The Minister, the Hon'ble Mr. V. V. Giri, admitted that the Government's guarantee was merely technical and the possibilities of their being called upon to make good the guarantee were remote. And there was nothing abnormal in the State extending the guarantee. The

Government of India undertook to guarantee the share capital and bonds of the Industrial Finance Corporation, which they proposed to float.

But though the Central Land Mortgage Bank was able to borrow at $2\frac{3}{4}$ per cent, it was obliged, as the President of the Bank complained, under the order of the Government to maintain a margin of as much as 3 per cent between the borrowing and lending rates, and the ultimate borrower in the village had to pay about 6 per cent, which looked unfair and anomalous. The Minister replied that this was "receiving the sympathetic consideration of the Government."*

On another point, that the Government should bear the entire cost of Government staff deputed to supervise the work of land mortgage banks, as it was doing in the case of all other co-operative societies in the Province, the Minister was not inclined to agree "consistent with the responsibilities of the Government to the general taxpayer", though he said that was also "being closely examined". But he felt bound to say: "As co-operators, it is your duty to educate the people to make themselves self-reliant, instead of looking to the Government for every small thing and losing precious time and income."

The President of the Central Land Mortgage Bank referred to the report of Dr. B. V. Narayanaswami Naidu on Rural Indebtedness and, in particular, to the very drastic solution offered by him for the delay in the grant of loans to applicants in all the land mortgage banks—the handing over of mortgage banking to the Co-operative Department in future. He answered in seriatim why this should not be done; and assured that all efforts were being made to expedite the grant of loans. The Minister had nothing to say on this recommendation of Dr. Naidu's report, though he had made appreciative references to it on other points. But from the unstinted tribute that he paid to the work of the land mortgage banks in the Province we can see what he felt.

"Our land mortgage banks have evoked the admiration of other provinces and have been looked upon as models for emulation. The Government recognise that their success is entirely due to the untiring efforts of the public-spirited gentlemen, who are managing the Central and Primary Land Mortgage Banks. The Central Land Mortgage Bank is particularly fortunate in having at its helm as Presidents public men of highest standing.

"The Government are proud of the great work done by our land mortgage banks. The work of your banks has all along been satisfactory and has been happily free from personal bickerings and other disruptive tendencies which have always proved a bane to the progressive development of institutions. I trust that the ideal of what is right, and not who is right, will continue to guide you in your future work."

* We are glad to learn that the Government of Madras have since passed orders (19-3-1947) that the margin between the borrowing rate (on debentures) of the Central Land Mortgage Bank and the rate charged by primary banks to the ultimate borrowers be reduced from 3 per cent to $2\frac{3}{4}$ per cent.

PRINCIPLES OF CO-OPERATION

By

DEWAN BAHADUR H. L. KAJI, I.E.S., (RETD.), J.P.

President, All-India Co-operative Associations of Banks and Institutes.

It may seem rather too late in the day perhaps to set forth the essential Principles of Co-operation. It is now over hundred years since the movement was launched by the Rochdale Pioneers and a vast volume of literature has sprung up on the principles and practice of co-operation, and those interested should be expected to know what the basic principles of the Movement are. The co-operative movement has been in India from the early years of this century, and the administrators, followers and advocates of co-operation should by now have acquired a complete understanding and clear comprehension of the principles of co-operation.

The question assumes, however, a peculiar significance at the present juncture, when the Movement in India stands on the threshold of great development and diversification and also because the great tragedy of World War II has brought to the fore the consensus of opinion among thinkers in different realms of thought that in political, no less than in economic, matters salvation lies in the employment and extension of co-operation. Co-operation stands to-day as the saviour—not only of the small economic man, but of the small country, the small nation and the harbinger of Peace, Progress and Plenty for all. Human advancement needs the beneficent influence of co-operation, not the aggression of competition; the concord of brotherhood, not the discord of individualism; the abjuring of the idea of world domination and the conjuring of the ideal of world dominion; and a vision not of the United States of America or of Europe, or of India for the matter of that, but of the United States of the whole World. Co-operation now is verily the keystone of progress, national and international.

It is, therefore, not so much out of place to lay down clearly what the essence of co-operation is, what the principles of co-operation are. In this connection we think not of international co-operation but of National Co-operation, economic co-operation, harnessed to the service of national progress. Rapid progress, vast development, inventions, forging ahead are and must be ever associated with individual initiative and skill, and the State in its desire for advancement would always do well to foster individual enterprise and individual initiative as sedulously as possible. But the main task before the State—particularly in the case of India, which has so much leeway to make up and which has the great handicap of a mediæval debt-laden peasantry with a pitifully low standard of living, co-existing like an anachronism with a modernised prosperous and intelligent urban population with a fairly decent standard of living—is, while facilitating and encouraging

the urban population to go ahead faster and yet faster, to raise the vast rural population from the slough of despond, to awaken into them visions of a higher standard of life, health and comfort to shake them out of the helplessness, lethargy and listless apathy of ages and thus to bring about a higher mass level. It is in this task that the Co-operative movement stands out as the best friend and ally of the State. It is here that individual excellence does not call for particular recognition. It is here that group action is necessary. What the mediæval guilds did for English craftsmanship, what the *shrenis* did for trade and industry in Buddhist India has to be done now through co-operative societies. Not the individual, but the rural mass, has to be uplifted.

Economic planning is the order of the day. No more drifting, no more blundering to success; no more tame effortless submission to fancied divine dispensation. The State is out to plan, and spend for the plan to be translated into action and for the action to lead to success. It is eager to work at mass regeneration through co-operation and for that purpose is perhaps eager to introduce compulsion in co-operation. Now the first vital principle of co-operation as of all associations is its *voluntary character*. A Co-operative Society is but an association of persons who voluntarily join the organisation in order to work for definite economic gains. Once persons form a co-operative society, they subscribe to its by-laws which may well lay down suitable procedure for the compulsion of recalcitrant minorities in the general interests of the State or of the society. But it would be idle to argue that, when the economic interests of the group, profession, or area demands it, all the members of that group, profession or area can be compelled by the State to form themselves into a co-operative society. The co-operative society may well be used as an instrument of rural betterment under the plans for economic reconstruction by the State, but it can in no case be compulsorily brought into existence by a piece of legislation. Compulsion in the formation of a co-operative society is to deny its voluntary character and it is the very antithesis of co-operation. As a matter of fact, even in the most extreme cases that can be imagined, there need be no occasion when coercion can be necessary. If the purpose is good, all persons sought to be benefited will only be too glad to join and enlist as members. If ignorance and prejudice or local antagonisms come in the way, effective *propaganda*, *persuasion* and *privileges* will soon remove the edge of all opposition. These three P's should be quite sufficient to overcome all difficulties. And yet if sentiment is very strong and a few persons remain obdurate, there should be no objection to their being allowed to stand out of the co-operative society, the work of common benefit being carried out through the society, and the outsiders thus benefiting being made to pay their proportionate share of expenditure incurred in the project. History records the tale of a queen wishing to construct a water reservoir for a town laid out artistically. The plans for the purpose make it necessary to requisition a small hut belonging to an old woman. She refused to part with it, even though the compensation was very tempting.

She appealed to the queen, who accepted the old woman's plea of sentiment. The defective layout of the reservoir, which can be seen even to-day is a remarkable testimony to the sense of fairplay of the mediæval queen. Modern experts, while planning out programmes and projects of vast developments, should not allow themselves in their zeal to import into the connotation of co-operation the entirely alien idea of compulsory membership. Voluntary association is verily, and should always remain, the fundamental basis of co-operation.

A co-operative society is an association of persons, not of capital. Like a modern joint stock organisation, however, a co-operative society too is a business association and requires adequate capital. It is not in capital requirements but in the management of the society that co-operative ideology differs from capitalism. The emphasis is on the man and his ability, not on the capital he contributes. It is the man who counts, weightage is given to the number of members holding certain views, and not on the amount of capital they represent. "One man, one vote" is the great co-operative principle, that distinguishes a co-operative organisation from "one share, one vote" which is the guiding principle of capitalism. The rich man does not dominate because of his shareholding; he is like his fellow members but an individual, a unit in the shaping of the policies, programmes and management of the co-operative society, not entitled to respect for his wealth or his contribution to the capital structure of the society but entitled to share in the management according to his ability and talents.

This absence of weightage of capital, however, has unhappily led to the unjustifiable and unnecessary underestimating of the importance of adequate capital for the society. The co-operative society is an association of persons, it is true; but not necessarily of small men, of poor people. And yet, we find a limit laid down in the Co-operative Societies Act for individual shareholding. No individual shareholder is allowed to subscribe to shares of more than Rs. 3,000. Why this limit? Capital is wanted and the rich member should be welcomed, for he only can supply this requirement adequately. The "one man, one vote" principle takes away the power of the rich member as such to dominate. Why then should a pitifully small maximum limit prevent the coming in of capital? Rich persons represent not only capital, but also very often ability and experience, and it is disastrous to lay down an embargo on the coming in of both capital and talent in the membership and management of a co-operative society. As it is, a co-operative society tends to become a small association of small men, with small capital, with small experience and ability, with a small and ill-paid inefficient staff, and the result is that co-operative method comes to be synonymous with definite inefficiency. A consequence of this limitation of capital is the unduly great importance which co-operation attaches to honorary services.

As we cannot afford to engage a trained, qualified and efficient staff, we are tempted to rely on honorary services. Honorary service is no doubt one of the greatest assets of the Co-operative Movement, but it also tends to become one of its greatest evils. Direction and guidance from honorary workers is possible and desirable; but for day to day work, honorary service except in exceptional cases is bound to spell inefficiency. The present tendency is definitely for officialisation of the Co-operative Movement, and the inefficiency of management is sought to be removed by the supervision and control of departmental officers. This is a grave mistake. With the advent of departmental control the honorary worker, at any rate the higher type, even though actuated by the glamour of one or more of the three H's—honour, honours and honorarium, is subordinated to officialdom and tends to disappear. The departmental officer actuated by no personal interest in any particular society and often with no business experience, fails to supply efficiency in the management which remains still in the hands of an ill-paid or low grade honorary staff. It is futile to imagine that any amount of official control can convert the inefficiency inherent in a low paid staff into anything like even the semblance of efficiency. The only solution lies in adequately capitalising the society so as to permit efficient management to be secured, and to that end remove the limit of maximum holding of an individual member, or at any rate raise it sufficiently high.

Sometimes, a corollary is sought to be grafted on to the very important co-operative principle of "one man, one vote", by the tacking on to it the words 'no proxy'! It is true, that the proxies for absent members are an instrument for adding weightage to the capitalistic management in ordinary joint stock enterprises. Co-operation rightly wishes to prefer individual opinion expressed in person. But in actual practice it does and must happen that several members are unable to attend the meeting on the date and time fixed for it, and in the absence of the right of nominating a proxy lose the privilege that every member rightly has of expressing his opinion. If society members can vote through their proxies, why should not the individual member be allowed to do likewise? Some of our bigger co-operative organisations have a large membership well spread out in different parts of a province, and to disallow proxies results in facilitating a few members who can and do attend the meeting to secure a majority and dominate the management. Co-operation would be well advised to forthwith cast off the glamour of 'one man one vote and no proxy' slogan, and remains satisfied with its cardinal distinguishing mark of 'one man, one vote'.

Another great co-operative principle is that of 'Distributive Justice'. The co-operative society like any other business concern, must and does make a profit. If it does not make profit, there is no justification for its existence. When profits are made, the question arises as to how they are to be distributed. Capital claims its share; but in co-operative theory, it is not entitled to all the surplus that remains for distribution after the prescribed percentages are carried to the Reserve and other funds. It is,

however, certainly entitled to reasonable remuneration. Labour and service are remunerated, whether the society makes any profit or not; capital only gets a dividend if there are profits. The dividend therefore should rightly include not only the ordinary bank rate but should also include a little more by way of insurance against risk. To prevent unjustifiably high dividends being paid to shareholders, co-operative legislation prescribes a maximum limit of 10 per cent and Registrars have, by the use of their rule making powers, brought the limit further down to 6 per cent in some provinces.

The important problem now is the disposal of the surplus if any, after the payment of the dividend to shareholders. To whom does, or should, the surplus go? Capitalism gives it to the shareholders as additional dividend; socialism gives it, to labour. But co-operation believes in 'distributive justice' and recognises the claims to a share of the surplus, of the third great class, the consumer or the client. It is not only those who finance a concern, it is not only those who manage or work for the concern, but it is those also who by patronising it enable it to make profits, who have as good claim as any to share in the surplus. 'Dividend on purchase' is not a peculiarity of the Rochdale Pioneers' system, the consumers' co-operation; it is a fundamental principle, the distinguishing mark of all forms of Co-operation. In a co-operative credit society or bank, this dividend, bonus or rebate goes to the borrowers, in a marketing society, it goes to the producers whose produce or products are marketed, in a housing society, it goes to the tenants or coparceners who form the society.

It is often asserted that the vexed questions of a strictly limited dividend on capital and of the just distribution of the surplus profit need not arise in a co-operative society, since, they say, such an organisation is not actuated by the profit-making motive. This is a very serious blunder and a complete misunderstanding of co-operative ideology. A co-operative society is as much a business concern as any other, and a business must be run on competitive lines and designed to earn profits. What else is the purpose of a few members forming themselves into a co-operative society, if not to earn a better profit than each one could have earned by himself? Profit-making is and should be the principal and most cardinal motive of the society which seeks to ameliorate the economic condition of its members. What modern opinion hates is not profit-making but the inequitable distribution of the profits made and co-operation should insist on Distributive Justice and not disown profit-making. After a reasonable dividend has been declared to the shareholders, the remaining profits should be equitably distributed between the labour, if any, the staff, the capital and the clients in the shape of rebates or bonuses. Great harm has been done to the efficiency of co-operative organisations by half-baked co-operators indulging in the slogan of "no profit-motive", with the result that the customers expect cheaper rates, capital remains unresponsive to lower dividends, and you cannot afford a qualified and well paid staff and the "no profit" idea terminates into a "definite loss". I wish to assert with all the emphasis at

my command that a co-operative society is a business concern and as such it must be adequately capitalised and efficiently managed so that profits may result. The profits must, however, be justly and equitably distributed among all those who helped to produce them. The distinctive principles of Co-operative Society are thus: i. The voluntary character of the membership; ii. One man, one vote; iii. Limiting the rate of dividend on the share capital; and iv. Distributive Justice. As these principles are based on justice, equity and good conscience, there is a normal background to the economic objective of a co-operative organisation and a co-operative brotherhood with arbitration to avoid expense and ruinous litigation are moral adjuncts to these four fundamentals.

Honorary services, small units, small scale of business, association of small men, the absence of profit making motive, no proxy, limit to the capital contribution by individual members, are but spurious appendages, which have by accident attached themselves to co-operative organisations, but which we must rigorously expunge from co-operative ideology altogether, if co-operation is to succeed as a basis for national economy and as the best method for the economic regeneration of the masses.

PLACE OF CO-OPERATION IN PLANNING IGNORED

By

R. G. SARAIYA, O.B.E.

The Government of India have published recently the Report of the Advisory Planning Board. Pandit Jawaharlal Nehru, Vice-President of the Interim Government, has, in a foreword, invited interest and constructive criticism from a considerable body of public opinion in the country with a view to contribute to the solution of some of the major problems of our country. In this article I propose to examine what appears to be a serious lacuna in the Report, *viz.*, non-recognition of the place of the co-operative movement in any scheme of comprehensive planning.

The following is a summary of the main recommendations for action of the Report:—

- (1) Appointment of a Planning Commission of 3 to 5 members under the Central Government with functions as defined in para 82.
- (2) Appointment of a Consultative Body of 25 to 30 members. (Para 89).
- (3) Establishment of a Central Statistical Office. (Para 88).
- (4) The Tariff Board to be placed on a permanent basis with wider functions. (Para 88).
- (5) Establishment in the Provinces of an organization similar to that in (1) and (2) *supra* (Para 90).

(6) Establishment in each district of an executive machinery for ascertaining what works and facilities are required and arranging for their construction or supply. (Para 29).

(7) A selection to be made of areas for concentrated development in which pilot experiments embracing every item of the development programme should be carried out. (Para 23).

(8) Early appointment of a Priorities Board for allocation of resources in short supply. (Para 12).

The Report then deals with the question of the supply of trained personnel, in which no reference is made to co-operative training. It then disposes of agriculture in a single recommendation:—

“Every province and important State to be requested to settle the quantity which it will provide towards the realization of an all-India target of 4 million tons of extra cereals and to draw up plans accordingly.” (Para 28).

It then passes on to river development and electric power projects, industries, mining, railways and research.

It will be noticed that agriculture and co-operation find a small place in the recommendations. The only reference to the co-operative method and spirit of organization is in the form of a suggestion that “multi-purpose co-operative societies should be set up in the villages so far as possible, as it is essential to build up local initiative”. (Para 29).

The importance of the co-operative method for carrying out the plans of a democratic (as distinguished from a totalitarian) State is not recognised in the Report of the Planning Board. Unless all planning were to be done from the top at the Centre, and carried out by a series of executive fiat of an all-knowing and all-powerful planning authority, it would be necessary to prepare the ground for planning from the bottom, *i.e.*, from voluntary non-official effort from the village. This can be only achieved through the co-operative organization of villages, and a net-work of co-operative societies, unions or federations in taluks, districts and townships. The village, the tehsil, the district and the province should all have a say in the preparation of plans, which can then be modified at the centre or the provincial capital in the light of the bearing each plan has on the others, and a central or provincial plan evolved. This should again be discussed and explained to the people most concerned, *viz.*, the rural population and their active support, interest and association assured. No “executive authority”, howsoever benevolent, will be able to ensure the active support of the people of India unless it has the interest and the backing of the people in their myriad villages. No Government officials or Departments are likely to reach each and every individual in a village, unless the villages are organised in co-operative societies. The State can then deal with the village societies, or their unions, or their federations, as the case may be.

The Planning Board seems to have failed to realise the value of the co-operative movement in other fields besides agriculture. For example, in dealing with cottage industries, we are told:

"We may mention here, as it is germane, if not to agricultural, at any rate, to rural development, that an authority such as that suggested above might also include within its functions the ascertainment of the needs and suitability of different villages and localities for the development of various types of cottage industry." (Para 30).

The "executive authority" suggested above consists of the representatives in the districts of the departments concerned, *e.g.*, Revenue, Agriculture, Public Works, etc., brought under a unified command. Is this not authoritarian planning? The role of the co-operative movement in the development of cottage and small-scale industries is recognised all the world over. But no mention of the same has been made in the Report of the Planning Board.

The important subjects of "Animal Husbandry and Fisheries" and of planning for the development of the same find a most casual reference in the Report. The Planning Board could have dealt with the subjects and reviewed the recommendations of the Fisheries Sub-Committee of the Agricultural Policy Committee and of the Co-operative Planning Committee. That the co-operative movement can play an important role in this as in many other subjects, like the organized distribution of the products of agriculture and cottage and small-scale industries and of consumers' requirements, and in the organization of labour both rural and urban, has also been ignored.

It is indeed a pity that the subject of Co-operation has been overlooked by the Planning Board. Even the Report of the All-India Co-operative Planning Committee, which was with the Government of India, was not placed before the Board, although the terms of reference of the Board included a review of the plans and proposals for planning. The Report of the Advisory Planning Board bears all the marks of a hastily prepared preliminary draft. Three of the members of the Board have not signed it, and four have signed subject to separate Notes. It was, therefore, indeed an act of statesmanlike wisdom on the part of Pandit Jawaharlal Nehru, the Chairman of the National Planning Committee, to invite public opinion and constructive criticism on the same before taking action. It is necessary that co-operative organizations all over India invite the attention of the Government of India and its Vice-President to this serious omission in the report, and demand that the place of the co-operative movement in any scheme of planning—for agriculture, animal husbandry, fisheries, marketing, cottage and small-scale industries, etc.—should be authoritatively recognised by the Central and Provincial Governments, and that officials and non-officials of co-operative experience should find a place both on the Planning Commission and on the Consultative Body at the Centre and in their provincial counterparts. I trust that the subject will be taken up urgently at the next meeting of the All-India Co-operative Institutes' and Banks' Associations and at the Registrars' Conference.

THE ALL-INDIA CO-OPERATIVE PLAN

By

K. C. RAMAKRISHNAN

The Co-operative Planning Committee* appointed by the Government of India on the recommendation of the Fourteenth Registrars' Conference (1944) was entrusted with the task of drawing up 'a plan of co-operative development', which no previous committee of enquiry on co-operation had been asked to do. 'Planning of Co-operation' is somewhat paradoxical from one point of view. For, the modern co-operative movement, followed in India with slight variations, has been from its inception, over a hundred years now, associated with voluntary efforts and could not be organised to order. No compulsion could be employed in organising or running co-operative societies. Consistent with co-operative tradition, the Committee prefers planning by attraction and planning by inducement to planning by compulsion. It goes a step further and suggests that inducement may take the form of a denial of privileges by the State to those who do not come into the co-operative fold, justifying this policy on the ground that it is more economical for the State to deal with organised societies than with unorganised individuals.

While voting for the continuance of the voluntary principle in general, the Committee urges that in certain activities 'essential for economic progress' like consolidation of holdings, crop protection or irrigation, compulsion may be exercised to attain the desired object. It is suggested that if members of a co-operative society, who form two-thirds of a community, pass a resolution on any of the above subjects, it shall be binding on non-members as well. It seems to us that a better course would be to delimit the sphere of activities of co-operation so as to exclude from it functions like consolidation of holdings, crop protection, and maintenance and use of irrigation works and to entrust these to the State or local bodies (Panchayats) of which membership cannot be voluntary but universal, and which are vested with powers of coercion as in the case of sanitation, water-supply, etc.

The Committee has fixed up, in our view, a target too high to be reached within ten years: 50 per cent of the villages and 30 per cent of the rural population to be brought within the ambit of the reorganised primary societies. This appears too ambitious, considering the pace of progress of societies not only in our country but in any country outside Russia. Granting it were possible to organise this number of societies in ten years, what are the chances of their stability and success among a population with so little sustaining power? The Committee has rightly emphasised the importance of a democratic and responsible Government and the end of laissez-faire policy in creating the proper atmosphere for

*Report published by the Manager of Publications, Govt. of India, Delhi, 1946. Rs. 1/8.

the development of co-operation. But an at least equally important prerequisite to the growth of co-operation is tenurial reform facilitating small occupying ownership of land, as was enacted in almost all European countries including Ireland, but not England.

The chapter on Agricultural Production deals with some basic problems, in addition to production, that are of great interest to co-operators. Primary societies in villages should no longer be merely credit societies, but should take up all other functions conducive to the economic betterment of the members. That is to say, they should develop into multi-purpose societies and not remain single purpose ones. This was the ideal of Raiffeisen, and it has been the slogan of the Reserve Bank of India for ten years now. But the response has been poor and the result far from encouraging not only in this country, but in every country—especially in backward countries—where it has been tried. This is not to say that one or two allied functions cannot be tacked on to the main purpose of any society. This indeed underlies the scheme of 'Controlled Credit' in Madras, which is commended. But in the words of an ex-Registrar, it is not desirable "for a society to branch out into endless ramifications, losing sight of the main objective in a multiplicity of activities". Credit societies can at best try, in addition, the supply of essential agricultural and domestic requirements and act as agents of sale societies in marketing produce.

The Committee's recommendation on the nature of liability of the primary society, that it may be limited either to the value of shares held by a member or to a multiple thereof, if a substantial part of the funds can be raised through share capital, follows closely the findings of the Madras Committee on Co-operation (1940) and is in refreshing contrast to the view held by the Reserve Bank that unlimited liability was sacrosanct in spite of its failure in most places. We believe, however, that with a view to inspire confidence in a limited liability society an additional guarantee to creditors might be furnished by every member who wishes to borrow, mortgaging a piece of land of which he has the right of ownership or occupancy, or a house of his own, as a continuing mortgage, on the basis of which he can get cash credit. This has come into vogue in Madras, and mortgage is a much better understood security than unlimited liability, which is ill-understood and is easily evaded.

The supply of improved seeds and implements and fertilisers, it is recommended, should be entrusted to co-operative societies. These have *not* so far played an important part in this line in spite of years of propaganda. An enquiry into the causes of failure of the attempts made here and there would have been appropriate. It would, no doubt, be more economical for users of water to co-operate and distribute the channel water among themselves. It might even facilitate the change in the system of taxation of water from acreage to volumetric basis. But the history of the small number of irrigation societies does not inspire us with hopes for the future.

Co-operative farming, the Committee avers, has "a fair prospect of success and should be introduced in every province, without interfering with the proprietary rights of cultivators". Several types of co-operative farming have been tried abroad; and in India the particular type favoured has been tried in Bengal but with disheartening results. The few schemes that could claim success in foreign countries were by tenants aiming at the ultimate acquisition of an independent status for each member as a peasant-proprietor. While joint farming on co-operative lines right through all operations is not easy to work, there may be scope for joint endeavour at particular stages of farming, *e.g.* in the use of tractors, bull dozers, heavy sub-soil ploughs, pumping water from tanks, harvesting and processing of certain crops and in the protection of crops and cattle from boars and other wild animals. But detailed attention to plants from sowing to harvesting, control of certain pests and care of livestock are best left to individual cultivators themselves.

In the breeding and maintenance of better livestock, the Veterinary, Agricultural, Forest and Co-operative Departments have been assigned a number of functions. Primary co-operative societies are to acquire and provide for members grazing lands for their cattle and to encourage silage making. Where a majority of members are producers of milk, wishing to sell their surplus milk, societies are to take up that function too, until a separate milk supply society is organised. Several such societies supplying milk should be federated into a union—whose functions are prescribed in detail. The Committee wants 300 milk supply unions in the course of the next five years. For the distribution of milk to consumers in cities, unless already a milk supply union is functioning as a distributor, a statutory Milk Marketing Board is favoured with representatives of all interests. These schemes are all formulated in the interests of rural milk producers and urban milk consumers who constitute a small part of the total population—perhaps 15 per cent at the most at present. Nothing has been said as regards the demand for and supply of milk in rural areas—"the largest potential market for milk", according to Dr. Wright. Co-operative manufacture of surplus milk into milk products is dismissed in a dozen lines in the report.

The greatest surprise, however, is the space devoted to the problem of rural credit in the main report. It is one of the shortest chapters, and half of it is taken up by a long citation from the report of the (Gadgil) Agricultural Finance Sub-Committee. In fact, the impending publication of the report of this sub-committee is the excuse given for disposing of the subject so briefly. But, while agreeing with the analysis of the problem of rural credit, our committee does not accept the central recommendation of the Gadgil sub-committee that, in every province, where the co-operative movement is not wide-spread, an Agricultural Credit Corporation should be established with liberal State aid and control to provide finance to persons outside the co-operative movement. Our Committee is of the view that the Provincial Co-operative Banks will be able to provide the agriculturists with all the facilities which the Agricultural Credit Corporation could give,

if the same measure and type of aid were extended by the State to the co-operative banks which are in closer touch with borrowers and provide for their representatives on the board of management. Two members of the Committee, both of them Registrars of Co-operative Societies, have made amends for the shortcomings of the main report and amplified the views of the Committee in their minute, miscalled 'dissenting minute'. But even they have nothing to say on another important recommendation of the Gadgil Committee that the burden of debts must be scaled down once again. The ethics as well as the effects of such a course surely needed examination.

Most co-operators would agree with the remarks and recommendations of the Committee on Agricultural Marketing, though they appear somewhat platitudinous. The review of the existing position of co-operative sale societies is all too brief and not altogether correct. For instance, the claim that the Madras Provincial Co-operative Marketing Society "has co-ordinated the activities of the other marketing organizations in the Province" cannot be sustained. In fact, it was not able to command the loyalty of many member sale societies and it was obliged to market the goods of merchants who had been enrolled as members with a view to keep up agreements to supply goods to individual or institution consumers in the city of Madras, which was really the field of the Triplicane Urban Co-operative Society, the pioneer consumers' society. Appeals to close down retail business which competed with that of the above society were in vain. Nor did that society agree or endeavour to purchase as much as possible of its requirements from the Provincial Marketing Society. This is but an illustration of the lack of loyalty and sympathy among co-operative institutions all over the Province. And in the rest of India inter-co-operative relations seem to be hardly better.

The Committee recommends an extension of credit facilities for the poor and middle classes, who are salary or wage-earners. The lavish aid and strict control not only of the State but of the employers are sought in this connection. This is not a co-operative approach to the solution of problems arising in such societies. Credit societies for the benefit of shopkeepers—why should co-operators be solicitous about, if the aim is to eliminate middlemen and merchants, ultimately if not at once? In some provinces Urban Banks are more keen on doing, or helping members do extra co-operative business and invest in shares and stocks with a speculative motive. No wonder some of them are said to demand conversion into joint stock banks—after a long period of enjoyment of State aid, control and audit. The Committee has very rightly turned down this unfair demand. But why should it permit relaxation of rules regarding investment of even a part of surplus co-operative funds in joint stock concerns? Two Registrars of Co-operative Societies have done well to object to the grant of this concession on the ground that the State, in return for the privileges conferred on urban banks, has a right to demand surplus funds to be deposited in the Co-operative Central Banks for the further financing of agriculture and

subsidiary industries. As they say, "every effort should be made to keep the co-operative structure as one unit".

Of small and subsidiary industries, there is a rapid survey of the existing position of co-operative societies organised for them, without any adequate discussion of the difficulties that their working has so far revealed. The rest of the chapter is devoted to the details of setting up Regional Promotional Agencies to foster the growth of suitable small scale cottage industries after a thorough enquiry. There is no reference to the prospects of hand-spinning as a subsidiary industry for agriculturists. On the other hand, the Promotional Agency is asked to report within one year whether a spinning mill owned by co-operative hand-loom weavers' societies or the State should be set up in its region to ensure proper supply of yarn to the weaver members. Another recommendation is for the encouragement of the use by the industrial co-operatives of small electric motors and machine tools where the supply of electricity is cheap. The Industrial Department, in the opinion of the Committee, is not well equipped to look after the new societies, and therefore the Co-operative Department, or a new department, should be entrusted with the task. The State is called upon to render various forms of aid to the new societies—including tariff protection and freedom from the competition of big industry in certain spheres of production.

The Committee's conception of Consumers' Co-operation is not in accord with the doctrines of the leaders of the consumers' movement in the countries of its origin and development. The stores in rural areas and industrial undertakings are thought of more as matters of convenience than as the starting point of an evolutionary transformation of capitalist into co-operative economy. A cheap supply of main food-stuffs and clothing, with a lot of State or employers' aid and control, seems to be the *summum bonum* of co-operative stores. Societies based on territorial affinity and democratic control are not contemplated for the working classes. Organisation of the production of even non-agricultural commodities by a federation of stores is not aimed at. It is not clear why in educationally and materially advanced Bombay there is so much difficulty in organising stores even for the urban middle class that a Provincial Society is recommended first to build from top downwards and open branches all over the Province, which would later on be converted into independent societies. It is up to co-operators in towns to give a lead in the matter to rural folk, as even poor Madras has done to some extent, starting before the war, though it is nothing comparable to consumers' societies in western countries.

Organisation of Labour Contract societies, on the model of those in Italy and New Zealand, has been advocated. Several kinds of aid and encouragement by the State and local bodies have been suggested—most of which we can understand, but not the one that wants the Public Works Department to "show tolerance in specification and standard of work in the initial stages". The success of these societies would depend much on the power of the casual workers to organise themselves in trade unions.

The Committee wants Transport Co-operative Societies composed of ex-servicemen and small owners of vehicles to be organised in different parts of the country, and the Government is asked to place at the disposal of these committees surplus vehicles, machines and tools at nominal rates. We think that as transport is a public utility service, it should be taken up by Provincial Governments or local bodies in the interest of the public. Ex-servicemen and small owner-runners of vehicles may, by all means, be preferred as employees in the service.

The recommendations of the Committee on Housing Societies are on familiar lines. We would add that these societies, or separate societies, should also grant loans for repairs and additions to houses. Wholesale purchase of building materials for supply to members at reasonable rates should not be a matter of option but insisted upon. Building societies would otherwise continue to be credit societies. The scope for rural housing is left to be examined by the Provincial Co-operative Council to be constituted—which we can understand, but not the idea that housing may be undertaken by the new multi-purpose society in the village, whose cost of management is estimated at Rs. 150 per annum!

Health Co-operatives certainly deserve to be encouraged as they perform the function which is really the duty of the State or local self-governing bodies. But mere legislation as in Madras or offer of liberal grants cannot create health co-operatives. Yugoslavia, which is most famous in this line, had long before started her first health society a well-developed co-operative movement with more than 4,000 other societies and nearly 25 per cent of the agricultural population as members. Their economic standard had already been raised; health standards could easily follow on such foundations.

The Committee recognises the need for imparting education in co-operative principles and practices for different classes of people associated with the movement. It goes further and urges that the youth of the country should be made to imbibe some knowledge of co-operation through their class lessons. Whether this would not make Co-operation a boring subject, sharing the fate of school hygiene or school Shakespeare, is a matter for consideration by educational experts. But school stores, and even more school canteens, may get a better reception at the hands of the youth.

On the officials of the State is thrown the onus of direction and guidance of the movement and even of education of public opinion and the training of members and staff of different types of societies. The co-operation of non-officials is sought, but little initiative is left to them. This policy is resented by veteran co-operators, and Prof. H. L. Kaji has given expression to their feelings in a spirited dissenting minute. It is not as though the co-operative movement has not developed some educational and organisational institutions and periodicals of their own. Every effort should be made to strengthen these institutions, particularly on the financial side by providing for a compulsory levy on all societies

according to their working capital, when alone they would be able to discharge their legitimate duties, one of which should be to run the Provincial College of Co-operation. It is essential that teachers of this College should be imbued with co-operative spirit and have plenty of practical experience in one or other branch of co-operative activity in addition to proficiency in the subject to be handled. Above all, they must have perfect freedom to express their views, which it is not easy to find or foster among subordinates of the Registrar.

The establishment of an All-India Institute of advanced studies and research in co-operation is an excellent idea; it is indeed long overdue. The movement cannot neglect research by an independent body of workers except at peril to its future. It would be in keeping with the ideals of the movement to have it managed by an autonomous co-operative body like the All-India Co-operative Institutes' Association out of co-operative funds, rather than by the Government of India or by an All-India Council of Co-operation to be constituted and run out of Government funds.

To sum up, the Co-operative Planning Committee has covered a very wide ground in its report and recommended targets which are impressive but rather too high to be reached within ten years, without some measure of compulsion, which it does not endorse except in a few cases. The stock-taking of existing co-operative institutions, a study of them in their historical setting and discussion of problems which they have had to face were the strong points of the reports of previous committees of enquiry, central and provincial. These have been assigned a subordinate place in the report of this Committee. We find in most cases a bare recital of the number of societies and their members, nature and volume of transactions. The treatment of the future societies planned, specially on the organisational side, is more elaborate. But the future appears a pure abstraction when it is not related to the past and takes little account of impediments which have had to be faced. Far too much is entrusted to the Registrar and his staff in matters of organisation, supervision and education leaving little initiative to the voluntary workers and leaders in the movement, though their co-operation is sought at certain stages. The report is concerned too much with the minutiae of procedure and administration and too little with laying down essential economic and social conditions in which particular types of societies can flourish. The plan is dominated by a strong sense of the immediate and concrete ends to be achieved. The co-operative ideology underlying different types of co-operative activity is not brought out—how far they will affect capitalist economy or usher in a socialist economy and involve conflicts among different types of societies e.g. producers' and consumers'. The staggering list of State-aids and controls recommended—so alien to the spirit and tradition of self-help and autonomy of the co-operative movement—would seem to justify the remark that 'Co-operation in India is not so much a movement as a Governmental policy'.

A TEN-YEAR CO-OPERATIVE PLAN

By

KASTHURCHAND LALWANI

Since the investigations of the MacLagan Committee (1915), Co-operation having been provincialised, no country-wide investigation had been taken till 1945, when the Co-operative Planning Committee was appointed by the Government of India on the recommendation of the Fourteenth Registrars' Conference, the report of which has been published sometime back. The Committee has prepared a ten-year co-operative plan, the targets of which are : 50 per cent of the villages and 80 per cent of the rural population to be brought under the co-operative fold. The plan includes practically all important aspects of our economy, with the exception of large industries. Agriculture appears as the most important in the whole plan, while animal husbandry and fisheries, small and subsidiary industries, labour, consumers' co-operation, urban credit, health, housing and better living, women, transport, insurance, and co-operative education and research appear in their proper places.

The sources of finance for the working out of the plan are two fold: Co-operative and State. The extent of finance available from co-operative sources is not indicated nor is it possible to do so. The financial assistance to be rendered by the State, as envisaged in the report, is as follows :

<i>For Ten Years.</i>		Rs.
Direct Subsidies or Grants	...	18,85,96,275
Increased Departmental Expenditure	..	18,65,56,760
Capital Expenditure by State	...	10,22,00,000
Loans by State	...	1,70,91,000
Total	...	<u>49,44,44,035</u>

The fundamental defect in our agrarian economy seems undetected as yet and so long as it continues, no amount of co-operation and change in administration will see any improvement. The fundamental defect lies in the unprofitable character of the occupation. Various causes for this have been suggested and a number of remedies indicated and adopted, with no betterment in the situation. The fact is that the socio-economic

structure in this country needs a thorough change before any plan can succeed. The value of land in western countries is due to man-made improvement, and not so much due to the natural properties of the soil. In this country, the hands of man have left agriculture practically untouched and the properties of the soil, at one time rich, have exhausted while the industries having declined or having failed to adjust themselves to the situation created by the Industrial Revolution in the West, owing to the political turmoil, the increasing population has fallen back on the soil, thereby increasing pressure on it. The socio-economic structure is equally defective. The open field system, the two-field and three-field system of cultivation, the laws of inheritance breaking the plots to a size much below the economic one, scattered holdings, subsistence farming and old systems of land tenure still prevail throughout the land, while those institutions which kept some of these evils in check, e.g., joint-family system preventing fragmentation and sub-division, are fast disappearing. As Vera Anstey has said, "apart from clearing the jungle, levelling the land for rice cultivation and irrigation works, very few permanent improvements have been made in the land in India in contrast with European countries where the greater part of the value of land is due to such improvements."

There are two distinct stages of agrarian improvement and these two must come one after the other. These two may, in brief, be termed as Agricultural Revolution and scientific agriculture. Agricultural Revolution implies so many things affecting the socio-economic structure of which the following are important, *viz.*, emancipation of semi-slave agricultural labour, revolution in the system of land tenure, adoption of improved methods of cultivation, irrigation and drainage, improvement in cattle-breeding, agricultural implements and machinery, etc. Scientific agriculture means the introduction of the fruits of science to agriculture, e.g., the application of agriculture chemistry, etc. Once the agricultural revolution has changed the face of agriculture, science will work wonders as it did in western countries. In England, the old institutions of manorial organisation disappeared owing to the force of circumstances and although it took a long time, yet by the time the scientific studies in agriculture were undertaken the process was complete. In France, these age-worn institutions were overthrown along with the ancient regime by the Revolution, in Germany by the Napoleonic invasion, in U.S.A. by the Civil War and in Russia by the process which started with the emancipation of serfs ending in the Bolshevik Revolution. "In India, attempt is being made to compress the two phases into a single one. Efforts have so far been concentrated on lines of policy more characteristic of the second phase than of the first, whereas subsistence farming, scattered holdings and old systems of land tenure still prevail." It is this failure to recognise these two entirely distinct and inevitable phases of progress that explains why both Government and private efforts at agrarian regeneration have proved unsuccessful during the last fifty years and agriculture is sinking day-by-day, leaving aside abnormal times like war, when the prosperity of agriculture is due to artificial

situation created by wars and not by an increase in efficiency or reduction in the cost of cultivation. As I have already written, "to expect good co-operative organisation with rotten agriculture and backward industry and commerce is to expect too much. The real experiment of co-operation as a form of business organisation can only follow and not precede the development of the economy of a country." (*Indian Co-operative Review*, Vol. XII, No. 2, page 123). The rotten socio-economic structure will not evaporate of itself nor is there any possibility of any revolution or foreign invasion. The tension that prevails in some part and the period of transition of alien rule to independence may see some changes in the existing structure but cannot totally overthrow it. A strong independent Government at the Centre with determined legislation may set right the existing defects in body economic of this country and only then a new economic structure may develop on the basis of the philosophy of co-operation which we shall consider on some other occasion.

The report has placed too much emphasis on the State as an agency for promoting co-operation while, at the same time making an assertion conflicting with reality "that one of the main causes of the limited progress of the co-operative movement in India are the *laissez-faire* policy of the State." Whatever may be said of the State policy in regard to other aspects of economic life, so far as co-operation is concerned, it is not *laissez-faire* but excessive paternalism, which is responsible for a popular movement not being placed in the hands of the people, and the people have always felt that whatever may be the lot of the co-operative organisation, the State is always there offering a fostering care. Dewan Bahadur Kaji is therefore justified when he says in his Minute of Dissent that official control without responsibility has "turned out to be more a fancy than a reality" and when he pleads for "the decontrolling of the movement." As I have said in my article already referred to, excessive "official domination. . . has not paved the way to progress. If stagnation is the goal, that has been partially achieved." That excessive paternalism will not pave the way to progress is clear from the co-operative development in Bengal where the Registrar is given almost dictatorial powers and yet the movement is in a hopeless state and that, in Bombay, where the Co-operative Department maintains close contact with, and follows the suggestion of, the Co-operative Institute. The State "with a new outlook" is "good enough for "direction and guidance" but nothing else beyond that.

The Committee has drawn a very attractive picture as to how the co-operative organisation may help to improve agricultural production. In this respect it may be said that the co-operative device has been experimented upon in this country during the last forty years for removing such evils as fragmentation and sub-division, but the force of social institution has proved more important and co-operative device has attained only a limited success which is too meagre to need any mention. When diversified and fragmented soils are in different ownerships, and when, as in Bengal, the communal feeling runs so high, co-operative farming will not prove much attractive unless by legislation the holdings are made compact

and large in size. It is on this that depends the possibility of modernisation and mechanisation of agriculture. When, as now, a plough and a pair of bullocks cannot be most economically used by many peasants, owing to the small size of the holding, of what use will be a tractor? I am afraid, a tractor cannot be most conveniently used even in many Government farms, Agricultural Colleges and experimental stations, not to speak of the poor agriculturists. Only when this fundamental problem is solved by compulsory legislation will co-operative farming be of any use and only then, improved seeds, improved implements, etc., can be taken full advantage of.

The suggestion for establishing marketing associations on co-operative lines is quite good. In fact, experiments in commission shops on co-operative lines have taken place in the Punjab, but have not proved very successful. It was shown in the "*Year-Book and Directory of Indian Co-operation* (1942)" that the charges per Rs. 100 for ready sales of all kinds of grain produce made by commission shops were Rs. 1-10-9, whereas those by other shops amounted to as high a figure as Rs. 2-14-6, a difference to the extent of Rs. 1-3-9 per Rs. 100, a distinct advantage in transacting business through co-operative commission shops. But, in spite of this, during the decade between 1930-40, the number of shops declined from 24 to 20, produce sold in maunds from 1,007,284 to 817,955 and the value of produce sold from Rs. 41 lakhs to 38.59 lakhs. This is not very encouraging. In spite of so much cost-difference, the commission shops have come to occupy only a microscopic role in wholesale trade. This is particularly due to inadequate propaganda for training the people up in the ideology and advantages of co-operation and to the inherent defects in co-operative organisation, such as frequent embezzlements, discontent for not declaring dividends and granting rebates, etc. Besides, they have not sincerely tried to establish contacts with outside markets, which is usually done by other agencies. If co-operative device is to be successful, much attention should be given to propaganda as to the cost advantage in commission shops over others and this should materialise in better service all round. Honesty and service are the two fundamental principles of business and should, therefore, be included in the co-operative structure. Another essential item in co-operative business regarding which the report does not seem to have taken much note is co-operative control. It must be recognised that without co-operative control of some sort it is difficult to secure the permanent loyalty of the members who take resort to other agencies when they are advantageous and come to co-operative shop only in the last resort. In all countries where co-operation has been successful, co-operative control has been utilised in order to secure the loyalty of the members permanently or at least for a minimum period. Nor is it possible to see eye to eye with the Committee when they say that "ordinarily, the marketing society should not hold over produce in the hope of a rise in prices." So long as the entire market is controlled by capitalistic producers and merchants, co-operative institutions will not be able to reap full advantage by moving across the current, but by moving with it. Only when the co-operative

institutions have come to control the market, they should not withhold stocks for artificially raising price, which is a capitalistic device.

Regarding agricultural credit, the recommendations of the Gadgil Committee for the establishment of a public corporation under the State have received the general approval of the Committee, but the Committee is of opinion that "the provincial co-operative banks or other co-operative financing institutions will be in a position to provide the agriculturist with all the facilities which are intended to be given by the Agricultural Credit Corporation suggested by the Gadgil Committee to provide finance to persons outside the co-operative movement, if the same measure and type of aid proposed to be given to the Corporation are extended to them." It is wellknown that during the last forty years of its working the co-operative movement has not attained any remarkable success with the agency of the State as at present is defective. A public corporation on new lines would surely be a better solution and it may provide financial aid through the co-operative banking structure. But the best solution to my mind would be the establishment of some such thing as Federal Farm Land Banks on the U.S. model under the aegis of the central banking institution rather than that of the State department. For the purpose the country may be divided into each zones, not so much on administrative basis as on economic basis, with a land bank for each zone and the loans should be advanced not to individual cultivators but to the village community so as to encourage co-operative farming. The leading body through local societies should maintain close supervision over the use of these funds. The land banks should be started under the aegis of the Reserve Bank of India. That this method of agricultural finance is not merely desirable but also suitable is clearly shown by experience in the U. S. A. The Reserve Bank of India has so far maintained an indifferent attitude towards agricultural credit partly due to the severe limitations imposed on it by the Reserve Bank Act. In this country where the economic structure is so old in many of its aspects, any adherence to rigid principles applicable to European conditions may prove sound in the eyes of the theoreticians but will not help the progress of the economy.

A word needs be said about the investment of funds of a co-operative society. The present legal restrictions I have indicated in my article already referred to. Dewan Bahadur Kaji, while suggesting a suitable amendment of Sec. 32 of the Act, is anxious enough "to maintain the Registrar's control in the case of small societies. In the case of big societies, however, whose paid up share capital is Rs. 50,000 or more, there appears to me no need for the Registrar's control under the Rules or in other ways and the purpose would be best served by adopting a procedure similar to the one prescribed by the Indian Insurance Act of 1938 whereby the investments of 55 per cent of their funds may continue to be regulated by section 32 as it is, but freedom and initiative should be left to the society for the investment of at least the remaining 45 per cent subject to such safeguards as may be prescribed in their by-laws." The number of societies having Rs. 50,000 as their paid-up

share capital is not much; for, the approximate average working capital per unit which is the maximum in the Bombay Presidency comes up to only Rs. 81,740 and hence most societies will continue to be under the control of the Registrar, a suggestion which conflicts with the plea for increasing decontrol. Besides, it will come into conflict with the very co-operative ideology. As I maintained one year back, "if the object of co-operative movement is to supply cheap credit to members the abovementioned provision requiring the investment of funds in Government, semi-Government or approved securities would frustrate the very purpose for which the movement was started." The funds of the movement should remain within the movement. If the movement develops on sound lines, there is no need of investing the funds in outside sources with a view to securing them, while if the movement itself is unsuccessful, no amount of securing the funds by investment in Government or approved securities will help it. It is useless to draw a parallel in this respect between an insurance company and a co-operative society, the former being after all a profit-earning institution while the latter a society for self-help of genuine co-operators.

A CRITIQUE OF THE SARAIYA COMMITTEE REPORT

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The Saraiya Committee, otherwise known as the Co-operative Planning Committee, was appointed "to draw up a plan of co-operative development". The Committee has explained why the co-operative organisation is the most suitable medium for the democratisation of economic planning. Planning and the voluntary principle of co-operation are not antagonistic. If co-operation has not succeeded to our satisfaction in the past in India, it has been due to lack of planning, to the existence of a State which was wedded to the policy of *laissez faire*, which paid scant attention to education and which was not interested in the economic development of India. To a certain extent the slow progress has also been due to the uneconomic size of the societies and to excessive reliance placed on honorary service.

Honorary service has a substantial place in the recommendations made by the Committee, but people should be won for such service and even for every co-operative activity through proper education. The Committee is fully alive to this. It has also rightly stressed the importance of non-official co-operators and the ex-service personnel. There should be more frequent and more intimate contact between the official co-operators and the non-official ones. Although the Committee does not make it clear, I presume the 'non-official' co-operators includes both co-operative members and non-member co-operative sympathisers.

The Committee does not believe in any definite theory of co-operation for all conditions and countries. There is a theory, no doubt, but it must be adapted to conform to the special circumstances prevailing in a country.

This view is justified both by commonsense and the experience of other countries. Of the two, rather three, points that arise in this connection, one relates to the voluntary nature of co-operation. Should the decision of a majority be made obligatory for a minority? Yes, provided what the majority does is definitely in the interest of the minority. Thus unnecessary suspicion of a minority may prevent it from joining a marketing co-operative, or from agreeing to a proposal for consolidation of holdings. This is true of India and therefore the Committee has justifiably recommended that a majority of two-thirds may take a decision which shall be obligatory on all.

Another important step by the Committee is in regard to the role of the State. It is usually said that co-operators work themselves up through self-help: they should not wait for State-help. That does not mean that State-help should not be given. If the State is convinced that the co-operative organisation and set-up are better than a corporative or capitalistic set-up, then it must give more help to the co-operative organisations. The Committee, which does not appear to me to have a majority of those with a co-operative bias, is of the same opinion. No wonder, the recommendations of the Committee involve an expenditure—both recurring and non-recurring—of about Rs. 50 crores by the State over a period of ten years. Fifty crores, when compared to ten thousand crores of the Bombay plan, is a small sum. The capital expenditure, such as for the construction of godowns, capital and dairy equipment, is to be totally borne by the State. Personally I would prefer to put it as Government loan, on which no interest shall be charged for the first five years and a nominal interest thereafter. The repayment of the loan may start after ten years and may be completed in about forty years. However, out of the recurring expenditure on the staff of the societies, half of it shall be borne by the State for the first two years, and, thereafter, a quarter for the next three years. I would personally put it at "full cost to be borne by the State for the first year, half next year, one-quarter the third year and one-eighth for the next two years". This will be about forty per cent of the five years' expenditure instead of thirty-five per cent under the Committee's scheme. The direct subsidies would probably be increased by about Rs. 3 crores to about Rs. 22 crores. I would propose a 100 per cent subsidy for the first year because it is unlikely that a society would earn enough to meet the management expenditure in the first year. In any case, it is desirable to provide for this.

It is to be appreciated that the Committee has recommended that the membership of a primary society should be open to all persons residing in its area of operation. It is not made clear whether it is to apply to primary credit societies also. Personally, I feel that it should and that it does. The conversion of unlimited liability into limited liability or guaranteed liability has been recommended, except where unlimited liability is already showing good results, provided a substantial fund is raised through share capital. The condition is vague. Instead of 'substantial fund', I would put it at one-fifth of the working capital.

Although the Committee has not definitely said so, it has recommended the conversion of the primary credit societies into primary multi-purpose societies in the rural areas. It is recommended that within ten years 50 per cent of the villages and 80 per cent of the rural population should be brought within the ambit of the primary societies. This involves an increase in the membership of the existing 95,357 primary credit societies by about 1.7 millions, so that the membership per society may come up to 50 per society (from 32 at present). The number of new societies is estimated to be 2,16,000 with a membership of 1.08 million persons, at the rate of one per family containing five persons.

These calculations are based on the rural population in British India in 1941. We are already in the year 1947 and if the execution of the plan were taken up at once, it would be complete by 1957. The Committee has not recommended the target at 80 per cent of the rural population in 1957. If the population continues to grow at 4.3 per cent annually as at present and if the distribution of population remains what it is now, then in 1957 the rural population would increase by 16×4.3 per cent *i.e.*, by about one-fifth of the 1941 population. So we shall have to organise 27,800 primary societies per year instead of 21,600 given in the report, unless the Committee has presumed that all further increase in rural population will be diverted to the urban areas.

The primary society in the rural area is not to cover all aspects of economic activities in the rural area. It is not to be a joint village management society, as suggested by Tarlok Singh, though experiments in this regard may be carried out in suitable areas. Nor is the primary society to undertake the functions of a fruit and vegetable growing society, nor of those of the anti-erosion and milk society. The primary society is, however, to manage the pasture land and to conserve fodder. They are to distribute the improved seeds made available by the Agriculture Department and the fertilisers, as also to execute the schemes of the Forest Department for the establishment of fuel plantations. The primary society is to arrange for the assembling and transport of the village produce to the marketing union established in the nearby wholesale *mandi*. The primary society will take a helping hand in crop-planning. It will encourage the members to grow more leguminous crops and to use green manure. It will also be entrusted with the field work pertaining to canal and tube-well irrigation, such as distribution of water, fixation of outlets, repair and maintenance of channels, and assessment and collection of water charges. The construction of minor irrigation works is also to be entrusted to the primary society and it will be the post office for State assistance for sinking wells. It will undertake stores business. Health and sanitation as also better-living activities are also to be the functions of the primary society. Insurance business among its members will also be promoted by the society. These are the activities of the primary society in the rural area. They are distributed all over the Report. One wishes they had been collected at one place. Besides, these make one doubt whether a fortnight's training for

the members of the managing committee of the primary society and a six-weeks' training for its secretary will be sufficient to enable them to do justice to all these activities.

In any case, the jumble of complex activities is a pointer to the great importance of co-operative education. The important recommendations of the Committee in this regard are those concerning the establishment of an all-India Co-operative Institute of Advanced Studies and Research and eleven Provincial Co-operative Colleges. Although the cost of these institutions should be borne by the State, I would like the State to do so by making grants. I feel that these institutions should be autonomous.

The Committee has emphasized the importance of research which involves a study of facts and figures. The statistics in regard to co-operative activities are inadequate and unsystematic. A planned development of the co-operative movement will have to be modified in the light of the progress made.

It has been made clear in the report that the sponsoring of the movement by the State is meant only to assist, guide and train up the workers and not to establish permanent control over the movement. At places, suggestions have been made for the modifications of the powers of the Registrar. He should generally register all amendments. Supervision is to be the concern of a non-official provincial federation, institute or union, to which also is to be entrusted the work of organisation. The function of inspection too is to be transferred to non-official bodies as the movement develops and as non-officials are trained up. It practically means that the Registrar shall give up non-statutory functions, but the Committee has not said so explicitly and definitely.

This lack of definiteness is to be found at a number of places in the Report, though not always unjustified on account of lack of experiments and experience, the inherent weakness of the movement and the varied conditions and stages of progress in the different parts of the country. In the financing aspect of co-operative marketing, one recommendation appears to be rather mistaken than vague. The primary society, which is to be responsible for assembling and supervising arranging transport up to the marketing union, is to make advance-payments to the individual members—of course after keeping an adequate margin—from its own funds, advance received from the marketing union and *funds secured from the central banks on the security of goods*. The marketing union is to keep the goods in a warehouse or godown under the custody of both the union and the financing bank, and get funds against these goods. How can both societies draw funds against the same goods? To put it differently, unless it be the intention of the Committee that the primary society is also to store goods and transport them to the marketing union from time to time, how can the primary draw funds on the security of these goods? But that does not seem to be the intention of the Committee.

SUPPLEMENT

REPORT OF THE CO-OPERATIVE PLANNING COMMITTEE APPOINTED BY THE GOVERNMENT OF INDIA ON THE RECOMMENDATION OF THE FOURTEENTH REGISTRARS' CONFERENCE.

SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS.

CO-OPERATION AND PLANNING.

1. The successful working of a plan of co-operative development assumes among other things a responsible, democratic form of Government, (as it alone creates an atmosphere for the development of individual initiative and sense of responsibility) and the end of the policy of laissez-faire by the State. This means assumption by the State of enlarged functions in spheres like education, communications, health, agriculture, industries, etc., and adoption of a policy of active economic development.

2. Planning in Co-operation does not mean a departure from the voluntary principle governing the membership of a co-operative society; the principle should be respected and no one should be compelled to join a society.

However, in certain activities essential for economic progress, like consolidation of holdings, crop protection or irrigation, the desired object may not be attained without resort to compulsion. In such cases, a resolution passed by the members of a co-operative society who form two-thirds of the community should be made binding by law on non-members also. A responsible agency should be set up to determine whether a particular scheme is essential.

But responsible nation-building departments of the Government with a new outlook will be able by means of education, propaganda, persuasion, demonstration and denial of privileges to non-members to bring about the organization of co-operative activities along planned lines without resort to compulsion.

3. The co-operative society is the most suitable medium for the democratization of economic planning as it provides the local unit which can fulfil the dual function of educating public opinion in favour of a plan and of executing it.

Large-scale improvements can be introduced successfully only through organized bodies built upon the smallest and the most numerous economic units. The Co-operative movement which reconciles the conception of large-scale economic planning to individual enterprise and initiative is about the only machinery suitable for the purpose.

4. Co-operative planning, like any other kind of planning, should receive direction and guidance from the State. The State should also educate public opinion as to the most suitable lines of co-operative development and provide the atmosphere and facilities for such development.

However, the co-operative agency can successfully carry out the plans only if it enlists the full support of non-official co-operators both in drawing up and carrying out plans of co-operative development.

The machinery of consultation and administration should, therefore, be so designed as to permit constant interchange of views and opinions between the non-official co-operators and the officials.

5. Any plan of post-war development should take into account the problem of the resettlement of ex-services persons and also of the utilization of their training and experience in the various branches of the Army. There would appear to be a great opportunity for imparting a widespread impetus to the Co-operative movement through ex-servicemen and women.

Every effort should be made to attract such persons into the co-operative fold, either as members of existing societies or to start new ones or as staff for the expansion of the movement. In all cases, they should be encouraged to invest their war savings and gratuities in co-operative societies.

6. Any special assistance given to ex-soldiers should, as far as possible, be given not individually but collectively, preference being given to a co-operative form of organization.

7. The Co-operative Department in each province should, therefore, arrange for publicity to the Services ; through the employment agencies set up to assist the resettlement of ex-services personnel ; through Sailors', Soldiers' and Airmen's Boards, and by any other means considered suitable.

8. The main causes of the limited progress of the Co-operative movement in India are the laissez-faire policy of the State, the illiteracy of the people and the failure of the movement to tackle the life of the individual as a whole, the other causes being the small size of the primary unit and undue reliance on honorary services with resultant inefficiency in management.

AGRICULTURAL PRODUCTION.

9. A systematic survey should be made by provincial governments to find out how much of the existing culturable waste land is capable of making a contribution to agricultural production and under what conditions. The extension of cultivation should principally be effected through improvement of the yield as, in most provinces, a large part of the unculturable area has to be conserved for purposes of re-afforestation, if the existing tendencies of soil erosion are to be checked.

10. Co-operative societies should be made the principal agency for popularizing the use of and distributing improved implements as they already play an important part in the supply of farm equipment.

The functions of improvement of seed and investigation of its adaptability to local conditions of soil and climate should be undertaken by the Agricultural Department, but the distribution of improved seed at the commercial stage must be made through co-operative societies as the official agency being small in size cannot reach all individuals and effectively supervise the use made of the seed. The distribution of fertilizers should also be arranged through co-operative societies. Schemes for establishing plantations for the supply of fuel with a view to conserving farmyard manure should be adopted all over India. Such schemes should be prepared by the Forest Department and executed by co-operative societies.

Co-operative societies should encourage their members to make use of leguminous crops and green manures on a larger scale than at present.

11. Works of irrigation should continue to remain the primary responsibility of the State as it alone has sufficient resources to undertake such works. But much of the field work connected with the distribution of water, like fixation of outlets, allocation of supplies to fields, repairs and maintenance of channels as distinguished from those of the machinery or the head-works, and assessment and collection of water rates, can be delegated to co-operative societies.

The construction of minor irrigation works should be entrusted to co-operative societies in preference to individual contractors and should be financed either by Government or by co-operative financing institutions where they exist, under proper safeguards and on the security of the land likely to benefit from these works. If some plot-holders whose lands are likely to benefit from these works refuse to join a co-operative society undertaking their construction, the Collector of the district should be empowered to make a proportionate levy on them and recover it as arrears of land revenue. State assistance for sinking wells should be given through co-operative societies.

12. A large expansion of the means of communication is necessary if farm equipment and products are to move freely within the country. The scheme of expansion should be undertaken by Government. The Co-operative movement can play a useful part in the organization of transport co-operatives and labour co-operatives for the construction and maintenance of roads.

13. There should be active participation by the State in all activities relating to agricultural development, but as the official agency is small in size and as there are certain items of work in which success will be achieved better by the voluntary effort of non-officials, agencies which would harness local talent should be sought and encouraged. The village co-operative society is a useful instrument of economic development,

necessary finance for want of proper security the State should, where necessary, provide the long-term finance or guarantee the loans granted by co-operative banks.

21. As many demobilized soldiers may find it advantageous to join co-operative farming societies it would be desirable to have them trained for this purpose in improved methods of agriculture in classes especially conducted for the purpose by the Agricultural Department.

22. Before a co-operative farming society decides to introduce mechanization, it should apply to the Provincial Co-operative Council through the Registrar of Co-operative Societies for its advice, and, if the Council is satisfied that mechanization will improve agricultural production on the farm of the society, it should recommend to Government to give necessary help, financially and otherwise, for the supply of machinery required by the society.

23. The production of fruits and vegetables should be increased on a large scale.

As the first step in a policy concerning the production of fruits and vegetables in India, the Agricultural Departments should review the production and requirement of each region, determine what increase and of what kind are necessary, and suggest areas suitable for growing fruits and vegetables. After the areas have been selected, Co-operation can undertake the organization of fruit growers.

In every area found suitable for fruit growing, cultivation of fruits should be undertaken through co-operative societies.

The functions of the societies should be :

- (a) to encourage self-help, thrift and co-operation among members,
- (b) to act as the agent for the joint purchase of the requirements of members,
- (c) to teach members improved methods of cultivation of fruits, and supply implements, seed, manure, grafts, insecticides and sprayers,
- (d) to arrange the sale of fruits of members,
- (e) to give loans to members for cultivation, and
- (f) to undertake such other activities as are incidental or conducive to the growing and marketing of fruits.

The funds required by the societies (a) to finance cultivation, (b) to make partial payment prior to sale of produce, and (c) to buy, build or lease inexpensive plants, should be obtainable ordinarily from the central co-operative bank and for a period extending up to seven years. When a sufficient number of fruit and vegetable growers' co-operative societies have been organized in a particular area, they should be federated into Marketing Associations for co-ordinating the activities of the primaries,

specially as regards supply of improved seed and manure, provision of cold storage and transport facilities and opening sales depots. Finance for seed and manure and for running sales depots should be obtainable from co-operative central banks. The State should give financial assistance for the provision of cold storage and refrigeration.

In order to avoid seasonal gluts and scarcity, fruit preservation and canning industry should be established. This industry should receive protection against foreign competition. Where sufficient cold storage facilities are not available on any railway or any other forms of transport service, the fact should be reported by the Registrar to the Provincial Co-operative Council which should arrange for necessary facilities.

The Co-operative Department in each province should appoint a Fruit Growing Officer, with the necessary staff who will work under the Registrar and promote, supervise and guide the work of fruit and vegetable growers' co-operative societies.

The fruit and vegetable farms which have been organized with the assistance of the military authorities should be handed over to and managed by civilians including ex-servicemen, on co-operative lines. It is necessary to ensure that the benefit of increased production and the experience gained during the war should not be lost.

24. Where municipalities adopt the "Green Belt" scheme, prepared by the G.H.Q., the Green Belt farms and industry should be organized on co-operative lines. Where land within the Green Belt is on sale the municipality concerned should purchase it and make it available on easy terms to co-operative societies, the membership of which should consist of the existing owners of the plot of land in the area, and ex-servicemen.

25. Forest preservation, protection and management should be the special responsibility of the State. Co-operative societies of the owners of land which is either unculturable or is covered by scrub jungle should be formed with the objects of planting trees on the culturable waste land and improving the scrub jungle so as to provide supplies of timber for building purposes or for agricultural tools and implement, or of wood for fuel.

The Registrar of Co-operative Societies should, in consultation with the Forest Department, organize Co-operative Forest Development Societies in suitable villages in which surplus land for afforestation is available.

26. Co-operative societies should also be formed in the villages which suffer from excessive erosion and have been badly cut up by ravines. A scheme in each such village for the protection of ravine lands should be prepared by the Forest Department, and its execution entrusted to a co-operative society of the owners of the land, under the supervision of the Forest Department.

ANIMAL HUSBANDRY AND FISHERIES.

27. The function of selecting improved breeds of cattle and supplying bulls in sufficient numbers to a locality should be undertaken by the State. For this purpose, the State should establish cattle farms, first, in the principal cattle-rearing areas and later in other areas. To eliminate scrub bulls and other bulls not required for breeding, it should enact legislation providing for the compulsory castration of such animals over a certain age and should entrust this work to the Veterinary Department.

28. Every primary co-operative society should have its members' cattle served by approved bulls. To defray the expenses, the society should levy a fee on members either at the time when an animal is served or when it calves, and may also collect a commission when an improved stock is sold.

Loans to members for the purchase of superior cattle should be advanced on easy terms by the State, through co-operative organizations.

29. The Co-operative and Veterinary Departments should take active interest in the work of cattle improvement and should encourage the rearing of good animals by periodically holding cattle shows at which prizes should be awarded to animals of outstanding qualities.

30. With a view to providing the nomadic cattle-breeders with facilities for improving their animals, they should be organized into co-operative societies, inducement being provided by the State or local authorities by reserving grazing areas for such societies. Surveys should, therefore, be made with a view to finding out whether grazing land exists which could be allotted to these societies, and Government farms should supply pedigree bulls and rams to them.

Primary village co-operative societies should acquire on lease grazing lands where available and allow members, on payment of stipulated charges per animal, to graze their cattle on them according to a scheme of regulated grazing prepared by the society and approved by the Forest Department.

31. Rural co-operative societies should undertake to conserve fodder through silage, for distribution during the dry season. This function should ordinarily be undertaken by the multi-purpose societies. But when the outturn of silage is great, a special society may be established for this purpose. The Forest Department should permit such societies to remove grass from the Reserve forests free of cost for ensiling purposes. The Agricultural Department also should assist societies undertaking silage making.

32. The Veterinary Department should extend its services so as to reach as near as possible to every cattle-owner; in the urban areas, a veterinary centre in a convenient part of the town would suffice; in the rural areas, while it would be ideal for each village to have its veterinary post, there should be at least one veterinary centre for a group of 2 to 5 villages.

In order that co-operative societies may know the arrangements made from time to time in each area by the Veterinary Department, the Co-operative Department should obtain up to date information from the Veterinary Department regarding the veterinary services maintained in each area and make such information available to each society. The society should report to the local veterinary office the outbreak of epidemics, persuade members to bring their diseased cattle for proper and timely treatment and see that the disease-controlling measures are carried out.

The veterinary personnel, besides attending to disease, should also periodically visit the village and inspect the cattle.

33. Co-operation is the most suitable form of organization for bringing together the producers of milk in suitable groups so as to enable them to adopt improved methods of milk production. There is also considerable scope for co-operative organization in the distribution of milk.

Co-operative societies of milk producers should be formed in the villages situated within a radius of about 30 miles from towns with a population of 80,000 or more. The societies should especially be formed in those areas lying beyond a distance of 10 miles of a town. If a majority of members of the village primary society is interested in milk supply, it should serve as a milk collecting agency also; in villages where there is no such collecting agency, a separate milk supply society should be organized.

A minimum daily quantity of milk which each society must produce and supply should be prescribed. The quantity will vary according to the local conditions; but a minimum of 800 lbs. should be aimed at.

34. The functions of the village primary society or the milk supply society will be to notify to the milk union at the commencement of each month the approximate quantity of milk its members can supply daily, disburse payments to its members at the end of each month, and distribute among members any subsidy given by the union.

Members' cattle should be milked in the presence of the secretary of the society in charge of milk supply and at a conveniently situated common shed, which should have, among other things, an impervious floor and covered roof. Where such common sheds are not available, a scheme whereby the members can supervise each other's milking should be prepared. The funds for constructing the shed should be provided by the State.

35. The ordinary financial needs of the members for, e.g., the purchase of cattle of an improved breed or cattle feed, will be satisfied by loans and advances made by the village primary society or the milk supply society. These societies will draw their funds from loans from the milk union or the central co-operative bank.

36. The milk unions will be entirely producers' organizations, formed by a federation of the village societies organized for milk supply. The number of societies affiliated to a union will depend upon the location of the

societies, their distance from the union, etc. Milk from a group of villages, should, if necessary, be first collected at a primary collecting centre and transported to the union therefrom.

The main function of the unions will be to collect milk in villages, transport it to the towns and market it to the best advantage of the producers. The milk arrangements to be made by the unions must include (i) a guarantee to the producers of a fair price for a standard quality of milk, (ii) the appointment of a supervisor for a group of villages within the itinerary of a single milk collecting van, who is to weigh and test the quality of milk and generally supervise the work of the village societies, and (iii) the provision of speedy transport vehicles and sanitary milk containers to move the produce from the village to the union's office in the town either directly or *via* the primary collecting centres.

37. The State should bear the entire capital expenditure of the unions for purchasing transport vehicles and milk containers, and 50 per cent of their working expenses during the first five years.

38. An attempt should be made to organize co-operative societies for the distribution of milk, wherever possible.

39. In larger cities, such as those with a population of one lakh and over, the interests of the consuming public may be served best by the establishment of statutory Milk Marketing Boards. The Boards would be public corporations composed of the representatives of Government, the municipalities, co-operative milk supply unions and producers of milk. They would be authorized to purchase raw milk from milk unions. They would then pasteurize and distribute it to consumers and process any surplus into milk products. They would guarantee to the unions a fair price for milk of tested quality and an offtake of all the produce collected. While these Boards would not have a monopoly of the liquid milk market, they should be in a position to supply, say, 30 per cent of the requirements of the cities in which they are established.

In those towns where co-operative societies for the supply of milk already exist and are functioning well or can be organized, no Milk Marketing Boards need be set up.

40. In order to make an effective contribution to the organization of milk supply to towns, about 800 milk unions will have to be started within a period of five years. The State should bear their capital costs to the full extent and the recurring costs to the extent of 50 per cent.

41. In the larger cities where producers experience great difficulties in maintaining dry cattle, special co-operative societies should be organized for doing the work of salvaging the dry animals. These societies should collect at convenient intervals dry cattle as well as young stock which the owners in cities are unable to rear and send them to neighbouring pasture lands acquired on lease for the purpose. The cattle should be placed in charge of the Veterinary Department of Government which should be equipped

with the necessary staff. Every member sending his cattle to the salvage depot should do so at his own risk.

42. Co-operative dairy farms, on the lines of the military dairy farms where animals can be maintained in colonies, should be established on the outskirts of towns and cities, and owners of milch cattle particularly 'gowlis' and others owning a few cattle in large cities should be induced to form co-operative societies. They will settle in these colonies with their cattle. The societies should provide stables, milking yards, dairies, stud bulls, veterinary aid, storage accommodation for feed, etc. Each member will look after his own cattle stationed in the stables and deliver milk to the societies' dairy.

Such societies should be offered by Government or local bodies sites on attractive terms, for keeping their cattle, at convenient distances from the cities. These societies should adopt improved methods of milk production which have already been current in the military dairy farms, engage some of the personnel which will be released from the military dairies in course of time, and arrange for proper care of dry animals, rearing of the young stock, and provide facilities for proper grazing, silage making, etc. They should also be able to supply regularly the milk produced by the cattle kept by them to milk unions or consumers' milk distributing societies in the urban area.

43. In those areas where there is no local market for liquid milk or where milk is generally in surplus or where the manufacture of milk products is an important cottage industry, co-operative societies should be organized to undertake the manufacture of dairy products such as butter, ghee, khova, casein, etc., these co-operatively made products being 'Agmarked.'

44. Attempts should be made to organize co-operatively the flock-owners in the north-western parts of the country such as Rajputana, North-West Frontier Province, Baluchistan, etc., as well as in other hill regions where sheep-rearing is practised on a large scale. The Provincial Co-operative Council should examine the needs of particular areas for setting up co-operative societies for sheep-breeding. The State should provide these societies with the staff and equipment necessary to undertake the freeing of wool from dirt and yolk and the grading of the product.

45. Every province should have a Model Poultry Farm at convenient centres the cost of which should be borne entirely by the provincial government. It should be entrusted with the duty of propagating improved breed of poultry by acting as a nursery from which better breeds will be taken; it should advise individuals or associations interested in poultry breeding as regards the feeds, protection against diseases, incubation and rearing of chicken; it may undertake the disposal of the product of poultry farms and may also introduce the use of improved containers for the packing and transport of eggs; and it should establish contacts with large customers like the Army or hotels or organized markets so that it can be

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in a position to give information on the marketing of eggs and chicken to the persons or societies who or which deal with them.

46. The Co-operative Department should take advantage of the Central Model Poultry Farm by widening the functions of the existing poultry farming societies and starting new ones, and bringing the latter in close contact with the former. To discharge this duty effectively, it should have a special officer and staff to promote, supervise and guide the work of poultry farming societies.

47. The scope for Co-operation in making available to the country valuable by-products of animal husbandry should be fully investigated by the Provincial Co-operative Council.

48. The recommendation made by the Fish Sub-Committee of the Agricultural Policy Committee that no real advance can be made unless the Government of India accept full responsibility for placing the fishing industry of the country as a whole on a firm foundation and provide finance for both direct and indirect assistance to this very backward and neglected industry, is endorsed.

49. Co-operative societies of fishermen should be organized on an extensive scale and State aid to the fishing industry should be largely given through them. These societies should give financial assistance to their members and stock and sell fishing craft and tackle at a fair price. They should also undertake marketing functions, *i.e.*, functions involving proper arrangements for handling, assembly, preservation, transport and distribution of fish.

These societies should be grouped together under central societies which should have their headquarters in towns. The main function of the central society should be the organization of fish markets and marketing of fish.

50. Central co-operative banks should provide finance for working expenses both to primary and central fishing societies.

51. Some of the ex-services personnel are already trained in veterinary science, animal husbandry and poultry farming, and can be employed by co-operative organizations. The fishery industry offers an opportunity for the employment of ratings who have served in the Navy, specially those recruited from Konkan and Ratnagiri districts of Bombay and the coastal districts of Bengal, Assam, Orissa and Malabar.

AGRICULTURAL MARKETING.

52. Free and fair competition does not exist in most markets. The primary producers lack education and knowledge and are at a disadvantage in dealing with big business and with middlemen who have no hesitation in taking advantage of the former's weak position. These disabilities provide the justification for co-operative marketing.

53. The management of a marketing society should be entrusted to an efficient and well-paid manager who is honest, reliable and capable and possesses the knowledge of the commodities with which he has to deal and qualities which will win over the confidence of the members.

54. Co-operative marketing in India should make a cautious start. No dogmatic statement can be made concerning the number of functions which a co-operative marketing society should undertake, the criterion being the economic possibilities of such undertaking.

55. An attempt should be made to market, within 10 years, 25 per cent of the total annual marketable surplus of agricultural produce through co-operative organizations and for this purpose, 2,000 marketing societies, 11 provincial marketing societies and an All-India Marketing Association should be established. These organizations should perform all such services as are necessary for effective marketing of produce like assembling, storing, financing, standardizing, selling and transportation.

56. For the proper development of Indian agricultural economy, credit should be linked with marketing. To ensure this it is necessary that one of the conditions of loans given by a primary society (recommended in the Chapter on *Agricultural Production*), should be that each member will sell all the marketable surplus of his farm produce through the primary society.

57. The primary society should assemble the produce of its members, supervise and where necessary, arrange for its transportation. The primary society may, after keeping an adequate margin, make payment to the member out of its own funds if they are sufficient, or out of the advance which may be taken from the marketing society or the central bank on the security of goods.

58. There should be a marketing society at each of the 2,000 mandies (wholesale markets) and, in any case, for roughly each group of about 200 villages.

The main function of a marketing society will be to arrange for the sale of the members' produce to their best advantage. It may also undertake the functions of pooling, grading and processing. The ultimate objective of a marketing society should be to persuade its member to agree to pooling so that it may be able to discharge the functions of grading, and if necessary, processing.

The marketing society may give an advance to the member after keeping an adequate margin at the time the produce is delivered to it. The produce will be kept in a warehouse or godown under the custody of the marketing society and the bank which may be financing it. The balance of the price will be paid to the primary society according to the method of payment adopted. Every marketing society should have at least one godown the whole cost of which should be met by a free grant from Government.

59. The Government should give a subsidy to the marketing societies for at least the first 5 years to meet the cost of the staff employed. This subsidy should be up to 50 per cent of the establishment charges for the first two years and 25 per cent thereafter till the fifth year.

60. A marketing society should ordinarily have a share capital of Rs. 30,000; every primary society which becomes a member should purchase shares worth at least Rs. 100, the rest being subscribed by individual members. Outright purchases should be made up to a maximum of five times the value of the share capital and reserves of the marketing society. The risks involved in outright purchases are great, although these may be minimized if effective measures for the stabilization of agricultural prices, as contemplated by Government, are taken.

61. Ordinarily, the marketing society should not hold over produce in the hope of a rise in prices; but it may do so under extraordinary circumstances with the advice of the Provincial Marketing Society.

62. Agricultural products should be standardized and graded. For this purpose, the Government should place the services of an Inspector of the Agricultural Department at the disposal of the marketing society; the cost of his employment should be borne by the Government.

63. The marketing society, besides performing the functions of sale societies mentioned above, should arrange for supplying consumers' stores, improved seed, fertilizers and manure. The sale of these articles should be made through the primary society, wherever it exists.

64. The agriculturist members of the committees of the regulated markets should be nominated by marketing societies.

65. Separate marketing societies may be organized to deal with important crops like cotton, groundnut, sugar, wheat, rice and jute.

66. Where a sale society is unable to put up a processing plant itself, separate processing societies formed of such sale societies may be necessary. The funds required by them for the fixed capital should be provided by the Government as a loan repayable within not more than 20 years.

67. A provincial marketing society should be organized in each province in order to co-ordinate the working of the various marketing organizations, supply market intelligence and act as the export agency for inter-provincial and foreign trade. It should arrange to supply to village primary societies and marketing societies information as regards prices and stocks and arrivals in the main markets with which the latter have dealings.

The Government should give as a free grant the cost of godowns required by the provincial marketing societies and should also give a subsidy for the first 2 years up to 50 per cent of their establishment charges and 25 per cent thereafter till the 5th year. The membership of the society should be open to village primary societies, marketing societies, central banks and individuals.

68. An All-India Marketing Association should be set up to co-ordinate the activities of the provincial marketing societies, to establish contact with marketing organizations abroad, and to act as a clearing house of information on all aspects of agricultural marketing. The right time for the establishment of the Association should be decided by the All-India Council of Co-operation.

The cost of the staff of this organization, when established, should be borne by the Government of India for at least the first five years; afterwards the Government should give a grant to cover 50 per cent of the establishment charges.

69. A system of licensed warehouses should be established and legislation introduced for the purpose. The Provincial Co-operative Council should recommend the establishment of co-operative warehousing societies in suitable areas.

70. Godowns owned by the Central and Provincial Governments and the Defence Department and not required by them after the war should be handed over to co-operative marketing organizations after the war.

71. The Government in all the provinces should maintain an adequate staff for the organization, supervision and direction of the various marketing organizations.

AGRICULTURAL CREDIT.

72. The Gadgil Committee's analysis of the problem of agricultural credit in India is generally approved and it is emphasized that the expansion of the Co-operative movement will provide the best solution of the problem of rural credit in the country.

73. Credit societies will render greater service and ensure their own success if they do not confine their activities solely to the supply of credit but take up other activities as recommended in the Chapter on *Agricultural Production*.

74. In all provinces and states, the provincial co-operative banks or other co-operative financing institutions will be in a position to provide the agriculturist with all the facilities which are intended to be given by the Agricultural Credit Corporation suggested by the Gadgil Committee to provide finance to persons outside the Co-operative movement, if the same measure and type of aid proposed to be given to the Corporation are extended to them. In that case, there will not be any need for starting a separate organization like the Credit Corporation.

75. In reorganizing a provincial co-operative bank, it will be necessary for the State to provide it with a good deal of share capital, and also finance at a rate of interest which will enable the bank to advance loans to the ultimate borrower at not more than 6½ per cent for short-term loans and about 4 per cent for long-term loans.

SMALL AND SUBSIDIARY INDUSTRIES.

76. The two main problems which must be tackled before any substantial and continuing improvement in rural welfare can be expected are the relief of the pressure of population on the resources by measures calculated to improve per man hour productivity in general, and the transfer of a substantial proportion of the large mass of population from farming to non-farming pursuits.

77. The Government of India should undertake the tabulation of occupational statistics, furnishing thereby the distribution of labour in various kinds of industries, as, without accurate guidance, it is not unlikely that, while agricultural industry is relieved, its surplus population may be dumped on some already congested industries. One of the most important avenues of employment for the surplus population is small-scale and cottage industries.

78. Regional organizations to be called Regional Promotional Agencies, to foster the growth of small-scale and cottage industries and all subsidiary occupations should be set up in each province and state.

The area of operation of an Agency should be suitably selected with a view to entrusting it with just that volume of work which it can properly discharge. Large provinces should have more than one agency while small provinces may be served with only one agency at the start, though more agencies than one will be necessary when the work is in full swing.

The functions of the Agency will be to ascertain what small-scale and cottage industries exist in its jurisdiction and what facilities exist for marketing their products, to determine which of them should be maintained and encouraged and what new avenues of selling their products should be explored, to devise means to place those, which are to be encouraged, in such a position as will give a fair return to the workers, and to ensure that the products of these selected industries find an assured and remunerative market, etc.

Further, the Agency should organize the supply to the workers of the necessary equipment, tools and plant and raw materials and arrange for the sale of the products.

The Agency should pay particular attention to the introduction to and use by industrial co-operatives of small electric motors and machine tools where the supply of electricity is cheap. The Agencies in electrically developed parts of India should investigate the possibility of supplying on hire-purchase system electric motors and the necessary equipment to the workers. The conclusions arising out of their investigations will be one of the items in the programme which the Agencies will submit to the Provincial Co-operative Council. In deciding whether a certain hydro-electric scheme should be undertaken or not, the Government should take into account the estimated demand of small-scale industries for electric power in addition to that of larger industries and for domestic use.

79. The Agency should hold an enquiry into the methods of supply of yarn to weavers, and report, within one year of its establishment, to the Provincial Co-operative Council whether a spinning mill owned by co-operative handloom weavers' societies or the State should be set up in its region. If the mill is owned by the former, a loan at the prevailing Bank Rate and repayable within 20 years should be made by the State for the construction of buildings and purchase of machinery and other equipment, and for fixed capital generally. The State should also give a guarantee to the provincial co-operative bank for opening a cash credit account up to a fixed limit in favour of the spinning mill for one year from a date fixed by the State in consultation with the Regional Promotional Agency, which guarantee should be renewed from year to year so long as the State in consultation with the Regional Promotional Agency considers it necessary.

80. Wherever schemes of hydro-electric development for the supply of light and power are in operation or come into operation, the Provincial Co-operative Council should examine the possibilities of establishing and, if satisfied as regards their prospects of success, establish co-operatives for the distribution of electricity for light and power in rural areas.

81. Women's co-operative societies should be organized by Regional Promotional Agencies, special arrangements being made for supplying raw materials and for marketing the products of the industries to their best advantage.

82. The Regional Promotional Agency should have a whole-time officer called a Promotional Officer, and a Board of Advisers.

The Promotional Officer's chief qualification should be his aptitude for and sympathy with the Co-operative movement. He should also have business experience and possess knowledge, so far as possible, of the technical and organizational side of the industries with which he may have to deal. The post of Promotional Officer should have the same status and salary as that of a Joint Registrar.

The Promotional Officer will be the chairman of the Board of Advisers and the chief executive officer of the Regional Promotional Agency. For administrative purposes, all Promotional Officers and Regional Promotional Agencies will be under the Registrar of Co-operative Societies or the Registrar of Industrial Co-operative Societies as the case may be. The Registrar should have, at all time, the right to attend any meeting of the Board of Advisers.

The Board of Advisers should consist of not more than seven members, including the Promotional Officer.

83. The appointment of the Promotional Officer and members of the Agency should be made by Government. The appointment of the members should be on the nomination of the Provincial Co-operative Council. The Council should nominate two persons who are directly engaged in the chief small-scale or cottage industries of the region; one person who possesses

knowledge of industrial finance, preferably of financing the industries flourishing in the region, and carries out his business in or has had business connexion with the region; one person who is engaged or interested in the wholesale trade of the products of local industries; and two persons recommended by the Registrar of Co-operative Societies or the Registrar of Industrial Co-operative Societies as the case may be (as referred to later) on the ground of special knowledge of the technical aspect of the industries, or markets, or finance, or business in general, these two generally being the expert advisers employed by the Industrial Co-operative Department for the supervision and guidance of small industries.

84. In course of time, when industrial co-operatives attain sufficient strength and stability, they should be encouraged to form their own federations. The federations should take over the functions first of the Board of Advisers of the Area Promotional Agency and later of the Board of the Regional Promotional Agency.

When the federations have assumed these functions, the appointment of members to the Board of Advisers of the Promotional Agencies should also be made by them, the qualifications of members continuing to be the same as before.

85. The jurisdiction of the Regional Promotional Agency should be divided into a number of convenient Areas and each Area should be in the charge of a Deputy Promotional Officer.

The Deputy Promotional Officer should be a whole-time government officer, appointed on the scale of Rs. 250-25-500-50-750. His qualifications should be possession of knowledge, generally, of business methods and commercial practices and, particularly of at least one of the important small industries in his Area.

86. To the Deputy Promotional Officer should be attached a Local Board of Advisers which should have the same number of members possessing the same qualifications as the members of the Regional Board; the members of the Local Board should be appointed on the recommendation of the Provincial Co-operative Council.

87. Each Deputy Promotional Officer should be assisted by about six Field Workers appointed by the Registrar on the recommendation of the Promotional Officer. They should be drawn, as far as possible, from the rank of the workers engaged in small industries in the locality and should possess sufficient technical and educational qualifications to be able to study the literature dealing with the industries in their charge. Their pay should be in the scale of Rs. 125-7½-200-10-250.

88. The Regional Promotional Agency will thus have a staff which will place at its disposal the material necessary for drawing up a programme for the development of existing and encouragement of new industries. At the same time as the Agency selects industries as suitable for development, it

will prepare a statement of capital expenditure on the supply of machinery, tools and plant; of working funds required for raw material, and holding and marketing of finished products; and of estimates of profit and loss. The report on the industries selected, along with this statement, will form a programme which will be submitted for approval to the Provincial Co-operative Council. On approval, the Council will forward it to the Registrar who will obtain from Government such orders as may be necessary.

89. The entire cost of the Promotional Agencies should be borne by the State.

90. The existing arrangement, in most provinces, whereby administrative control over small industries is jointly exercised by the Department of Industries and the Department of Co-operation is not desirable and should be discontinued.

91. The Industries Department will not have the necessary qualifications, equipment or time to look after the many-sided activities which it is proposed to be undertaken, in order to improve rural conditions by the organization of small-scale industries.

The Co-operative Department should, therefore, be placed in charge of fostering the growth of these industries as it has the necessary qualifications for undertaking this responsibility.

92. In provinces where the Registrar of Co-operative Societies may find it impossible to devote the necessary attention to rural industries, a separate Department should be created exclusively to look after the industrial development of rural population generally and the development of small-scale and cottage industries, whether in rural or urban areas, in particular. The head of this Department should be of the same status as the Registrar of Co-operative Societies and called the Registrar of Industrial Co-operative Societies and Director of Small Industries. The officer selected for this post should have had adequate experience in the Co-operative Department.

Where the Registrar of Co-operative Societies undertakes the organization of small and subsidiary industries, he should be assisted with all the staff recommended.

In those provinces where the Registrar of Co-operative Societies remains in charge of small and subsidiary industries, a separate Joint Registrar should be appointed to assist him.

93. At present and for a number of years to come, the financial assistance required by the industrial co-operatives for fixed capital and working expenses will have to be given by an outside agency. For the purpose of fixed capital like buildings and expensive capital goods, the State should give subsidies and advance loans at the Bank Rate of interest, repayable in 20 years. These subsidies and loans should be given through the provincial and central co-operative banks or through the co-operative industrial banks,

So far as the funds for raw materials and working expenses are concerned, guarantees as in Madras and Bombay, should be given by all provincial governments, until such time as the industrial co-operatives are able to find their own funds. The marginal advance by and the cost of the guarantee system to Government will be comparatively small. The guarantee may be discontinued on the report of the Promotional Agency, confirmed by the Registrar, that the need for such Government assistance no longer exists. The supply of funds for raw materials and working expenses should be made by the provincial and central banks, where they exist and have sufficient resources. At those places where these banks do not exist or do not possess sufficient resources, or it is considered desirable to do so for any other reason, separate Co-operative Industrial Banks should be established exclusively to look after the financing of industrial co-operatives.

94. As the industrial co-operatives should eventually provide their own funds, they should utilize their profits to build up funds for two purposes, viz., (1) to repay loans and advances taken from Government for fixed assets or for use as a margin for working expenses, and (2) to provide for working expenses, replacement and expansion.

95. Questions such as what industries should be selected for the post-war period, what relative spheres should be assigned to small and large industries, whether markets should be reserved partly or exclusively for the products of small industries and whether tariff protection should be extended to certain small industries, should be referred to either a separate committee or to the Tariff Board which has been recently set up by the Government of India or to the permanent Tariff Board which may be constituted hereafter, for considering the question of protecting Indian industries from foreign competition. The Tariff Board should be specially charged with the duty of safeguarding the interests of cottage and small-scale industries.

96. As a contribution towards securing an assured and remunerative market for the products of small industries, Central and provincial governments should adopt a policy of purchasing for their requirements these products in preference to the products obtainable from any other source.

97. Ex-servicemen and war technicians should be encouraged to join industrial co-operatives, especially as many thousands of them have been and will be given training in small-scale industries.

98. Section 17 (2) (a) of the Reserve Bank Act should be so amended as to empower the Bank to give financial accommodation to provincial co-operative banks for advances and loans to industrial co-operatives, up to one year.

LABOUR AND CIVIL CONSTRUCTION.

99. From a study of labour co-operatives in foreign countries it is observed that :—

- (a) co-operative method of work seems to be very suitable for a number of tasks on the construction of railways, roads and canals, levelling, ballasting, etc.,
- (b) labour co-operatives should be generally composed of a small number of men, or of groups of small numbers of men,
- (c) the co-operative group should have the right of choice of work-mates,
- (d) the employer who engages into a contract with a labour co-operative society should prepare a schedule of the nature and quantity of work to be done and fix a price per unit,
- (e) the employer should provide the necessary tools and equipment for the execution of the work; a certain deduction should be made from the payments to the society and kept as a deposit till the work is completed,
- (f) contracts should be assured to labour contract societies and awarded to them at rates which enable an average workman to earn a fair wage,
- (g) payment to the workmen should be made by the employer at short, regular intervals, a deduction being made from the payment in order to insure that the contract is not abandoned before completion, and
- (h) the safeguard of a well organized federation is necessary to protect the rights of the co-operative societies, to check the prices fixed by the employer and to stop the co-operatives from undercutting one another or accepting conditions which may undermine the position of other workers.

100. The G.H.Q. Scheme for Civil Construction Co-operatives is not entirely co-operative in character. The scheme may, however, be considered by the provinces and states for preparing their own schemes for the organization of Construction Co-operative Societies, particularly for the resettlement of ex-service personnel. The scheme should be modified to make it fully co-operative in character.

101. The Regional and Area Promotional Agencies (proposed in *the previous* Chapter) should undertake the organization of labour co-operative societies for rural labour and secure employment by engaging them on village works during those parts of the year when agricultural employment is slack.

102. In organizing labour co-operatives for ordinary labourers, the model of those set up in Italy or New Zealand should be adopted. Labour co-operatives should be generally composed of a small number of men. There is, however, no objection to co-operative societies being organized for a large number of men, but it will be necessary for them to work through small self-contained units.

108. The Government and local bodies should give preference for contracts to labour co-operative societies.

104. The Public Works Department should draw up plans and specifications and prepare schedules showing as accurately as possible the nature and quantities of the work to be executed. Contracts for such work should not be given by tender but by offer to a labour contract society. The schedule of rates should be so prepared as to permit a workman of average ability to earn a reasonable wage or the market rate whichever is higher.

The Public Works Department should extend some tolerance and pass on unforeseen but necessary additions to expenditure incurred by a society, as it would have done if the work had been executed departmentally. It should also show tolerance in specification and standard of work, in the initial stages.

105. Losses incurred by labour co-operatives must be financed by Government, at any rate for a period of time until they are finally established.

106. Materials required for the work should be supplied by co-operatives themselves so far as possible, as this will provide an additional source of profit and employment. When not manufactured by a co-operative employed on a work, materials should preferably be obtained from other co-operatives. This preference should also apply to additional services which may be required.

107. The Regional and Area Promotional Agencies (proposed in *the previous Chapter*) should discharge the functions of a Federation, until it is set up.

CONSUMERS' CO-OPERATION.

108. The simplest organization to supply the consumer needs of the rural population is a consumers' society for each village or a group of villages. However, where the organization of independent consumers' societies may not be justifiable at present, as many as possible of the satisfactorily working village primary societies should undertake stores business.

109. The village primary society undertaking stores business should

- (i) separate the stores section from the credit section,
- (ii) deal, in the beginning, only in those commodities which are in daily demand,
- (iii) purchase stock after preparing an estimate of demand with reference to established needs for a period of months or preferably after obtaining indents,
- (iv) sell its goods for cash or against trade deposits, and, if at all it gives credit, restrict it to members and limit it to such amount that, together with credits given for other purposes, it does not exceed his total assessed credit-worthiness,

- (v) not be prohibited from selling its goods to non-members,
- (vi) distribute patronage dividends only among members,
- (vii) encourage thrift among members by inducing them to leave their dividends with it as deposits or to convert them into shares, and

(viii) make constant effort to educate members in utility purchasing, i.e., buying goods that yield the best return for their price.

110. Half the working cost of the stores section should be borne by Government for the first five years.

111. In the case of industrial undertakings and large employers of labour like railways, workers and other employees in each of them should have conveniently situated co-operative stores.

In the working of such stores, the following features of similar organizations in Madras should generally be adopted, the features being :—

(1) Credit trading is backed by the employer's undertaking to recover bills from wages. Often, the employer himself makes trade deposits in the name of the worker, effecting recoveries from wages in easy instalments.

(2) The employers supply the society with funds whenever needed so that there is no outside borrowing. These advances carry a low rate of interest, and at times no interest at all.

(3) The employers place at the disposal of the society the services, free of cost, of clerks, stationery, furniture, buildings, godowns, transport vehicles, etc.

(4) On certain festive occasions, the employers subsidize sales at or even below cost price.

112. In provinces, such as Madras, where the consumers' movement in urban areas has successfully established itself by starting with a number of unitary societies and later forming central societies of a federal character, this type of organization should continue and every endeavour should be made to expand the movement on these lines.

In such provinces, a consumers' society on the Rochdale principles should be established in each town, the aim being to have one society for a population of about 5,000.

These societies will draw the funds needed to run their business from their share capital and loans from central co-operative banks.

113. The Co-operative Department should fix targets concerning share capital for various types of stores in accordance with local conditions. The Department should similarly prescribe limits for borrowing by societies.

Half the cost of working a primary urban society should be borne by Government for the first five years.

114. For each group of about fifty conveniently situated urban consumers' societies and rural societies dealing in stores, a central society should be organized, to which they should be affiliated by purchase of a prescribed number of shares.

115. Half the cost of running a central society should be borne by Government for the first five years.

116. A provincial consumers' society should be organized to co-ordinate the work of the central societies and also to undertake inter-provincial trade and to collect and disseminate market intelligence such as that regarding production and marketing centres and agencies in the province and outside.

117. Half the cost of running a provincial society should be borne by Government for the first five years.

118. As regards the small co-operative stores organized in large numbers in towns and cities during the war, an active policy of amalgamation of these stores into a single town or city store should be pursued. The city store may use the present small stores as branches till the controls exist; but when the controls are withdrawn, it may either deal through these branches or convert itself into a unitary store.

119. In provinces, such as Bombay, where co-operative organizations are likely to fail unless full advantage is taken of the economies offered by large-scale enterprise, the organization of consumer co-operatives should start with the establishment of a provincial society having branches spread over suitable regions, with local members and local committees.

The provincial society should, as far as possible, combine in itself the functions of the primary, central and provincial societies.

As its business is established and its position stabilized, it will gradually extend its services to other towns by opening branches. As the aim is ultimately to convert the branch organizations into independent societies, the parent institution should allow, consistent with efficiency, the patrons of each locality to man a local branch, and, when sufficient local interest has been aroused, it should offer to the local patrons the option of converting the local institution into a society of their own.

120. The central and provincial consumer societies should purchase their requirements, whenever possible, from producer societies, preferably from those marketing goods in bulk.

121. To ensure fair terms of business and generally to harmonize the interests of producer and consumer societies in their mutual dealings, the Provincial Co-operative Council should constitute a Provincial Advisory Committee and other similar committees for suitable regions, to settle amicably questions relating to prices and other terms of sale in case of disagreement.

The Provincial Committee should consist of the Registrar of Co-operative Societies as chairman, one representative of the provincial consumers' society, one representative of the Regional Promotional Agencies and one representative of the provincial marketing society. A Regional Committee should consist of a representative of the Registrar of Co-operative Societies to act as chairman, and one representative of the central consumer society, one representative of the marketing societies in the region and one representative of the Regional Promotional Agencies.

122. In all towns in which milk unions are established, consumers' milk distributing societies also should be established.

The consumers' milk distributing societies, in order to have a large and growing membership, which constitutes one of the factors on which their successful working will depend, should not seek to attain it by restricting the sale of milk to members. The daily milk requirements of the consumers' milk distributing society should be supplied by the producers' union on the basis of a contract fixing the terms relating to quantity, quality, price, time of delivery, etc.

The society should arrange for pasteurization of the milk before distribution and also for processing any milk that remains unsold.

123. The capital expenditure incurred by the society on pasteurizing and processing plants should be entirely met by the State.

124. Arrangements for distributing milk should be decided by the members of the society after taking local conditions into account.

125. Ex-service personnel employed in R.I.A.S.C., Detail Issue Depots, Officers' Shops, etc., will be very useful in organizing and managing consumers' co-operatives.

126. Each central consumer society is to be provided with a godown costing about Rs. 20,000 and each provincial consumer society with a godown costing about Rs. 50,000. This cost should be met entirely by Government as a free grant.

127. The Co-operative Department should appoint the following staff to be in charge of the consumer movement in the province :—

- (i) An officer of Class I in charge of urban stores.
- (ii) One auditor for every ten urban societies to audit, inspect and supervise them.
- (iii) One audit party for every five central societies to audit, inspect and supervise them, each party consisting of one auditor and one assistant auditor.

URBAN CREDIT.

128. Urban banks should be organized in all towns. It should, however, be ensured that they function on proper co-operative lines.

129. When urban banks receive deposits on current account they should (a) have a paid up share capital of at least Rs. 20,000, (b) maintain fluid resources on the scale prescribed by the Registrar of Co-operative Societies, (c) carry to the reserve fund at least $\frac{1}{3}$ rd of their net profits till it equals the paid up share capital, and thereafter at least $\frac{1}{4}$ th of the net profits, and (d) invest the Reserve Fund in gilt-edged securities or deposit it in banks approved by the Registrar instead of using it in the business of the bank.

180. Urban banks approved by the Registrar, should be allowed to collect salary, provident fund and pensions, a list of such banks being supplied for the purpose to the Treasuries concerned. Cheques drawn on these banks in payment of taxes should be accepted by the Treasuries.

181. The demand made by certain urban banks to convert themselves into joint-stock banks is unreasonable. However, Government should delegate some of the powers exercised by the Registrar such as inspection and supervision and determination of credit limits to a non-official federation of urban banks, particularly in those provinces where urban banking has made good progress and the banks are well managed. The Registrar must, however, in order to fulfil his statutory obligation, be placed in a position to revise the action of the federation either on his own initiative or on a representation made to him.

182. All offices employing fifty persons and more should organize employees' co-operative societies.

183. With a view to overcoming the difficulties created by the amendment to the Civil Procedure Code raising the non-attachable limit of salary from Rs. 20 to Rs. 100, the Co-operative Societies Acts should be amended on the lines of the amendment made in Bombay and Sind whereby, if a member executes an agreement in favour of the society authorizing his employer to make deductions from his salary towards payment of the debts or other demands owing to the society, the employer is bound to make such deductions till the loan is fully repaid or the demand of the society satisfied.

184. Where separate societies for menials or low paid employees are organized, the employers should assist such societies by providing the staff required for their management, and by the grant of interest-free loans.

185. Credit societies should be organized in every mill or factory for providing the credit needs of its workers and also for promoting habits of thrift.

186. The factory workers' societies should be assisted by the employers by supplying the necessary staff for their management, by contributing towards their expenses, by giving loans free of interest or at a low rate of interest and by recovering the amount due to the society from the wages and salaries of the employees.

187. The Registrar of Co-operative Societies should work in close co-operation with the Labour Officer in organizing societies for promoting the welfare of workers.

HOUSING, HEALTH AND BETTER LIVING.

HOUSING.

188. In any housing scheme, co-operative effort has an advantage over private enterprise because it is primarily concerned with the interests of its members.

189. In all schemes of town planning, a definite place should be given to co-operative housing and specific areas should be reserved for people belonging to low or middle income groups grouped into co-operative housing societies.

140. Whenever the Government, municipalities, improvement trusts and similar bodies have at their disposal lands to sell or lease for long terms, for the construction of houses, they should give them preferably to co-operative housing societies at favourable rates. The present policy of selling the land by auction to the highest bidder forces up prices and contributes to high rents to the detriment of poor and middle class people.

141. The Provincial Co-operative Council should organize, when it considers that conditions are favourable, a Central Co-operative Housing Society in each province, whose main function will be to grant long-term loans to housing societies mainly for the purchase of house sites and for the construction of houses. It may also purchase building materials on a large scale from wholesalers and supply them at reasonable rates to the housing societies. If it is to attract cheap capital and command sufficient funds to discharge the functions mentioned above, its debentures should be guaranteed by Government.

142. The finance required by the housing societies should be supplied on easy terms by the State or by insurance companies, preferably co-operative insurance societies, or in special cases, by land mortgage banks.

143. Although the value of the entire property, owned by a housing society may be large, the share of each individual member in it is small. If in levying taxes on a housing society the principle of progression is followed, it will operate to the detriment of the individual member who will be called upon to pay a rate much higher than what he would have to pay, if the rate were based on the value of his individual property. The taxes levied on a housing society should, therefore, be so calculated as to make full allowance for the fact.

144. The co-operative housing society should, as far as possible, engage the services of labour contract societies in its building operations.

Labour construction co-operatives should undertake the preparation and supply of bricks and other materials and the construction of houses. Ex-servicemen with training in leadership should also organize Community Welfare Centres on these housing estates, containing facilities for recreation, reading-rooms, etc.

145. A co-operative society of tenants may be formed and may undertake to collect rents from the members who occupy tenements, particularly tenements belonging to Government or public bodies. Where the landlord is Government or a public body, arrangements may be made for the purchase of the property by the co-operative society.

146. The feasibility of providing rural houses on a co-operative basis should be examined by the Provincial Co-operative Council as soon as it is established. A co-operative housing society may be organized for a group of villages selected by the Provincial Co-operative Council or housing may be undertaken by the multi-purpose co-operative society operating in those villages. The houses may be taken over by the society and given on rent to members, option being given to them to purchase the houses occupied by them on hire-purchase system over a period of 20 to 30 years.

Where there is a sufficient number of ex-servicemen and others in a village or a group of villages desiring to build new houses, separate rural housing societies should be formed.

HEALTH AND MEDICAL CO-OPERATIVES.

147. The needs for health and medical services in rural and urban areas differ widely. In rural areas there is a lack of medical amenities, while in urban areas they need to be supplemented on a large scale.

148. Provision of medical service, improvement of sanitation, control of epidemic diseases and the undertaking of other similar measures for improving the health of the population are primarily the duty of the State. It may, however, be long before a complete State medical service is available to the people for the prevention and treatment of diseases. Voluntary effort organized on co-operative lines can therefore play a useful part, in the meanwhile, in the furtherance of these objects and in supplementing State effort in these directions.

149. Pending organization by the State of medical services on a comprehensive scale, the State should help voluntary effort organized on co-operative lines for such purposes as the prevention and treatment of disease, clearance of jungles and swamps, reclamation of marshes, draining of pools and trenches, spraying of mosquito-infested areas with insecticides, etc.

150. For societies engaged in anti-malarial work, jungle clearance, reclamation of marshes, etc., the Army personnel which has been trained on up to date lines in the medical, sanitary and anti-malarial services will provide excellent members.

151. The State should initiate and work a subsidized scheme for rural health co-operatives as in the Punjab, whereby the latter will obtain for their members for a small fee the services of medical practitioners.

152. Facilities should be provided to the rural co-operatives to obtain supplies of medicine through the State dispensaries and hospitals.

153. The State should meet the working costs of the rural societies to the extent of 75 per cent and grant subsidies to central organizations among them to ensure efficient supervision by them of the work of the primaries. Whatever the degree of assistance rendered by the State to co-operative

organizations, the voluntary effort is likely to be limited and therefore needs to be supplemented by large-scale State action.

154. In urban and suburban areas, co-operative medical service societies should be established with as large a membership as possible. These societies have greater chances of establishing themselves in localities where co-operative stores societies already exist and where, owing to their existence, co-operative ideas have taken root. Such societies will derive their funds from an admission fee and a regular monthly subscription.

155. Life insurance companies should find it in their interest to assist voluntary associations which adopt special measures for the prevention of disease and its treatment in the earlier stages. The insurance companies may take a special interest in starting such societies among their policy-holders by offering them rebates in insurance premium or direct medical assistance.

156. The Provincial Co-operative Council should take early steps to bring into existence co-operative health organizations, after arranging the details of the working of these bodies in consultation with the various interests concerned.

BETTER LIVING SOCIETIES.

157. The activities of better living societies should centre on some economic objective such as credit, marketing, provision of household requirements, etc. The reformed and reorganized village primary societies (mentioned in the Chapter on *Agricultural Production*) should undertake the functions of better living societies. Where this is not possible, separate societies may be started with returned service personnel and other village folk, both men and women, as members; and when the co-operative idea takes root, their activities may be expanded and they may be converted into ordinary primary societies.

WOMEN AND CO-OPERATION.

158. The Co-operative movement has not paid sufficient attention to the special features of the position of women in Indian society.

159. The participation of women is of particular importance for the success of activities engaged in by consumers' stores, industrial societies, co-operative dairies and voluntary health associations.

160. Women workers will be the best agency available to the Co-operative movement to further its programme of social reconstruction and betterment.

161. The Co-operative Department in each province should employ at least one Lady Assistant Registrar or Woman Special Officer to encourage women to join the Co-operative movement and to organize and supervise women's societies.

The Department should employ for every 25 women's societies at least one woman welfare worker and the requisite subordinate staff to direct and supervise their working.

There is already in existence a trained body of women welfare workers in the Army known as "Sevadanis". They should, if they are qualified, be preferred to others for employment in the Co-operative Department as lady welfare workers.

162. A special effort should be made to encourage women to join consumers' and better living societies.

163. In rural areas, women should be enrolled as members in the village primary society, but if in any locality their interests are likely to be better served by forming a society of their own, they may form a separate society.

164. Co-operative societies exclusively for women should be formed for the purpose of undertaking activities such as home industries and thrift. Maternity and child welfare, recreation clubs, and eradication of social evils, e.g., dowry, extravagant social expenditure, etc., may also be undertaken by them where special funds for these purposes are available.

165. In urban areas, women should be encouraged to join all types of co-operative activity, particularly health and medical societies and thrift and consumers' stores, and to participate actively in their management, by making, for instance, provision for special women's committees and for seats for women on the managing board.

166. The Regional Promotional Agency, the formation of which has been suggested in the Chapter on *Small and Subsidiary Industries* should organize and assist women both in rural and urban areas to undertake home crafts and cottage industries such as tailoring, embroidery, knitting, lace-making, pickle-making, hand-spinning, hand-pounding of rice, basket-making, mat-weaving and making of various kinds of fancy articles. It should specially assist women belonging to the scheduled castes who are experts in making baskets, winnows, thatties, and other domestic and household goods. Further, it should arrange where necessary, training classes to teach all women simple home industries and arts.

TRANSPORT.

167. Transport co-operative societies composed of ex-servicemen and small owners of vehicles should be organized in different parts of the country and Government should place at their disposal surplus vehicles at nominal rates.

168. The Provincial Co-operative Council should watch the progress in the development of road construction and suggest to the Co-operative Department from time to time in what areas transport co-operative societies should be organized.

169. Passengers and goods traffic on new roads should be reserved for co-operative transport societies.

170. When a sufficient number of transport societies have been organized in a particular area, steps should be taken to organize them into unions

for co-ordinating their activities specially as regards rates, freights and routes and for obtaining collectively their various requirements such as tyres, petroleum, lubricants, accessories, etc.

171. Machine shops should be organized on co-operative lines where necessary and Government should place at their disposal surplus machinery and tools at specially reduced prices. The possibility of converting after the war the ordnance factories and engineering workshops into manufacturing centres for the supply of tools and agricultural implements should be examined.

In organizing machine shops, the services of Regional Promotional Agencies should be utilized.

172. Attempt should be made, with the co-operation of the Country Craft Organization Officer, to organize co-operative societies at important centres of country craft building.

173. The Provincial Co-operative Council should examine the scope for organizing country craft societies on co-operative lines and select places where they should be organized.

174. The country craft societies should be supplied with better boats and in some cases diesel engines. Finance for this purpose should be supplied by Government.

175. The Provincial Co-operative Council should consider the question whether a particular area should be reserved exclusively for transport by country craft and should approach Government to have it closed to other forms of transport.

CO-OPERATIVE INSURANCE.

176. Simultaneously with the working out of plans for development, the State should foster any organization which is set up for enabling persons of small means to make provision for the future. What is required for the purpose is a co-operative society having contact with the masses of people in rural as well as urban areas through various types of co-operative organizations and issuing policies for small sums even below the present limit of Rs. 500.

177. In view of the importance of insurance schemes as part of a programme of social security, facilities for insuring low income groups must be provided, and the State should render full financial assistance, even if it is considerable. Further, the State should pay a subsidy by way of contribution to the premiums on life assurance policies taken out in rural areas for Rs. 500 and below.

178. The agriculturists who are not indebted, should be persuaded to take out insurance policies particularly marriage endowments and whole life (limited payments).

179. As the cost of issuing small policies is likely to be comparatively high, the co-operative insurance society should utilize the services of other co-operative organizations so as to keep down the expense ratio.

180. The co-operative insurance society will have, in certain respects, to adjust its methods of business to suit the special requirements of the rural areas. In order to safeguard its interests, the society should lay down rules and conditions for the limitation of its risk during the first three years, but should accept full risk under the policy from the fourth year.

Insurers should be persuaded, by offer of a liberal rate of interest on advance payments to pay premiums in advance in good years to forestall defaults in bad years.

181. The co-operative insurance society should prepare schemes of insurance to suit the special requirements of the borrowers of land mortgage banks, and members of primary and housing societies.

182. It may introduce depositors' insurance benefit scheme for the benefit of depositors and members of employees' societies, urban banks, and central and provincial co-operative banks.

183. The co-operative insurance society should specially try to insure the lives of industrial workers and should in this connexion seek the help of the employers and of the Labour Officer.

184. Co-operative insurance societies should frame group insurance schemes at an early date and introduce them for industrial workers.

185. Though the main object of the co-operative insurance society will be to extend the benefits of insurance to small and middle class people, it should not refuse business from higher income groups, as the larger its business, the lower will be its expense ratio. However, the maximum limit for a policy issued by it should be Rs. 5,000 or in special cases with the approval of the Registrar, Rs. 10,000, provided that this limit should not apply to policies taken out to cover loans from land mortgage banks or housing societies.

186. Provincial co-operative life insurance societies should be organized in all provinces.

187. Various co-operative organizations such as co-operative banks, factory workers' societies, consumers' societies and rural societies should actively take part with co-operative insurance societies in promoting insurance business among their members. *e.g.*, by persuading their members to insure with co-operative insurance societies and collecting and remitting premiums on behalf of their members as commission agents.

188. In order to enable the co-operative insurance societies successfully to undertake insurance business among lower and middle classes and thereby encourage among them the habits of thrift, Government should pay them interest at 1 per cent above Reserve Bank Rate, in respect of the

statutory deposits and that proportion of their liabilities which have to be invested in approved securities. The interest earned by these societies on all their investments should be exempted from payment of income-tax.

189. An All-India Fire and General Insurance Society should be organized having on its board of management representatives of different provinces as well as of different interests. The working of the society will be very much facilitated if it sets up local boards with authority to accept proposals as well as to settle claims within limits fixed by its central board.

190. The Registrars of Co-operative Societies should advise all co-operative societies to deal with the all-India co-operative insurance organization when it is formed in matters relating to fire and general insurance business.

191. The Fire and General Insurance Society of Madras may be amalgamated with the all-India organization when it is established. If there is any objection against this proposal it may continue as a separate and independent organization, but in that case, competition should be avoided by excluding Madras from the area of operations of the all-India organization.

192. The existing conditions are not suitable for entrusting the business of cattle insurance to co-operative societies. The provincial governments should, therefore, make an experiment in that direction on the lines set out in the Report. After sufficient experience has been gained, the question of giving the insurance business a co-operative form should be considered.

When cattle insurance is organized on co-operative lines, arrangements for re-insurance should be made either with the Government or with re-insurance societies organized for the purpose.

193. In the present circumstances, crop insurance is beyond the scope of private agencies or co-operative organizations. A scheme of crop insurance should, therefore, be undertaken experimentally by the State. The nature, size and scope of each experiment should be determined by statistical experts who have experience of crop estimating. The funds required for these experiments should be estimated in consultation with agricultural and actuarial experts and provided by the Central Government. The War Risks Insurance (Goods) Fund of the Government of India estimated to amount to over Rs. 21 crores provides a useful source for meeting the cost of these experiments.

ADMINISTRATION AND LAW.

ADMINISTRATION.

194. If the Co-operative movement is to be developed on comprehensive lines and is to make proper contribution to the economic development of the country and the raising of the standard of living of the people, the essential requirements, *inter alia*, are the equipment of the Co-operative Department in each province with adequate and right type of personnel, the increasing participation of non-officials in the movement and the forging

of a link between the non-officials and the State represented by the Department of Co-operation and other nation-building departments.

195. The Co-operative Department should be properly equipped not only for discharging efficiently its present duties but also for undertaking the increased responsibilities placed on it by the plans of development proposed in the Report.

196. It will be an advantage if the officers of the Co-operative Department in the various provinces are, as far as possible, uniformly designated.

197. As the importance of the Registrar is likely to be considerably increased in the scheme of co-operative development proposed in the Report, special care should be exercised in his selection. He should be a man of outstanding ability and temperamentally suited for the work of running a popular movement of this kind. Before he assumes charge of the post, he should undergo a thorough training and should work for at least two years as Deputy or Joint Registrar. During the course of his training as well as during his tenure of office he should be allowed opportunities to study the working of the movement in other provinces and outside India.

The Registrar should ordinarily be an officer of the Indian Civil Service or the Provincial Co-operative Service.

In view of the responsible nature of the duties of the Registrar, he should enjoy a higher status than he does at present; he should rank with the heads of such departments as Police and P.W.D. for general purposes.

The tenure of office of the Registrar should be for about ten years. As such a long term of office is likely to make the officer senior enough to be due for promotion to posts carrying higher emoluments, he should be fully compensated for holding the post till the end of the term.

198. The staff of the Co-operative Department should be properly trained and in order to attract persons of high qualifications to the Department, its officers should enjoy the same status and draw pay on the same scale as officers of the Revenue Department.

199. The work of organizing new societies should be entrusted to the non-official organization suggested for undertaking the work of supervision. The practice of appointing honorary organizers should be more actively followed.

200. The most popular systems of supervision obtaining in the various provinces are two. One is a federation of co-operative societies formed for a province and maintaining an adequate and efficient staff. Such a federation derives its income from contributions from societies and subsidies from Government. It gives adequate representation to co-operative societies which are to be supervised and conforms to the co-operative ideal of mutual help. This type of provincial co-operative federation for supervision is the

most desirable one and where such a federation or institute or union exists or can be organized it should be entrusted with the work of supervision. Government should provide it with subsidies, large enough to enable it to meet its expenses without levying unduly heavy contributions on the societies which may lead to an enhancement of the lending rate to the ultimate borrower, above $6\frac{1}{2}$ per cent. In the present circumstances, as the majority of co-operative societies are not properly developed, and as a rapid programme of expansion is contemplated by us, the entire cost of supervision in many areas may have to be borne by Government. With a view to providing increased representation for co-operative societies and with a view to improving administrative efficiency, it is desirable that the federation should decentralize its functions and entrust them to local units constituted for convenient areas. These units may either be branches of the federal body or they may themselves be the primary units which may be federated together into the provincial federation. The second system is the one in which central banks themselves supervise affiliated co-operative societies. This system is open to the criticism that the financier's interest is likely to preponderate over the interests of societies which are to be supervised, and may therefore lead to their decay. This criticism of combining supervision and finance in one and the same institution, however, loses its force when the financing institution itself consists largely of representatives of societies to be supervised, as in Madras. This system may be adopted in provinces which find it suitable and the subsidies recommended to be given to the provincial co-operative federation, should be given to the central banks which undertake the supervision.

201. The function of inspection should continue to be performed by the Registrar as it will also help him to keep in close touch with the working of the movement; but as the movement develops and non-officials are trained up to undertake increased responsibility this function should also be gradually transferred to non-official bodies.

202. Audit of societies should remain one of the statutory duties of the Registrar. He may, however, delegate this function to non-official federations or institutes, who should maintain a staff of duly qualified auditors for auditing the smaller societies. For the larger societies and central banks the Registrar may assign the audit to auditors placed by him on a panel.

203. The practice of combining the functions of audit and supervision in one person is undesirable as it is likely to lead to inefficiency.

204. The classification of societies should not be published in the official gazettes.

205. In order to implement the various plans of development recommended in this Report, a certain increase in Government supervision is inevitable in initial stages, but this control should be viewed only as a expedient for assisting, guiding and training up the workers and must be so exercised as gradually to disappear.

206. As the most important requisite for the development of the movement and for giving it stability and permanence is the stimulation of interest among the people in order to make them run it themselves, the Co-operative Department should encourage non-officials to participate in the development of the movement with a view ultimately to handing over the entire working of societies to them.

The various non-official institutions like institutes and unions existing in almost every province should be greatly strengthened so that they may be able to perform more efficiently the important functions of educating and organizing non-official opinion and providing an effective medium for the expression of public opinion and generally promoting the common interests of the movement. The institutes should be non-official federal bodies; but they should be liberally subsidized by the State to enable them to perform their functions.

207. An important requisite of co-operative progress is the establishment of a living link between the non-officials and the State represented by the various nation-building departments. The State will require an organization which will continuously prepare projects of economic development and devise co-operative methods for their implementation. Such an organization should include the best and most constructive elements in the province, and establish close and continuous association between Government officers in the nation-building departments, co-operative workers and leading non-officials.

208. Every province should provide itself with such an organization by setting up a body, which may be known as the Provincial Co-operative Council. The Council should be under the chairmanship of the provincial Minister-in-Charge of Co-operation, the duties of Secretary being discharged by the Registrar of Co-operative Societies with the assistance of a full-time Assistant Secretary.

The Assistant Secretary should be an officer of the status of a Joint Registrar, or any other person who has had long experience of the Co-operative movement.

As regards the membership of the Council non-officials should be in a majority.

The functions of the Council will be to formulate plans and policies for the development of the movement in the province and to initiate and approve of experiments on subjects relating to Co-operation. It will meet twice a year or oftener, if necessary.

There should be an executive committee for the Council.

209. The entire funds required by the Council should be provided by the provincial government. It will need funds to meet its recurring expenditure and to make grants and subsidies to co-operative institutions organized for special activities or undertaking special work such as co-operative farming, cattle-breeding, etc., at the instance of the Council. These grants and

subsidies will be in addition to those administered at present by the Registrar of Co-operative Societies.

The grants will be given on the recommendation of the executive committee.

For the first 5 years the provincial government should grant to the Council a sum of Rs. 5 lakhs per annum for making these subsidies. In subsequent years, the financial requirements of the Council should be provided for in a budget which should be submitted for the sanction of Government.

210. There should be co-ordination of effort not only between officials and non-official agencies but also among the various development departments of the State on an all-India basis. With this object in view, an All-India Council of Co-operation should be set up.

The Council will consist of two parts, a Governing Body which will have the management of all the affairs and funds of the Council, and an Advisory Board, which will advise the Governing Body on all proposals sent by it.

The functions of the All-India Council of Co-operation would be generally to watch, guide and foster co-operative development in the country and to advise the different provinces and states on various matters relating to agricultural co-operation, industrial co-operation and co-operative marketing, etc., and on the applicability of co-operative methods for carrying out schemes of improved farming, cattle-breeding, etc., that may be suggested by the Imperial Council of Agricultural Research or by the Indian Central Cotton Committee and similar bodies. It will also work as a clearing house of information for the country on all matters relating to the Co-operative movement.

211. The working cost of the Council will approximately be Rs. 1.77 lakhs per annum. The Council will require funds for making grants to the provinces for encouraging experiments and development of new types of co-operative activities. A sum of Rs. 20 lakhs may be placed at its disposal by the Government of India for the first 5 years; the amounts to be placed at its disposal in subsequent years should be determined in the light of the experience gained from year to year.

CO-OPERATIVE LAW.

212. The experience of the working of the Co-operative Societies Act of 1912 and the Acts passed by the provinces has shown that they stand in need of revision in certain respects. It is necessary that the defects in the laws should be removed so as to facilitate the smooth working of the plans. The provinces in which the Co-operative Societies Act, 1912, is still in force should pass special acts keeping in view their past experience and the future needs of the movement. The provinces which have already special Acts should examine their provisions and bring them up to date.

The provincial governments should also examine other Acts which have a bearing on the Co-operative movement and amend them suitably. Where such an Act falls within the legislative jurisdiction of the Central Government, they should take necessary steps to amend it.

213. The definition of the word "Registrar" in Section 2 of the Co-operative Societies Act, 1912, should include the Registrar of Industrial Co-operative Societies and Director of Small Industries.

214. In view of the considerations set forth in the Chapter on *Agricultural Production*, a society may be permitted to adopt limited or unlimited liability. Again, a provision should also be made in the Act enabling societies to change their liability.

215. A specific provision for appeal against refusal by the Registrar to register a society should be made in the Act as is the case with regard to an order cancelling the registration of a society.

216. The Registrar should ordinarily register all amendments which are in conformity with the Act and Rules. In cases where he rejects an amendment he should assign reasons therefor and an appeal to Government may be filed within two months after the rejection.

217. A specific provision should be made for splitting a society into two or more societies and also for amalgamating two or more societies into one without having to liquidate them first.

218. Section 13 of the Act should be amended so as to provide that every member of a society whatever its liability, shall have one vote irrespective of the shares held by him. In the case of societies having an extensive area or large membership a representative assembly may be constituted composed of delegates elected in separate constituencies of members set up on a regional basis or according to the number of members.

219. The lien under Section 19 given to a co-operative society on certain properties of the borrower should be converted into a first charge and its wilful breach should be made a criminal offence. The lien in respect of loans granted for seed or manure, extends only up to eighteen months. This period is inadequate and it should be extended to two years.

220. Under Section 23 of the 1912 Act the liability of a past member for the debts of a registered society as they existed at the time when he ceased to be a member continues for a period of two years from the date of his ceasing to be a member. Under Section 24 of the Act the estate of a deceased member, however, is only liable for a period of one year from the time of his decease for the debts of a registered society as they existed at the time of his decease. Experience shows that the period of one year is too short; it should be extended to two years as has been done in Madras. Similarly, it should be clearly laid down that from the date of cancellation of a society, the liability of all members remains as it existed at the time of cancellation and cannot be extinguished by lapse of time. A member who

resigns from the society 1½ years before its liquidation should not be permitted to escape all liability six months later as he would have done had the society not gone into liquidation. All the members of the society on the date of cancellation should continue to be liable for its outside liabilities till they are discharged. Similarly, all persons who ceased to be members less than two years before the date of cancellation should continue to be liable for the outside debts of the society.

221. A provision should be enacted to permit urban banks with a paid up capital and reserve of Rs. 50,000 and over and with ten years' standing to invest up to 40 per cent of their surplus funds in such manner as their boards may unanimously determine.

222. Any dispute about a person being or not being a member of the society should be referred to the Registrar whose decision should be final. No dispute of this nature should be cognizable by a civil court.

223. It is necessary to provide for the appointment of a liquidator to manage the society's affairs till the appeal against the cancellation order is rejected or accepted as has been done in Sections 47 and 49 of the Bombay Act.

The liquidator should be equipped with adequate powers like the power of issuing subsidiary orders, determining the contributions to be made by members from time to time, etc., and should be authorized to carry on the business of the societies while under liquidation.

No liquidator should determine the contribution, debt or dues to be recovered from any person without giving him an opportunity to be heard.

224. It is necessary to provide for attachment before award. The attachment should be by order of the Registrar as has been done in Section 50 of the Madras Act, and Section 55 of the Bombay Act.

225. As a general rule, the Registrar and his officers should either be given powers of civil courts or in the alternative, dues of co-operative societies should be recovered as arrears of land revenue. In the latter case the Collectors should be asked to depute special officers for this work in order to expedite recoveries.

226. It is necessary in the interest of justice to give the Registrar power to call for the record of any case pending before or disposed of by any arbitrator or arbitrators and pass such orders as he thinks fit. Full opportunity to the parties must, however, be given before any such order is passed. In cases where such action is being taken, the Registrar may order the court in which such an award is pending for execution to stay the execution proceedings and may call for the file of the case.

227. No civil court should entertain any case regarding the affairs of a co-operative society except on the question of jurisdiction.

228. The question whether the Indian Limitation Act applies to awards of arbitrators under the Co-operative Societies Act should be examined and the law on the point made clear.

229. Co-operative societies should as far as possible be exempt from the provisions of different provincial debt legislation acts in order to enable them to play their legitimate part in the economic life of the country.

230. Steps should be taken to ensure complete exemption to the societies from stamp duty, whether leviable by the Central or provincial government and the registration fees. Provincial governments should refund to primary societies 75 per cent of the money order charges paid by them in regard to the remittances to their co-operative financing institutions.

231. Salary earners' societies and consumers' stores should be exempted from the provision of Section 60 of the Civil Procedure Code, as amended by Act No. 5 of 1948, under which salary to the extent of the first 100 rupees and one-half of the remainder is exempt from attachment.

232. The Act should be amended on the lines of the amendment made in Bombay whereby if a member executes an agreement in favour of the society authorising his employer to make deductions from his salary towards payment of the debts or other demands owing to the society, the employer is bound to make such deductions till the loan is fully repaid or the demand of the society satisfied.

233. If some landowners who are likely to benefit by the scheme of minor irrigation works (recommended in the Chapter on *Agricultural Production*) of a society refuse to join the latter, the Collector of the district should be empowered to make a proportionate levy of the cost on them and recover the same as arrears of land revenue.

234. The Reserve Bank of India Act should be so amended as to increase the maximum period for rediscounts under Section 17 (2) (b), and for advances under Sections 17 (4) (c), and 17 (4) (d) to twelve months. The word "crops" occurring in the three sub-sections of Section 17 of the Reserve Bank of India Act should be defined or the scope of the sections widened so as to include animal products like milk, cream, butter, ghee and wool, and processed crops like sugar, cotton which has been ginned and pressed, groundnuts which have been decorticated, and vegetable oils, and oil-cake. Section 17 (2) (a) of the Reserve Bank of India Act should be amended so as to empower the Bank to give financial accommodation to provincial co-operative banks for a period up to twelve months for making loans and advances to industrial co-operatives.

EDUCATION, TRAINING AND RESEARCH.

235. 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

243. The secretaries of primary societies should be trained for a period of six weeks at district headquarters or convenient centres. They should be paid a stipend to meet their additional expenses during the period of training. An examination should be held at the end of the period and a certificate given to successful candidates. It will be advisable to hold refresher courses from time to time for the successful secretaries in order to keep up to date their knowledge of co-operative practice and principles.

244. The training of the staff of co-operative institutions and departments is so important that separate colleges should be set up in each province for them, facilities being provided where necessary for imparting training in all principal languages of the province. It is undesirable to have training colleges exclusively for the employees of the Co-operative Department. It is desirable that both official and non-official co-operators should be trained together.

245. The College should be under a separate governing body composed of one representative each of the Provincial Co-operative Bank and the Provincial Co-operative Institute, the Registrar of Co-operative Societies, two Professors to be nominated by the University, and two other non-officials to be nominated by Government.

The Provincial Co-operative Colleges should have a well-qualified and adequate staff, the principal being of the rank of a gazetted officer. The principalship should not be necessarily reserved for an officer of the Co-operative Department as a successful co-operative officer may be a good administrator but not a good educationist. Besides the Principal there should be at least 3 Professors of the same rank as those in Government colleges.

246. No course of training should be considered complete without a period, of at least six weeks, of field work.

247. For the employees of the Co-operative Department, such further departmental training as may be considered necessary may be arranged for by the Department.

248. For the success of the Co-operative College it is necessary that Government should accord definite recognition to the examination conducted by it. To this end, the affiliation of the College to the University is desirable.

249. No new staff recruited to the Co-operative Department or co-operative organizations should be confirmed unless the recruits have passed the examination and obtained a certificate from the College.

250. The cost of the College should be met by the provincial government.

251. The syllabus of the various courses of training should be carefully drawn up.

The members of the managing committee of the primary society should be taught the principles of Co-operation and their application to the various aspects of the economic life of the people in the rural areas. The by-laws of the society with special reference to those dealing with the duties of the committee should also be explained to them.

The syllabus of the secretaries' classes should consist of the Principles and Practice of Co-operation, by-laws, rules and provisions of the Co-operative Societies Act, and in particular, Book-keeping and Accountancy.

The courses of studies for the departmental staff should include Rural Economics, Principles and Practice of Co-operation in India and abroad, Co-operative Law, and certain relevant provisions in the Civil and Criminal Law, Accountancy, Auditing, Co-operative Finance and Banking, Modern Economic Development and Business Organization.

252. Greater attention should be paid to the training of the co-operative staff in banking than has been done hitherto.

253. Wherever possible, arrangements should be made for the training of the higher staff of the Co-operative Department and the co-operative banks with a commercial bank for about 3 months.

254. The syllabus for the classes of the staff of the co-operative institutions should include, besides Rural Economics, Principles and Practice of Co-operation and Co-operative Law, special training in the particular activity in which the institutions are engaged.

255. Though in India, co-operative ideas and methods have been borrowed from other countries, there has been lacking a comprehensive study of their applicability to the facts of Indian life, and of how they are to be fashioned to meet its needs.

The Provincial Co-operative Departments are too much immersed in humdrum duties of the daily routine and have little time for study and reflection, and their organization has assumed a form and a tradition which do not allow the growth of the spirit of research. Co-operative research is much beyond the range of the ordinary field worker, whether official or non-official and requires a special band of scholars and students assembled in the calm and detached atmosphere of a Research Institution.

256. The Government of India should establish an All-India Co-operative Institute of Advanced Studies and Research.

The Institute will serve two purposes, *viz.*, of providing facilities for advanced studies and of organizing research.

Every person joining the Institute for higher studies should attend a course of lectures on Economics and Sociology.

The largest number of seats (*i.e.*, 60 per cent) in the Institute should be reserved for the students who belong to a Co-operative Department or are nominated by a Provincial Co-operative Institution and the remaining

seats being reserved for meritorious post-graduate students who have had previous training in economic and commercial subjects.

257. The Research Scholars should be given a scholarship by the Government of India if they are not already in service.

258. Side by side with the facilities for advanced studies, the Institute should undertake and organize research work in different branches of Co-operation. The largest number of subjects for research will be those selected by the authorities of the Institute, but the Institute should be prepared to undertake research on special subjects referred to it by the provinces or constituent Indian states.

259. The diplomas issued by the Institute should be an additional qualification for employment in Government and co-operative service.

260. The Institute should be placed under the All-India Council of Co-operation when the Council is established in accordance with the suggestion made in the Chapter on *Administration and Law*; and, in the meantime, it should be under the Government of India, which should bear all its cost. The Institute should be organized in seven sections, viz., (1) Theory of Co-operation, (2) Agricultural Co-operation, (including Animal Husbandry), (3) Industrial Co-operation, (4) Consumers' Co-operation, (5) Co-operative Finance, (6) Co-operative Marketing, and (7) Statistics.

261. The head of the section of the Theory of Co-operation should be the Director of the Institute. The lecturers on the subjects of Economics and Sociology, should be attached to him.

He should be a person of outstanding merit. His salary should be on a scale of Rs. 2,000—2,500 per mensem.

No appointment to this post should be made if a person of the required qualifications is not available.

The heads of the other sections should also be persons of high achievement in the field of research.

The tendency of selecting persons on the basis of their academic degrees only is deprecated. The heads should be appointed entirely on the merit of their actual research work. A post should not be filled up if the Institute cannot find a person who is qualified to give the work of his section a true bias of original research.

In the beginning, the heads of the sections should not stand in need of assistants, but, if they do, the assistants should be recruited in accordance with the demand made by each Head and approved by the Director. They will, however, stand in need of field workers who should be appointed as may be necessary. The detailed field work must necessarily be undertaken by each province through its Co-operative Department or co-operative institutions.

262. The question of location of the Institute should be decided by the Central Government.

MINUTE OF DISSENT BY DEWAN BAHADUR H. L. KAJI.

I regret I have to differ from my colleagues in the matter of the urgent need for an active policy of progressive de-officialization of the Co-operative movement in India. While all my colleagues are agreed on the popular character and democratic nature of the movement and while all of them are agreed as to the need for the ultimate withdrawal of official control, they have not been able to persuade themselves to make definite and clear-cut recommendations in that connexion in the Report. They have not felt the need for an active policy of de-officialization that is so clearly called for. The Report states that "As the movement is of the people and for the people and must be run ever more and more by the people themselves, it is necessary to indicate that the sponsoring of the movement by the State is meant only to assist, guide and train up the workers and not to establish permanent control over the movement." And yet, but little is recommended to implement that view. I am definitely of the opinion that the time has come, when a clear indication should be given that a policy of progressive de-officialization will be actively followed and that some concrete beginnings should be made in that direction where and as far as possible.

More than forty years have passed since the movement was launched under State auspices and official control and the success that was hoped for has not been attained. The Registrar of Co-operative Societies, far from being merely the registering officer as in the case of joint stock companies, was to be friend, philosopher and guide and soon constituted himself into a trustee of the societies. From him, came the drive for a rapid multiplication of societies in the earlier years of the movement; with him, rested directly or indirectly the extent and availability of finance for the primaries from the central and provincial banks; with him rested supervision, inspection and audit; from him came continual streams of circulars giving advice and guidance which soon acquired the force of law; with him remained the power to interfere with the day to day working of societies through the discretion vested in him by law about the registration of societies and registration of amendments of by-laws; and with him rested to a certain extent the power of regulating investments of the surplus funds of societies. And yet, despite this complete control, on him rested not the responsibility for failures! If a society failed, it was the members' sins of commission and omission that were responsible; Government and its officials remained immune from all liability and blame; the sense of security that the public had, because of State control, turned out to be more a fancy than a reality. Forty years of this controlled regime of an essentially democratic and popular movement and the failure to achieve the economic regeneration of the masses to any appreciable extent or in any one direction should be enough to suggest that the solution lay, not in the further tightening of the control, and in the appointment of ever more and more officials, but in the decontrolling of the movement, so that with the absence of unnecessary and, perhaps, vexatious interference, a greater sense

of responsibility would be evoked amongst the members who by co-ordinated efforts and guidance from their own federations would secure better results. The great transformation that attends the cessation of cramping controls and accession to power and responsibility is often not fully realized. The time has now come for relaxation and withdrawal of official control and to allow the movement to be run ever more and more by the people themselves, for whose benefit, after all, the societies exist.

The Report views with favour 'the increasing participation of non-officials'. This phraseology presents, however, a wrong conception of the movement. There are no officials and non-officials in the Co-operative movement; there are only the co-operators--the members of societies, and the officials of the Co-operative Department. The former are more or less permanent and believe in the principles and ideology of Co-operation as a basis of national economy; the latter have no stake in the organizations they seek to supervise, guide and control, and merely administer the laws in that behalf. The members are shareholders, owners, proprietors of their organizations; they do participate. The officials are outsiders and have no place within the movement. There can be therefore no question of the increasing participation of non-officials in the movement; the only question is of the withdrawal, gradually and wisely, of outside control from co-operative organizations. If the co-operating members be not competent in the earlier stages, the State owes it to itself to assist and guide them through special officers so as to train them for their work. Having done this, the officers should withdraw and allow them to carry on their business themselves. If, in some some cases, the degree of ignorance and incompetence is so great as to make it impossible to train them to the necessary level of efficiency, the societies should either be liquidated or should cease to be co-operative societies and be run as State organizations for the benefit of such ignorant and helpless people. Trusteeship of beginners, we can justify; but perpetual tutelage is entirely foreign to the co-operative ideology and co-operative practice in other countries. Trustees and guardians usually take shelter under the belief that their wards are not yet fit enough. But surely, so far as the Co-operative movement is concerned, such a plea cannot be endorsed. Forty years are a sufficiently long period to discover at least a few out of a lakh and odd co-operative societies in India which have an efficient and trained body of members, which have achieved success and which, therefore, while remaining within the co-operative fold, could be freed from restraint and control and left to look after themselves.

I recommend that Registrars be instructed to select co-operative societies under them, which have been conspicuously successful for a fairly long period whether in rural or in urban areas and to exempt them from various provisions of the Co-operative Act so as to secure to them unrestrained freedom to manage their own affairs, the Registrar retaining the power of occasional audits and inspections so as to satisfy himself about their continued efficiency. Such lists of societies might of course be revised, enlarged or curtailed from time to time according to rules framed in that

behalf. Where such societies can form a convenient group, I recommend that they be welded into a federation, to which could very well be entrusted the duties of supervision and control, thus substituting a system of internal in place of external control. In urban areas, numerous societies will be found to deserve this treatment. Large urban co-operative banks, more particularly in Bombay, and large employees' or salary earners' societies such as those of the railways or the post office can thus be exempted and permitted to be self-governing, the control being vested in their own federations. The recommendation made in this connexion in Chapter X--Urban Credit--seems to me to go not far enough. I recommend that a fuller and more generous measure of freedom be accorded by the State in the case of such urban co-operative organizations which have usually an efficient and trained staff and a competent directorate. Large commercial and industrial joint stock companies are being successfully managed by the urban population and there is no reason whatever to doubt their ability to achieve similar success in the smaller co-operative organizations, preserving their essential co-operative character by strict adherence to distributive justice and the eschewing of all exploitation and capitalistic trends.

Progressive de-officialization is all the more necessary at the present juncture, when the Co-operative movement is on the threshold of vast expansion and diversification. The targets recommended for expansion are 50 per cent of the villages and 30 per cent of the rural population within the next ten years. This means that on an average 1.08 million persons should be brought into the co-operative fold and 21,600 societies organized every year. With all the increase in the staff recommended in the Report, it is clear that it will not be possible to achieve this vast expansion unless the sympathies and active assistance of popular local leaders is enlisted in the service of Co-operation and unless their efforts are suitably appreciated by freedom from vexatious interference and control and in other ways, if the movement is to retain, as it must, its essentially voluntary character. 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 organizations. Popular initiative, popular management, internal control are but the necessary requisites of Co-operation and will have to be sedulously harnessed to the cause for the success of the vast programme of expansion and diversification.

It has been contended that State assistance on the large scale recommended by us in the Report for the far-reaching development of the Co-operative movement demands and justifies greater and stricter control over co-operative organizations. Really however, there is no inconsistency between co-operative autonomy and State assistance. The State is certainly justified in seeing that the facilities it provides and the grant it makes are properly utilized. But the control should go no further, nor should it be

imposed as a permanent feature of such aid. The State makes large grants to private educational institutions and to local self-government organizations. It has besides, a programme of subsidies and tariff protection for the development and fostering of large-scale industries. And yet no claim has been made for control over these institutions, organizations, and industries which continue to enjoy autonomy in their internal affairs. The grant of ample State assistance, to which agriculture and small-scale industries have as great a claim as any other sector of national economy cannot, therefore, be urged as a justification for greater and permanent control which would deny to the Co-operative movement its autonomy and freedom and rob it of the moral influence which it is expected to exercise over the people.

Apart from this, the Registrar however competent he may be, however well assisted by a large number of Joint and Deputy Registrars, with a host of subordinate officers, assistants, auditors, inspectors, and so forth, will soon find the movement too wide-spread to be easily manageable and controlled. In the earlier stages of this new development, one can readily concede the need for strict and careful supervision by State officials; but unless such control over the new organizations is accompanied by a withdrawal or relaxation of control from groups of the older organizations, particularly in the urban areas, the movement would get out of hand and the consequences would be disastrous. State sponsoring and control are but meant for training and not for perpetual tutelage. Students entering the university do not remain there permanently; they graduate and leave. New entrants come in, get trained and go out. So also, societies are registered; expert supervisors and guides train the members and march on to undertake the education of fresh lots of members of new societies. The whole point of view in connexion with the Co-operative movement needs revision. It can never possibly be conceived as necessary that co-operative societies should grow in number, membership and capital and cover, in course of time, the entire or at any rate 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. This only would enable concentration of efforts on the few and spell increased efficiency.

The Registrar under the co-operative law is charged with certain duties. These are in connexion with Registration, audit and cancellation. These statutory functions should continue to be performed by the Registrar, and his staff for all societies registered under the Co-operative Societies Act. It is the gradual encroachment by the Registrar in other matters, it is the non-statutory functions taken up by him which constitutes what is popularly regarded as vexatious interference and demands attention. There is organization, supervision and periodical inspection. Nowhere does the Co-operative Societies Act of 1912 confer these powers on the Registrar and yet he performs these functions and exercises, if he chooses, a great measure of control even over the day to day management also.

At the time of registration, the by-laws of societies are pressed into conformity with a standard pattern; the registration of amendments of by-laws gives a further occasion for changes; and often the words 'with the approval of the Registrar' are added to some of the proposed amendments so that the Registrar secures powers not conferred on him by statute and prescribes, regulates, supervises and inspects the affairs of co-operative societies. This state of affairs is a great impediment to the healthy growth of the movement and fosters a sense of irresponsibility among the members of societies. Control without responsibility by officers who have no stake in the societies should not be allowed to continue.

Organization of co-operative societies should not be left to the Registrar and his staff as seems to be sanctified by usage and practice in most provinces. Organization has to be preceded by considerable propaganda and this can best be done by a non-official agency. In every province in British India and in most of the leading Indian states a non-official body has already been promoted and has been working more or less successfully and propaganda is one of its principal functions. It is known as the Institute, Union, Federation or Organization Society in the various provinces and states, and all the societies of the area under its jurisdiction are directly or indirectly its members. The Institute or Federation is financed by contributions from the societies and by grants from Government. In the early days of the movement, a large number of honorary organizers was maintained to help the Department in the work of organization and to some small extent in supervision. This system of appointing honorary organizers, whose spirit of service was encouraged and stimulated by hopes of honour, honours, or honoraria, has now fallen into disrepute. But it is very imperative that some such system will have to be revived and linked up with the Institute, so that local leadership and initiative may be harnessed to the service of the movement in order to maintain its essentially voluntary and popular character. The Institute or Federation is now the proper agency for the work of organization through its branches or district and divisional units and the honorary organizers should be absorbed in this institution. The finances of the Institute should be improved by adequate grants from Government and the larger provincial co-operative organizations, so as to enable it to perform this function properly.

Supervision of co-operative societies is a very important function. No proper measures have so far been adopted. Some provinces rely for the purpose on the inspectors of the central financing agencies, others on the inspectors of the Co-operative Department, while others yet have formed supervising unions and have federated them into district and provincial units. In my opinion, supervision like organization should be entrusted to the same non-official agency—the Institute, for it is the agency which organizes that should carry on the work further and maintain internal friendly supervision, so as to preserve efficiency in management.

The recommendations in connexion with organization and supervision of societies envisage the establishment of a distinct federation of co-operative

societies in each province and end with the remark that where an Institute, Federation or Union exists or is or can be constituted on the lines discussed in that paragraph it should be entrusted with the work of supervision. At another place, it is stated that "We recommend that the work of organizing new societies should also be entrusted to the organization suggested for supervision in para 6." These recommendations appear to me to be rather hesitant and not very clear. I wish to make it quite clear that Institutes already exist in all provinces and it is to these Institutes, with any changes in their constitution that may seem necessary, that organization and supervision of societies should be entrusted and that in no case should separate non-official federations be formed for the purpose.

Periodic inspection is nowhere entrusted by the Co-operative Societies Act of 1912 to the Department or to the central banks; but even this wrongful assumption of powers does not serve the purpose; since supervision is essentially different from the inspection of a creditor such as the central banks or of the officers of the Department, in whom is vested the administrative control. Circumstances now, however, are fast changing and under the developments and diversification expected under our recommendations, there will be a need for departmental inspection. I am of the opinion that powers of inspection be given by a suitable amendment of the Co-operative Societies Act to the Registrar and to the central banks for a period of ten years from the date a society begins to work. Ten years are a sufficiently long period to judge of the progress of a society and to train up the workers. While in the case of existing societies, no such powers are necessary and de-officialization and de-controlling may begin forthwith as recommended previously, I recommend that in the case of new societies, starting work from now onwards, ten years be the limit prescribed for departmental periodic inspection.

Audit is the statutory duty of the Registrar and in my opinion it should continue to remain so. In some provinces, this power is delegated by the Registrar to the Institute, or Union. But this is not correct. Institutes are non-official federations or unions of societies and the statutory duty of audit by the State which gives a sense of security to the public, should not be handed over to it even by delegation. In those cases, however, where large societies like provincial societies, urban banks or employees' societies, employ a duly qualified auditor of their own, duplication of audit may well be avoided by the Registrar contenting himself with a test audit now and again, say, once in three years.

Reference has been made above to the unjustifiable use of the discretionary powers vested in the Registrar in the matter of registration of the by-laws and of the subsequent amendments of these by-laws. This discretionary power is expressly conferred on him by the 1912 Act and is conferred by implication by the Bombay and other provincial acts and has been utilized very often by the Registrar to make the societies conform to a standard type and to increase his control by making the approval of the Registrar necessary in matters relating to their internal working. It is

manifestly wrong to secure, in this indirect way, powers of control which are not vested in him by the Statute. It is this vexatious control that creates a sense of irresponsibility and unreality among the members of the managing committee and keeps away from societies many capable people, who would welcome general guidance now and then but certainly do resent dictation and perpetual tutelage by the departmental officers. I recommend that relevant sections of the Co-operative Act should be suitably amended so that if the by-laws or their subsequent amendments be not inconsistent with the provisions of the Co-operative Societies Act governing the area, the Registrar should have no option, and he should register the society and its by-laws and subsequent amendments.

There is another important matter which calls for earnest attention. The investment of the funds of a co-operative society are regulated by the provisions of Section 32 of the Act of 1912. In view, however, of the great developments in urban and central banks, resulting in their having large surplus balances, in some provinces at any rate, and in view of the impending developments of the movement as a part of post-war planning, it is essential that Section 32 of the Act relating to investments of funds be suitably amended, care being taken, to maintain the Registrar's control in the case of small societies. In the case of big societies, however, whose paid up share capital is Rs. 50,000 or more, there appears to me no need for the Registrar's control under the Rules or in other ways and the purpose would be best served by adopting a procedure similar to the one prescribed by the Indian Insurance Act of 1938 whereby the investments of 55 per cent of their funds may continue to be regulated by Section 32 as it is, but freedom and initiative should be left to the society for the investment of at least the remaining 45 per cent, subject to such safeguards as may be prescribed in their by-laws. The directors of such bigger societies are usually more conversant with the money-market and would be better guides than the Registrar, even with a Financial Adviser, who cannot be expected necessarily to be a financial expert. The control as it operates to-day hampers freedom in the investment of funds and must be relaxed as indicated. The responsibility for the safety of funds is the concern of the members themselves, and not of the Registrar, who does not assume any responsibility for mismanagement or bad investments in the case of winding up. The suggested amendment will invest the directors with a sense of greater responsibility and will promote greater initiative and desire for progress. This will incidentally induce competent and well qualified persons to join and guide a co-operative society. There are thousands of associations working satisfactorily without Government control or interference for the uplift of the country in social, educational, medical, charitable and other spheres and handling large funds and the same persons can certainly be expected to be able to manage a co-operative society without Government control.

Education is another and perhaps the most important function which must be efficiently performed if the movement is to bear the fruits, its

sponsors expect. This subject is dealt with in the Chapter on *Education, Training and Research*. While I am in general agreement with the recommendations made in that Chapter, I cannot agree to the proposed officialization of co-operative education, in the provinces. It is proposed that there should be in each province, a Provincial Co-operative College, and that it should be placed under a governing body composed of the Registrar and two nominees of Government, two Professors to be nominated by the local university, the Chairman of the Provincial Co-operative Bank and the Chairman of the Provincial Co-operative Institute.

I am definitely of opinion that with the exception of the proposed All-India Co-operative Institute for Advanced Studies and Research, all work in connexion with co-operative training and education for all types of workers, departmental or otherwise, should be entrusted to the Provincial Co-operative Institute. There would be no objection to the setting up of a governing body such as is contemplated above, but it is the Institute which should be made responsible for the Provincial College and training institutions or classes. Of all functions necessary for the healthy growth of the Co-operative movement, like propaganda, organization, supervision and focussing of co-operative opinion, co-operative education and training is the least debatable as being most suitable for being undertaken by the co-operators themselves, through their Federation, Union or Institute, and I am very sorry that I could not carry my colleagues with me in this matter. I must gratefully acknowledge that in many of the other points raised by me in this note, my colleagues saw and understood my view-point and have made recommendations, which stand out as evidences of their endorsing the de-officialization point of view stressed by me. It is only in the matter of co-operative education and training that I failed to convince them of the logical necessity of providing a Provincial College and of placing it under the Co-operative Institute or Federation. Adequately financed and efficiently assisted by a competent governing body, the Institute can be trusted to discharge this function in a thoroughly satisfactory manner.

Before I conclude, I must pay my tribute to the able and conscientious manner in which the Registrars in the different provinces have been discharging their duties. They are efficient, well-meaning, keen and ready to understand and appreciate the co-operators' point of view and to try to make adjustments, wherever possible. It is not their fault that the movement has not achieved the success it should have achieved in the last 40 years. It is the wrong policy and the wrong principle that are responsible for the poor results and not the personnel. It, therefore, appears to me essential that a clear enunciation of the policy of de-officialization should be made and a clear change of tone indicated by suitable action, so that while the State officers continue to discharge their statutory duties, the co-operators can increasingly look to their own federation for inspiration and guidance.

I will now briefly summarize my recommendations :—

(i) Forty years of the failure of the State controlled movement makes it imperative that a policy of withdrawal of controls and progressive de-officialization should be actively pursued.

(ii) The great expansion and diversification of the movement under post-war planning schemes, makes the pursuit of this policy more urgent.

(iii) The Registrar should confine himself strictly to the performance of his statutory duties only.

(iv) The Provincial Co-operative Institute, with a suitably changed constitution if necessary, should be entrusted with the performance of non-statutory functions :—

(a) Propaganda and organization.

(b) Focussing of co-operative opinion.

(c) Supervision.

(v) The Registrar's discretionary powers about registration of by-laws and their subsequent amendments should be withdrawn, provided such by-laws or amendments are not inconsistent with the Co-operative Societies Act.

(vi) Section 32 of the Co-operative Societies Act, 1912, should be amended so as to permit larger societies a measure of freedom in the investment of their funds.

(vii) The Registrar should be given by statute the right to inspect new societies for the first 10 years.

(viii) Co-operative education for all types of workers in the provinces including the Provincial Co-operative Colleges should be entrusted to the Provincial Co-operative Institute.

NOTE OF DISSENT BY MR. SIDDIQ HASAN, I.C.S., REGISTRAR, CO-OPERATIVE SOCIETIES, UNITED PROVINCES AND MR. M. R. BHIDE, I.C.S., REGISTRAR, CO-OPERATIVE SOCIETIES AND DIRECTOR, RURAL RECONSTRUCTION, PUNJAB.

Various attempts have been made in the past to analyse the problem of rural indebtedness and agricultural finance in this country and to suggest solutions thereof. Nicholson's Report of 1895 and the Banking Enquiry Committee Reports of 1930 are well-known documents on this subject. The problem has again very recently been examined by the Agricultural Finance Sub-Committee of the Policy Committee on Agriculture, Forestry and Fisheries. The Report of this Committee, which was presided over by Professor Gadgil, was made available to us.

We are fully conscious of the fact that a separate Committee with special terms of reference was appointed to examine the question of agricultural finance in detail and as such it might appear that our Committee,

which was to examine the question of Co-operative Planning, should treat agricultural finance as outside its purview. To our mind, however, this is not the case. Credit forms the central point round which everything revolves in a business activity. Agriculture is or should also be a business proposition and, therefore, no exception to this rule. Any measure, therefore, that seeks to find ways and means of agricultural improvement, be it co-operative or otherwise, must take the fullest cognizance of the conditions on which finance is or can be made available for agricultural operations. This fact is so universally recognized that we consider it unnecessary to labour on this point any further.

There would be little point in going into this question in detail if we were to accept the basic recommendation of the Gadgil Committee, namely, the starting of Agricultural Credit Corporations. We were, however, all agreed that on practical and theoretical grounds there was little to be said in favour of the Agricultural Credit Corporation and in para 4 of the Chapter on *Agricultural Credit* have said so giving four reasons very briefly. The Report of the Gadgil Committee is in great detail and thoroughly analyses the problem of agricultural finance. The Committee has given its reasons in support of its basic recommendation, namely, the starting of Agricultural Credit Corporations. If, therefore, we are to turn down that recommendation of the Committee, we must give full reasons for it as otherwise our opinion can have very little value. We realize that some of the members of our Committee had already expressed their definite views as members of the Gadgil Committee and it was difficult for us to convince them that the basic recommendation of the Gadgil Committee was not practicable. We also realize that it was difficult for them to accept any views or conclusions that were fundamentally opposed to the recommendation of the Gadgil Committee, whose Report they had signed. Efforts were made to bring about some agreed conclusions but this was obviously impossible as there could be no compromise when we differed on very fundamental questions. We are, therefore, of the opinion that we cannot divest ourselves of the responsibility of examining the question of agricultural credit in detail. In the existing conditions in the country, the role of Co-operation is and will for a long time to come, be predominantly in the rural field. A vast majority of the co-operative societies are either entirely or almost entirely dealing with credit. It is, therefore, obvious that the success or otherwise of any plan of co-operative development will be largely dependent on the conditions on which finance is available for agricultural operations. In short, the recommendations we are making in the body of our Report, are fundamentally dependent on the credit structure that we visualize should be obtainable in the country for the finance of agriculture, the largest national industry and we consider that for any advance in this direction, a proper and sound system of agricultural finance is the *sine qua non* of progress. We have, therefore, no choice but to offer our views on the problem as best as we can. This note is, therefore, not really a Minute of dissent but a Minute explaining in some detail our reasons for turning

down the proposal of the Gadgil Committee with regard to the setting up of Agricultural Credit Corporations. Other members of the Committee have also come to the same conclusion, though they do not, wrongly in our opinion, consider it necessary to give reasons in detail for disagreeing with the Gadgil Committee.

In dealing with agricultural finance, two fundamental facts must be kept in view, firstly that in most parts of this country agriculture is a deficit economy and secondly that the number of persons requiring agricultural credit runs into millions. They are spread over lakhs of villages and are mostly ignorant, poor and illiterate. Any system of agricultural finance, therefore, that we adopt must necessarily be such as to make finance available to agriculture at a cheap rate and at the same time must aim at protecting the agriculturist from any advantage being taken of his weakness.

In a credit transaction there are necessarily two parties, namely, the lender and the borrower. The social philosophy of *laissez-faire* left the two parties to strike their own bargain and considered State intervention unnecessary. That philosophy has undergone radical changes and in every country in the world, the State has interfered to a smaller or greater extent. The State, as the guardian of social justice, is morally bound to prevent the exploitation of the poorer and weaker section of the population by the richer and stronger section. In the last 20 years in India, the State has also interfered on a progressively increasing scale and there is every reason to believe that this interference will increase in the near future, on the return of popular ministries in the provinces.

Keeping these important points in view the following credit systems can be visualized :—

(a) The simplest system is where transactions are between the lender and the borrower on an individual basis. This is generally known as private money-lending and is almost universally prevalent in this country.

The private money-lender is ubiquitous. He has been financing agriculture in India from times immemorial. He has personal relations with his debtors and his methods are free from the rigidity of red-tapism. He is firmly entrenched in the country-side and cannot be rooted out for a long time to come if ever. In no country in the world except Russia, where conditions are exceptional, has it been possible to eliminate the private money-lender altogether. For our agricultural finance, therefore, the agency of the private money-lender will have to be tolerated for quite a considerable time to come. It must, however, be acknowledged that the methods employed by the private money-lender have been obnoxious without exception. Consequently it will be necessary to exercise a very strict and vigilant control over his activities. This line of policy has been accepted all over India and in most of the provinces legislation has been enacted to regulate the activities of the money-lender in the interest of sound agricultural development. We consider that these regulatory legislations will have to be

further strengthened and wider publicity given to their provisions in order to educate the cultivators in obtaining the fullest advantage of these legislative measures. We agree with recommendations Nos. 61 to 64 of the Gadgil Committee in this respect (paras 12 to 18, pages 54-59).

(b) A further variation of this system is where the lender is not an individual but a combination of individuals. This is known as institutional credit. So far as agriculture is concerned, institutional credit has not developed to any considerable extent in this country. Although joint stock banks are lending against agricultural produce to a greater extent than before, they do so only against the produce which has already left the hands of the cultivator and has come into the hands of the trader, the middleman in the market. Under these conditions practically no advantage can be taken by the cultivator of the credit so provided by these institutions. The chief reason for this state of affairs is that marketing of agricultural produce has not yet been properly organized. There are no licensed warehouses, and generally speaking no institutions with which the agriculturist can pledge his produce for an advance. Attempts have recently been made particularly in the United Provinces and Madras to organize marketing on co-operative lines and thus make finance from these institutions available to agriculture. These operations, however, form an insignificant proportion of the total business involved. The main obstacles in the way of such development are the lack of proper standardization of products, unregulated marketing, absence of warehousing facilities and as the natural result of all these factors, the total absence of agricultural paper from the money-market. Even in the U.S.A., a country more highly developed than India, it was found that lack of proper agricultural paper was one of the main difficulties in the development of sound agricultural finance. We are, therefore, strongly of the opinion that immediate steps should be taken by all provincial governments to organize marketing on proper lines, to set up a chain of warehouses in the country-side and thus help to bring into existence proper agricultural paper. Finance by joint stock banks and ultimately by the Bank of Issue, namely, the Reserve Bank of India, will thus be available. We generally agree with recommendation No. 59 of the Gadgil Committee (para 5, page 50-51).

(c) Under the third system the credit institution is entirely State owned. The well-known example of this system in modern times is that of Russia where the State provides the necessary finance without the assistance of any other agency. The Taqavi system prevalent in all the provinces in India is another instance of this type. There is a good deal to be said in favour of State managed institutions provided proper arrangements can be made for cheap finance to reach the agriculturist without delay and difficulty. It is here, however, that the greatest drawback of the system lies. We shall be reverting to this question later on in the course of this note.

(d) The next alternative is that of the combination of the State with a group of lenders lending either to the individual borrowers or to a combination of these borrowers. This system was tried as early as 1860 in France

when the Credit Agricole was organized. "It was to be established by the intervention of Government, subsidized to some extent by it, managed by a Governor appointed and dismissible by the State, and yet be a private joint stock institution administered without State control and prospering entirely on its own resources." Commenting on its achievements, Nicholson remarks "the society not only failed disastrously in 1876 but it never dealt to any extent with agriculturists, owing partly to the highly complicated machinery necessitated in the issue of small loans by a central institution, expenses to borrowers were very high, reaching even 10 to 12 per cent. The society failed to penetrate into the rural tracts and to bring relief to the medium and petty cultivators who as in India form by far the greater part of the agricultural population."

A later example is that of the Agricultural Bank of Egypt which was set up in 1902 and in which half the capital was subscribed by the State. This Bank has now been working for sometime in that country but the achievements of the Bank so far do not appear to be of a high character. About the working of this Bank it has been remarked that in many cases "the cultivators misapplied the borrowed money to unproductive purposes such as ceremonials, domestic joys and litigation often arising from boundary disputes. Overdue arrears began to rise from year to year, foreclosures and sale on a large scale followed with the help of the local magistrate."

It will not be out of place to make a reference to the recent history of agricultural credit in U. S. A. In that country, the Federal Farm Loan System came into being in July, 1916. Under this Act a Federal Farm Loan Board was created. This Board consisted of seven members with the Secretary of the Treasury as the ex-officio chairman of the Board. For the effective working of the system a Federal Farm Loan Bureau was organized. This Bureau worked under the direction of the Board. The members of the Board were appointed by the President for a fixed term and were full-time employees. The Board had vast powers of supervision and control over the entire system.

After 10 years' working, however, it was found that the system of supervision provided by the Board was not satisfactory. Consequently in 1926, the Congress set up a separate branch for inspection and supervision of the entire system and provided the necessary funds for the purpose. Under this system the U.S.A. was divided into 12 districts. In each district, a Loan Bank was instituted known as a Federal Loan Bank. The management of the Loan Bank was in the hands of the directors holding office for a fixed term and were to represent the shareholders consisting of Farm Loan Associations and other individuals. Large funds were made available by the State to these Banks. Later on, however, in 1933 a Farm Credit Administration Act was passed by the Congress which completely centralized the whole system and in the end has resulted in State management of the apex organization.

In New Zealand also the system started on the same model as in the U. S. A. but has now been completely changed into a State organization

working through its branches. From these examples, it will be seen that wherever groups of lenders with State help are set up to function as the financing agency, the interests of the borrowers suffer. The above experiments which have been tried in other countries so far give us little hope for attempts on these lines developing into a satisfactory financing agency for the agricultural needs of India. We now propose to describe the proposals of the Gadgil Committee in this respect.

The Committee recommends the organization of Provincial Agricultural Credit Corporations at least half of whose capital is to be held by the provincial government and which is to operate throughout the province, through a network of local agencies and sub-agencies. The conduct of the affairs of this Corporation is to be in the hands of executive officers appointed for a term of years by the provincial government, while its policy will be framed by a board consisting chiefly of the nominees of Government and representatives of other shareholders. The Committee recommends that half the share capital should be held by the State while the other half should be held not by private individuals but by selected credit institutions, chiefly joint stock banks, co-operative banks and marketing organizations. It is also proposed that the policy of the Corporation might have to be so framed that the share capital would not earn dividends in the early stages. The Committee feels that commercial and industrial banks would not object to this and would lend a helping hand to agricultural finance. We do not share the optimism of the Gadgil Committee in this respect and feel that commercial and industrial banks would not come in on these terms unless compelled by law to do so.

The Corporation is modelled on the lines of the Credit Agricole in Egypt and differs in many respects from agricultural corporations set up by other countries, e.g., Canada, where the share capital is entirely owned by the State. This Corporation, according to the recommendation of the Committee, is to function through local agencies and sub-agencies and this will mean the appointment of a very large staff for its day to day working. The Committee proposes that the Corporation should deal with individual borrowers although the ideal to be aimed at is to lend through co-operative societies or in the alternative to organize the individual borrowers into borrowers' groups. The recommendation of the Committee envisages to a large extent the disappearance of central financing institutions in the nature of co-operative central Banks. The Committee proposes that the Corporation should lend at $6\frac{1}{2}$ per cent for current finance and at 4 per cent for long-term loans and recommends large-scale State assistance to the Corporation to enable it to do so. Such assistance will partly be direct and partly indirect and may take various forms (paras 22, 27, 28, pages 87 to 89). Further State assistance is also recommended to enable the Corporation to meet the heavier costs of administration such as maintenance of agencies and offices and collection of loans, etc., in less developed tracts.

(e) The last alternative is that of borrowers organizing themselves into groups and negotiating for loans either from individuals or from groups

of individuals, namely, the credit institutions. This in effect is the system of co-operative finance.

We now proceed to examine the suitability of these alternative methods as the agency for the supply of agricultural credit in India.

About private money-lending and credit through joint stock institutions we need add no more to what we have already said. As regards the remaining three agencies, viz., a purely State organization, a State-cum-lenders' organization and a co-operative organization, the question has to be viewed in the light of the conditions prevalent in India. It must further be realized that there are three stages involved in a system of agricultural credit, viz., (a) the primary stage of the ultimate borrower, (b) the secondary or intermediate stage of the district or tahsil organization and (c) the provincial or the apex organization.

(a) Primary Organization.

Finance can reach the cultivators either individually or through groups of borrowers set up *ad hoc* or through properly organized co-operative institutions. Under the U.S.A. Intermediate Credit Loans Act advances could only be made to members of Loan Associations which were co-operative organizations out and out. Under the Credit Administration Act of 1933, though provision was made for direct loans to individuals by the apex organization, this provision has not adversely affected the system of advances through associations and quite a considerable proportion of agricultural credit in that country is still through "locals", the land associations. Furthermore, in most parts of the U.S.A. agriculturists do not live in villages but live on their individual farm estates widely separated from each other. The idea of a common village and common village life is alien to American agriculturists. Indian conditions on the other hand are very different from those in the United States of America. Here the village exists with its own life and has its own economic, social and religious organizations. Secondly, the unit of holding in Indian villages is very much smaller than that in new countries like the U.S.A. Consequently, credit transactions with millions of illiterate persons will be necessary.

While therefore the system of credit based on advances to individuals direct by the apex organization may succeed to a limited extent in America, that will not be so in Indian conditions. The anxiety of the U.S.A. Government to set up co-operative organizations for agricultural advances by means of active State help and encouragement further shows that the system of apex organization dealing with individuals through branches or sub-agencies is not always a satisfactory one.

The example approximating to our conditions is that of Egypt. There the Agricultural Bank provides finance through its branches which obtain the help of the local village officials for the appraisal and valuation of the security. We have seen that this system suffers from the defect of lack of proper supervision over the utilization of the loans and consequently has not resulted in any marked development of agriculture.

At the primary level, therefore, any agency that attempts to advance loans to agriculturists will have to reckon with the following facts:—

(i) As the holdings are small, the size of individual loans will also be small and consequently their numbers large. For the proper scrutiny of the loan applications an adequate machinery will therefore have to be set up.

(ii) Purely from the financial point of view these advances will not be safe if there is no supervision over the utilization of these loans. Only that system of agricultural credit can be regarded satisfactory which leads to agricultural improvement and consequently any method which only repeats the mistake of Egypt, as mentioned above, must be regarded as ineffective and unsatisfactory.

It is obvious that a paid agency that will be able to scrutinize millions of such loan applications and will further have to supervise the utilization of these loans must be very large and consequently the expenses of this agency will be very high. We have seen that in France these expenses reached the tremendous proportion of 10 to 12 per cent of the capital lay out, and feel certain that in the case of India the expense ratio will be equally high if not higher. That consideration alone rules out the choice of any such agency for our agricultural finance but that is not all.

An agency which owes its allegiance to a body not locally controlled suffers from the defect of departmentalism. It soon gets into a rut and moves only along the set groove. It is impervious to new ideas and cannot easily adapt itself to changing conditions. Its roots are not in the country and it is widely separated from the people whose needs it sets out to serve. The local official employed, therefore, becomes a symbol of anachronism and as his activities can only be subject to control by a body that is far away, he sooner or later degenerates into a local *Hakim*. It is under such a system that corruption becomes rife and tyranny of the petty official prospers.

If any justification were needed for these observations, the example of Taqavi loans could be cited as a case in point. There is general agreement on the point that the system suffers from inordinate delay in the grant of loans and from the malpractices of the lower officials.

We are, therefore, convinced that for a satisfactory system of agricultural credit it is necessary to employ an agency which will be—

(a) able to command the services of honorary workers to a considerable degree,

(b) will allow the fullest opportunity for local opinion to be mobilized to watch the day to day working of the system and to keep it on the right track by means of full publicity and healthy criticism, and

(c) will provide for the direct participation of the persons affected, viz., the borrowers in its running. In other words the system must be such as will be the servant of the borrowers and not their master,

(d) it must provide for an efficient and trained technical personnel which though subject to the control of the representatives of the people must have the necessary security of service and must be protected against any victimization due to local factionist influences.

It is obvious that to fulfil the above conditions the only system that human genius has so far been able to devise is the co-operative method. Even the Gadgil Committee faced with this problem were compelled to acknowledge this fact in the following terms:—

“Theoretically, the ideal agency for the purpose would be a complete system of co-operative finance.” (Page 28, para 5).

They further observed that:—

“There is little doubt that the best solution for this problem would be to induce such cultivators to form themselves into co-operative credit societies which are financed by the co-operative central financing agencies or, if need be, by the State Corporation. In case it is impossible to form co-operative credit societies in all such areas it will be necessary to create some kind of borrowers’ organizations to form as a link between the local agency of a State Corporation and the large numbers of agriculturists-producer-borrowers scattered over the country-side.

“The main services that such borrowers’ groups might perform are those of collecting the applications for loans and the information required in respect of them for all producer-borrowers in a locality and transmitting them to the lending agency. It might begin by being no more than an agent of the Corporation for joint transmission of applications and information and might slowly take on other functions or develop into an independent organization.” (Pages 35 and 36, paras 18 and 19.)

We are, therefore, of the opinion that for a satisfactory system of agricultural finance, it is necessary at the primary level to organize the borrowers in such a manner that the services of honorary workers are available for the scrutiny of applications, for the supervision of loans, etc.

There are two ways of doing this:—

(a) to organise *ad hoc* groups of borrowers and charge them with the responsibility visualized by the Gadgil Committee. This though a slight improvement on the system of “Zangira Bandi” tried for Taqavi advances will suffer substantially from the same defects,

(b) the group so set up is formed *ad hoc* and has no system behind it. It has no rules for its own formation. In technical language it has no by-laws like those of a co-operative society. It is just a mushroom growth and consequently allows personal and individual interests to dominate it.

It may, however, be argued that these groups need not necessarily be without rules and regulations. Even if they have these rules and regulations two questions arise: (i) the agency that is going to frame these rules and (ii) the organization or the service which will see to their enforcement. If the agency prescribing these rules is going to be the “group”

itself, it is in no way different from a co-operative society. It is just a co-operative organization without its name. If, in the alternative, the rules are prescribed by the lending organization, the interests of the borrowers go by the board. The group then functions as an agent of the lender and has little responsibility except the realization that the group as a whole may have to make good any losses that may accrue. Further, as the responsibility of each member of the group vis-a-vis the other members is determinable by the "principal" and not by the agent, the whole group is completely at the mercy of the lender. Obviously, therefore, such a system far from being the ideal is not even a desirable one. As regards the agency that should be employed to see to the enforcement of these rules if it is an agency paid and controlled by the lenders' organization, the observations that we have made earlier in this note will apply. On both these considerations we are reduced to the irresistible conclusion that the idea of the "borrowers' groups" for the provision of agricultural credit is one of those half-baked ideas which have been tried and found wanting before and which is being suggested again for trial not because logic and reason lead one to that conclusion but because the authors fight shy of "the ideal agency" or "the best solution" because of its name.

In addition to the reasons given above, the proposal to start Credit Corporations in all the provinces has other serious objections :—

(1) The Credit Corporation will obviously only lend to credit-worthy persons which generally means persons with property. Agriculturists with little or no property will therefore get no assistance from it. Co-operative societies in rural areas certainly take into account the assets of the borrower but that is not always the most important factor considered by them. It is not so much the assets of the man as his character and earning capacity which guide the society in dealing with his loan application. In effect, therefore, the Credit Corporation will only lend to persons with tangible security and, therefore, persons without such assets will get no help from it.

(2) Direct lending by the Credit Corporation to individual borrowers will result in serious damage to the existing co-operative societies. Theoretically the Corporation is to function side by side with co-operative credit societies as an alternative agency. The Gadgil Committee recommends that the Credit Corporation with the assistance of the State should lend at the rate of 6½ per cent for current finance, a rate at which existing credit societies are unable to lend. The Credit Corporation will only be able to do so as a result of large scale assistance by the State (paragraph 22, page 37). With such State assistance the Corporation will attract all credit worthy borrowers who will either not join societies or if already members will leave them. As a result co-operative societies will be left almost entirely with the non-credit-worthy borrowers. This will mean that sooner or later the Co operative movement will have to be wound up. If the proposal were that co-operative societies should be wound up as they

have not been able to tackle the problem of agricultural finance on comprehensive lines and that they should be substituted by this new agency, one could understand it. The Gadgil Committee, however, does not say so. Its proposal thus amounts to the State starting a third alternative agency in the rural areas at a large financial cost to the State. We have also throughout our Report suggested large-scale assistance to the Co-operative movement at all stages including the primary stage of the village society. If the recommendations of our Committee as well as those of the Gadgil Committee are accepted, it would amount to the State financing on a large scale two agencies which in actual practice will compete with each other and will certainly not supplement each other to any large extent. It is absurd to expect the State to finance the Credit Corporation knowing that it will thereby seriously affect the growth of the Co-operative movement for the expansion and improvement of which the State has been giving some assistance and is being asked by us in our Report to increase that assistance a great deal.

(3) The existence of two such agencies is also likely to encourage duplication in borrowing, once from the co-operative societies and once from the Corporation. Our experience has shown that people have joined societies and borrowed from them in addition to borrowing from the village money-lender. It is difficult to prevent such borrowing from two agencies and exactly the same thing will happen if a third agency as proposed by the Gadgil Committee is set up.

(4) Throughout the body of our Report we have laid great stress on credit societies taking up other functions and in particular, marketing. The Gadgil Committee does not make any definite suggestions as to how provision of credit by the Corporation is to be linked up with marketing. Our Committee has recommended (para 20, Chapter on *Agricultural Marketing*) that loans should be given by co-operative societies to their members on the specific condition that they market their farm produce through the primary society. The primary society will market the goods through the marketing society which after the sale of goods has been made, will pass on the money to the primary society. The primary society will then recover its dues and pay the balance to the member. Such linking of credit with marketing will be possible only if the credit and marketing organizations are closely linked and working together under the same agency. The Credit Corporation will not be able to lay down any such condition and will in any case not be able to enforce them. This is a very serious practical difficulty and in our opinion is almost insurmountable. We shall come across similar difficulties though perhaps to a lesser extent in the case of other activities we have recommended the primary societies to take up, for example, collection of milk (para 6, Chapter on *Agricultural Production*.)

(5) The Gadgil Committee has made no suggestions as regards the decision of any disputes that may arise between the Corporation and

the borrower and as regards the recovery of its dues. At present all disputes between a co-operative society and its members in connexion with the business of the society are decided expeditiously by arbitration under the Co-operative Societies Act. As regards recovery, in some provinces awards obtained are executed as decrees through civil courts, while in some others, dues of co-operative societies are recovered as arrears of land revenue. In one province co-operative officers have been invested with powers of civil courts for the purpose of recovery while in another, a special system of certification is prevalent. If the Credit Corporation really begins to function on the scale visualized by the Gadgil Committee, there will be thousands of disputes which will require adjudication. It might be suggested that these disputes may also be settled by arbitration but that will be difficult. In the case of a co-operative society disputes can easily be settled by an arbitrator who belongs to the village and is well known to the parties and enjoys their confidence. This will not be so in the case of a Credit Corporation which will largely be a lenders' organization. As regards recovery of dues of the Corporation, it will, in our opinion, be highly undesirable to provide for recoveries as arrears of land revenue. Such an arrangement may be justified if the Corporation were an entirely State owned body or in the case of a co-operative society, but not in the case of a semi-public Corporation which will have the interests of the lenders at heart. This will, therefore, mean that recoveries will have to be made through civil courts in the ordinary course and this will result in heavy expenses on recoveries and harassment of the debtors. The Gadgil Committee has not dealt with these two important and practical difficulties which will stand in the way of efficient working of any such Corporation.

For all these reasons we feel that when we recommend the expenditure of large sums of the tax-payer's money on promoting a system of finance that will provide the necessary credit to agriculture at a reasonable rate, it will not be proper on our part to recommend the "second best" system in preference to the "ideal agency" or "the best solution of the problem." We, therefore, feel that it will be still more indefensible to recommend the "second best" as the ubiquitous "third alternative."

The second alternative is the co-operative way. It has been argued that although the ideal solution is the co-operative solution, it is not possible to put it into practice for various reasons. We shall now take these reasons one by one.

In the first place it is argued that Co-operation is a voluntary movement and it will be violating its fundamental conception to make it compulsory. The argument is based on the assumption that if the agency sponsored by the State is that of a co-operative society, only then persons intending to make use of that agency will be compelled to become its members. We must frankly confess that we are unable to appreciate this argument. There is common agreement on the point that for a considerable time to come private money-lending will have to be tolerated. We are

further agreed that, side by side, steps should be taken to develop institutional credit for agriculture. In addition to these two commonly agreed sources of credit, the question arises of providing a third source of credit helped and sponsored by the State. The Gadgil Committee suggests Credit Corporations with borrowers' groups in the villages. To our minds as we have, we hope, clearly shown above, the only solution which merits consideration is the co-operative solution. If, therefore, the creation of Credit Corporations is not repugnant to the tenets of individual freedom and if there is no element of force or compulsion in that, we fail to see how that charge can be levelled against the co-operative method. In either case the intending borrower has the option of going either to the private money-lender or to a joint-stock bank or to the Credit Corporation if the Gadgil Committee's recommendation is accepted or to the co-operative society, if our suggestion is acceptable. How one of these can be free and voluntary and yet the other compulsory when the conditions are ideal, passes our comprehension.

Quite apart from the above considerations, we must admit that we do not in any measure subscribe to the view that there can be no planning for Co-operation, that all co-operative effort must be left to the spontaneous demand of the persons wanting it and that the society or the State should have no hand in creating that demand or in setting up co-operative institutions. Some very high authorities on Co-operation have declared Co-operation in India to be "a governmental policy" and have more or less dubbed it as condemnable on that score. We at once plead guilty to this charge though we strongly refute the inference. In fact our grouse is that it is not that measure of governmental policy as it should be. We do not consider that we need defend that position at all in the forties, of the twentieth century. Even if we leave Russia out of account altogether, we cannot shut our eyes to the example of that unquestionably democratic country, the United States of America. Under the Farm Credit Administration Act of 1933, Co-operation has been adopted as one of the cornerstones of governmental policy, and the results achieved need no further arguments to justify such action. The appointment of our own Committee and the whole programme of co-operative planning as recommended by us in our Report is the most complete answer to any such charge. In para 8 of Chapter II of our Report we have gone to the extent of saying that where a plan for its execution requires the co-operation of every section of the community, 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. In the body of our Report we have made various recommendations for the setting up of co-operative institutions and have even set targets for that. This we have not considered as unco-operative. We, therefore, fail to see how consistent with the above attitude we can say that by providing the cultivator, or to use a more high sounding phrase, the "agriculturist producer" with a co-operative alternative as the third alternative agency for his loans, we shall be changing the

character of these co-operative institutions from voluntary into compulsory organizations.

Objection has been raised that co-operative organizations cannot be relied upon to spread their activities all over the country in a given space of time. As we have recommended elsewhere, we visualize that it will be possible to set up co-operative organizations in at least 50 per cent of the villages in the country in ten years' time. Even if this were not possible, there is hardly any reason to suppose that these Credit Corporations will be able to set up organizations in villages to a larger extent and with greater speed than the already existing Co-operative movement. The Co-operative movement exists to a greater or lesser extent throughout the country and it is axiomatic that an existing organization will do better than a new organization which is yet to come into being. In provinces like Punjab, the United Provinces and Madras, the co-operative organizations have already made good progress and can be relied upon to increase their activities with an accelerated pace in future. In saying this we are guided by the recent experience of the cane organizations in the United Provinces and Bihar. Cane societies have been organized in cane areas practically all over these provinces. Starting from scratch in about 1925, they have now grown to such an extent that they are dealing with about 80 per cent of the total cane crushed by the factories in these provinces. The main reason for their success has been the provision in the Sugar Cane Control Act that no factory will be allowed to purchase cane from a member of a sugarcane union direct. In our Report we have visualized that in the immediate future planning by the provinces will lead to regulatory provisions for the marketing of all important agricultural produce and, therefore, we consider that the atmosphere for the success of the co-operative organizations will be more propitious in times to come.

The experience of the war years in the handling of controlled articles by co-operative organizations also supports the view that under favourable conditions the co-operative method can be very successful. Even in those provinces where co-operative organizations have not achieved the same measure of success as in the provinces mentioned above, we see no reason why it should not be possible for the co-operative organizations to be re-organized or fresh organizations started where needed. In our opinion the lack of success of co-operative organizations in most areas of this country has been every greatly due to (1) inadequate State help and (2) uneconomic unit of work. If, as we have visualized above, planned action on behalf of the State for the development of agriculture is coming forth and provided that the necessary help which we recommend later is given to co-operative organizations, we see no reason why co-operative organizations should not be more useful than any other organization and furthermore without having to lose any of their co-operative character.

(b) Secondary or Intermediate Organization.

Coming to the secondary stage or the central bank level so to say there are two ways possible. In the first instance it is possible to have

them as branches or agencies of a central organization. This system prevails in Russia but there the conditions are materially different from those anywhere else. Under the Farm Credit Administration Act, U.S.A. has been provided with a centralized system but there every State land bank is more or less independent in the grant of loans to its "clientele". It is not necessary for us to repeat the arguments we have advanced earlier in the course of this note against the undesirability of keeping popular control out from the institutions that cater to the needs of the masses. We can only mention here that in our view such a system is bound to be inelastic, will cause delay in the administration of loans, will lead to official tyranny and will be unworkable with the basic organization. Furthermore, under this system it will not be possible to take advantage of local talent. This is specially important when we consider the question of local deposits. It may be of importance to note that even now most of the central banks are working on local deposits. If they become part and parcel of a central institution that position may not be maintained.

The other alternative is that of the prevalent co-operative type, the pattern on which central co-operative banks all over India are now established. This system has stood the test of time and in our opinion provides a satisfactory machinery for the administration of agricultural credit. We, therefore, do not see any advantage in centralizing the whole credit administration on a provincial basis and are strongly of the opinion that save for the powers of inspection, audit and control with regard to the recruitment of staff and other details, the central banks should be left independent to administer credit organizations within their own jurisdiction.

(c) Provincial or Apex Organization.

We now come to the third stage, *i. e.*, that of the apex organization. It can be either a purely State organization or a State-cum-lenders' organization with or without a sprinkling of borrowers' representatives, or a purely co-operative organization.

There is a great deal to be said for a purely State organization for agricultural credit. The apex organization in U.S.A. under the 1933 Act is virtually a State concern while in New Zealand the apex bank is owned and run by the State. Theoretically there is no objection to provinces setting up Government Provincial Banks for this purpose provided it could be guaranteed that in their working these institutions will not suffer from the defects of rigid red-tapism and that they will in no way try to deal direct with the individuals. In fact there is a strong body of opinion which considers that it is the function of the State to provide the necessary finance for agricultural operations as other financing agencies like joint-stock banks are not prepared to do so on any appreciable scale. The State has large responsibilities in this connexion and one way of carrying them out is to organize such a State bank. So far the State has taken little or no direct interest in the provision of finance for agricultural operations and has left the task largely to the money-lender and partially to

year exceed 6 per cent and further that the rate of interest charged from the individual borrower does not exceed 4 per cent on long-term loans and $6\frac{1}{2}$ per cent on short-term loans.

(6) The provincial government should also consider the question of attracting share capital and deposits from joint stock banks and take such legislative action as may be necessary in this respect (see page 69).

Provincial banks, if reorganized on the above lines, should be able to meet, in the course of the next few years, all the legitimate requirements of agricultural finance. We have, we hope, succeeded in putting forward our point of view strongly and fairly and feel that the case against the starting of Credit Corporations in the provinces is overwhelmingly strong and trust that no provincial government will accept this suggestion.

There is also another point on which we have to record our strong disagreement with the rest of our committee. Our Committee, in the Chapter on *Administration and Law—Co-operative Law*, has recommended that urban banks fulfilling certain conditions may be permitted to invest up to 40 per cent of their surplus funds in such manner as their boards may unanimously determine. Section 82 (1) of the 1912 Co-operative Societies Act permits a registered society to invest and deposit its funds in a certain manner. In most provinces, the Registrars have laid down certain rules in this respect. These rules have been laid down with the object of ensuring that investment of the funds of a registered society is safe and that such funds are not invested in speculative securities. This has been done with the object of safeguarding the interests of the members of such societies. We were all agreed that in rural credit societies the management, in a vast majority of cases, was not really competent and should not, therefore, be permitted to go beyond the provisions of the Act and such other rules as the Registrar might make. In urban banks, particularly in Bombay where the management was more efficient, it was felt that some relaxation may be permitted. The Committee, however, has gone much further and recommended that urban banks should be permitted to invest a certain percentage of their surplus funds in such manner as their boards may unanimously determine. We consider that this is one of the most reactionary recommendations of the Committee and oppose it for the following two important reasons :—

(1) Management of urban banks particularly in Bombay is largely in the hands of persons who are also connected with joint-stock concerns and we feel that there is a serious danger of funds of societies being used in joint-stock concerns whose stability is doubtful. Recently, a large number of joint-stock banks have been started in the country and have, under war conditions, prospered. It will be admitted by all that as a whole this is a mushroom growth and that a large number of them are not likely to weather the storm which is sure to come sooner or later. There is a serious

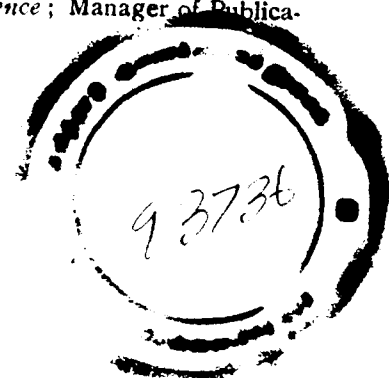
danger, therefore, that investment of funds in such banks and other similar concerns will result in serious loss to the members of urban banks.

(2) The Gadgil Committee has rightly pointed out that the amount of money required for the legitimate requirements of agricultural finance is many times the amount that is now available from co-operative societies. They have, therefore, recommended that institutional credit should be made available to agricultural finance and for this purpose have recommended various steps. Adequate storage accommodation, warehouses and regulated marketing form one chain which will result in the creation of sound agricultural paper which can be discounted with joint-stock banks. Even then all the requirements of agricultural finance are not likely to be met and, therefore, every penny that is available from co-operative societies in the urban areas should, in our opinion, be made available for agricultural finance. Urban banks have prospered as well as they have done, partly because of efficient management but largely because of the large-scale concessions given to them by the State in the form of exemption from income-tax, registration fees, etc. The State, therefore, has a right to ask these banks to use their surplus funds for agricultural finance. Every effort should, therefore, be made to keep the co-operative structure as one unit and urban banks should not be permitted to invest their surplus funds in joint-stock and similar concerns when the demand for funds for agricultural finance remains unsatisfied. The existing restrictions in regard to investment of surplus funds of urban banks should, therefore, remain and the relaxation proposed by the Committee should not be made. We are, therefore, strongly of the opinion that the scope of investment of co-operative funds as has been proposed in the case of urban bank will be derogatory to the movement and therefore record our strong disagreement with recommendation number (IX) in the Chapter *Co-operative Law*.

In conclusion, we record our thanks to the Chairman and our other colleagues for the courtesy and patience they have shown us throughout the time we have had the privilege of working with them.

—Report of the Co-operative Planning Committee appointed by the Government of India on the Recommendation of the Fourteenth Registrars' Conference; Manager of Publications, Delhi; Rs. 1-8-0.

52
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Balance Sheet as on 30th June, 1946.

	Rs.		Rs.
Capital	... 6,81,700	Cash	... 57,64,762
Reserves	... 41,71,540	Investment in Govt.	
Deposits	... 3,50,97,017	Securities	... 2,15,22,938
Sundries	... 2,97,037	Other investments	... 1,27,000
Profit & Loss A/c.	... 2,71,986	Loans and Overdrafts	1,24,99,828
		Premises (acquired entirely out of pro- fits Rs. 3,60,372).	
		Sundries	... 6,04,752
Total	... 4,05,19,280	Total	... 4,05,19,280

Analysis of Working

	Year ending 30th June			
	1943	1944	1945	1946
	Rs.	Rs.	Rs.	Rs.
Paid up Capital	... 6,70,800	6,70,400	6,81,500	6,81,700
Reserves	... 33,91,109	36,80,330	40,30,590	41,71,540
Fixed, Current and other deposits	... 2,92,27,881	2,61,46,570	2,60,31,978	3,50,97,017
Net Profit	... 77,567	2,14,709	2,41,835	2,40,422
Amount transferred to Reserve Fund	... 25,000	1,00,000	1,00,000	1,00,000
Other Accounts	... 5,740	61,100	82,229	68,455
Dividend at 9 per cent.	60,365	60,368	60,869	61,302
Carried Forward	... 70,510	32,825	31,564	42,229

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	New Business	67 lakhs
	Life Fund as on 31-12-45	25.45 lakhs

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