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INDIAN CO-OPERATIVE REVIEW

JOURNAL OF THE INDIAN CO-OPERATIVE UNION

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The Madras
Co-operative Central Land Mortgage Bank, Ltd.,

Luz, Mylapore, Madras.

President:

SRI BHOGARAJU VENKATARATNAM.

Authorised Capital	... Rs.	**20 lakhs.**
Paid-up Capital	... "	**12,37,700.**
Reserves	... "	**24,20,009.**

The Bank is the Apex Co-operative Bank for long-term agricultural credit and issues debentures for 20 years on the security of first mortgages transferred to it by Primary Land Mortgage Banks and its assets.

The principal of and the interest on these debentures are guaranteed by the Government of Madras. They are **Trust Securities** and are also approved securities under the Insurance Act, 1938. **A Redemption Fund (Sinking Fund)** is constituted to pay off the debentures on maturity.

Summary of Balance Sheet as on 30-6-'49.

Liabilities.	Rs.	*Assets.*	Rs.
Paid-up Share Capital ...	12,37,700	Cash on hand and balance with Banks ...	48,685
Reserve and other Funds...	24,20,009	Loans to Primary Banks ...	3,45,74,585
Debentures ...	4,20,92,000	Sinking Fund Investments...	87,75,519
Deposits, Loans and Over-drafts ...	13,61,325	Other Investments ...	38,48,498
Sundry Liabilities ...	5,17,986	Sundry Assets ...	6,07,808
Profit ...	2,26,075		
Total ...	4,78,55,095		4,78,55,095

M. DATTATRAYULU, B.A., C.A.I.I.B.
Secretary.

THE
Mysore Provincial Co-operative Apex Bank, Ltd.

No. 1, Hardinge Road, Chamarajpet, Bangalore City.

(Member of the Bangalore Bankers' Clearing House)

PRESIDENT:
Sri S. Srinivas, F. R. H. S.,

SECRETARY:
Sri S. Rama Rao, B. A.,
(Asst. Registrar of Co-operative Societies)

		Rs.
Authorised Share Capital	...	7,00,000
Subscribed Share Capital	...	4,26,100
Paid up Share Capital	...	3,21,137
Deposits	...	33,21,107
Reserve and other Funds	...	5,22,269

Fixed, Current, Savings Deposits and Thrift Certificates are accepted.

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A LOTUS IN THE LAKE

The beautiful flower on the earth—The Lotus blossoms amidst the waters of the Lake,—but uneffected by water—serves the world with all its inherent qualities.

- A life policy is like a Lotus in the Lake;
- Though an investment in the money market it is not affected by its fluctuations.
- Though an estate it is safe from all the damages that may occur to the estates.
- Though it is a valuable article—which any one is proud of possessing—it cannot be borrowed by others.
- Such are the inherent qualities of a Life Policy.
- Every one may take advantage of these.

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BASHIRBAGH ROAD :: HYDERABAD-(DN.)
TELEPHONE 3322.

THE INDIAN CO-OPERATIVE REVIEW

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1. Contributions are invited from advanced students and active workers in the co operative field on aspects of co-operation with which the Indian Co-operative Review will deal from time to time.

2. Articles should in general not exceed 10 pages (approximately 3,000 words) typewritten (foolscap.)

3. Articles contributed to the Indian Co operative Review should be sent exclusively for it and should not be sent to any other journal for publication unless and until intimation is received that the Review cannot find space for them.

4. Manuscripts of articles not accepted for publication will be returned to the writers, if they so desire.

5. Every contributor will receive one copy of the issue of the Indian Co-operative Review containing his article and 20 off prints of the article.

6. Other journals can extract articles published in the Indian Co-operative Review with due acknowledgement.

7. Books and Reports on Co-operation and allied subjects will be thankfully received and reviewed as early as possible in the Indian Co-operative Review, provided **two** copies of them are sent by the publishers. Two copies of the Indian Co-operative Review containing the Review will be sent to the publishers.

Subscription per annum Rs. 8.

THE INDIAN CO-OPERATIVE REVIEW

VOL. XVI JANUARY—MARCH, 1950 No. 1

EDITORIAL NOTES

Co-operation and the New Constitution.

It is a matter of great rejoicing to co-operators in India that the new Constitution of India, declaring India to be a Sovereign Democratic Republic, has been brought into force on the 26th January 1950. They trust there will be no fetters to the expansion of the movement in a free India. In the very first session of the Constituent Assembly, the President, Dr. Rajendra Prasad, spoke of 'a classless society for India'. "It was to be a co-operative commonwealth and the making of its constitution was the supreme task of the Assembly". We do not, however, find in the constitution, not even in the chapter dealing with directive principles of State policy, any reference to the development of the co-operative movement. "The organisation of agriculture" is one of the principles of social security ensured by the constitution, but that it should be co-operative is not stated. We believe the omission is not deliberate. The spokesmen of the Government of India have made many statements and taken many decisions indicating the role assigned to Co-operation. A recent report of the International Labour Office on Co-operation says that in a note communicated to that office, the Government stated "Hitherto Co-operation has been taken as an isolated and disintegrated step towards the improvement of the agriculturists' lot. Now co-operative development must be a part of the National Economic Plan."

Co-operation is in the State list of subjects. We are of the view that it would gain a great deal if it were a Concurrent subject. There are a number of questions on which all-India legislation and executive action would be of real value for the expansion of the movement, for the co ordination of co-operative activities in the States and for the conduct of advanced education and research. There are just a few organisations now whose banking or trading or other transactions extend beyond the boundaries of a State and they may increase in number and have a greater volume of such transactions and they may need some directions from the centre. The movement in India has not yet developed to such an extent or become so closely knit as to be able to find funds from its own organizations by taxing them for such purposes. Grants from the Central budget would be needed. And there is great advantage in having a separate Co-operative Ministry and Directorate in the Central Government to attend to this subject.

Co-operation, it used to be said, serves as a natural refuge for humbled or conquered races, who turn to it instinctively to find in it a solace. The cases of the defeated Danes, the Irish, the Poles, the Czechs and the Slavs used to be cited as examples of devotion to co-operation with such fervour that the rulers would often hold them up as models to their own countrymen. This is partly true; but the pinpricks inflicted by the ruling race and their representatives in the conquered countries and the positive limitations to the expansion of the movement were only too keenly felt by the co-operators of the subject races. We have experience in this country of the attitude of influential foreign banking and trading concerns towards the expansion of co-operative banking and marketing beyond a certain point. What was worse was the suspicion of the foreign Government if one wanted to upset the existing order of business.

The latest instance of the effects of emancipation from foreign rule on a country's co-operative development is furnished by Iceland, of which an account given in a recent issue of the *Review of International Co-operation* is extracted in this issue. The details of the phenomenal progress in Co-operation are given. Though the case in India is not on all fours with that of small Iceland, may we hope for a brighter future for the co-operative movement in free India?

* * *

I.L.O. Conference on Co-operation in S.E. Asia

We publish in this issue an account, by Mr. S. K. Jain of the I.L.O., Indian Branch, of the Conference on Co-operation in South East Asia held in Ceylon last January in pursuance of a resolution adopted by the first I.L.O. Conference on Labour held in new Delhi in 1947. As a preliminary Mr. Jain was deputed to tour India, Pakistan, Ceylon, Burma and Thailand, while another I.L.O. official was sent to Japan and Phillipines for a first hand study of the movement in those countries. As a result a report on the development of Co-operation in these Asiatic countries was prepared for use at the Conference. It is not sufficiently descriptive and

does not give detailed facts and figures of the co-operative situation in these countries, which one would normally expect from the I.L.O. Co-operation Service. But it is an excellent analytical account, pointing out the strength and weaknesses of the movement and the danger of rushing through new plans of expansion without consolidating the position and getting rid of serious defects. We wish we had more particulars at the back of these generalisations and the full proceedings of the discussions at the Conference, especially on the methods suggested for rectification of defects. What we usually get is a rosy account of the potentialities of Co-operation applied to one sphere or another, but followed by a demand for State aid—though no convention was allowed to be adopted on this question as it would not apply to all countries alike.

Two sets of Resolutions, more or less on the lines of the draft proposed by the I.L.O., were adopted by the Conference; one on international action regarding the movement in Asian countries and the other on national action. The former urges among other things the grant of facilities for study tours, for regional meetings to pool experience and to devise means for establishing direct trade relations between co-operative societies of different countries. We wonder whether societies of any type in Asia have developed to such an extent as to offer a fair prospect of international trade eitherway. A list of experts who can draw up schemes and execute them is desired to be maintained by the I.L.O. The second set of resolutions, concerning national action, points out the need for periodical revision of legislation on Co-operation, setting up of co-operative advisory councils, composed of representatives of Government and other interests, establishment of co-operative training and research institutes, wider diffusion of co-operative education in schools etc.

The implementation of the above resolutions is no easy matter for the Governments of Asia, troubled as they are by several economic and other problems, intensified after the achievement of political independence or self-government. There is little that is new in the resolutions on national action. We have many such pious resolutions passed at provincial and even national Conferences in this country. But the Government of India has not thought fit to pass its decisions on such important matters as the amalgamation of the two Conferences (Registrars' and non-officials'), the creation of a central co-operative council and the setting up of a central research institute on Co-operation.

Tapping Rural Savings

We publish in this issue half a dozen articles which discuss the question of the possibility of tapping rural savings in different parts of India. As might be expected, there is no unanimity of opinion as regards the existence of any considerable volume of savings with agriculturists. The big landowners and some of the middling ones also are said to have cleared off their debts as a result of the rise in prices of produce between 1943 and 1946 But since then, cost of cultivation and cost of living have increased faster that many of the landowners of the middling class find it difficult to make both ends meet. It is not easy to draw a sharp line of division and specify the extent of land necessary to enable any one to save, as income depends on the yield of land and the crops grown and expenditure depends on the size of the family and the style of living. All these are very variable factors, not amenable to easy generalisation. There is a general feeling, however, that more people in rural areas can save, and many of them do save now, more than ever before. Even more than small cultivators, artisans of all classes and some of the agricultural labourers are in a position to save. They have, no doubt, on account of higher wages, improved their style of living. But there is such a dearth of goods that they cannot get all that they would like to have. Thanks to the policy of Prohibition in certain parts of India, they cannot waste money on drink. More irrigation facilities and agrarian reforms and wages legislation are bound to improve the lot of these classes—the small cultivators, tenants and labourers, particularly in the erstwhile zamindari tracts in certain parts of India.

Rural co-operative societies do not attract the savings of the well-to-do, who have been scared from membership in many places by the enforcement, or threat of enforcement, of unlimited liability. Societies may, by change over to limited liability and some safeguards, attract more of them as members but only a little of their savings as a gesture of good-will. Some of them buy lands at fancy prices, but many of them lend money at much higher rates than the legal maximum rate or the rate at which co-operative societies lend. Very little of their savings reaches co-operative societies. In spite of the vigorous drive for savings in Bombay, rural co-operatives have not been able to attract more than a few lakhs more of deposits, while urban co-operatives have succeeded much better. That must be due to the more attractive rates in rural money lending, in spite of restrictions placed on it. Part of these savings should also be going into the local industries of a semi-mechanised character, which are more paying than the 3 or 4 per cent offered by co-operative societies for time deposits. This is said to be the case in Bihar.

If rural co-operative societies are earnest in collecting deposits they can surely attract some deposits from the well-to-do, who have confidence in their management. But their duty is greater in respect of the smaller savers who might later fritter away their savings. They should employ, like the Alamuru Bank, collecting agents to go to their living or working quarters and tap as much savings as possible at the right time, even though the amounts may be small.

What H. W. Wolffe wrote nearly 40 years ago is worth quoting in this connection :

> "To be sure of gathering up all the spare money that there is . and of training more especially the poor people to lodging it, co-operative banks must send their emissaries out into the highways and hedges and 'compel them to come in'. They have in the first place, to get hold of the money which might otherwise go unprofitably into a stocking or else be wasted or travel out of the district; and in the second, to draw the unthrifty into their net and systematically train them to thrift. That is one of the especial objects for which they exist. Germany is in a way classical soil for collecting by collectors...In county districts there is now a great deal of collecting done, in the same way, by collectors who scour the county, going from house to house...knowing at what times there is likely to be money present and ready to snatch it up before the tempter has suggested another use."

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The Madras Provincial Co-operative Conference.

We publish elsewhere in this issue the proceedings of the 27th Madras Provincial Co-operative Conference held in December—January last, over which Sri R. G. Saraiya, Chairman of the Bombay Provincial Co-operative Bank, presided. Sri B. Venkataratnam Choudary, the President of the Madras Provincial Co-operative Union, welcomed the gathering. In the course of his address he referred to the havoc wrought by the cyclone in coastal Andhra and the failure of the monsoon in the Tamilnad and Rayalaseema.

He urged on co-operators to render all possible help in the emergency. Speaking of the Rural Banking Enquiry Committee, he scouted the idea of any considerable savings by the mass of agriculturists. Only a microscopic minority could save—those who had more than 25 acres of irrigated land; and they were few. The vast majority could not make both ends meet on account of the rise in the cost of living and cost of cultivation—of which he gave illustrative details. He referred to the sufferings of handloom weavers and ex-toddy tappers, and urged immediate relief to them through their organised societies. He pleaded for some statutory status to non-official workers.

The Hon'ble Sri P. S. Kumaraswamy Raja, Premier of Madras and an active co-operator for over three decades, opened the Conference. He said that he was proud that Madras Province took the lead in several spheres of Co-operation: central banks, land mortgage banks, consumers' stores, weavers' societies and ex-servicemen's societies. But he pointed out difficulties in the way of leadership, funds to carry on trade and the dearth of goods for the thousands of rural credit societies which had undertaken multipurpose functions He feared that forcing the pace might defeat the purpose of the scheme. They must pay their way, he said, as Government could not subsidise them. They or the central banks should attract more deposits. He condemned factions, group rivalries and party politics in the co-operative field. He deprecated the tendency of several co-operatives, including provincial bodies, to ask for and take departmental officers as employees—without taking steps to train their own staff and pay them adequately.

Sri R. G. Saraiya delivered a long and interesting presidential address, liberal extracts from which are given. He said he was impressed with the record of co-operative progress in Madras and suggested to the Co-operative Union to prepare and publish a list of different types of societies with their by-laws and rules to help similar ventures in other provinces.

He recognised the voluntary character of co-operation, but he was in favour of societies compelling a cantankerous minority to join the scheme of consolidation, crop protection or irrigation. Some co-operators would prefer these services to be taken off the co-operative list and entrusted to Governmental organisation for compulsion. He said that Government should make good the loss

incurred by co-operative societies which undertook procurement and other work of the Government, allowing for decent wages and reasonable dividend. He pleaded for one minister to be in charge of Co-operation and allied subjects—both in the provinces and the Centre. He regretted that the Rural Banking Enquiry Committee did not have any non official member and expressed his emphatic view that co-operatives were the best agency to develop rural banking—not commercial banks with State aid and finance—but uneconomic branches of banks located in rural areas should be subsidised. He was glad that the Reserve Bank of India had relaxed its rigour and granted co-operative banks even normal finance He pointed out the need to amend the Reserve Bank Act so as to include milk products, products of cottage industries and the production of them to be financed. He made an elaborate plea for experiments in co operative farming with its vista of possibilities, though he could not point to any striking success in such ventures in this country so far.

The resolutions passed at the Conference are based largely on the lead given in the addresses. Some of them strike us as too idealistic in our circumstances; for instance that co-operative wholesale societies and big stores should not only try to process some articles of food but should go a step further and own or lease lands for the raising of food crops. The Conference was against the establishment of an agricultural credit corporation as Provincial Co-operative Banks could discharge those functions with the same State aid and facilities. We are glad to note that the Finance Minister of the Government of India has now recognised that there is no need for the former and that co-operative credit societies and land mortgage banks can be developed to meet the short-term and long-term credit needs of agriculturists. The Conference urged on all co-operative credit societies to make a vigorous drive to attract more deposits. This is quite right; but why should not store societies also tap the savings of members, as for instance the T.U.C.S. in Madras has been doing for some years past? The Conference repeated co-operators' request to Government to make co-operative societies the only licensed channels of trade for the supply of groundnut-cake and chemical manures, iron and steel for implements, which in Madras had been for some years entrusted to the Agricultural Departmental depots, saddling the Agricultural Demonstrators with this extraneous work much to the detriment of their legitimate work of demonstration and propaganda.

* * *

The Andhra Provincial Co-operative Conference.

The President of the 16th Andhra Provincial Co-operative Conference expressed himself in favour of multipurpose societies, one for a group of villages, but he would multiply its functions so as to include not only lending and trading activities but also "rural housing, education, sanitation, public health, etc." But as for workers for such complicated business he wanted paid men. He was not satisfied with honorary workers even for the old single purpose societies. His remarks were rather sweeping and to some extent stultifying. He suggested the appointment of an executive officer for each society, much in the style for superceded panchayats. He wanted also compulsory co-operation for consolidation of holdings, crop protection and irrigation. He advocated prohibition of credit except through co-operative societies. All this would be a kind of benevolent despotism and swerving away from co-operative ideals. Some of the resolutions passed are also drastic. The Government is asked to encourage collective farming, prohibit moneylending in specified areas. On the other hand, the Central and Provincial Governments are requested to take all steps to abandon controls and procurement as they are not working satisfactorily. We can understand the irritation of producers at controls in surplus areas. But we are not sure if consumers in deficit areas will echo these feelings. Anyway it is somewhat risky to decontrol, when the Government and others who can speak with some experience are not sure whether scarcity has ceased to exist and there will be no exploitation. A more urgent proposition passed was that Government should enable the land mortgage banks to give some relief to members adversely affected by the recent cyclone and floods, which we hope will receive immediate attention of the Government.

* * *

An Urgent Problem of Land Mortgage Banks

We defer for want of space in this issue the publication of the proceedings of the Land Mortgage Banks' Conference held in Madras last February. They will be published in the next issue. But there is an urgent problem to which reference must be made here. On account of the severe loss sustained by the recent cyclone in the coastal Andhra districts and the continued drought in certain other districts of Madras, some members of primary land banks who had borrowed have not been able to pay up their instalments. So relief should be given to them, at any rate payment of instalment dues should not be insisted upon this year; it should be

deferred until the next favourable season; no penal interest should be charged if possible. Even the professional moneylender does not insist on repayment of dues at such times. The Government is granting remissions of land revenue. The reasonableness of suspension of collection is felt by all, the primary land mortgage banks and the Central Land Mortgage Bank. But there is no provision in the Act to give such relief. The President of the latter made a request in his address that the Government should create 'a revolving fund' from out of which payments may be made on behalf of the borrowers in such bad years so that debenture holders may not be balked of their interest dues and the part of the principal that should go into the sinking fund may be paid into it as per rules framed. The borrowers can be asked to pay up at the next season two instalments. To this request the Finance Minister replied that the Central Land Mortgage Bank itself could create a revolving fund for such purposes from the reserves built up by it. We are not sure if the Central Bank can create a big enough fund to make good the arrears that may follow any big disaster of the type that befell over a wide area last October. Its margin cannot be large enough to put in a large amount as reserve after meeting the establishment and other charges. After all it is not a free grant but a loan fund that is required of the Government, which we trust it will find it possible to set up and afford the badly needed relief for agriculturists.

* * *

Biographical Sketches of Co-operators.

We propose to publish brief biographical sketches of leading co-operators of all-India reputation. We begin with a sketch of Sir Lalubhai Samaldas Mehta, which is an abridgement of a sketch by Mr. S. Natarajan of Bombay who knew the "Father of the Co-operative Movement in Bombay" very intimately. We are anxious to get contributions from writers who knew intimately the other great co-operators who had played a prominent part in more than one province or State in India. We feel it is our duty to enlighten the younger co-operators of the part played by the pioneers of the movement in India. Limitations of space, due to control, forbid publication of liberal extracts of their writings and speeches.

CO-OPERATIVE NEWS AND VIEWS

Lord Boyd Orr, former Director-General of the United Nations Food and Agricultural Organisation, speaking at a meeting, said that he had found many of the Indian small-holders very intelligent. It was not the 'know how' they needed, but the materials . . . Industry was going to take people off the land and India must not have very small holdings. With new land, India had to have either large Goverment farms or co-operative farms.

* * *

The Government of Saurashtra is encouraging the formation of joint farming and better farming societies and a Co-operative Advisory Council has been constituted to foster and guide such activities in the State.

* * *

Dr. Shyama Prasad Mukherjee, Minister for Industry and Supply, Government of India, presiding over the second session of the All-India Cottage Industries Board said: "What is needed now is not so much new committees to consider the problem of protection of cottage industries but renewed efforts at organisation and implementation of the recommendations already made. It is disappointing that the co-operative organisations of cottage industries have made little progress except in a few areas. This is a matter which we cannot afford to neglect any longer. The proposal which has been made and which will come up for our consideration is that each State Government should select at least one district and make an intensive effort for the organisation of industrial co operatives there."

* * *

It is understood that among the steps which the Government of Madras proposes to take to help the handloom industry in the Madras State, it would subsidise co operative societies for the payment of higher wages demanded by weavers. The weavers demanded wages at the rate of As. 8 a knot, whereas a fair wage was considered to be As. 6. The difference would be met from Government subsidy.

* * *

Dr. John Matthai, replying to the debate on the Finance Bill in Parliament, said that he did not think that a kind of Agricultural Finance Corporation modelled on the Industrial Finance Corporation would serve the needs of the agriculturists. He added: "If we want really to provide financial assistance for the agriculturists, as far as I can see there are only two ways of doing it. For short-term credit we have got to depend primarily on co operative credit societies. For long-term assistance we have got to depend on land mortgage banks. Experiments have been made in other countries in the direction of organising agricultural finance on a wide centralised basis but those experiments have more or less failed."

A Co-operative Seminar will be held in the first week of May, at Kemmangundi near Bhadravati in Mysore State, to promote exchange of information and experience on problems connected with different aspects of Co-operation and arrive at conclusions calculated to place the co-operative movement in the State on a sound basis. Nearly 70 experts in co-operative ideals and methods will be engaged in a task which will call for their wholehearted attention and energy discussing in committees various aspects of co operation. The Seminar will consider the best methods by which the spirit of mutual help and leadership could be fostered and suggest methods for consolidation of the movement in the State.

* * *

Mr. J. C. Ryan, Registrar of Co-operative Societies, Madras, speaking at a meeting said that people should realise that the co-perative banks were not in any way trying to oust the commercial banks. Co-operative banks were not lenders' banks but borrowers' banks and that they did not at all interfere with the business of the commercial banks. There was no need for commercial banks to be jealous of the co-operative banks.

* * *

The Hyderabad Agricultural Co-operative Association, inaugurated recently in Hyderabad, is a central organisation, embracing every kind of co-operative activity from credit and marketing to housing, rural uplift and cottage industries. Its three main functions are: (*a*) co-operative production and marketing of agricultural produce; (*b*) purchase of essential requirements on a co-operative basis; and (*c*) encouragement of co-operative living among rural communities.

* * *

A scheme for planned development of co-operative farming has been approved by the Government of Bombay. The scheme visualizes organisation of 112 farming societies in the course of five years. The scheme aims at increasing the yield of the land and securing better returns to the cultivators by consolidation of their holdings and by adoption of methods of improved farming and marketing of agricultural produce. The scheme also affords scope for setting up small scale industrial as well as subsidiary occupations, to supplement the income of the members.

* * *

The Government of Bombay accepted the recommendation of the Administrative Enquiry Committee that the responsibility for audit and supervision of urban co-operative societies shall be transferred either to the reorganised Provincial Co-operative Bank or the Co-operative Banks' Association.

* * *

The Government of Bombay accorded permission for deposit of surplus local funds and primary education funds in a number of co-operative banks including the Provincial Co-operative Bank, central financing agencies of the districts and some urban or people's banks.

Cane Co-operative Societies in U.P., which extend over 24,000 villages had membership of 10,000. These societies had repaired 2,650 pucca roads besides constructing 217 culverts and 152 wells. They were running 16 dispensaries, 11 English schools, one girls' school, 7 middle schools and 100 primary schools out of their own funds.

* * *

The South East Asian Conference, held under the auspices of the International Labour Office at Nuwara Eliya in Ceylon, concluded its labours on January, 26th. The Co-operative Movement was discussed fully by one of its committees. Mr. G. N. Lamming, Chief of the Co-operation and Handicrafts Service of the International Labour Office visited Madras and Bombay on his return journey to Geneva. He was entertained at lunch at the Taj Mahal Hotel in Bombay, on Monday the 6th February, by the Hon'ble Mr. V. L. Mehta and Dewan Bahadur H. L. Kaji, President of the Indian Co-operative Union. He then met representative co-operators in Bombay at the Committee Room, Secretariat, at 2.45 p m. at a meeting convened by the Indian Co-operative Union.

The Hon'ble Mr. Mehta in welcoming Mr. Lamming stressed the importance of the work the International Labour Office was doing for the common man and paid a tribute to the very useful and informative surveys prepared by it from time to time. He hoped the Handicrafts section would soon bring out a survey of how cottage industries were being financed or assisted by Governments in different countries. Prof. Kaji referred to the resolutions adopted by the conference in Ceylon, which were happily in close agreement with the main recommendations of the Co-operative Planning Committee of the Government of India. He hoped the resolutions would be implemented at an early date and that a via media would be fouud between the impatience of co-operators and the slow grinding of Government wheels. To this end, the creation of a separate Ministry for Co-operation was necessary. Mr. Lamming replied suitably and assured the co-operators of the earnestness of the Governing Body of the I.L.O. to render all possible assistance to improve the lot of the common man. He agreed that a separate Ministry was very much to be desired but he said that was not the only thing. Educative tours and co-operative education and training were very important also. Co-operation was fast acquiring an important place in the economy of South Eastern Asia and he hoped that it would develop in all directions and lead to improvement in the life of the common man, whether he be an industrial worker or on agricultural producer.

Mr. Lamming then replied to various questions put to him by the co-operators present there. He visited the various provincial co-operative instititions on the 7th in Bombay. He had visited while at Madras the leading institutions in that city.

CO-OPERATION AND THE I. L. O. ASIAN CONFERENCE

BY

S. K. JAIN,

International Labour Office, Indian Branch, New Delhi.

That the International Labour Organisation should devote itself to the consideration of co-operative problems is not surprising in view of its basic aim of raising living standards throughout the world—an aim so well embodied in its wellknown declaration of Philadelphia, where it is said that "Poverty anywhere constitutes a danger to peace everywhere." Carrying with it the support of Governments, employers and workers, all of whom have an equal voice in the drawing up and implementation of its policies and decisions, the I. L. O. is particularly well qualified among international organisations to tackle the problems of the co-operative movement, which is itself so essentially a peoples' organisation. It was in this background that the decision to include co-operation among the subjects to be discussed by the I. L. O. Asian Regional Conference was heartily welcomed by the delegates attending the conference. They expressed satisfaction that the I.L.O. was devoting special attention to co-operation in its current programme of activities.

It may be recalled that preliminary consideration to certain aspects of the co-operative movement in Asian countries was given by the first I.L.O. Asian Conference, which met in New Delhi in the autumn of 1947. On the basis of a short survey of the co-operative movement in Asian countries prepared by the International Labour Office [1], that conference adopted a resolution on co-operation recommending the broad outlines of co-operative policy to be followed by Asian countries and requesting the Governing Body of the I.L.O. to put the subject for further discussion at subsequent sessions of the Asian Conference[2].

In view of the importance of co-operative action as a means of raising economic and social standards in Asian countries, the Governing Body accepted this suggestion and included the question of the development of the co-operative movement in Asia on the

[1] Labour Policy in General, Report II Preparatory Asiatic Regional Conference of the International Labour Organisation, I.L.O., New Delhi, 1947, Chapter I pp. 47-89.

[2] For the text of Resolutions adopted by the New Delhi Conference see: Preparatory Asian Regional Conference of the International Labour Organisation, *Record of Proceedings*, I.L.O. Geneva, 1949.

agenda of the I.L.O. Asian Regional Conference, which concluded its deliberations in Ceylon in January this year. It was decided, as part of the preparations for the conference, to send a mission to Asian countries to discuss on the spot with local official and non-official opinion the outlines of the report dealing with co-operation to be presented to the conference. The present writer was accordingly sent to visit important centres in India, Pakistan, Ceylon, Burma and Thailand, while another I.L.O. official visited the Philippines and Japan. These officials discussed the opportunities and problems of co-operative organisation in the respective countries at meetings consisting of representatives of Governments, employers, workers and co-operative organisations, specially convened by the Governments of these countries. It became evident during the course of these discussions that certain co-operative problems were common to most of the countries of the region and called for more or less similar solutions. Requests were made that in the Office report for the Asian Conference, not merely should an account be given of the recent co-operative developments in the different countries of Asia, but suggestions should also be made, in the light of experience of other countries, as to how the more serious difficulties in the way of further co-operative expansion in Asia might best be overcome.

In preparing the report[1] for the Conference, therefore the I.L.O., after surveying the fields in which co-operative organisation has entered in recent years, pointed out the spots where the chief weakness of the co-operative structure of Asian countries seemed to lie. Successful experiments and typical methods evolved in certain countries in Europe and North America for meeting similar situations were also indicated, especially in the fields of co-operative education and training.

At the Conference itself, during the course of the discussion of the Director-General's Report[2] several speakers emphasised the potentialities of the co-operative way of solving a variety of social and economic problems. For instance, Mr G. de Soyza, Permanent Secretary of the Ministry of Food and Co-operative Undertakings, Ceylon, said: "The significant point to remember about co-operation is that it affords the best means of interesting the people in their own welfare and thereby of harnessing

[1] "*The Development of the Co-operative Movement in Asia*" Studies and Reports, New Series, No. 19 (I.L.O. Geneva, 1949).

[2] Report of the Director-General: Asian Regional Conference of the I.L.O. Geneva, 1949.

their determination to economise endeavour and of ultimately converting individual effort into a national effort. Considered in this light, co-operation must be regarded as superior to State action in the economic field and, in many spheres, superior even to that form of State action known as nationalisation. There is also practically no limit to the possibilities of co-operation in economic activity, if the opportunities are not denied to it. In finance and insurance, in production, distribution, marketing, in hygiene and medical aid, in housing, in every case where there is improvement to be effected or wrong to be righted, co-operation can play a most useful part and play it in such a way that the benefits of economic effort will accrue only to those who have earned them and to none other." Refering to the prevalent fear and suspicion in the world today, he said, "But co-operators all over the world know that if there is one means of bringing about peace and understanding among nations it is the co-operative movement. Within national frontiers co-operation acknowledges no distinctions and outside national frontiers the co-operative movement is one." Mr. de Soyza described his Government's current policy in these words: "It was the example of what happened in food distribution during the war that suggested to our Government the great possibilities of co-operation in other fields of economic activity. The movement has now been integrated into the over-all Government plan of national development and through it the Government invites the collaboration of the people in developing schemes which it wishes to foster." Other speakers also spoke in the same strain.

It was, however, in a special committee of the conference that problems of the movement were most thoroughly examined. The committee consisted of 8 Government members and 4 members each of workers and employers, together with a number of substitute members and advisers. An expert from the I.L.O. assisted the committee. Following I.L.O. practice, each worker and employer member was given two votes in order to equalise the voting strength of the three groups.

Speakers from the different countries gave accounts of the co-operative movement in their countries and pointed out their most difficult problems and how they were being solved. An outstanding contribution to the general discussion in the committee was made by Monsieur Ramadier, the old French co-operator, who was until recently Prime Minister of his country. Analysing the problems of the movement in Asia, he pointed out that the basic difference between the co-operative movement in Asia and in Europe was that while in Europe it was created to remove the evils of an already existing economic system, in Asia the movement was called upon to *create* what was almost a new economic system for the countryside, whether in the field of supplying credit or in marketing and distribution. In Europe, except for certain outstanding examples, the initiative behind co-operative effort was hardly traceable to any particular agency or individual—it came from the people. In Asia, on the other hand, the initiative had to be taken deliberately by an outside agency, *viz.* the Government. He suggested that it was for organisations like the I.L.O. to see that Government initiative and control did not convert itself into domination.

The discussion in the committee, in which Government, workers' and employers' members all participated, showed a remarkable degree of agreement regarding the role of co-operation in economic development in Asia. The necessity of establishing and developing co-operatives of various types was unanimously emphasised, not only because of their economic value to the people, but also because of the training they afforded in the exercise of responsibility and of self-government. The particular scope for the application of co-operative techniques in increasing production, raising productivity and improving distribution was stressed. Attention was also drawn to the special requirements of improved training schemes for leaders and employees of co-operative societies. This was particularly important if co-operatives other than the traditional credit type were to develop.

The important role which workers' and employers' as well as other professional, educational and welfare organisations could play in co-operative promotion was underlined by some speakers. Others emphasised the need for securing the support of young persons and women in co-operative endeavour.

It was proposed by the workers' members of the committee that the I.L.O. should adopt a convention calling upon Asian Governments to give all financial and other assistance to the co-operative movement. The proposal was, however, withdrawn when it was pointed out that it was not the practice of the I. L. O. to adopt conventions applicable only to particular regions or groups of countries and that the principle had already found expression in a Recommendation adopted by it in 1944, *viz.* Recommendation (No. 70) concerning Minimum Standards of Social Policy in Dependent Territories.

The committee recommended to the conference the adoption of two resolutions, one concerning national action and the other concerning international action regarding the co-operative movement in Asian countries. These resolutions were unanimously adopted by the conference and are reproduced below.

In presenting the report of the committee, the reporter, Mr. A. de Castro, General Manager of the National Co-operatives and Small Business Corporation of the Philippines made an eloquent plea for co-operation. "I dare say", he said, "that the co-operative way of life, once rooted in our agriculture, industries and commerce, a vision of a more forceful democracy seasoned with social justice will be with us to stay for good, and that the days of strikes and sabotage and boycott will no longer be a familiar scene. The trouble of our world today is that the workers at times, and almost all the time, are just thinking of how much they can get from their employers and on the other hand the employers too—some if not all—are bent on extracting the maximum productivity out of every cent that is paid in the form of wages. If this is not changed, I venture to say that there will be no peace. What we want can be attained through converting or reforming our present economic systems into the co-operative way, forgetting altogether the other economic systems such as Fascism, Nazism, Socialism, unbridled Capitalism and Communism. There will be happiness in co-operation where employers and workers will see one another on the same level, discarding altogether the course of the inferiority and superiority complexes". Describing his government's policy he declared, "In our total economic mobilisation, co-operatives are not only given a prominent part but are the order of the day. We in the Philippines stick to our slogan, 'co-operate or evaporate'."

The two resolutions on Co-operation adopted by the conference cover a wide ground. The first recommends to the I.L.O. to provide practical assistance to Asian countries in their co-operative development programmes. A specific method suggested is to make available the advice and services of co-operative experts capable of such assistance. It also emphasises the need for periodic Asian regional meetings of officials and non-officials connected with co-operation. The second draws the attention of Asian countries to such important elements of co-operative policy and programme as the methods of co-operative education, training, research and promotion and the establishment of central co-operative organisations and advisory co-operative councils.

The implementation of these resolutions will call for an intensive and sustained effort on the part of the I. L. O. and the Asian countries. The I.L.O. will no doubt further intensify its technical advisory and informational services in the co-operative sphere. But it will be mainly for the countries themselves, the government, employer and worker representatives attending the Regional Conference, to see that the resolutions unanimously adopted by them are given due weight in their national policies and programmes. In the drawing up and execution of such programmes, the I.L.O. in collaboration with the other U. N. agencies will give all the assistance in its power.

TEXTS OF RESOLUTIONS ADOPTED

I. RESOLUTION ON INTERNATIONAL ACTION REGARDING THE CO-OPERATIVE MOVEMENT IN ASIAN COUNTRIES

Having regard to the expressed need of Asian countries for all available information on current experiences and achievements of the co-operative movement both within the Asian region and elsewhere, in order to assist them in evolving the most effective techniques to deal with their own problems of co-operative development ;

Having regard to the desirability of making concrete arrangements to meet this need on a broad international scale,

1. The Conference urges that persons holding responsible posts in the co-operative movements of Asian countries should be given facilities to enable them to visit other countries for theoretical or practical studies, or in order to attend congresses and other co-operative meetings.

2. The Conference recalls and endorses the recommendation of the Asian Regional Conference held at New Delhi in 1947, that periodical regional meetings should be held to provide officials of the co-operative departments as well as representatives of the co-operative organisations in Asian countries opportunities of pooling their experiences, comparing the results of their work and improving their methods, and of discussing and devising means of encouraging the establishment of direct trade relations between co-operative societies of Asian countries.

3. The Conference invites the Governing Body to appoint corresponding members of the Advisory Committee on Co-operation for each Asian country, in consultation with the central co-operative organisations and the Government co-operative Services in those countries.

4. The Conference invites the Governing Body to recommend the International Labour Office in consultation with the Advisory Committee on Co-operation to establish and maintain up-to-date a list of experts capable of assisting Asian Governments, on request, in the preparation and execution of their co-operative development programmes.

5. The Conference invites the Governing Body to instruct the International Labour Office to intensify its studies of different problems and forms of co-operation, in connection where appropriate with the work of the Advisory Committee on Co-operation, with a view to considering the special needs of Asian countries, and to ensure the widest possible dissemination of such studies in Asian countries in order to afford Government and other interested agencies practical support in their day-to-day task of promoting co-operative development.

6. The Conference furthermore invites the Governing Body to instruct the International Labour Office to provide all other assistance within its power to Asian countries in the preparation and execution of schemes for the development of the co-operative movement ; and to consider in consultation with other international organisations concerned, particularly F.A.O and U.N.S.C.O., the possibility of joint action towards the same end.

II. RESOLUTION ON NATIONAL ACTION REGARDING THE CO-OPERATIVE MOVEMENT IN ASIAN COUNTRIES

Having regard to the conditions in which the co-operative movement has developed in Asian countries during recent years, the important place attributed to the movement by the Governments of these countries in development planning, and their present policy of extending the scope of the co-operative movement so as to embrace every sector of the national economy, with particular reference to increasing production, raising productivity and improving distribution, in continuation of the efforts already made by them to further co-operative organisation among the peoples of their respective countries ;

Taking into account the manifold aspects of such an undertaking,

The Conference recalls and endorses the resolution on co-operation adopted by the Asian Regional Conference held at New Delhi in 1947 and desires to draw the attention of Asian Government to the following :

1. Co-operative legislation should ..be revised and general legislation applicable to the co-operative movement periodically examined...to ensure the...full development of the co-operative movement ..

2. Appropriate machinery such as advisory co-operative councils, which may include representatives of the Ministries or Government Departments concerned, the national or provincial legislatures, and the various co-operative organisations, should, if practicable, be set up in each country or province in order to facilitate consultation and concerted action

in regard to co-operative development, and should be supplemented... by...co-ordination between such institutions and other bodies interested ...in Co-operation.

3. It is desirable that co-operative research institutes should be set up and, where they already exist, they should be enabled to expand their activities, ... for making objective studies of new problems and of current co-operative experience, circulating widely the lessons of this experience, and providing the national or provincial co operative movements concerned with all the elements needed to fix an active co-operative policy.

4. Encouragement should be given to the establishment of federal or central co-operative bodies equipped with the necessary functions to to enable them to play a responsible part in the development of the co-operative movement.

5. ...Economic and other relations (should be fostered) between different types of co-operative organisations, for ... mutual assistance or satisfaction of complementary needs, e.g., in marketing, supply, credit, etc.

6. Adequate facilities should be provided (everywhere) for training officials of Co-operative Departments and employees of co-operative orgainsations.

7. This training should be organised by...co-operative organisations with the aid of the State, or by the State...with the participation of elected representatives of co-operative organisations.

8. The teaching of co-operation......should be introduced in public education, by providing lessons or courses in co-operation in the schools, by including co-operation in the training courses for teachers...and by the creation of co-operatives of school-children ..

9. Public opinion should be kept systematically informed of co-operative ideas and activities by all available means (such as the radio, the cinema and the theatre, supplemented by...the organisation of co-operative study, discussion and action groups among interested circles.

10. Participation in co-operative work, not only of men but of women, young people, ..and...of all elements contributing to the full development of the organisational capacity of the people should be encouraged.

11. Co-operative institutions should be associated ..with the extension of general education, and in particular of adult education, and .. employed as channels for the diffusion of technical knowledge in agriculture, handicrafts and cottage industries.

12. The development of the co-operative movement should,... be guided by a national plan, and in countries of a federal structure by provincial plans, co-ordinated to the highest possible degree, and framed in accordance with the proposals of the advisory co-operative councils in the light of data supplied by the co-operative research institutes.

SAVINGS DRIVE THROUGH CO-OPERATIVES IN BOMBAY

By

H. G. DOSHI, B.SC., G.D.C.A.,

Assistant Registrar of Co-operative Societies on Special Duty.

One of the objects of the Government of India in launching the savings drive in this country is to meet the *threat* of rise in prices as a result of inflation brought about by financing the war. Investment in National Savings Certificates is recommended, as it constitutes a safe and remunerative outlet for the excess purchasing power in the hands of the people, while offering at the same time certain advantages over other investments. The co-operative movement in this province has been fully alive to the necessity of playing its appropriate role in responding to the national call for savings. In August 1947, detailed instructions were issued by the Registrar of Co-operative Societies indicating broadly the lines on which co-operative machinery could be effectively harnessed for stimulating a savings drive.

Special attention was paid to the promotion of savings and investment habit in the rural areas. The object kept in view in putting across the plan to the rural population through the agency of co-operative institutions in this province has been threefold, *viz* : (i) to assist the Government of India in fighting inflation to some extent, (ii) to attract savings, so as to provide agriculturists, or artisans, with the resources necessary to enable them to withstand the effects of economic depression, which is likely to set in before long, and (iii) to augment the share capital and local deposits with the different co-operative institutions so as to make them less dependent on funds provided from outside and to quicken the pace of economic development of the country on the basis of economy, equality and stability. This process of mobilising the resources would, it is expected, improve the creditworthiness of the members, expand the field of services rendered through co-operative institutions and strengthen the fabric of co-operative structure. In fact the intention is that the agricultural credit and multipurpose societies in the rural areas, and the urban societies such as salary earners', factory workers' societies, etc., may function more as savings banks and thrift institutions than loan offices.

Widespread propaganda is an essential pre-requisite for popularising a scheme of this nature and accordingly the scheme provides for the appointment in each taluka of ad-hoc committees consisting of (i) the chairman of the supervising union, (ii) the taluka honorary organiser, (iii) member of the advisory committee attached to the branch or pay office of the central financing agency, and (iv) one or two other gentlemen interested in the development of the movement. The supervisor and the assistant district co-operative officer act as joint secretaries to the committee. The functions of such committees are to (i) use their influence for enlistment of regular depositors, (ii) to make propaganda by means of lectures, posters, etc., and (iii) to organise savings weeks and fortnights throughout the taluka.

The activities of taluka committees are co-ordinated by the district committee consisting of (1) the chairman of the central financing agency, (2) the district honorary organiser and (3) one or two social and influential co-operative workers, with the district co-operative officer as the secretary of the committee.

In order to attract deposits from rural and urban population to the co-operative movement the following methods are suggested for adoption: (1) opening of savings accounts with agricultural thrift and credit and multipurpose societies by the introduction of what are known as home safe deposits. A home safe deposit is a deposit made by a person in a box called the 'home safe' of any amount that he can conveniently spare and to pay such deposits into a society every month. Every such depositor is to be provided with a small box and lock at a cost of 4 annas. The key of the box is kept in the custody of a society and the box is opened by the secretary in the presence of the depositor or his agent and the contents verified and credited to depositor's savings deposit account. The rate of interest payable on such deposits has been left for local decision, but it is desirable that it should not exceed 2 per cent, except perhaps in tracts where prevailing rates of interest are particularly high. (2) acceptance of fixed deposits from either members or non-members, resident within the area of operation of a society for a period of not less than 6 months, by all agricultural thrift and credit and multipurpose societies.

The obvious advantages of such deposits are that the members would be contributing something on their account as the security for the loans they take. In order to ensure the steady flow of sufficient local fixed deposits into the societies, targets to be achieved by the societies are to be fixed each year according to the

number of members, their economic condition, and the nature of the season. The rate of interest on such deposits may ordinarily be 3 per cent, but the maximum should not exceed 3½ per cent under any circumstances. The byelaws of agricultural thrift and credit and multipurpose societies provide maximum individual limit for acceptance of savings deposits to the extent of Rs. 500, but no total limit has been provided. As it is considered necessary to provide such limits having regard to their working capital, the following maximum limits in respect of savings deposits to be accepted by each society are laid down:—

Working capital of the Society.	Maximum Limit.	Maximum deposit per account.
Less than Rs. 5,000	Rs. 750	Rs. 40
Between Rs. 5,000 & Rs. 10,000	Rs. 1,500	Rs. 75
Between Rs. 10,000 & Rs. 20,000	Rs. 3,000	Rs. 150
Between Rs. 20,000 & Rs. 50,000	Rs. 6,000	Rs. 300
More than Rs. 50,000	Rs. 7,000	Rs. 750

These limits are merely for guidance and are not intended to apply to each tract rigidly irrespective of the financial condition of societies.

A drive for acceptance of deposits necessitates maintenance of fluid resources so as to ensure arrangements for repayment of deposits on maturity. Provision for fluid resources in respect of *fixed* deposits held by members is not quite necessary, as the dates of maturity of the deposits can be so fixed as to secure timely repayment of the deposits. But as they were also advised to accept non-members' deposits it was considered necessary to make provision for fluid resources, in addition to that required in the case of savings deposits. In the case of fixed deposits from members and non-members falling due within the next 6 months, it should be seen that 30 per cent of such aggregate deposits is maintained.

Societies should usually arrange to obtain overdrafts or cash credits against the security of deposits made with central financing agencies, if the fluid resource is held in this form, and in case where such accommodation falls short of requirements, they should further arrange to get fluid resource credit sufficient in amount to meet the repayment of deposits on maturity.

Societies are advised to see that the central financing agencies, while granting accommodation against deposits, do not charge interest in excess of 1 per cent over the rate of interest allowed on the deposits kept with them. In the case of gilt-edged security offered for such arrangement, the central financing agencies may not charge more than ½ to 1 per cent, above the bank rate. Further for the guarantee, which a central financing agency might give for keeping funds ready for the use of a society, it may charge a reasonable special commission instead of applying half interest or quarter interest clause, as is usually done in the case of cash credit and overdraft arrangement. For accommodation actually made available against general assets, the usual lending rate may be allowed to be charged. Societies should further request the central financing agency to give a preferential rate of interest on deposits kept with it and accord priority in accepting deposits from them in preference to other outside individual depositors.

In case of societies, which obtain any portion of the working capital from non-members' and members' deposits, 30 per cent cover of such deposits should preferably be maintained outside their business. In case of societies of less than 5 years' standing or those that make loans by borrowing loans from central financing agencies, no layout of their assets need be made. In case of societies working mainly on members' deposits and owned funds, they may utilise up to 70 per cent of their working capital in loans to their members and invest the other 30 per cent in the business elsewhere than in societies, as provided in section 37 of the Bombay Co-operative Societies Act.

This scheme has now been in operation for two years. The agricultural thrift and credit and multipurpose societies with the active assistance of the central financing agencies are yet to play a fuller role in intensifying the scheme. The results so far achieved, however, warrant the hope that the scheme has great potentiality in future. The share capital during the year 1947-48, so far as rural societies are concerned, increased from Rs. 63.82 lakhs to Rs. 80.42 lakhs, while the members' and non-members' deposits increased from Rs. 43.19 lakhs to Rs. 44.95 lakhs. The total increase in the share capital and members' and non-members' deposits amounted to Rs. 18.36 lakhs, which is an indication of the agriculturists' response to the small savings drive. The increase in the share capital and the members' and non-members' deposits (other than the deposits in banks) of urban societies which amounted to Rs. 154.90 lakhs for the year 1947-48 could also be attributed to the savings effected by the urban classes of moderate means. The increase in owned resources of the co-operative

movement amounts to approximately a rupee per capita of the province in a year Corresponding figures for the year 1948-49 have not been compiled for all districts. Estimated figures, however, indicate that during the year, the share capital has recorded an increase of Rs. 28.82 lakhs, while the members' and non-members' deposits have increased by Rs. 16.57 lakhs—a total increase of Rs. 45.79 lakhs, against an increase of Rs. 18.36 lakhs in the previous year.

The societies have been advised to invest the deposits in National Savings Certificates, if they are in excess of their requirements. It would, however, be noted that there have been some handicaps in popularising the National Savings Certificates, *viz*., (1) Co-operative societies themselves in their corporate capacity cannot be appointed as authorised agents under the rules governing these certificates, (2) The maximum limit fixed for investments in National Savings Certificates is also restricted.

As regards (1), the system of authorised agent has been discontinued since 1st June 1948, but the Government of India is considering the question of its re-introduction. If authorised agents are going to be appointed, it would be desirable to appoint the secretary of a well managed society or a supervisor of the supervising union, as an authorised agent for the local area, who would be entitled to a commission of 2½ per cent on the invested amount. Half of this commission earned in the business could remain with the office-bearer appointed as authorised agent; the remaining half may be given to the society on whose behalf the certificates are purchased. As regards the commission earned on business done with individuals (other than societies) half of the commission should be credited to the society or to the union of which the authorised agent is the employee. This would encourage the office-bearers and even members of co-operative societies to participate actively in the scheme.

If co-operative societies in the countryside stimulate savings drive, the savings pooled can be directly utilised in promoting the various schemes of local development, obviating the wasteful method of pooling surplus resources at the centre and then diverting them to the requirements of the local units. This would inspire confidence to an ever-widening investing public and help extend the movement for the benefit of all people.

RURAL SAVINGS AND CO-OPERATION

BY

G. D. AGRAWAL, M.A., B.SC. (Ag.)
Govt. Agricultural College, Kanpur.

Large funds are needed for financing the numerous capital projects and a number of welfare schemes undertaken by the Central and State Governments. The response to Government loans has been poor. The Government of India have, therefore, appointed a Rural Banking Enquiry Committee for investigating the possibilities of the extension of banking facilities in rural areas, mainly with the object of tapping rural savings. The Indian Co-operative Union in their memorandum to this Committee asserts that 'rural banking is almost synonimous with co-operative banking.' It should, therefore, be the exclusive concern of the co-operative movement. The other side of the picture is that the movement, inspite of having enjoyed banking monopoly in rural areas under considerable State patronage for the last 45 years, has not succeeded much in developing rural banking, particularly in attracting rural savings. This task should, therefore, be entrusted to some other organisation. This note surveys briefly the role of the co-operative movement in tapping rural savings, the causes of its failure and suggests a course of action for the future.

Progress of Rural Savings:—The loans and deposits held by the primary agricultural co-operative societies in India in 1946-47 were Rs. 2.4 crores from members and Rs. 2.16 crores from non-members. The average amount of deposits and loans accumulated during the course of 43 years both from members and non-members was only Rs. 390·8 per society. The average amount of deposits and loans and owned capital per member was only Rs. 4.3 and Rs. 25·5 respectively. On an assumption that non-members represent the rural population, the deposits and loans held from them come to less than half a rupee per family. Judged by these figures, the success of co-operative banking in tapping rural savings is nothing but poor.

Causes of Failure:—As early as 1895, Sir F. Nicholson, who may be called the founder of the movement in India, laid great stress on encouraging thrift among the members of a village co-operative. He stated: "credit, to be safe and sanative, must be preceded by thrift; not merely in the sense that the capital to

be lent must first be saved, but that it is the man who saves, who is the man that ought to get and can use credit. One great cause of individual unthrift is the absence of facilities for thrift, of places for the due and productive custody of savings; if these are provided at each man's door, saving will take the place of expenditure, productive deposit that of idle hoarding. Hence the village savings bank is the primary desideratum of Indian rural banking, and every effort must be made to place facilities for saving in every village. ....The central recommendation of this report is not the mere establishment of credit banks, as though banking credit, as opposed to that of the moneylender, were, *per-se*, a relief from and preventive of indebtedness; it recommends rather the promotion by every possible means of facilities for rural thrift and providence." *

The emphasis laid by him on the encouragement of thrift was, however, not translated into actual practice. The high co-operative ideal remained more or less confined to theory and the activities centred round the supply of loans to members quite against the spirit of the recommendation of Sir Nicholson. Lack of adequate attention to the encouragement of thrift, simultaneously with the organisation of agricultural credit service, is one of the causes for the slow progress of the co-operative movement in India. Several factors, connected mostly with the organisational aspect of the co-operative societies, are responsible for lack of facilities for the safe custody of rural savings in them. It is a well known fact that the societies, in most cases, are not organised on the basis of a regular working office. There is no fixed place or building for their office. As remarked by Mr. Subba Rao, the very existence of a society is not known in some places except when a supervising authority turns up. The societies have always faced paucity of educated persons for honorary work. Facilities for the safe custody of cash are also not available in villages. The principle of unlimited liability and the objection against the well-to-do persons joining the societies are responsible for keeping away from the membership persons of status who have comparatively more education, better business sense and enough means for providing security for keeping the cash balance of the society with themselves. The supervisor who ordinarily has to supervise the work of 20 to 25 societies is in many cases supposed to maintain the accounts also. Large number of small deposits would present difficulties in calculating the interest and maintenance of accounts.

* Report regarding the Possibility of Introducing Land and Agricultural Banks in the Madras Presidency by F. A. Nicholson, 1895. pp. 16-17.

Lack of surplus income with the majority of agriculturists is argued as a reason for relatively little heed paid to facilities for the safe custody of rural savings in primary societies. In my opinion, the deficit character of Indian agriculture has been over emphasised by co-operators as a cause for very little accumulation of rural deposits in well over four decades. If the argument is carried to its logical conclusion, any drive for rural savings or even the attempt of credit support to the agriculturist is doomed to failure as it is ultimately the surplus income from which the deposits can flow or the interest charges on loans can be paid. It is true that Indian agricultural economy is a deficit one but it is also true that despite the limitations imposed by it, the agriculturist continues his farming and manages to pay an exorbitantly high rate of interest to the moneylender besides suffering exploitation by other agencies. It is clear that there exists enough scope for savings drive in rural areas, not as a temporary phase of the activities of the movement in periods of high agricultural prices, but on a permanent basis as part of the policy for the encouragement of thrift among the rural population. Therefore, the question whether high prices have led to rural prosperity and superior large savings is not so vital to this discussion. Moreover, various Government measures, *e.g.*, land reform acts, village panchayats, multipurpose co-operatives, river valley projects, provision of irrigation facilities and other schemes of agricultural and marketing improvements are likely to raise the gross and net earnings in farming, make agriculture less dependent on rains and thereby increase the regularity of earnings, stop the exploitation of the agriculturist by landlord, moneylender and petty official and reduce expenses on litigation. All this will go a long way in changing the deficit character of our agricultural economy.

Future Policy:—Increase in the number of commercial banks and their branches will take time; their offices will mostly be confined to tahsil headquarters or towns. The volume of banking business in the villages would not be sufficient to justify the opening of their branches there nor would the income be enough to meet their operating costs in interior areas. The same will be true of any State agency to be organised *de novo* for banking in rural areas. The village co-operatives would, therefore, prove the most economical and convenient organisation for the rural savings drive on a voluntary basis. Any scheme of compulsory savings in rural areas will, of course, have to be entrusted to some governmental agency *e.g.*, the Revenue Department.

To-day, conditions for improving the working of the primary societies are more favourable. Some of the organisational defects of the co-operatives, referred to before, are already being tackled by a more realistic outlook of the co-operators. The principle of unlimited liability is being given up. No objection is raised to rich persons joining the movement. The idea of multipurpose co-operative has been accepted. Every village or a group of two or three villages is employing a paid educated worker as the secretary of the village panchayat. His services can be availed of by the village co-operative as well for appointment as its secretary. The difficulties about the proper maintenance of accounts and about the working of the society on a regular office basis can thus be overcome. In Uttar Pradesh (the United Provinces) the secretary of a village panchayat is paid Rs. 50 per month. He is in a position to deposit some security for handling cash. This would enable the village co-operative to maintain some limited amount of cash under his charge. Arrangements can be made with tahsil treasuries or with the branches of central and provincial co-operative banks, whichever be within easy approach, for the safe custody of the excess amount over the fixed limit of cash balance allowed to the primary co-operative and for advances when required for payment to deposit-holders.

It is essential to provide facilities in the village societies for savings deposits also in addition to time deposits. The psychological value of the savings deposits is considerable as the depositor has the satisfaction that he can get back his money any time he wants. In actual practice the withdrawal from the savings account would not be too frequent. The facilities for savings deposits would prove very helpful in developing banking habits among the rural population. If the State guarantees the principal of the savings deposits and interest thereon, it would ensure much larger success to the savings movement. The investment of rural savings obtained through the co-operatives in excess of that required by them should be assured by the State at the rates at which Postal Savings Bank funds are invested. This will free the co-operatives of the worry of finding suitable investment for the funds in excess of their needs. In case the State extends these facilities to the co-operatives for the encouragement of savings drive, it is presumed, the co-operatives will have to submit to State control in so far as it is considered desirable for the safety of funds.

TAPPING RURAL SAVINGS

By

N. SATYANARAYANA

President, Alamuru Co-operative Rural Bank, Ltd.
(East Godavari District. Madras.)

As a result of the rise in prices of produce during and after the war, landlords who own 25 acres and above are able to save, even after meeting the higher cost of living. Most of the landholders sell their produce at higher than controlled prices. It is only a few people that voluntarily surrender their surplus to the procuring agents. The big landlords evade the procuring agents and influence authority and sell away all their surplus paddy by back-door methods. Some of them have frittered away the surplus income by purchasing lands, gold and silver at very high prices. A few have contracted debts in this period of boom prices. They will suffer if there is a crash in prices.

Only ten per cent of the agriculturists may be said to be big. Agriculturists with less than ten acres of land are again falling into debt owing to the rise in the cost of living and rise in prices of agricultural implements and other materials, which they have to purchase in black markets. Persons who own 20 to 25 acres of land are just able to cope with the high cost of living. We should not forget that during recent years Andhra districts have been affected by cyclones, floods or drought, the cumulative effects of which have wiped off savings in many cases.

Agricultural labourers, masons and other artisans are able to earn more and lay by savings. They are able to spend more money on their food, clothing and housing. There is a substantial rise in their standard of living. Money, wasted hitherto on drink, is now saved owing to the introduction of Prohibition. The labourers now attend cinemas and a few go in for jewellery of gold and silver and many purchase decent clothes. It is the general feeling that their position is better than that of persons belonging to the lower strata of absentee landlords or owner-cultivators or tenants. Their wages have gone up. Their wants are still limited and some goods are not obtainable in the market, even if they want them and are prepared to pay.

The Alamuru Co-operative Rural Bank has promoted thrift among smaller cultivators and agricultural labourers by the sale of thrift labels, ranging from one anna to one rupee. Three agents with

cycles are employed to collect the savings by meeting those poorer members mostly Harijans, in their own quarters daily both morning and evening. These people now earn Rs. 1-8 to Rs. 2 per day for 6 to 8 months in the year. Part of this is tapped, rather easily after Prohibition. During this half year, the Bank collected a sum of Rs. 50,000 by the sale of thrift labels. This has helped to wipe off some old debts and leave enough for food and clothing.

There are no proper facilities at present for depositing the savings of the people in rural areas in commercial banks or co-operative banks. Commercial banks have their headquarters in cities and their branches in towns or market centres. They are not accessible to most of the rural people and agriculturists. Generally merchants and traders resort to these commercial banks, more for borrowing rather than for depositing. Co-operative central banks are established in district headquarters. They have no direct dealing with the rural population, except by way of lending through village credit societies. In urban areas, urban banks are started with jurisdiction over one town only and townsmen who can save generally deposit their savings in these banks. Rural people have no contact with these urban banks.

Very few rural credit societies accept deposits. The primary co-operative credit societies are started in villages, mainly with a view to obtain loans in the agricultural season to the ryots. There is no provision for advances on gold and silver in the by-laws of these societies. Some village societies grant loans on pledge of produce, some societies have provision for deposits; but very few collect deposits with earnestness. These societies have not created confidence among the rural population for investing their savings. The commercial banks have not extended their banking facilities as yet in rural areas and it is vain to expect these commercial banks to extend their operations to the villages, as it is not economical for them to do so. But there is immense scope for the development of rural banking through co-operative societies. The present type of co-operative societies on unlimited liability basis, with one society for one village, is not suitable for banking business. The present societies are mere loan offices for agriculturists for supply of cheap credit for seasonal operations. There is no trained staff to operate all banking business in these small village societies. Hence they are not fit for banking purposes.

Special types of co-operative societies must be started to develop all branches of banking in rural areas. Such an experiment is tried in the Madras Province in two rural centres, one at Alamuru in the East Godavary district and the other at Pasivedala in the West Godavary district. Rural banks were started in these two centres, each for a group of villages, on limited liability basis, with multipurpose objects. Though not specially favoured by the Government, they are carrying on banking and other business with efficiency.

The Alamuru Bank has been receiving deposits of various kinds in spite of, (perhaps because of) its limited liability, looked down upon by orthodox co operators. Its area of operations is limited to 12 villages within a radius of 5 miles of Alamuru. It has fixed deposits now to the tune of Rs. 5 lakhs, from members and non-members. Long-term deposits are for five years; short-term deposits are for one year. It is paying 3 per cent, 3½ per cent and 4 per cent on deposits for one year, two years and three years respectively. Advances are given on pledge of produce, standing crops, gold, mortgage of lands and on surety and joint loans. It transfers funds, by opening current accounts at Madras, Bezwada, Rajahmundry and Ramachandrapuram. It honours hundies, cheques, drafts and bills. It is keeping safe custody of gold and jewels and documents in its safe room.

The Alamuru Co-operative Rural Bank's transactions amount to nearly Rs. 20,000,00. It conducts all kinds of banking business as it is able to maintain paid staff with a paid Secretary, who is a graduate and trained in banking in a Co-operative Institute. It has successfully extended loan business even to the labourers, who repay the loans out of their daily savings. If rural banks are organised on Alamuru model, throughout the country, it is easy to develop banking business and tap savings in rural areas.

The Alamuru Co-operative Rural Bank Ltd., Alamuru.

Year.		Fixed Deposits from members and non-members	Sale of Thrift Labels
		Rs.	Rs.
1937-38	—	10,240	115
1939-40	—	20,855	1,459
1941-42	—	35,042	5,224
1943-44	—	1,11,445	6,969
1945-46	—	1,84,485	5,936
1947-48	—	3,41,030	32,411
1948-49	—	3,74,890	44,044

SCOPE OF RURAL BANKING IN BIHAR

BY

A. B. N. SINHA,

Submitted to the Rural Banking Enquiry Committee on behalf of the Bihar Co-operative Federation.

In any scheme of rural banking the principle that co-operative societies, wherever they exist, should be utilised for extension of such facilities should have been recognised instead of the query in the Questionnaire as to whether commercial banks also should be tried in this connection. I maintain that the only thing to be considered now is how to tune co-operation to rural banking and what assistance should be rendered by Government to this end.

Rural Savings:—A statement on this issue can be based on surmise alone, since there has been no economic survey of late. The sudden rise in the price of grains did certainly put more money into the hands of the agriculturists. To that extent the rural population can be said to have acquired higher purchasing power in recent years. In the beginning this higher income was utilised in repaying debts and in purchase of agricultural lands. The repayments of the debts of co-operative societies in 1945, 1946 and 1947 may be regarded as an index of greater income, so far as the rural population is concened. But the rise in the prices of other necessaries of life considerably diminished the amount of savings and the stage has now reached when the net gain to the agriculturist by the rise in price of grains has become nil.

So far as the vast majority of the rural population is concerned, it can still be said of them that they are born in debt, live in debt and bequeath the debt to their heirs. If an economic enquiry were to be held now, it might show a slight reduction in the total indebtedness of the province. The savings on account of the rise in prices of produce can be said to be more in the case of big landlords and large cultivators of land. The field labourers who are being paid in kind find their income considerably increased. Other labourers have also raised their wages and are comparatively speaking in a better position. The lower middle classes seem to be rather hard hit.

I should think the savings are distributed all over the rural area, specially in areas where there is large scale cultivation, as Champaran, Darbhanga and Purnea districts in particular. There is a tendency to invest the savings in land, ornaments and trade.

Quite a number of village people have begun to own small factories or shops and in that way to invest in business. There is on the other hand, the danger of a slump setting in, as it did last time, and the State should take steps so that the fall in prices may be by gradual degrees.

Deposit facilities at present:—The co-operative banks are receiving deposits from the rural population, but there seems to be an apathy to depositing in co-operative societies. The reason is obviously the unimaginative policy followed by the Co-operative Department in Bihar at one time. When the loans of village societies became overdue, the departmental officers got hold of moneyed people in the rural area and attached their deposits or even property for realising dues from defaulting members.

This of course was done as the liability of every member was unlimited. But the unsympathetic way in which this rare power was availed of soon scared away all people with money from the co-operative societies. The commercial banks are now doing flourishing business, receiving deposits, advancing against gold and silver and against produce. Then there are the post offices, whose savings bank deposits are growing in the rural area. With a little of imagination and some true sympathy with the movement, the village co-operative societies could serve the purpose now served by commercial banks and the post offices in the rural areas. For safe deposits, there are vaults in the Imperial Bank of India and the Bank of Bihar. I am of opinion that the Bihar Provincial Co-operative Bank at least should have such vaults and lockers.

Extension of facilities:—I think there is great scope for extension of co-operative banking in rural areas. The co-operative societies should be so constituted as to (a) receive deposits from the village people, (b) make advances for improvement of agriculture and for starting of cottage industries within the area, (c) arrange for transfer of money from that area or for getting money from other areas, and (d) advance loans for unproductive purposes on the security of valuables. The village societies even now are advancing loans and receiving deposits. But if an area should be developed intensively, it would be desirable to invest the local deposits in industrial developments. We require cottage industries for wider development of the rural areas and the money required can be easily raised locally through co-operative societies under Government guarantee. It would be necessary to do away with

unlimited liability altogether at least in the beginning, in order to attract deposits. In commercial banking there is the danger of the capital being diverted to other areas and even other provinces. Nor can commercial banking command that much of local confidences that the co-operative society can.

If illiteracy does not stand in the way of the rural population investing their savings in post office, I do not think there need be any difficulty in withdrawing this facility from the post office and in concentrating all these deposits in co-operative institutions. As at present the societies and central banks generally receive only fixed deposits. I am of opinion that savings bank facilities should be immediately granted by co-operative institutions at the bottom. I do not believe there is any considerable conservatism and unwillingness on the part of village people to deposit their savings. The difficulties to my mind are two, (1) the difficulty in getting back the money when wanted and (2) the impression that banks go into liquidation at the convenience of the chief workers. Then there is the low rate of interest that the societies are able to offer. The reason for this is that the societies have to deposit their money in the central bank or the Bihar Provincial Co-operative Bank. If the funds of the societies could be invested in local industries, a higher rate of interest would be earned, the benefit of which could be passed on to the local investors.

In order to enable the rural societies to successfully carry out banking business, it would be necessary to subsidise them for the first five years. The Bihar Provincial Co-operative Bank could be induced to take up the work of banking in the rural areas, just as it has taken up the work of distribution of manure. The working cost would not be high, if the calculation is made in one place for all the societies of that type the loss in one being met by gain in another. Anyway it would be best to guarantee against any loss to which the Bihar Provincial Co-operative Bank may be put on that account.

The Bihar Co-operative Societies Act will have to be suitably amended to make it possible for the co-operative societies to work as so many banking concerns.

The co-operative movement holds out the only hope of the salvation of the village people and is the only safeguard against capitalism and exploitation by private dealers. I am not disappointed at the progress of the movement during recent years, but I feel the State could have done better than what it has done. I am absolutely opposed to the introduction of any system of banking other than co-operative banking in the rural areas. I would even suggest that all trade and industries in the rural area should be on co-operative lines and individual industrialists and traders should work only in very exceptional circumstances.

I am of opinion that the co-operative societies, where these exist, should be made to work as local rural banks and where there are no such societies, the Bihar Provincial Co-operative Bank should arrange to open branches to transact such business. As at present the Bihar Provincial Co-operative Bank has no branches. It would be necessary for it to have a large number of branches to manage the business. In such branches, it would be well to associate local representative committees. I would withdraw the savings bank deposit work from post offices in the rural areas altogether. Except at the four Divisional headquarters of Patna, Bhagalpur, Muzaffarpur and Ranchi. I would expect the co-operative banks to take over from the Imperial Bank of India, all banking business, specially those appertaining to the local administration.

My view being that the co-operative banks and societies should take over the banking business, I would expect the Bihar Provincial Co-operative Bank to meet the cost of all the branches. The concessions now allowed by Government and the Reserve Bank of India may be extended to the Bihar Provincial Co-operative Bank. In addition I would expect the local Government to pay ıor the establishment charges on this account for five years, after which I expect these societies and branches to be self-supporting

The Bihar Provincial Co-operative Bank did certainly receive all the assistance necessary to rehabilitate the movement in this province. Government have further agreed to recoup all the losses incurred by the Bihar Provincial Co-operative Bank for a period of ten years from 1941.

I consider that the co-operative movement through the apex bank should be given all the cash accommodation necessary to enable it to do the trade and banking business on an all province scale. The cost of inspection, and of running the societies that undertake banking and trade business should be met by Government for a period of five years. Besides for investment in cottage industries in the rural area, State loan on nominal rate of interest should be made available to the Bihar Provincial Co-operative Bank which should further be insured against any losses on that account.

Government cash work should be handled by co-operative banks all over the province except at the four divisional headquarters. The concessions granted to the Imperial Bank be given to the Bihar Provincial Co-operative Bank, for it to discharge the functions efficiently.

Government should cease to manage directly any cash work, which should be entrusted entirely to co-operative banks. The grant of loans to agriculturists should always be through co-operative banks and all assistance to industries should be through co-operative banks. In places where there is no co-operative bank coming up to the required standard, the Bihar Provincial Co-operative Bank should open branches.

Treasury Business:—I would stick to the virtual monopoly system, but it should be co-operative banks which should do the business. The Government supervision and the facility in the shape of armed guard at treasuries and sub-treasuries may continue, but the handling of cash should be done by co-operative banks. Of course, necessary rules of business will have to be framed, and these can be done, if the principle is conceded.

The Bihar Provincial Co-operative Bank is the most suitable agency for the management of treasury business, either through selected central banks or its own branches. Of course the Provincial Bank will have to be given other statutory powers than those given to it by the Bihar Co-operative Societies Act, if its supervision and inspection are to be effective. No commercial bank should be brought into the picture.

The Bihar Provincial Co-operative Bank did only banking business till 1944, when Credit Agricole work was entrusted to it. And it has risen to the occasion. Again cloth and salt business has been undertaken by it, without any detriment to its normal activities. It would be quite capable of managing the entire treasury business, by suitable additions to its office and field staff.

I would leave the selection of central banks for the purpose to the Bihar Provincial Co-operative Bank, which alone shall be responsible to Government for good management. It is already under Government control and supervision which may continue for a temporary period. As soon as a system is devised whereby effective control becomes possible, the Provincial Bank may be made over to non-official control as before, subject to certain safeguards. Since we are retaining the Imperial Bank of India at the four divisional headquarters in Bihar, the question of inter-provincial clearing etc. could well be entrusted to it.

RURAL CREDIT SOCIETIES IN ORISSA

BY

J. MAHAPATRA, M.A., I.A.S.
Registrar of Co-operative Societies, Orissa.

From the view point of development of co-operative activities the Province of Orissa may be divided into 3 parts namely (1) the North Orissa districts that originally formed a part of the late province of Bengal including Bihar and Orissa; (2) the South Orissa districts which came from the Province of Madras and (3) the ex-State areas which merged with the province as late as in 1948-49.

In North Orissa the co-operative credit movement was initiated as early as in 1903, even before the passing of the first Co-operative Credit Societies Act in 1904; A co-operative society was opened in 1903 in Banki Sub-Division as a result of an advance of Rs. 1,000 given by the Bengal Board of Revenues. This was followed by a society at Nimapara and 3 more societies in the Khurda Sub-Division with a Government loan of Rs. 1,250. The Dompara Wards Estate encouraged the movement, and by 1910 there came to be as many as 16 societies in that area, with the result that in the same year a Banking Union was started at Banki. In Khurda too 21 societies were formed by 1911. The Khurda central Co-operative Bank was started in 1912. By 1912 when the Province of Bihar and Orissa was separated from Bengal there were 2 central banks and 82 societies in North Orissa with a membership of 3,182 and working-capital of Rs. 2.78 lakhs. By 1920 the number of societies in North Orissa had risen to 641 with a membership of 12,650 with 10 central co-operative banks. Their total working capital was Rs. 16.61 lakhs. The societies altogether had by then accumulated reserve funds to the extent of Rs. 1.43 lakhs.

In South Orissa the first co-operative society started was the Berhampur Urban Bank in the year 1906 but there was no appreciable expansion till 1915-16, when the number of societies was only 19. In the year 1913 a co-operative society was for the first time started at Aska. These societies were financed by the Madras Co-operative Urban Bank. The Ganjam District Co-operative Central Bank was formed in 1916, when these societies got affiliated to it for purpose of finance. For local reasons another central bank was formed at Aska in 1918 to finance societies in Ghumsur division. By the end of the year 1920 the number of

central banks had risen to 3 with 185 societies affiliated to them and with total working capital of Rs. 6.83 lakhs. The membership of all types of societies was 9,264.

After 1921 there was a rise in prices of agricultural commodities and of land and this had an effect of generally increasing the borrowing capacity of agriculturists. Further, there was a free flow into co-operative banks of middle class capital seeking investment. The result was that by 1936-37 the total number of societies of all kinds in North Orissa had risen to 2,137 with a membership of 71,341 with 13 central co-operative banks and a working capital of Rs. 98.21 lakhs. The reserve fund had swelled to Rs. 11.05 lakhs. In South Orissa the number of societies had risen to 522 with individual membership of 20,921 with 2 central banks and with total working capital of Rs. 30.23 lakhs. The reserve fund amounted to Rs. 2.32 lakhs.

In 1936 the Province of Orissa was formed and that very year provincial autonomy was introduced in all British Indian provinces and co-operation became a provincial subject. By that time, the total number of societies in the province was 2,679, of which 2,434 societies were of the agricultural primary credit type, with a membership of 89,897. The remainder consisted of 15 central banks, 36 non-agricultural-credit societies, 10 purchase and sale societies, 66 production and sale societies and 60 miscellaneous societies. The 2,436 credit societies in 1937 had a working capital of Rs. 56.77 lakhs, of which Rs. 41.26 lakhs had been lent out by the central banks and the balance was made up of share capital of Rs. 4 7 lakhs, reserve and other funds of Rs. 8.8 lakhs and deposits of Rs. 2.01 lakhs.

The movement suffered on account of the effects of the world Depression. In South Orissa, however, as a result of the cautious financing and rigorous collection that had been inherited from the old Madras system, the effects of Depression were not so much marked. The movement in North Orissa right from the Bengal days was more idealistic than commercial and to that extent rigorous collection was always looked upon with contempt. In the result there were many cases of fraud and in many cases outstanding overdues had to be written off. In 1939-40, a thorough enquiry was held with a view to rehabilitate the movement as a result of which many of the old loans had to be settled, large remissions had to be given in cases of many of the overdue loans and the system of financing was made more cautious. A normal credit statement of the members was insisted upon before any finance could be advanced and in all cases where the loans exceeded a certain monetary limit, collateral security was always demanded. The theory of full finance was abandoned in preference to a theory of controlled credit. Since then the movement in Orissa has been slowly reviving. By 1945-46 the number of credit societies in Orissa had risen to 2,836 with a total membership of 1,12,407 and with a total working capital of Rs. 64.7 lakhs. The year 1948 saw merger of some State areas with Orissa. In the States that merged with the province, the co-operative movement scarcely existed except for a show in the more important of them.

The co-operative movement has been meanwhile given a new fillip as will be clear from the following table :—

Year		No. of societies	No. of members (in thousands)	Working capital (in lakhs of Rs.)
1945-46	...	2,836	112	64
1946-47	...	2,875	117	71
1947-48	...	2,868	121	80
1948-49	...	3,644	156	104

This continuous expansion is not only true of all the rural credit societies taken together, but even if we compare the different types of credit societies in existence in Orissa, the improvement can be noticed in all of them. There are usually 3 types of credit societies working in the province. They are (1) agricultural credit societies, (2) grain-golas *i.e.*, credit societies giving loan in the shape of paddy and (3) non-agricultural credit societies. The following tables will illustrate their position :—

(1) Agricultural Credit Societies

Year.		No. of societies.	No. of members.	Working capital. (in lakhs of rupees)
1945-46	...	2,680	96,250	43.85
1946-47	...	2,715	99,107	46.18
1947-48	...	2,708	1,01,994	51.19
1948-49	...	3,454	1,33,246	68.66

(2) Growth of Grain Gola Societies

Year.		No. of Societies.	No. of members.	Loans advanced. In lakhs of rupees.	Value of paddy collected. In lakhs of rupees.	Working capital. In lakhs of rupees.
1945-46	...	44	12,863	0.26	0.25	2.8
1946-47	...	47	13,268	0.34	0.27	2.1
1947-48	...	48	13,433	0.26	0.28	2.06
1948-49	...	172	24,704	3.48	2.9	7.9

(3) Non-agricultural Credit Societies.

Year.		No. of societies.	No. of members	working capital (in lakhs of rupees)
1945-46	...	156	16,157	20.88
1946-47	...	160	18,454	24.74
1947-48	...	160	19,370	28.51
1948-49	...	190	23,161	35.14

As far as rural credit societies of unlimited liability type are concerned, not only the number of members and the working capital but also the paid-up share capital, reserve and other funds and deposits—all have shown improvement as will be clear from the following table :—

Particulars.	As on 30-6-47. Rs. in lakhs.	As on 30-6-48. Rs. in lakhs.	As on 30-6-49. Rs. in lakhs.
Paid-up share-capital ...	5.01	5.49	7.21
Reserve and other funds...	11.59	11.82	17.15
Deposits ...	0.78	0.64	0.84

Close attention is also being given to the question of recoveries. During the last 3 years there has been a gradual decline in the percentage of overdues Improvement has been more marked in the year 1948-49 than in the previous years as will be clear from the following table :—

Year.		Demand.		Collection.		Overdue.		Percentage of overdue.	
		Figures In lakhs of Rupees.							
		Prl.	Int.	Prl.	Int.	Prl.	Int.	Prl.	Int.
1946-47	...	32.78	8.30	14.52	2.52	12.25	6.72	55.6	69.5
1947-48	...	34.12	8.36	15.54	2.75	18.59	6.11	54.4	69.0
1948-49	...	45.76	11.25	25.72	4.82	20.08	6.42	42.8	57.0

The total assets and liabilities of these societies have also shown considerable improvement. Uptill the year 1947-48, the agricultural credit societies in North Orissa taken together were showing a deficit balance of liabilities over assets. For the first time last year the consolidated balance-sheet of all agricultural credit societies in North Orissa has shown a distinct profit of Rs. 0.82 lakhs. In the case of South Orissa, where the rural credit societies were showing a surplus balance-sheet for some time, the net profits have risen from Rs. 0.9 lakhs in 1947-48 to Rs. 1.5 lakhs in 1948-49.

As regards grain-golas that lend out paddy, the number has risen from 48 in 1947-48 to 172 in 1948-49. The membership of these societies has increased from 13,433 to 24,704 and their working capital from Rs. 2 lakhs to Rs. 7 lakhs.

The extent to which rural credit societies have been able to attract rural savings in the shape of deposits will be illustrated from the following table:

Total deposits received

Year.		Rs. in lakhs.	Year.		Rs. in lakhs.
1939-40	...	4 2	1944-45	...	29.6
1940-41	...	5.4	1945-46	...	31.7
1941-42	...	5.6	1946-47	...	51.1
1942-43	...	5 6	1947-48	...	102.5
1943-44	...	8 7	1948-49	...	107.4

From the above it is clear that slowly and steadily popular confidence in the co-operative movement is improving. But it cannot be said that people have fully understood the benefits of saving inside the movement. To achieve the desired object in view far more successful propaganda than has been possible hitherto has to be undertaken. In the Province of Orissa, for the first time, in 1948-49 a Provincial Co-operative Union has been started and two quarterly Journals, one in Vernacular and the other in English, are being issued regularly embodying all the ideas of the movement. While this has gone a great way in popularising the movement among the literate public, a good deal still remains to be done to take the illiterate masses into confidence. To achieve that, several other attempts are being done in the Province to bring home to the minds of the people the benefits of saving through the co-operative movement. For the last one year attempts are being made to get the department representated whenever any profit distribution is being made in any of the big institutions and propaganda lectures are being oganised under a planned system. Once a year mass meetings are being organised at the time of the International Co-operative Day throughout the province and here also the message of co-operation is being preached through trained personnel. Last year a 'Summer-School on Co-operation' was also organised in order to give preliminary training to non-official workers in the matter of co-operative organisation and propaganda.

Another reason why deposits were not freely flowing into the co-operative movement was the absence of an apex bank in the province. Last year, however, this defect has been removed by creating the Orissa Provincial Co-operative Bank. This Bank has had a successful first year of working as in the very first year it has been able to give dividends to the extent of 3 per cent after meeting all establishment charges. In order to have an idea the total savings made by the people through co-operative Institutions a reference is invited to the following table.

A statement of deposits held by members and non-members in the rural credit societies:

Year.		Rs. in lakhs.	Year.		Rs. in lakhs.
1939-40	...	7.4	1944-45	...	13.4
1940-41	...	8.1	1945-46	...	18.6
1941-42	...	4.9	1946-47	...	25.5
1942-43	...	9.1	1947-48	...	32.3
1943-44	...	10.7	1948-49	...	38.1

It is clear from the above table that slowly and steadily the balance of deposits held by the rural people inside the co-operative movement has been on the increase for the last 10 years and the increase has been continuous. It is true that the movement has only been able to tap a small fraction of the total available savings. Of course, it is very difficult to have an idea of the estimated surplus available for saving in the province. But judging from all-India conditions a very rough guess can be made of the size of available surplus funds. The per capita income of India as a whole according to some estimates has risen from Rs. 67 in 1939-40 to Rs. 186 in 48-49 whereas the cost of living index (Bombay) has risen from Rs. 100 to 285 during the same period. According to some estimates 9.3 per cent of the income in 1939-40 was being saved. Thus when the income has gone up by 277 per cent and the cost of living has gone up by 285 per cent, probably not more than 6 per cent is being saved. It is therefore safe to assume that the available surplus for saving on all India basis does not exceed Rs. 11 per capita. In the case of Orissa, which is predominantly an agricultural country, the available surplus for saving would not exceed 54 per cent of the all India average. This is because, according to some estimates agricultural income in India represents only 54 per cent of the total income. I should therefore place the all Orissa average for saving per capita at Rs. 6. The population of Orissa at present is 157 lakhs. Thus we can safely put down the available surplus for saving in Orissa at Rs. 942 lakhs, out of which we have only been able to tap Rs. 38 lakhs, which is not more than 4 per cent. It is therefore clear that there is a lot to be done by the movement to attract rural deposits and only a fair beginning has been done by now.

From the total membership of the credit societies we find that against a population of 157 lakhs we have been able only to rope in 1.56 lakhs of members. Of course in a co-operative society, only one person in a family can be a member. Assuming that the average family consists of 5 members we conclude that we have only been able to get into our fold 5 per cent of the total population. Here is a strange coincidence; we have roped in only 5 per cent of the population, and we have been able to tap only 4 per cent of the deposits. The percentage in either case is low because a large tract of the province consists of ex-State areas where the movement was in a very rudimentary stage.

Advance of loans—Purposes.

Year.	Total loans granted.	Loans for productive purposes. For cultivation.	For Marketing.	For purchase of agricultural requisites.
	(Rupees in Thousands.)			
43-44	1,248	479	392	5.8
44-45	1,948	789	412	21.8
45-46	2,808	819	187	6.4
46-47	3,053	1,224	840	27.4
47-48	3,689	1,706	1,028	37
48-49	5,253	2,494	1,138	66

It will be noticed from the above table that the percentage of advances for productive purposes has been generally on the increase, particularly in the case of loans given for cultivation purposes which have continuously risen from 33 in 1943-44 to 46.2 in 1948-49. The curve representing the percentage of advances for marketing purposes has not been so steady. It was 31 per cent in 1943-44, which fell to 21 per cent in 48-49 and again to 9 per cent in 1945-46. In the year 1946-47 it rose to 27 per cent where it has remained fairly steady. The percentage of loans for purchase of agricultural requisites was 0.4 in 1943-44. It rose to 1.2 in 1944-45 but again fell down to 0.2 in 1945-46. Thereafter it has remained steady in the neighbourhood of 1 per cent.

Co-operative societies in the province arrange for supply of ammonium sulphate, oil-cakes and other manures through the co-operation of the Agriculture Department. But there is no central organisation for the supply of these articles to the societies situated in the interior. It is the policy of the Government that matters connected with agriculture should be entrusted to the Agriculture Department and individual societies have to approach Officers of the said Department.

The outlook for the movement, on the whole, is quite bright, judged from the recent trends.

RURAL CREDIT STRUCTURE IN BOMBAY

BY

B. P. PATEL, I.C.S.,
Registrar of Co-operative Societies, Bombay

Present Strength of rural credit societies:—Bombay had 10,139 co-operative societies of different types on 30th June 1949. Out of these, 6,174 were agricultural credit societies catering to the needs of agriculturists in 11,616 villages out of the 22,712 villages of the State. But for the brief post Depression period of the thirties, there has been a steady growth of rural credit societies during the last forty years Expansion during the last ten years has been rapid. Their number was 3,709 on 30th June 1939, exclusive of the artisans' and labourers' societies. The percentage of rural population served by the various types of credit institutions at present is about 15.

So far as the agricultural credit and multipurpose societies are concerned, their share capital amounted on 30-6-1949 to Rs. 112.79 lakhs, and members' deposits to Rs. 39.17 lakhs, non-members' deposits to Rs. 28.71 lakhs, reserve and other funds to Rs. 141.47 lakhs and working capital to Rs. 576.61 lakhs. The percentage of owned resources to the working capital was 51. The total outstandings from members amounted to Rs. 356.37 lakhs, which works out at Rs. 93 per member. The total fresh finance made to members was Rs. 291.12 lakhs. In addition to the finance provided by the rural credit societies, purchase and sale unions and sale societies, like the cotton sale societies and fruit-growers' societies and a few others dealing in jaggery and groundnut, gave crop and marketing finance to their individual members and member-societies to the extent of Rs. 140 lakhs. The financing agencies—The Provincial Co-operative Bank, 12 central banks and 4 banking unions have together a working capital of Rs. 1,977.30 lakhs. Their outstandings with individuals and societies on 30-6-1949 amounted to Rs. 164.17 lakhs and Rs. 824.53 lakhs respectively. They operate through 143 branches and 25 pay offices, including head offices. The banking services rendered by them are varied, and the standard of efficiency and management is quite high.

In addition, as already stated, sale societies and unions gave crop and marketing finance to the tune of Rs. 140 lakhs. Long-term loans advanced to agriculturists by the land mortgage banks during the year 1948-49 amounted to Rs. 5 lakhs and the outstandings at the end of the year stood at Rs. 29.31 lakhs.

Structure and Functions of Societies:—Rural credit societies had at first a very simple constitution devised on the Raiffeisen model. In 1927, the system of share-holding by members was made obligatory. The shares were of small denominations, varying from Rs. 5 to Rs 10. No distribution of profits was allowed for the first ten years. From the 11th year, provision was made for carrying 50 per cent of the profits to the reserve fund.

In 1937, the Bhansali-Mehta Committee recommended that the thrift aspect of the movement should be emphasized by making it obligatory for new agricultural credit societies to provide for savings deposits at 5 per cent of the loans outstanding, by resorting to collections at harvest time and to maintain savings bank accounts and that rural credit societies should be styled 'as village thrift and credit societies'. They also recommended the establishment of multipurpose societies based or limited liability, at centres provided with marketing facilities, each for a village or group of villages within a radius of five miles or less. Efforts were accordingly made to organize multipurpose societies, and they were permitted to undertake non-credit activities also, such as supply and sale.

The Impact of the War and the Freedom Movement:—This has entailed the re-shaping of the movement in four directions :—

Firstly, there has been a shift of co-operative opinion in favour of multipurpose societies based on limited liability. Accordingly, multipurpose societies with limited liability are now registered in preference to credit societies on unlimited liability. Existing credit societies have been advised to adopt multipurpose bye-laws and nomenclature, with limited or unlimited liability according to their choice. Credit has been linked up with the marketing of the members' produce. There are at present 1,077 such societies, with 1,08,758 members and a working capital of Rs. 173 lakhs.

Secondly, credit societies, both in villages and in urban areas, were advised to adopt suitable changes in their bye-laws, so as to widen the scope of their activities and, in particular, to undertake the distribution of controlled and rationed commodities so as to serve the needs of their members, and also those of others living in their area of operation. The policy in this State has been to entrust distributive trade to consumers' stores or to select credit societies in urban areas. In the rural areas and small towns, it has been decided not to register separate consumers' stores, but to encourage the credit or multipurpose societies in villages and purchase and

sale societies in small towns for this type of work, in addition to their other activities. Thus agricultural credit societies purchased and sold agricultural and domestic requirements to the extent of Rs. 275 lakhs, and multipurpose societies to the extent of Rs. 310 lakhs—a total of Rs. 585 lakhs. The multipurpose societies also sold the produce of agriculturists to the extent of Rs. 17.18 lakhs. These operations are supplimentary to the operations of the 235 purchase and sale unions or single-commodity societies, whose primary function is to do the sale and supply work.

Thirdly, the enactment of Bombay Agricultural Debtors Relief Act and the Moneylenders Act has given an impetus, on the one hand, to institutional finance including short-term finance by co-operative societies and to difficulties, on the other, regarding the recovery of societies' dues, stagnation of long-term business by land mortgage banks and competition between co-operative finance and Government finance in the form of *tagavi*.

Agriculturists who have applied for adjustment of debts under the Former Act are prevented from borrowing, except for crop finance, from agencies, *viz.*, co-operative, revenue or individuals authorized under Section 54 of the Act. The responsibility to advance crop finance to such cultivators has been entrusted to co-operative societies in preference to private moneylenders and Revenue Dept. About 40,000 agricultural debtors were given crop finance of over Rs. 78 lakhs during the year 1948-49. This type of finance is advanced according to the scales per acre, varying with the nature of crops and soil conditions notified by the District Collectors, at 6¼ per cent. An enhanced rate of 7-13/16 per cent is allowed in the case of village primaries, having less than 50 per cent of the working capital as owned resources. The State has guaranteed losses upto 5 per cent of the amount advanced as crop finance.

A large number of agriculturists have applied for adjustment of debts to the Debt Adjustment Boards or to Civil Courts, which have taken their place. The property of these cultivators having been involved in litigation and likely to be the subject-matter of awards for long periods, they are prevented from resorting to loans from land mortgage banks, on the security of their lands. This had to the stagnation of long-term finance by land mortgage banks. With the passing of awards and ascertainment of the free assets of agriculturists for raising fresh finance, the demand for loans from land mortgage banks has revived to a certain extent. As a result of submission of applications by the agriculturists to the

Debt Adjustment Boards and later on to courts, the recoveries from such members have fallen to a considerable extent, with the result that the overdues in the case of societies have gone up.

Fourthly, regulation and restrictions on transactions by private moneylenders and restraint on the borrowing tendency of agriculturists have led to curtailment of private finance. The gap is filled to a large extent by advances made by co operative institutions, wherever they exist, and by Government in the form of *tagavi* all over the province. In the brief period after the enactment of the Act, it has not been found feasible to delimit the spheres nor to co-ordinate the terms and extent of agricultural credit to be provided by co-operative institutions and Government. The scrutiny of applications for loans by co operative societies is more searching than of the revenue agency. Besides, the rate of interest for *tagavi* loans is 5½ per cent as against 6¼ to 7 per cent by the co-operative agency. This has given rise to a tendency on the part of agriculturists to rush to the Revenue agency for loans. This is a temporary phase, and steps are being taken to bring about co-ordination and division of functions between the two agencies.

Integration of Rural Credit:—The Gadgil Committee appointed by the Government of India on Agricultural Finance recommended the creation of an Agricultural Credit Corporation. But the Nanavati Committee appointed by the Government of Bombay came to the conclusion that the existing co-operative agencies could, with suitable reorganization and State-aid, carry out the work expected of the Agricultural Credit Corporation and in view of this, it was not necessary to start such a Corporation. The Committee made various other recommendations. Government has passed orders accepting most of these recommendations, and they are now in the process of implementations under a scheme called the "Scheme of Integrated Agricultural Credit." The essence of it is that the central financing agencies assume an obligation under their bye-laws to provide finance to primaries affiliated to them for financing agriculturists for current agricultural needs at rates not exceeding 4 per cent and to *individual agriculturists* who are not members of agricultural primaries at a rate not exceeding 7-13/16 per cent. The primaries in their turn are bound to finance all creditworthy agriculturists in their respective areas of operation at a rate not exceeding 6¼ per cent except in certain special areas where a higher rate of 7-13/16 per cent may be permitted by the Registrar. Development finance is advanced by the and mortgage banks at rates varying between 3½ per cent either directly or through co-operative institutions. The scheme has already been accepted by Government and the co-operative institutions concerned.

The following are among the important measures taken so far with a view to implement the scheme:—

Reorganization of Rural Credit Structure:—The rural credit societies have been advised to reorganise their structure with a view to ensure that they may admit as many new members as possible, consistent with safety, and provide credit to all creditworthy agriculturist-producers at the rate of 6¼ per cent for the financing of crops and other current agricultural finance.

They have also been advised to cut down their expenditure so as to bring it within 2¼ per cent by adopting the following measures:

(a) increasing their size to run as economic units;

(b) collecting, share capital and local deposits at low rates;

(c) undertaking multifarious activities to supplement profits;

(d) cutting down all avoidable overhead charges.

Multipurpose Societies:—Instructions have been issued to all the primary societies that they should be multipurpose and should develop non-credit activities according to their capacity to handle them, avoiding trading risks. It is open to them to undertake varied non-credit activities like:

(1) assembling and transporting produce of members for marketing through co-operative marketing societies;

(2) supply of agricultural requirements like fodder, fertilisers, improved seed and manure;

(3) collecting milk of members' cattle and arranging for its supply to neighbouring areas through milk supply unions.

Structure of the Central Financing Agencies:—The remodelling of the structure of the Bombay Provincial Co-operative Bank and other central financing agencies on a predominently federal basis was considered necessary by the Committee. Accordingly, the reconstituted Board of the Bombay Provincial Co-operative Bank consists of 32 members including representatives of societies and individuals and 3 nominees of Government of which one is a banking or financial expert. The Boards of Management of central banks have been similarly reorganized on a uniform basis so as to have at least half the number of directors to represent the co-operative institutions affiliated to them.

Expansion of Co-operation : As regards the pace of development, the Agricultural Credit Organization Committee had endorsed the view expressed by the Planning Committee that an attempt should be made to bring 50 per cent of the villages and 30 per cent of the rural population within the ambit of the reorganized primary societies within a period of ten years in two five-year periods but warned that this should not be done at the expense of sound organization. The Government believed that the ten-year period would be too long in view of the object the Committee had in mind, *viz.*, immediate fortification of the agricultural borrower against relapse into irrational indebtedness and dependence on the moneylender. Accordingly, plans are drawn up, to accelerate the pace of the co-operative movement so as to reach the target within a period of 7 years commencing from 1946-47. The development is planned in two directions, *viz* :

(1) increasing the membership of the existing societies and

(2) organization of societies in villages not covered so far.

It has been decided to have a progressive increase of about ten members on an average every year, so that the average membership per society may rise to 100 by the year 1952–53. The present average membership per society is 63

Government Assistance :– In the past, Government used to give assistance to the multipurpose societies to the extent of Rs. 150 per year or half the cost of management and propaganda, whichever was less, for 3 years. To encourage their formation on a larger scale, Government has liberalized the terms of assistance as follows :—

A grant of Rs. 300 (Rs. 500 in exceptional cases) for the first 3 years from inception, Rs. 200 in the 4th year and Rs. 150 in the 5th year, or half the cost of management and propaganda, whichever is less. No subsidy would be granted after the 6th year, as by that time, the society should be fully self-supporting.

The Registrar is empowered to give subsidy to agricultural societies for secretarial expenses out of the grant, to the extent of 7 per cent of the total working capital of the primaries at the commencement of the co operative year, placed at his disposal, subject to certain conditions, and up to the maximum of 2.5 per cent of their working capital, provided that the societies do not increase their lending rate beyond 6¼ per cent.

For enabling all the central financing agencies to assume responsibility for provision of credit to creditworthy borrowers under the aegis of the Bombay Provincial Co-operative Bank, Government has agreed to give assistance to this Bank and central financing agencies. The extent of contribution from Government to the share capital of the Provincial Co-operative Bank, is limited to the amount subscribed by individuals and co-operative societies, but not exceeding Rs. 50 lakhs. In addition the Provincial Co-operative Bank, may receive from Government a contribution equivalent to its subscription to the share capital of central banks. Such subscription is, however, limited to an aggregate sum of Rs. 25 lakhs, with a maximum of Rs. 5 lakhs for any one institution.

Government has also agreed to subsidise central financing agencies for opening additional branches or pay offices, on a graduated scale, subject to a maximum of Rs. 5,000 in each case. Such subsidies would be available for 3 years only from the date of opening the branch.

Normal Credits and Credit Limits :—Adoption of the Scheme of Integrated Agricultural Credit and the increasing dependence of agriculturists on the co-operative institutions has emphasised the necessity to simplify the procedure for advancing loans and to introduce greater promptness and elasticity in making finance available to them. The Department has issued the following instructions :—

(1) Central financing agencies are advised to sanction maximum credits to well-managed societies placed in A or B class at the last preceding audit, without insisting upon submission of the normal credit statements for scrutiny by the Inspectors or the Boards every year. Similar facilities may be extended to other societies of more than five years' standing whose overdues with members do not exceed 35 per cent of the loans outstanding.

(2) The system of sanctioning cash credits through continuity mortgage bonds or otherwise may be introduced in societies, whose financial position is sound and management efficient.

(3) The Chairman of a society may be allowed to keep cash, not exceeding Rs. 200 if A class societies and Rs. 150 if B class societies, so as to advance emergency loans to members.

(4) By virtue of the provisions of Section 24-A of the Bombay Co-operative Societies Amendment Act, 1948, an automatic charge is created on the whole or a portion of the landed assets of borrowing members. Central financing agencies have been advised not to insist on the preparation of normal credit statements every year, but to prepare them once in three years.

Due note has been taken of the rise in the cost of cultivation, and maximum limit for members of societies have been raised from Rs. 200 to Rs. 300 for short-term and Rs. 400 to Rs. 500 for intermediate-term loans, with a further proviso that the formal limit may be exceeded with the approval of the financing agency on the recommendation of the supervising union.

THRIFT AND SAVINGS.

To a good co-operator, practice of thrift is a matter of faith and a habit of living. One hears, however, so much about the flow of funds into the hands of agriculturists, as a result of high prices, and the surplus available with them for investment, that a word has to be added as to what the position really is.

There was a reduction in the debt of agriculturists during the years of war. The reduction was marked in the case of larger cultivators, whose economy could be called 'surplus'. The position of the small holders, particularly those with less than 5 acres, has definitely worsened. By 1945, the rise in the cost of cultivation had more than caught up with the rise in prices of produce, with the result that the cultivator has not had since then the margin from which he could reduce the debt as during the first few years of the war. The cost of cultivation has risen further since 1945 and there is reason to believe that the volume of rural debt is rising thereafter.

It is true that the rural population has acquired some higher purchasing power during recent years ***but the increase in the purchasing power amongst the different sections of the rural population has not been uniform.*** This power is being utilised by the different sections of the rural population as under :--

(1) *Big landholders* :—In reduction of debts, purchase of lands or ornaments and in social expenditure and cash balances or investments.

(2) *Small landholders* :—This section of the population has acquired very little or no higher purchasing power; and such of them as have acquired any have utilised it towards the improvement of their lands, reduction of debts and living more comfortably than before.

(3) *Tenants and Labourers* :—Very little or no increase in purchasing power; such of them as have been benefited have utilised it on food and clothing.

(4) *Artisans* have gained to some extent in purchasing-power. Utilised in reduction in debt and on food and clothing.

(5) *Merchants* :—This section of the community has invariably secured substantial advantage by the rise in prices. The higher purchasing-power acquired by them is laid by in hard cash or invested in Government and other securities or converted to some extent to gold and silver.

Nos. (1), (2), (4) and (5) have subscribed handsomely to War and *Red Cross* Funds during the War. Nos. (1), (2) and (4) have been attracted recently to subscribe to share capital and deposits of co-operative societies in response to the savings drive and various schemes sponsored by the Co-operative Department.

Attempts have been made in this Province to tap such rural savings as there may be and to attract deposits to co-operative credit societies. For this purpose, the Co-operative Department has initiated a savings drive since the year 1946-47. The object of savings drive was threefold, *viz*,

(1) to assist the Government to fight inflation and;

(2) to provide the agriculturist, the artisan and other men of small means with the resources necessary to enable them to withstand the effects of possible economic depression; and

(3) to augment the share capital and local deposits of co-operative institutions, so as to make them less dependent on funds provided from outside and to quicken the pace of development of the country on the basis of democratic and decentralised economy.

The following table indicates the agriculturists' share of response to the savings drive :

Year. (1)	Share capital. (2)	Members' deposits. (3)	Total of (2) and (3) (4)	Non-members' deposits. (5)	Total of (4) and (5). (6)	Increase on previous year's figure. (7)
			Figures in Lakhs of Rupees.			
1945—46 ...	51.45	17.75	69.20	18.95	88.15	8.23
1946—47 ...	63.82	22.08	85.90	21.11	107.01	18.86
1947—48 ...	80.42	24.26	104.68	20.69	125.37	18.36
1948—49 ...	112.79	39.17	151.96	28.71	180.67	54.31

During each of the years 1946-47 and 1947-48, it was possible to collect by way of share capital and members' deposits a little over Rs. 18 lakhs, which is about 2¼ times the figure for the year 1945-46. The scheme has, however, gathered momentum in the year 1948-49 and it was possible to collect share capital and members' deposits to the extent of Rs. 54.31 lakhs.

Conclusion:—During the year 1948-49, 456 credit and multi-purpose societies were added to the roll, membership increased by 66.73 lakhs and owned resources by Rs. 63.14 lakhs. This is an yearly rate of progress of which the official and non-official co-operators in the Province may feel a well-deserved pride. There is no doubt, however, that looking to the target sought to be achieved and the vast problems facing the country much more needs to be done. It may be stated that the success of agricultural credit cannot be achieved in isolation. Its progress and achievement will depend on the extent to which a favourable economic climate is maintained and the extent to which the farmer is made more creditworthy through increased production on the farm, supplementary income from subsidiary industries and economic stability through a system of guaranteed prices and crop insurance.

"Credit is a remedy, but, like many remedies, it is also a dangerous poison (a double-edged tool, a consuming as well as a comforting fire) and in applying the novelty wholesale to the Indian ryot it must be applied with the caution that such remedies require, lest the ryots learn too easily to borrow with a light heart, the lighter that the terms are favourable and repayment so easy and so gradual........... . What does it matter to a peasant whether he is ruined by a bank or by a moneylender, by the too facile credit of the one, or the too usurious terms of the other ?

"It is useless, however amiable, to believe that the ryot is only thirsting for capital in order to invest it at once in the improvement in development of his estate, that the influx of cheap capital is all that is wanted to enable him to wipe off his old debts in order to start forthwith on a self-denying career of productivity."

—F. A. Nicholson.

WOMEN'S CO-OPERATIVE GUILDS

BY

DEWAN BAHADUR HIRALAL L. KAJI,
President, Indian Co-operative Union

A co-operative society is a voluntary association of individuals to satisfy their common economic needs by coordinated effort through self-help and mutual aid. Farmers combine thus in order that they may be able to purchase better seeds and more effective machinery. Artisans and cottage workers combine so that they may buy their raw materials more advantageously; producers combine so that they may secure better prices for the products of their industry; consumers combine so that they may satisfy more easily their everyday needs. Each seeks some practical advantage, but the efforts of all at working in common lead them towards a new social order.

The family is after all the economic unit which helps to form the basis of the whole national economy. Each family is completely self-contained and strives as best as it can to ensure its own survival. Alone and completely unprotected, it faces the increasingly powerful associations of producers which are able to determine its standard of living, because they produce and sell everything it needs. They control production and markets and in many cases even the whole machinery of the State. The valuable economic unit known as a 'family' is completely at their mercy. They decide how much foodgrains its members may eat, they control the air space in which they live and breathe, they measure out the clothes it is to wear and the pleasures it may enjoy. Each individual family is defenceless. It can, no doubt, protest; but it has no influence and no means of self-protection.

Organisation and co-operative effort only can help the family to improve its own position. The defenceless individual is replaced by a community of persons with similar interests, whose aim is not profit but mutual assistance and support. Each member by defending his own interests as a consumer helps to defend those of all other consumers, that is, the majority of the human race. And in this way, the interest of the individual gives place to the interest of the community.

Today we see an unbalanced individualist economic system at work. A steady increase in productive capacity and technical resources is offset by inadequate consumption, destruction of goods and a degree of unemployment that is blighting all human progress. In the capitalist world, all are free to produce what goods they think fit, and later to destroy these at will even though large sections of the population are in want. The direst poverty exists side by side with the greatest luxury and daily thousands of human beings are condemned to death in order that the system may survive. Under this system, there is not, and cannot be, any true balance between consumption, production and actual human needs. The wisest laws and social institutions and the utmost eagerness to serve mankind are powerless in the face of present conditions.

This is where the co-operative system comes in. It starts with the satisfaction of everyday needs and is soon able to ascertain just what its members are likely to require. Once this is determined, and a certain figure is reached, then the co-operative society, either alone or together with other societies, can order from the Co-operative Wholesale the goods it knows it will be able to dispose of. This establishes an equilibrium between production and consumption, which no arbitrary factors can disturb. The co-operative system is planned economy.

Co-operative economy is based on the purchase by all its members. But as it is mainly the women who are the purchasers, the co-operative movement, more than any other political or social organisation, has to rely on the support of the housewives. They are the foundation on which the great social movement can be built up. Women feel that here is a movement they can serve with enthusiasm; because, besides concerning itself with everyday needs, it is also striving to organise the life and activities of mankind on an entirely new basis. Though its methods are simple and unsensational, its aims are all embracing; for it envisages a changed world of which the guiding principle will be "each for all and all for each". What co-operative women are striving for can be summed up in these words: 'for ourselves freedom and the right to responsible action and development of our personalities; for our children, a higher social order and an economic system which will abolish want and misery; for the world, peace among nations and common activities for the welfare of mankind so that this earth may become again a paradise for man.'

Such are the aims of Guildswomen the world over.

Today Women's Co-operative Guilds have been formed in many leading countries of the world and an International Co-operative Women's Guild is also functioning.

Mrs. E. Egli, President of the International Co-operative Women's Guild, stated in her address to the International Co-operative Congress held at Prague in September 1948 that it was 'the woman with the basket' who would decide the necessary time to attain the distant object of a new economic order of justice and peace. To overthrow a Government was not the only thing that was revolutionary; the purchase of a pair of shoes in a co-operative society was equally revolutionary. The economic guarantee of peace could only be realised in the near future, if an ever-increasing number of women made their purchases in the co-operative store. "The co-operative movement for us, women" she said, "is what the lever was to Archimedes—strong enough to shift the world".

Almost all European countries have their national women's guilds and these have been affiliated to the International Women's Guild. More and more members form the army of women co-operative workers in all parts of the world, and ever more effective becomes their work.

And yet in India, women have not taken to the co-operative movement. It is true that in rural areas, where the co-operative movement in India is most widespread, women as such have but little scope. It is in urban areas, however, that the scope is very great and the need is very great too. While co-operation has been harnessed to the needs of producers—agricultural and cottage workers—it has not been yet seriously taken in hand in the interests of the consumers. It has, strangely enough, been forgotten that while producers form a fraction of the population of a country, fully 100 per cent of the population is composed of consumers, and the special aim of the co-operative movement—production for use, not for profit—can only be really secured by the healthy growth of a consumers' movement in India.

What we need is co-operative stores and more co-operative stores in India, in at least the larger cities and towns, buttressed and served by a Co-operative Wholesale for each State. And it is in the service of these stores that women have a very important and almost decisive part to play. It is loyalty of members that spells success and loyalty without the woman's wholehearted support is but a myth. Bombay can boast of only two co-operative stores run by women, the oldest being the Gujarati Shree Sahakari Bhandar. It has been developing successfully; but such stores deserve multiplication.

Apart from the great part which women can play in the building up of the stores movement in India, they can also usefully start producers' societies for women, who in their spare time can produce some provisions and artistic goods, which can fetch them some income and improve their economic condition.

For all these purposes, the women of India need to be wakened up to a true appreciation of the possibilities and scope of the co operative movement and it is a Women's Guild which can best undertake this function. It is high time that Women's Co-operative Guilds are established at least in Bombay, Madras, Calcutta and other big centres and an all-India Guild established as a Federation. These local and national guilds will be the surest agency for propaganda among women and provide backing for a powerful consumers' movement in the country.. It is surely not too much to hope that serious minded ladies, with a spirit of service, will take up the matter at an early date and move on.

Women's Co-operative Guild

"No organization yet established has done more for the education of women in matters of co-operation and general importance—social, political and economic, than the Guild has done. Whilst its doors have been open to women of all classes—and it has received very great help from pioneers and leaders from another stratum of society—it has been of immense service to working class women who constitute almost its entire membership.

Many thousands of women owe to the Guild the enrichment of their life through its work on their behalf and the opportunities it has placed in their way; and if the enfranchisement of women found many of their sex prepared to take a leading part in public life, it was largely due to the education and training they had received in the Guild....... ..

The Guild has always been in the forefront of movements for advancing the interests of co-operation risking unpopularity and financial loss if need be, rather than desert the action which its members believed to be in the best interests of the co-operative movement. Individually its members have taken part in the duller detail work of management and education committees; and the large and important part which women now take as members of co-operative committees is almost entirely due to the Guild..."

—Hall and Watkins in *Co-operation*.

SIR LALUBHAI SAMALDAS METHA

(14th October 1863—14th October 1936)

SIR LALUBHAI SAMALDAS MEHTA*

Lalubhai Samaldas, 'the Father of the co-operative movement in Bombay', was born (1863) and brought up in the State of Bhavnagar, where his grandfather, father and brother successively held the office of Dewan from 1828. He received his higher education in the famous Elphinstone College, Bombay; but much to his regret he could not take his B.A., degree on account of ill-health. He pursued, however, in private his favourite studies in literature, politics, philosophy and religion throughout his life. His interest in education was so keen that he put forth strenuous efforts, at the instance of his Maharaja, to organise the Samaldas College at Bhavnagar—a worthy memorial to his father. Later, he assisted in the establishment of the Sydenham College of Commerce and Economics in Bombay.

While only seventeen he entered Bhavnagar service as under-secretary—to assist the private secretary of the Maharaja. He soon rose to the position of Revenue Commissioner of the State, and specialised in matters of Revenue administration—assessment, reclamation, famine relief etc., which stood him in good stead in taking part in the movement for co-operative credit and the reform of Land Revenue in Gujarat. He was for a short period appointed an Executive Councillor for Revenue in the Government of Bombay. In this capacity he assisted the Minister in charge of Co-operation in piloting the Bombay Co-operative Societies Act of 1925. He had acquired meanwhile a mastery of co-operative affairs.

At Bhavnagar he was expected to rise in due course to the position of Dewan of the State like his father and brother. But due to some jealousy and court intrigues he was all of a sudden obliged to resign his post as head of the Revenue Department. This was a sudden blow at the age of 36; but he did not lose his equanimity. Soon after, he left for Bombay to look for a career in business and take part in public life of that cosmopolitan city.

Bhavnagar's serious loss turned out to be a great gain to Bombay. With the help of a friend he first took up the business of a banker and guarantee broker to a Swiss firm established in Manchester. He evinced a great interest in political and economic questions. He was introduced to the mighty Sir Pherozeshah Mehta. Great as his admiration was for this leader, Lalubhai ventured to differ from him on a bill brought by the Government

*Abridgement of a Sketch by S. Natarajan, Bombay.

of Bombay to restrict the right of the agriculturist to alienate his land, which the opposition under Sir Mehta thought would adversely affect rural credit. This was not the view of Lalubhai who had seen sowcars lending to tenants with or without proprietary rights. He published his views. But he did not identify himself with the views of the Government either, due to an innate desire and capacity to see a question in all its varied aspects. This incident set him athinking on how best to provide credit to the agriculturists.

In consultation with others of his way of thinking he drew up a scheme of an agricultural bank for the ryots of Gujarat similar to the one proposed by Sir William Wedderburn and Justice Ranade. The Government of India turned down the scheme as they were drafting a bill to establish co-operative societies based on F. A. Nicholson's report. Lalubhai was led to think of co-operation from this time onwards. Some sad bereavements in the family made it all the more necessary for him to look for some work to keep his mind away from sorrow and occupied in some service to the community. Nothing could be more congenial than co-operation.

Lalubhai assisted the Collector in organising some primary co-operative societies in Ahmedabad. He deposited some funds of his own with them. Sir Vithaldas D. Thackersay, a business associate, at the prompting of the Registrar of Co-operative Societies, Bombay, proposed the starting of a central co-operative bank (later to become the Provincial Co-operative Bank of Bombay) to finance primary societies. He had himself little time to devote to it but he found in Lalubhai a willing and capable collaborator with his unique knowledge of rural people and revenue experience. At the same time a British syndicate proposed to set up a bank to finance agriculturists with foreign capital and the guarantee of the Government of India. The latter rejected this scheme and also that of Bombay.

Sir Vithaldas and Lalubhai won the approval of the Government of Bombay after making some modifications in the ratio between debentures and share capital, in the limitation of dividend to 6 per cent and the diversion of excess profits to the grant of rebates on interest charged to the societies financed. The Government of India and the Secretary of State agreed. The Bank was started in October 1911; Sir Vithaldas became the first Chairman. Lalubhai became a member of the Board of management and continued so till his demise, being not a little

responsible for the conduct of its affairs as a premier co-operative bank. He was also Chairman for a year as a stop gap arrangement. He soon became an expert on matters of co-operative credit, and his advice was sought and willingly given. He was chosen by the Government of Bombay as a non-official delegate to practically all the Registrars' Conferences from 1905 to 1935.

He was selected as one of the two Indian members of the Maclagan Committee on Co-operation, appointed by the Government of India (1914-15). He had ample opportunity for a close study of the movement in all provinces, including Burma which was then a part of British India. When the Government of Mysore set up an enquiry Committee on Co-operation in 1921, Lalubhai was invited to be its Chairman. A handsome tribute was paid to the work of this Committee by the Government of Mysore and a later Committee.

There was a great demand for his services as Chairman of Co-operative Conferences not only in Bombay but in other Provinces and States too—Madras, United Provinces, Bihar and Orissa, Mysore and Travancore. His presidential addresses were remarkable for the width of his vision and the careful study he made of the problems of each area, the shrewdness of his diagnosis of their particular ailments and the persuasive manner in which he suggested remedies for them from his long and rich experience of Bombay. He relied not only on the official reports he received but also discussed problems with local co-operative leaders whom he knew personally, thanks to his capacity for making friends. Two or three of his suggestions stand out prominently: his insistence on financing agencies getting into touch with the needs and difficulties of pirmary societies by means of branch banks or banking unions in all taluk centres; amalgamation of too small and weak banks which could not attract local deposits, inspection of societies by officials of the financing banks and separate staff for education, supervision and propaganda under the control of co-operative unions or institutes which should be financially strengthened. He was a great apostle of co-operative education. He was instrumental in founding the Bombay Central Co-operative Institute, of which he became the first Vice-President, the Governor being the President.

He pleaded vigorously for the separation of short-term from long-term finance and pointed out the unsoundness of the practice prevailing in parts of India of lending funds received as short-term deposits for periods of 3 or 4 years and even more, which were however too short for repayment. He played not a little part in the founding of the Bombay Provincial Co-operative Land Mortgage Bank. He was its first President and continued to hold that office till his demise.

He presided over the first All-India Provincial Banks' Conference at Bombay in 1929 and assisted in promoting the All-India Provincial Banks' Association. He was elected its President, which place he occupied for 3 years. His idea was that it should not only serve as a centre for exchange of views among co-workers but should evolve some recognised standards of co-operative banking and render mutual aid in case of need.

He also assisted in the establishment of the All-India Co-operative Institutes' Association, of which again he was the President for four years, after which he resigned it in view of advancing age. His idea was that it should co-ordinate the work of all Provincial Co-operative Institutes regarding training of workers, education of members, propaganda and organisation. It should also take up the publication of co-operative literature in popular style and in the main vernaculars of the country.

Lalubhai's interests were not confined to the co-operative movement. He took a prominent part in the establishment of the Scindia Steam Navigation Company at the request of Seth Walchand Hirachand, who has been the soul of the Company ever since its inception, and in spite of the advice tendered against it by some of his business friends; for he considered it not merely as a business affair but as a patriotic endeavour of the highest importance. He served also on the Indian Mercantile Marine Committee which recommeded, with one dissentient, the reservation of Indian coastal trade to Indian shipping with State subsidy and other recognised aids.

In the industrial boom of the twenties he associated himself with several new industrial ventures such as cement, electric supply, paper, sugar, dairy products, etc. The development of several of the new industries owed a good deal to his sagacity, judgment and sympathy. He encouraged young men with a spirit of enterprise to experiment, sometimes at his cost. He did not mind some loss, if it led to development ultimately. He organised the Bombay Life Insurance Company and took a keen interest in it throughout his life. On the boards of industrial concerns he served, he was looked upon as a harmonising force between conflicting interests.

Lalubhai's interest was not so much to make money as to organise the various sections of the community. He presided over the Indian Industrial Conference at Karachi in 1913. He was one of the founders of the Indian Merchants' Chamber and was its President in 1918. He presided over the Indian Economic Conference held at Benares in 1925. He entered the Bombay Legislative Council in 1917 and continued there for 10 years. He was appointed chairman of the Land Revenue Enquiry Committee (Report, 1927). He was also an active member of the Council of State for some years, during which he moved several resolutions, one of them about fiscal autonomy and another for the carriage of Government stores in Indian ships. In 1926 he was knighted in recognition of his many services to the Bombay Province.

At the age of 63, he was induced to take a trip to England to negotiate the building of 3 or 4 boats with a well-known firm of ship builders for the Scindia Steam Navigation Company. He stayed there only for 4 months and then returned *via* Germany and Italy. He was not so much impressed with what he saw in Europe as he was by his visit to Japan 7 years later (at the age of 70) of which he has left a very interesting account in his book *My Impressions of Japan*. He was struck by the extraordinary cleanliness and sanitation that obtained there, the sweet manners of men and women, free and compulsory education of children and the efficiency of commercial and technical institutes, and their several industries—particularly sericulture. His interest in the Swadeshi movement deepened after this visit. As President of the Swadeshi League he put forward schemes for the better production and distribution of swadeshi goods of all types.

Lalubhai started as a 'moderate' in politics and was a great friend of Gokhale and Devadhar. But as he grew older and gained more experience both in the legislature and outside of the rulers' ways of dealing with problems of economic development and constitutional reforms and of the policy of repression after the Civil Disobedience Movement, in which some of his near and dear ones suffered, his sympathy was more and more with the left, though he did not agree with their doctrine of non-co-operation. At the instance of Gandhiji he took part in some non-official enquiries connected with the no-tax campaign in Bardoli.

He was connected with numerous social, educational and philanthropic organisations in the country. He could not say 'no' to any request for a good cause. He had friends in every community including the untouchables. He was particularly attached to the young and enjoyed their company most. This explains to some extent his ever cheerful temperament and his increasingly progressive views even with the advance of age.

After his return from Japan, his contacts were more cultural than commercial. His health began to fail in the middle of 1936. He bore with fortitude a trying illness, and passed away on the 14th October, the exact date of his birth. His was indeed a very eventful and humane life spent in the service of his countrymen.

* * *

The faith of Sir Lalubhai Samaldas Mehta in the cause of Co-operation is best expressed in the following passage at the close of his Presidential Address at the XV Madras Provincial Co-operative Conference (1927):

> "There are, it is true, various methods of achieving economic justice and independence, but for a country like ours where the bulk of the population lives on agriculture, the co-operative method seems to be the most suited to achieve that economic freedom without which the basic industry of this country and those engaged in it have not only no hope of economic freedom, but are in danger of sinking to a still lower level of economic efficiency. Critics may urge that our movement is utopian, that it fails to appreciate the difficulties of the situation, that it forgets the ignobility of man, that it ignores the inertia of our rural population, their lethargy and backwardness. To counter such critics, what we need is faith in our mission, belief in our gospel and a real desire to help our brethren who live on agriculture. If we have these then we would reply in the vigorous language of Mr. Harold Laski: 'That is the kind of pessimism that has always been an essential part of the tactic of reaction. We have to build our philosophy on hopes and not on fears. We have to lay the foundations of our system on what the courage of men has achieved, not on what their cowardice has failed in achieving. Almost every progressive change has met opposition on the ground of its impossiblities: and every progressive change has been achieved because a handful of idealists refused to admit it was impossible. The real sin in social philosophy is lowness of aim. We need not cry for the sun; but, at least equally, we need not deny possibilities of light.' "

REVIEWS

FARMER AND STOCK BREEDER YEARBOOK, 1950—(*Farmer and Stock-Breeder, Dorset House, London, S. E. 1;* pp. 372; 7sh. 6d.)

This, the 74th yearbook, is divided into three sections *viz.*, (i) Special articles (ii) Pedigree year in pictures and (iii) Reference section – followed by a general index. Of these, the Reference section is the most elaborate and informative part of the book containing about 40 items, furnishing details on official Agricultural Boards, private Agricultural Clubs and Societies, Agricultural Training Centres, Agricultural Research Institutes, Artificial Insemination Centres, Livestock Societies, Weekly average Prices at the Markets, Agricultural Wages, State aid to agriculturists, Pedigree Stock Sales, Tractor specifications and Buyers' guide.

Sir James Scott Watson, in the leading special article entitled *The World can be Fed* starts off in rather staggering terms, stating that the world's population is increasing by something over fifty thousand a day while per capita food supplies are about ten per cent less in 1949 than they were in 1939. Deterioration of soil is increasing by erosion due to the use of high powered tractors and also by over-cropping. The world's remaining unfarmed land is largely semi-desert, swamp, tropical forest, hill sides, moorlands, and other third class marginal lands. He feels that the synthetic nitrogen compounds can be produced in an unlimited quantity from the air, and there is considerable scope for increased use of fertilisers. Plant Breeders are evolving more improved strains. We heave a sigh of relief when he concludes that on the basis of existing knowledge it would be physically possible to raise production by about fifty per cent, if there is a great and concentrated effort on the part of world's governments and farmers. The other interesting article is on artificial insemination, which is becoming very popular, especially with the commercial dairy concerns. Over 50,000 farmers are using this method every year, because of its cheapness and convenience. Those who cry for more farm mechanization in India will do well to read the article dealing with Farm Equipment, which states that nearly 80 per cent of British farms are under 80 acres, and until power and equipment is available to these on a much sounder *economic* basis than at present, the food bill will not show a downward curve, which is desired.

The paper, printing and get up of the book are excellent. The photographs are very clear, showing even minute details. The leading firms dealing in several requirements of farmers have taken advantage to advertise their goods.

M. KANTI RAJ.

CO-OPERATIVE RETAILING, 1914-1945—*By A. J. Hough* (*The International Co-operative Alliance, London, S. W. 1; 1949*; 10s.)

Mr. Hough is the Research Officer of the British Co-operative Union. He has, for this thorough-going work, won the first I. C. A. Jubilee Prize. Lord Rusholme, President of the I. C. A. in his Foreword speaks of the author as 'a keen and able student of co-operation, who possesses an objective and analytical mind.' This can be noted in every page of this very compact and ably written book. But the style of Mr. Hough is rather tough and not pleasant as in a work of propaganda. It is a "searching and provocative treatise" Lord Rusholme says, and presents facts on a realistic and comparable basis. "It tears asunder any false ideas concerning the progress of the British movement which may have developed at a time of inflationary statistics.

The Consumers' movement had by 1914 been well established in Britain. In the next 30 years it developed faster, but more extensively than intensively. The number of members in all societies put together increased from 3 million to 10 million. At least 25 per cent of British householders are now catered for by co-operatives. Retail cash sales of all societies increased fourfold—from £88 million to £361 million. But if account is taken of the great rise in prices, the trade per member has really fallen, due to the influx of members who feel no urge to buy only from co-operatives. With the rise in the standard of living heavy demand has shifted from the necessaries of life, in which co-operatives have had a great pull, to luxuries in which they cannot excel private shops. Co-operatives did better in the sale of rationed goods during the War, but such sales have fallen since 1945.

Trade figures are analysed not only commodity-war but territorially. In some areas and in certain lines co-operative trade has already developed to such an extent that it has reached, if not saturation, the point beyond which development becomes increasingly difficult. The number of societies has gone down from 1,385 to 1,050 in the period. Rationalisation of retail trade will mean the closing down of more societies and their amalgamation. There are, Mr. Hough finds, too many retail shops not large enough to organise efficiently all the main departments now demanded, especially to meet the growing competition of private multiple shops, department stores and, to add, that of the branches opened by the Wholesales themselves. He indicates, however, the need for more shops of the right kind and range of goods and services at the right places.

British co-operators have not made up their mind as regards economic planning. Perhaps they are against it, says our author, by tacit consent. They have agreed to nationalisation of mining, finance, transport; but they are against the nationalisation of production and distribution of consumer goods and services, which must be done co-operatively on grounds of economy and efficiency and its non-profit making and democratic character. Mr. Hough points out the weakness of co-operative trade in its uneven development on commodity as well as territorial basis. It is for the movement to profit by his scientific study.

CONSUMERS' CO-OPERATIVE COMMONWEALTH.—*By G. S. Bhartiya (Navprabhat Prakashan Mandir, Kymore, C.P.* pp. 43-1949—Re. 1).

This is the first of a series of tracts on Co-operation planned by the publishers for the spread of the movement. The author traces briefly the history and development of consumers' co-operation in Great Britain and explains lucidly the ideals, the principles and the business rules, such as

sale for cash and at market price. But he does less than justice when he says that in India "instead of the movement developing into a campaign for self-help and self-sufficiency, it was forcibly directed and restricted to the organisation of credit alone". This is not true of the last 25 years, when attempts have been made to develop non-credit activities. He cites the instance of a single successful store society worked by employees in a group of textile mills in Indore. There are societies in other factory centres too, though they are to some extent managed and subsidised by employers. Appeal is made to social workers with missionary zeal and spirit of self-sacrifice to organise and work such societies. "determined to create a new moral world". We would plead for more education of employees so that they can with some guidance work the societies themselves.

CO-OPERATIVE FARMING—(*The Agricultural Credit Department of the Reserve Bank of India, Bombay, 1949*; pp. 82; Rs. 2.)

This brochure is the result of a close study of the literature on—not of a first hand investigation of the working of—co-operative farming, or what passes for co-operative farming, in about a dozen countries of the world. The data as regards attempts at co-operative or joint farming in different parts of India have been meticulously collected and analysed. The scope for the spread of co operative farming and the conditions under which alone it can flourish are examined and stated clearly. There is a long and informing, though digressive, introductory chapter on the food problem in India. We fear too much reliance is placed on co-operative farming as a solution of this vexed problem.

Impartial readers will note that the record of co-operative farming is not impressive except among the small holders' settlements of Palestine. In U. S. S. R. and Eastern European countries, it is collective farming that is dominant, and that is not voluntary. In most other countries cited, co-operative farming is either partially or wholly unsuccessful or is State-aided and controlled. In countries like Scandinavia, co-operative farming is not looked up to even as an ideal, though all other forms of co-operation are successful. In America religious settlements have succeeded more than laymen's, and those meant for backward classes. Earlier attempts in India were almost all failures and some were co-operative by courtsey. The newer ones are in an initial stage and it is too soon to draw any lessons of value. It looks as though the Refugee Colonists will make a success of it, even as the Jewish settlers did in Palestine. The chances of success among well-established ryots in old ryotwari areas and even among erstwhile tenants in Zamindari areas (miscalled landless) are slender indeed.

CO-OPERATIVE FARMING -(*Directorate of Economics and Statistics, Ministry of Agriculture, Government of India, Delhi*, pp. 31; As. 12.)

This booklet is a compilation on a smaller scale than the above and is more propagandist in tone. The account of co-operative farming in four foreign countries is meagre. There is in fact more about collective farming. A good case is sought to be made out for co-operative farming, but it is vitiated by references to other forms of co-operation among farmers—which are not co-operative farming. In spite of failures admitted, sufficient stress is not laid on the difficulties involved. So long as the passion for individual possession and cultivation of land is strong, it is not easy for co-operative farming to get a foothold.

CO-OPERATIVE FARMING IN MAHARASHTRA.—*By W. B. Donde (Provincial Co-operative Institute, Bombay*, pp. 45. Rs. 1.8).

This is essentially a record of the actual experience of co-operative farming in the Maharashtra region of Bombay province, noted by the Maharashtra unit of the Bombay University School of Economics and Sociology. It is preceded by a theoretical discussion on co-operative farming, and followed by a descriptive account of Collective farming in U S S.R. The study is confined to five small experiments, involving in all 1,625 acres and 750 farmers, only a few of whom were really interested in the enterprise. The system was mostly imposed from above by enthusiastic officials, who got Government grants and loan of staff. Personal influence counted for much in the running of the farms. Not all of them were jointly farmed by members. Individual cultivation was permitted on some; some took part in the joint farm but also cultivated their own strips. Some went out to work on land or in factories, as there was not enough work on the joint farm. Some contributed cattle and implements too, and some contributed only their labour. Distribution of farm income took various forms. All labour and all pairs of cattle were treated alike—a source of strife. Women feared the loss of land and struck work for a while. One good result was the purchase of an oil engine in one society. The conclusion is drawn that, to succeed, members should be of even status. Other conditions too are noted for success. As Prof. M.L. Dantwala says in his Foreword, "At the present stage of the experiments it is not possible to give any decisive opinion on the merits of co-operative farming."

PROBLEMS OF ZAMINDARI AND LAND TENURE RECONSTRUCTION IN INDIA—*By P. N. Driver (New Book Co., Bombay*. pp. 310: Rs. 12-8.)

This is a powerfully written book, backed by immense learning. It teems with original ideas on the past, present and future of farm organization in India, not all of which may be acceptable. The author would sweep away in every State of India every vestige of Zamindarism, of which he has no good word to say. He would pay Zamindars compensation not on the "market value" of the Zamindari but on its net income—not more than 30 per cent of it capitalised and paid in transferable bonds bearing 3 per cent interest, the percentage of capitalised amount to vary inversely with the size and age of the Zamindari. He urges that after abolition a rapid survey and settlement of land, improvement of irrigation works, restoration of pasture and other rights and mitigation of rents should be undertaken. He is far from enamoured of the Ryotwari system as a substitute except for the period of transition, before the establishment of his brand of co-operative commonwealth. Revision of the land revenue so as to exempt the very small holders and levy such high rates (of income and inheritance taxes) as nearly to extinguish them is suggested for the near future. Agrarian reforms of the usual variety, discouraging the rentier class, particularly the absentee landlords, and encouraging the cultivating tenants and labourers by fair rents, fair wages, fixity of tenure etc., are advocated as palliatives, not as permanent remedies, as they would be practically needless in the new regime.

Prof. Driver points out several defects in the Ryotwari system, whose virtues have been generally overrated. It is not, he shows, all peasant proprietorship as he finds in it also many grabbing rentiers, indifferent absentee owners, feudal tenants and servile labourers. This picture is somewhat overdrawn; at any rate it is far from universal. He pleads for the abolition of private ownership of land and of individual cultivation and for the establishment of what he calls co-operative farming with State ownership of land, more or less of the collective farming type, whereby all farmers will be compelled to farm jointly. He goes into ecstasies over the Collective farms of Russia, unaware perhaps at the time of writing of the gross abuses to which the system was subjected during the War and after—as narrated by Dr. N. Barou, the "world famous co-operative writer" in the *Year-Book of Agricultural Co-operation, 1948*. Such abuses may recur at any time. The economies of large-scale mechanised farming are doubtful not only in the livestock line, which is admitted by the author, but also in irrigated rice and a number of crops which require, and amply repay, close individual attention—especially in the horticultural line.

Even if benevolent compulsion is not objected to by modern co-operators, it is very doubtful if it will at all succeed on such a mass scale as is necessary for the scheme. It is not realistic to minimise the passionate attachment to land of the millions of small holders in this country, who have been enjoying individual possession and independent cultivation for decades, if not centuries. The Consumers Movement in Europe was for long toying with a kind of co-operative farming by the Wholesales, but has had to give it up in many places. The later Movement of Agricultural Producers, which is now far more powerful, will surely not favour abolition of individual ownership and farming as this will remove the strongest incentive to better farming. Collective farming may win over individual farming here and there by sheer force; but that will not be co-operative farming.

THE AGRARIAN PROBLEMS OF MADRAS PROVINCE.—*By V. V. Sayana, (The Business Week Press, Madras*, pp. 320: 1949: Rs. 12-8).

Dr. Sayana is a lecturer in the Bombay University, but is a native of the Godavari district in Madras and has personally investigated conditions of land tenure in different parts of Andhradesa. For the rest of the Province, he has relied on a variety of publications, correspondence and interviews.

Our author in dwelling at length and repeatedly on the evils of the zamindari system is only flogging a dead horse. The system is already abolished in this Province and is being fast replaced by the Ryotwari system. That this too is not free from defects is well brought out. But it is not clear what remedy is prescribed to adjust the tax to the fluctuations in prices. It is not the *Olunga* system, which broke down in boom years, nor the Lyallpur system which is not meant for such years. A graded tax on agricultural incomes is suggested; but the exemption level strikes us as too low, considering the cost of living now even in the countryside. A close study has been made of land-transfers, based largely on documents; but it is said: "sometimes the real cause is suppressed altogether and fictitious reasons are given instead."

A clear and concise account of the trends of land reforms in western countries is given. Dr. Sayana's leanings are more towards the radical, rather revolutionary, lines of Eastern Europe than of the conservative, reformist, lines of U.S.A or Western Europe. He would do away with tenancy altogether and confer rights of occupancy on tillers of the soil, as long as they cultivate 'efficiently' and subject them to State control and guidance. We have neither the resources in land nor leadership nor an enthusiastic and irreproachable bureaucracy for working such a scheme. He would relax a little from his doctrinnaire views for the sake of expediency in the immediate future, if only the ideal is not forgotten. But his immediate programme is bound to scare all holders of land, small and big, who are not tillers of the soil, whatever might be their contribution otherwise to the cultivation and improvement of land.

The chapter on Rural Indebtedness and Credit is largely historical; but it also discusses current problems. The remarks on the co-operative movement are rather sweeping; they cover the whole of India, not Madras in particular. The movement, he says, is associated with State bureaucracy and is unable to stand on its own legs and the organisation has proved itself ineffective, even after 45 years, in solving the problem of agricultural debt or providing cheap credit to the masses of people. A study of the history of the movement in western countries would show that our record is not particularly poor, considering especially the tiny size of most of our holdings and the immensity of our rural population. Nor should we forget the incalculable indirect benefit derived by co-operative credit in bringing down the rate of interest in the country. The rate charged by co-operative societies in Madras is only slightly higher than the legal maximum which is far less than the ruling rate in the market. Land mortgage banks do not charge more than the legal maximum. Madras is by far the best in India in the provision of long-term credit. 'Controlled credit', which is highly commended, had its origin in Madras.

The report of the Gadgil Committee on Agricultural Finance is summarised, and is approved in toto. The author would accordingly scale down debts to the repaying capacity of the borrower or half his assets—whichever is less. The demoralisation that would set in and its effects on

future credit should be reckoned. The rate of interest for development loans should be reduced to 4 per cent, it is said, with the aid of State subsidy if necessary. This is too low a rate according to the Nanavati Committee in Bombay. State aid is a vicious principle in Co-operation and should be limited to the barest minimum. Nor do we find any reason why co operative banks should go to the rescue of creditworthy borrowers who would not join the co-operative fold. The author condemns unreservedly the attitude of the Reserve Bank of India and hopes that now that the Bank has been nationalised it would be less 'rigid and less overcautious' and stretch a point or two in favour of co-operative institutions! A vain hope.

THE DEVELOPMENT OF THE CO-OPERATIVE MOVEMENT IN ASIA: I.L.O.—*Geneva, 1949.* (***Indian Branch, New Delhi***; **2sh. 6d.**)

The Co-operation Service of the International Labour Office has prepared this background material for the Regional Conference on Co-operation held at Nuwara Eliya in Ceylon last January. It is not so much a descriptive account with statistics added, as an able analysis of the main problems of the numerous co-operatives found in different countries of Asia, whose Governments have been increasingly resorting to them and expanding them with a view to equitably dispose of controlled commodities. Their weeknesses, especially in respect of trained staff and loyal membership, are gently pointed out. The importance of proper education and research on Co-operation is stressed in an impressive manner. Some exaggerated notions of certain institutions in India, based perhaps on official replies to a questionnaire, have crept in, which a critical study of the movement in the country may not support. But this is inevitable in a report covering such wide territories and prepared in a short period of time, with but two officers making a rapid tour of some of the countries.

At the end are found some resolutions drafted, which have been adopted more or less bodily by the Conference.

THE CO-OPS. AND RURAL ADULT EDUCATION—***By S. S. A. Hussain, Co-operative College, Trivandrum, 1949***—**pp. 15; As. 4)**

This pamphlet pleads eloquently for the spread of adult education among our rural folk, so long neglected. The writer would not confine its scope to the three R's but include health, hygiene, geography, history, civics, co-operation and rural economics. The range is too ambitious and is definitely beyond the capacity of the poor peripatetic co-operative staff to whom he would entrust the teaching work. Earnest and enthusiastic missionaries of the type teaching in the Folk Schools of Denmark can alone do justice to it. A novel suggestion is made that training centres should be located in villages where primary societies are *to be* organised or are *not* doing well. This is bound to make the work of the teachers more difficult.

ACKNOWLEDGMENTS

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CO-OPERATIVE CONFERENCES AND MEETINGS

XVI ANDHRA PROVINCIAL CO-OPERATIVE CONFERENCE

Held at Anantapur on the 19th and 20th November 1949.

The Sixteenth session of the Andhra Provincial Co-operative Conference was held at Anantapur on the 19th and 20th November 1949 under the presidency of Sri R. Dasaratharama Reddy, Vice-President of the Madras Provincial Co operative Bank. Sri P. Ramachari, President of the Anantapur District Co-operative Central Bank, welcomed the gathering. Sri K. V. Ramanayya Naidu, President of the Krishna Co-operative Central Bank, opened the Conference.

Welcoming the delegates Sri Ramachari said that the Madras Government had been making all efforts to expand the movement and that the object as stated by the departmental officials was to organise one society for every village which would draw at least one member from every family in the village. But he doubted whether the faith of the public in the movement would increase as a result of the campaign to organise new societies with new members, especially when the existing societies were not receiving adequate financial help. He complained that the Provincial Bank and the central banks were issuing only short-term loans while the requirements of the societies were medium-term and long-term loans, particularly in the Rayalaseema area where agriculture was dependant on seasonal rains and ryots could be sure of only one crop for every three years. Unless medium-term loans were given, the loans of central banks were of no use to the societies. " The Government have recently agreed to subsidise the loans in Rayalaseema area to the extent of one per cent. This recommendation is two years old; but times have changed now and owing to tightness of the money market money is not available privately at less than 12 per cent. In view of this the rate of 6 per cent obtaining in co-operative societies cannot be considered high by members What is needed by them is medium and long-term loan arrangements in their societies. The inability of the agriculturists to repay the short-term loans promptly is forcing them to the moneylenders to obtain accommodation at a much higher rate of interest to discharge the society loans. Neither the Provincial Bank nor the Government is able to supply the finance required by the already expanded movement."

"Owing to the tempting rates for money in the market in contrast to the low rate of interest paid on deposits by the co-operative banks, even the small deposits in the latter are being withdrawn." He hoped that this state of affairs could be remedied only by the State banning private money-lending and directing that all money with the investor in excess of Rs. 500 should be deposited with a bank.

Sri Dasaratharamareddy, in his Presidential Address, sketched briefly the evolution of the movement and expressed that the results were not satisfactory. He said " the life of the village consists of different economic branches which are inter-related. It is necessary that all the different aspects of the village life shall be improved simultaneously. It is wrong to separate credit from non-credit. Such separation is only artificial. It is desirable to organise a multipurpose society for a group of villages. Credit, production and marketing shall be harmoniously related to each other." He hoped that such societies, when organised in large numbers, would interest themselves in several other matters such as rural housing, education, sanitation and health, etc. Continuing Sri Reddy deprecated the dependence of the movement on honorary workers " In my opinion that it is not possible for the honorary workers to discharge their duties properly is my belief. Many of the directors do not have the required capacity and knowlede for the efficient discharge of their duties. Usually the directors get elected on account of their local influence but not due to their merit. They desire to boss over as many societies as possible. When once power comes to them, they become dictatorial and unscrupulous. If inefficient persons get into power the result is gross maladministration. Leaving aside the higher institutions the affairs of the primary societies in many places are not satisfactory." He suggested the appointment of an Executive Officer for each society. He wants a provision in the rules limiting the number of offices that any one can hold as a director in different societies simultaneously.

Sri Reddy advocated the idea of compulsory co-operation, particularly in fields such as consolidation of holdings, protection of crops from pests, creation of minor irrigation facilities, if the movement was to develop. He pleaded for suitable legislation to entrust all credit operations to co-operative societies, whereby alone, he believed that private moneylending would be completely rooted out.

The following were among the resolutions passed :—

This Conference requests the Government to help the Movement by appointing well-trained Executive Officers for manning the multipurpose societies each to be organised for a group of villages, whose business would be to grant loans to the agriculturists to step up production and to organise marketing of the produce. The Government may bear the cost of the expenditure on the Executive Officers until the societies become self supporting.

This Conference requests the Government to prohibit in the areas (specified) money-lending and other monetary transactions through private agencies.

This conference requests the Government to encourage landless labourers by leasing out to their societies on nominal rent the fallow lands including *lankas* (islands in rivers) and riverbeds on long-term lease.

This Conference requests the Government to encourage the organisation in large number of (i) Collective Farming, (ii) Tenant-farming, (iii) Better-farming, and (iv) Joint-farming societies and consolidating the fragmented holdings to help the Grow More Food Campaign.

The Land Colonisation Scheme sponsored by the Government could not thrive on account of (i) insufficiency of the holding to maintain a family, (ii) the inability of agricultural labourers and Harijans to reclaim land and improve irrigational sources, and (iii) the lack of funds to undertake agricultural operations. There is need to rehabilitate these societies by giving financial and technical assistance to the agriculturists to undertake well-sinking, irrigational facilities and purchase of agricultural implements and the like through the Co-operative Department.

This Conference requests the Government and the Registrar of Co-operative Societies to take speedy steps to make such legislative provisions and orders as are necessary to enable co-operators and co-operative institutions to contribute liberally from out of their Common Good Fund and other Funds to the Governor's Cyclone Relief Fund so as to rush relief to the hard hit destitutes of the recent cyclone-affected areas.

This Conference requests the Government to remove all existing obstacles confronting the local boards and municipalities to deposit their monies in Co-operative Central Banks upto a limit fixed by the Registrar.

Whereas in the public opinion controls and procurement are not working satisfactorily, this Conference requests the Central and Provincial Governments to take all such steps as are necessary to abandon them by at least June 1950.

This Conference requests that Primary Land Mortgage Banks be started for dry taluks in larger numbers.

This Conference requests the Government to sanction a sum of Rs. 10 lakhs to the Central Co-operative Land Mortgage Bank for the purpose of creating a Revolving Fund so as to afford relief to members of Primary Land Mortgage Banks on account of flood, famine, etc.

The Government have, recently, directed the Stores societies to pay Supervision fees at Rs. 5 per 100 of their net profit. But Stores societies, have already been paying Supervision fees to the Central Banks and audit fees and other licence fees to the Government. Therefore, it is not justifiable to ask the Stores societies to pay this additional fees also. Hence this Conference requests the Government to cancel these orders immediately.

This Conference urges that only Deputy Registrars knowing the language of the region should be posted in that region and that they should not be disturbed from the district at least within one year.

XXVII MADRAS PROVINCIAL CO-OPERATIVE CONFERENCE
Held at Madras on 31st December 1949.

Extracts from

The Welcome Address By Sri B. Venkataratnam Choudary, M.L.A., President, the Madras Provincial Co-operative Union.

A sacred duty devolves on us towards those suffering from the effects of the cyclone. I therefore urge on you, fellow co-operators, to go to their aid and render them all the help you can, including the provision of long-term money, so that they may rehabilitate their agricultural industry.

While the cyclone in the Andhra area has ruined the country-side, failure of the monsoon has affected many parts of Tamil Nad and Rayalaseema. The unsettled food conditions are continuing even though the War ended four years ago. We are obliged to depend on the rations of the Government. I hope that the conditions will be better when we meet next.

We met last soon after the end of the global War. Conditions have not still settled down to normal these three years: The country is still faced with the problems of inflation, rise in price levels, high cost of living and low standards of life, partial controls and rationing, hoarding and black-marketing of goods. At the same time there are, strangely enough, problems like the scarcity of capital, tightness of the money market and a slump in some industries and trade like handloom weaving.

Now, this plight of the weavers and their societies as well has become worse. Cloth prices have fallen very low and yet there are no good sales. The weaver is obliged to reduce to a great extent his margin of profit and wages though cost of living has not declined at all. The societies are also losing very much on account of accumulation of stocks and no sales. Above all, these societies are subjected to a number of levies, *viz.*, sales tax, audit fees, supervision tax by Government and other supervision fees by financing central banks. In these conditions how can these societies work? Of course, there should be supervision and audit. But I see no reason why Government should tax them when it is the duty of the Government to have only a general supervision. After all, the finance is being given by the central banks and they are entitled to have a careful supervision and collect a small percentage towards supervision fund from out of the profits. I hope, Government will examine this aspect of the question and see that their new scheme of collecting supervision fund charges from the weavers societies, which has been recently brought into force, is withdrawn immediately.

The Government of India have recently appointed a Rural Banking Enquiry Committee for the purpose of devising ways and means of tapping rural capital. My honest impression is that in such enquiries it is not the official or the arm-chair economist, but the rural dweller that can give a true picture of the conditions. The Committee is required to investigate as to where and to what extent surplus money is lodged in the hands of the rural population. This is quite in keeping with the general impression in the country that the present high prices of agricultural produce have placed

considerable savings in the hands of the rural people. This opinion has gained currency due to the mistaken notions of certain urban dwellers, particularly merchants and industrial speculators. These persons who might have observed the tightness of the money market for business undertakings have not scrupled to accuse their poor rural brethren of hoarding. And what is worse, they have not hesitated to support the idea of the Government to raise compulsory loans from the poor agriculturists.

Consequent on the rise in the cost of agricultural implements, cultivation expenses and living, those having 5 acres and less have a large deficit. How then would you expect a surplus in the case of the small farmers who constitute the bulk of the population in the countryside? In fact the peasants do not reap the benefit of a rise in price; because they are every year obliged to sell away a large part of their produce at unfair prices soon after the harvest for payment of kist etc. This leaves them absolutely no margin and their life during the rest of the year is one of poverty and suffering. It is to remove this poverty and these handicaps that the co-operative movement has been endeavouring for years past. I regret to note that the results achieved so far are not encouraging. We are told that while the total agricultural debt in the Province in 1945 was about Rs. 218 crores, the debt owed to co-operative institutions was only Rs. 2.86 crores, working out to only 1.31 per cent. Since then the movement has registered some measure of progress and the amounts owed by agriculturists to co-operative institutions increased to Rs. 7.13 crores in 1946-47 and Rs. 8.57 crores in 1947-48. Taking the rural debt to be 218 crores, this works out to 3.22 per cent and 4 per cent respectively. Thus the co-operative movement has just touched the fringe of the problem of rural debt. It may be that as the co-operative movement progresses, the agriculturist will have some surplus due to some economies in production and sale. But at present poverty is his lot.

Lakhs of ex-tappers have been thrown out of employment suddenly. Millions of ex-addicts have been faced with the problem of finding an alternative pastime and avocation. The need for tackling the life of the villager as a whole having been stressed, a Province-wide campaign has been launched to promote the development of multipurpose co-operative societies in the countryside. A two-year plan has been formulated for bringing 50 per cent of the villages and 30 per cent of the population into the co-operative fold. The Government of Madras have granted a subsidy of Rs. 1.27 lakhs to enable the central banks to meet the extra cost.

It is essential that non-official agencies should have some statutory status and powers since otherwise they may tend to become mere handmaids to officialdom. I understand that the Co-operative Societies Act in our Province will be amended shortly and I hope this point will receive adequate attention of the legislators in national interests.

Extracts from
The Opening Address of the Hon'ble Sri P. S. Kumaraswami Raja, Premier to the Government of Madras.

Being an humble co-operator myself for about 30 years, it gives me great pleasure to address you.

The Madras Province has taken the lead in the application of the co-operative method in diverse ways with commendable success. During the year 1948-49, the Central Land Mortgage Bank issued Rs. 77 73 lakhs of loans to the primary land mortgage banks and the debentures issued by it are guaranteed by Government up to a limit of Rs 5.5 crores. The Madras Provincial Co-operative Bank disbursed Rs 7.84 crores as loans and cash credit to the co-operative central banks. The total amount of loans and cash credits issued by the latter to their affiliated societies was Rs. 47.44 crores. On 30-6-1949, there were 1,764 primary co-operative stores and 23 district co-operative central stores in the Province. The district central stores sold goods worth Rs. 25.18 crores during the year. Under local procurement operations, they procured Rs. 3.15 crores worth of food grains. They also purchased imported food grains for a total value of Rs. 10.36 crores. The primary store societies distributed more than Rs. 28 crores worth of goods to the consumers.

The Madras Handloom Weavers' Provincial Co-operative Society is today the apex of a well-knit co-operative structure, which commands about 1.32 lakhs of looms and produces every month about Rs. 23 lakhs worth of handloom cloth. During 1948-49 it disbursed Rs. 7.36 crores worth of yarn to both members and non-members and purchased Rs. 81.90 lakhs worth of finished goods from the primary weavers' societies. The progress made by the ex servicemen co-operative societies is significant. During the year the co-operative workshops for ex-servicemen produced goods worth Rs. 4.44 lakhs and paid as wages to its members Rs. 1.09 lakhs. The motor transport societies for ex-servicemen owned 293 vehicles and earned total hire charges of Rs. 28 lakhs. Co-operatives played a notable role also in the rehabilitation of toddy tappers thrown out of employment consequent on the introduction of Prohibition. And on 30-6-1949, there were 1,488 jaggery manufacturing co-operative societies for ex-toddy tappers and they produced 25 lakhs of maunds of jaggery valued at Rs. 1.27 crores. 180 milk supply organisations formed for their benefit and for ex-addicts sold Rs. 11.23 lakhs worth of milk. Co-operators of the Province may well be proud of this record of progress.

The Madras Government have utilised the co-operative organisations for implementing their schemes of food procurement and distribution, purchase and distribution of yarn, housing. re-settlement of ex-servicemen and ex-toddy tappers and have provided them with loans and subsidies and staff. I may assure you that Government for their part will be prepared to extend their measure of support for every form of co-operative enterprise, which is calculated to promote the well-being of the community.

I shall now refer to one or two matters relating to the future of the movement in the Province. First, I shall refer to the rural credit system. A fillip has indeed been given for the expansion of rural credit societies and their undertaking multipurpose activities as a result of the scheme sanctioned by Government recently for the re-organisation of rural credit societies, and today there are 12,728 rural societies covering 45 17 per cent of the villages and 14.8 per cent of the rural population in the Province. Of these, 3,659 societies have undertaken multipurpose work. I am aware of the difficulties which confront the societies to do extra-credit activities. Men with the necessary ability, leisure and inclination for work may not be available People trained in account-keeping and methods of business are difficult to be secured. There are also difficulties in the way of societies getting the required articles like foodgrains, agricultural implements, etc. More funds will also be required. But, I am confident that every endeavour will be made by the co-operators to make the village societies live centres of rural progress and that the Conference will devise ways and means of achieving this end. However, any attempt to force the pace of expansion may defeat the purpose of the scheme even as the anxiety to multiply rural credit societies in 1921 under the five year plan ended in the failure of most of these societies in later years. Unless local leaders imbued with a spirit of service to manage these societies and well-equipped staff to run their day-to-day administration are secured, it will be hazardous to entrust these institutions with duties which they cannot ordinarily undertake. The rural credit societies should so develop themselves that they should not only enlist the sympathy and services of the outstanding men in the village but also function as strong economic units with sufficient margin of income to maintain a paid establishment so essential for their working. It will hardly be possible for Government to render financial assistance to them to meet the expenses of their day-to-day adminiatration. The societies should be able to develop their business in such a manner that they can pay their own way. Where these conditions are satisfied, you can expect credit societies to function really as multipurpose credit societies. Otherwise, we have to proceed with care and caution.

Secondly, the need for commanding more funds has arisen. For long, the co-operative institutions have been able to find the money required by them within the movement itself except on very rare occasions and that too to a small extent. There was very little direct lending by Government to the co-operative financing institutions. This is not the case at present. Government have provided funds to the Provincial Bank through the Imperial Bank of India to the extent of Rs. 3 crores, besides a direct loan of Rs. 1.90 crores for financing procurement operations. There is a section of co-operative opinion which feels that Government should provide funds when they ask the institutions to take up procurement work. But I may tell you that procurement is as much the people's job as that of Government and when the people want procurement to be undertaken by co-operatives in any area, the work is entrusted to them also. It should be the task of the Provincial Bank and the central banks to raise all the funds required by them by tapping deposits from the public both in urban and rural areas and also to make money available to the movement at cheaper rates of interest.

Thirdly, there is an increasing desire on the part of the co-operative organisations to take in departmental officers for running their day-to-day administration. I find that the number of officers placed at the disposal of co-operative societies for this purpose was 349 during the year 1948-49. This tendency should be discouraged. Co-operative institutions should be able to stand on their own legs and run them with their own men. In some cases, departmental officers are indented upon so that the men in charge of the affairs of the societies may have less responsibility to shoulder and in some others because they have not taken adequate steps to train their staff or to pay sufficient emoluments to them. It is high time that a suitable plan was evolved by the co-operators by which the institutions will be able to secure all the staff that they require and have an efficient personnel.

Again, co-operative institutions have often come to grief on account of factions and group rivalry among the members. There is no place for party spirit or faction in co-operative societies, which are essentially business organisations. Unless the movement keeps clear of local rivalries, faction and party politics, it cannot be expected to command the confidence of the public or be of real service to its clients. In some cases, the party spirit is carried to the extreme length of creating deadlocks in institutions by adopting certain election tactics by resorting to civil courts, etc., which affect adversely the normal working of the institutions. May I therefore appeal to the co-operators to instil a sense of discipline and a sense of service to fellow men in the persons who are in charge of the affairs of the institutions and to make them subordinate their party and local leanings to the higher interests of the community? Pardon me if I say that more vigilance is needed on the part of the co-operators than they have hitherto been able to exercise in their management. With the new kinds of activities undertaken by them and a large business turnover, there are more temptations to commit misappropriations, etc., and I find from the Report of the Registrar that 63 prosecutions were launched during the year. Suitable steps are called for to tighten up the control over the office-bearers and employees of societies to see that their working is not affected.

I am aware co-operatives have played a very notable part in the distribution of food stuffs but a great task awaits them in the field of production. There are a few colonisation societies, agricultural improvement societies, tenants' societies which are engaged in food production, but I would like to make an appeal to co-operators to concert measures to make the co-operatives play an increasing part in the matter of food production.

Extracts from
The Presidential Address of Shri R. G. Saraiya, Chairman, Bombay Provincial Co-operative Bank, Ltd.

IMPRESSIVE RECORD OF CO-OPERATION IN MADRAS.

The record of progress of the Madras Province is indeed impressive. On the 30th June 1949, there were 20,796 societies functioning with a membership of 28.81 lakhs with a share capital of Rs. 926.34 lakhs. Out of these, there were 12,728 rural credit societies covering 17,020 villages. The percentage of villages served by rural credit societies and population served by them have reached 45.17 and 14.8 respectively. It shows that the target set before the country by the All-India Co-operative Planning Committee, which reported in 1946, of bringing 50 per cent of the villages and 30 per cent of the rural population within the ambit of the re-organised primary societies within the period of 10 years is within sight of attainment in the Province of Madras. While taking the lead in the matter of consumers' co-operatives, it is indeed gratifying to note that the work you have undertaken in your Province through co-operative agencies covers such diverse activities as supplying short and long term finance to agriculture, housing, marketing, dairy and milk production, egg production, salvage of dry animals, distribution of yarn and cloth, handloom weaving, miscellaneous cottage industries, workshops and motor transport for ex-servicemen and ameliorative work for those thrown out of employment through the enforcement of Prohibition. The very diversity of activities undertaken suggests to me the desirability of the Madras Co-operative Union preparing a compilation of the various types of economic and other activities undertaken through co-operative agencies with specimen by-laws of each type of society showing the aims and objects and the main features of organisation and finance. Such a compilation would not only be useful to the whole of India but to other parts of the world also.

CO-OPERATION AND THE PROVINCIAL GOVERNMENT

One resolution of the F.A.O. Conference on Co-operation recently held at Lucknow stresses the voluntary character of the co-operative movement and also the necessity of ensuring that local initiative or self-help is not replaced by any form of compulsion. In the very enthusiasm for the co-operative movement, there is a danger of the essential voluntary character of the co-operative movement being forgotten and some form or other of compulsion being introduced in the name of co-operation. The only compulsion which has been recognised is the necessity of bringing into line recalcitrant non-members who may be holding up the development of economic services or thwarting the larger interests of the community. In such cases, however, it is essential that the course of action proposed is backed by a substantial majority of the persons and economic interests affected by the resolution. Schemes of better irrigation, consolidation of holdings or planning of crops or marketing of agricultural products should not be sabotaged by a recalcitrant minority if the majority of the people involved with the majority of economic interests concerned are convinced that the adoption of such a scheme on co-operative lines is in the general interest. It should not be decided to form compulsory co-operatives by State order for any and every type of economic activity.

GOVERNMENT SHOULD REIMBURSE CO-OPERATIVES FOR SERVICES TO THE PUBLIC AND INDEMNIFY THEM AGAINST LOSSES

The co-operative movement has been utilised by the State for such purposes among others as prourement of foodgrains, distribution of rationed articles, carrying out relief work under famine or unemployment conditions. This is all to the good but here again it should be recognised that co-operative societies were established on business lines for the benefit of their members on the principle of self-help through mutual help. When the State wishes to make use of co-operative societies on behalf of the general public and calls upon them to undertake such functions as the procurement and distribution of food-stuffs and textiles, it is necessary that the funds required are provided by Government, that the losses arising thereby, if any, are borne by Government and the societies are not on that account made liable to the levy of income-tax on the surplus if any accruing from the business. As a result of public demand, Government have entrusted the distribution of yarn and cloth in this Province, I understand, on a very large scale to the co-operative movement. It should be the duty of the Government to see that the co-operative societies are not put to a loss as a result of their undertaking this work in the interest of the general public. The loss may arise from a fall in the market prices of yarn and cloth, accumulation of stocks over a long period, entailing heavy charges for storage, interest, insurance, etc., and deterioration in quality, etc. It is only fair that the public exchequer should bear these losses. In fact the Government of Bombay have to some extent recognised this principle and have guaranteed the losses, if any, which may be incurred by district wholesalers of cloth as a result of their undertaking cloth distribution work.

I would like also to urge upon departments other than the department of co-operatives the necessity of ensuring that the co-operative labourer is also worthy of his hire. In the zeal for reducing prices to the consumers, the work of distribution of food-grains, cloth, etc., is being entrusted to co-operative institutions on terms which are not remunerative. Even the co-operative societies are entitled to a fair return on their capital to lay by something as reserves both for a rainy day and for purposes of co-operative education, propaganda, etc. The margin of commission or the scale of charges which may be allowed to co-operative institutions, when they undertake such work, should therefore be so worked out that an honest co-operative institution working fairly efficiently would not only be able to make the two ends meet but also earn a fair dividend on its capital; a dividend of say 4 per cent or 5 per cent could by no stretch of imagination be called profiteering. It should be recognised in this context that

co-operative societies do not possess the means; nor can they adopt methods which may be open to other channels of trade to re-imburse themselves against losses. They have to observe certain rules and regulations, keep certain books, subject themselves to audit and inspection, pay for their supervision and staff and sometimes work in remote places where the turnover is extremely small. The remuneration which may be sufficient for a larger unit working in a city may not be sufficient for a small unit serving the genuine needs of the rural population in the interior, perhaps in a small village remote from a railway station at a long distance by road from the nearest market and with a small population. The Civil Supplies Ministry or the Finance Ministry which may be laying down the remuneration for societies for their work should take all these factors into account in a spirit of broad-mindedness and not cut their calculation to the last pie so as to deprive a large number of co-operative societies of even a fair remuneration.

CO-OPERATIVES ARE NOT CHARITABLE INSTITUTIONS

Another misconception which appears to prevail amongst large sections of the public and even amongst some of the Government departments is that co-operative societies are philanthropic institutions. Apart from the dictum that "charity begins at home", it should not be overlooked that co-operative societies can only provide charitable assistance or perform philanthropic activities through their own reserves which are available for the purpose. A co-operative society or a co-operative bank cannot use its working capital, its share capital or deposits of its members for charitable purposes, howsoever laudable the purpose of the charity may be. A co-operative society, like some old fashioned business houses but unlike modern companies, does set apart a certain sum of money for the common good fund. This fund alone can be used by the society for beneficient activities and these activities should in the first instance be for the benefit of their less fortunate members and their families. The co-operative societies, however, can make available for public purposes, the labour of their members to the extent that it may be available in their free time.

PLACE OF CO-OPERATION IN GOVERNMENT ORGANISATION

It is necessary that a proper place is given to the co-operative movement in the organisation of Government itself by entrusting it to a special Minister who should be exclusively in charge of co-operation; if he should be entrusted with additional portfolios, the same should relate to such cognate subjects as agriculture or food. The co-operative department should also be recognised as a major department of Government. In view of the essentially democratic character of the co-operative movement, the Minister in charge should be advised by a co-operative advisory council consisting of leading non-official representatives of the movement, officers of important departments like Co-operation, Finance, Agriculture, Civil Supplies, etc., and members of the legislature. I am glad to note that most of the above requirements are met in the set up of the Madras Government. I am particularly glad to note that the Madras Government have already set up a Co-operative Advisory Council whose advice, I understand, is generally accepted by them.

THE INDIAN CO-OPERATIVE UNION

However, the organisation of the co-operative movement at the centre leaves much to be desired. The need of an effective organisation of the movement at the centre was felt at the last Registrars' Conference in Madras. A sub-committee was appointed by the Government of India, which has already submitted its report. This report was again considered by the Committees of the All-India Co-operative Institutes' Association* which met in Bangalore in May 1949. This meeting adopted most of the recommendations of the sub-committee and formed the Indian Co-operative Union. The functions of the Co-operative Union amongst others would be:

(1) to canalize opinions on co-operative questions,

(2) to convene the All-India Co-operative Conference periodically

(3) to publish journals, bulletins, pamphlets, etc. on co-operative matters and generally to carry on co-operative propaganda, and

(4) to promote co-operative education and training.

It was recommended that the Union should be given a liberal grant by the Central Government to enable it to convene the Conference and to carry on its activities. The Indian Co-operative Union has already been formed. Its meetings have been held and it met the Hon'ble Minister of Agriculture recently in New Delhi. No decision, however, so far appears to have been taken regarding the grant to this Union to enable it to carry on its functions.

CENTRAL CO-OPERATIVE COUNCIL

It was further recommended that a Central Co-operative Council should be established to keep the Government in close and continuous contact with co-operative opinion. The Council was to consist of the Hon'ble Minister in charge of Co-operation, 10 nominees of the Central Government, 10 representatives of the Indian Co-operative Union and a representative of the Reserve Bank of India. The functions of the Council would be to advise the Ministry as to the steps to be taken to implement the recommendations of the All-India Co-operative Conference (which would replace the existing Registrars' Conference and the non-official Conference), bring to the notice of the Ministry co-operative problems, call for information on co-operative developments of special interest or value to India, appraise the Government on the nature and extent of the assistance required by the movement from time to time, especially in regard to schemes from the Provinces, and advise them on new experiments or research, necessary for development through co-operative organisation.

* This was a regular Conference of the two All-India Associations.—*M.Ed.*

CO-OPERATION DIRECTORATE UNDER A CO-OPERATIVE ADVISER

It was also recommended to set up a Co-operation Directorate at the centre under a Co-operative Adviser, so as to co-ordinate and work with the Provinces and States in all fields of co-operative activity and provide for technical information and other forms of assistance needed by the movement. It is absolutely necessary that all these recommendations to the Central Government are put into effect, in as much as co-operation has been developing at a fairly rapid pace in the provinces and in view of the increasing number of activities undertaken by the co-operative movement, the need is keenly felt for a co-ordinating agency at the centre. Such a co-ordinating agency at the centre will prevent one province from repeating the mistakes of another, reduce overlapping of experiments and make available to every province the benefit of the combined pool of information on the working of all provinces that a central collecting authority can alone supply. I would therefore like to urge upon the Central Government the necessity of supplying the necessary finance to the Indian Co-operative Union, establishing a Co-operative Advisory Council at the centre and setting up a Co-operation Directorate under a Co-operation Adviser.

ALL-INDIA CO-OPERATIVE ADVISER

There have been no meetings of the All-India Co-operative Conference* or of the Conference of Registrars of Co-operative Societies since May 1947. There has been rapid progress in the co-operative movement since then. It is necessary, therefore, that steps are taken to hold early a meeting of the All India Co-operative Conference as recommended under the aegis of the Indian Co-operative Union. Such a conference will take a review of any development of co-operation during the last 2 years and will give the necessary impetus and guidance to the co-operative movement for further development in independent India.

CO-OPERATIVE MOVEMENT AND PARTY POLITICS

The co-operative movement is all pervading. It is recognised as a plank in the platform of all political parties. It embraces a substantial proportion of the economic activities of the people. It transcends all political parties; parties may come and parties may go but the co-operative movement must go on for ever. It is in this spirit that any political party should approach the co-operative movement with the one object of serving first its own members and then the public in general and not with the object of using it as an instrument for the furtherance of its own political ends. Co-operative elections should also be conducted in the same spirit. They should be above party politics, above communal consideration and beyond linguistic divisions. The person who can best serve the insittution to which the elections are being held should get the vote irrespective of his caste, creed, district, province, language or political ideology.

* There was a Conference at Bangalore in May, 1949—*M.Ed.*

CO-OPERATION AND RURAL BANKING ENQUIRY COMMITTEE

While it is satisfactory to note that the Government of India in appointing this committee have not overlooked the role of co-operative banks, I cannot help expressing the opinion that the co-operative movement has not been adequately represented on it. I must congratulate Madras on the appointment on the committee of Rao Bahadur J. C. Ryan, its able and industrious Registrar. On his shoulders falls the burden of conveying the co-operative point of view clealry and emphatically to the other members of the Rural Banking Enquiry Committee. It would have been better if he had the assistance of a veteran co-operator with experience of co-operative banking selected from the non-official world.

It is strange that the Government of India should at this stage think of assisting commercial banks to open branches in rural areas and to provide facilities for rural banking. Commercial banks by their very nature and thier constitution have not been able to penetrate rural areas all these years. They have neither attracted rural deposits nor have they provided banking facilities to the countryside. On the other hand, with all their limitations, co-operative banks have been performing some of the functions of rural banking for decades. Every co-operative credit society in a village in fact is a nucleus for a rural bank. Such a society is linked to the taluq union and or to the district central bank, which in its turn is linked to the provincial co-operative bank. If rural banking is to be encouraged and rural savings are to be tapped that agency alone should be supported which by its very nature, constitution and organisation is equipped for the purpose. That agency is only the co-operative movement. I suppose rural banking means not only attracting rural deposits but also the provision of facilities for making advances to the rural community for their daily needs. Co-operative banks have been financing the needs of agriculture to a certain extent for all these years. Through their net work of co-operative societies, they have been meeting the needs of agriculturists for the raising of crops, for the provision of seed, feed and fertilisers, for agricultural implements, purchase of bullocks etc. Co-operative banks have been even advancing funds for what is known as maintenance finance to members of credit societies in periods of famine and distress. In provinces like Madras and Bombay, land mortgage banks have been organised for providing long term loans to the agriculturist to enable him to redeem his past debts or to make improvement on his land. If the co-operative movement is called upon to perform all these functions so as to meet the needs of the agriculturist, it is only fair that any assistance which the Government of India may be contemplating for development of rural banking should be confined to co-operative banks and the network of institutions under their wings, *i.e.*, the provincial co-operative banks, the district central banks the banking unions in the Talukas and the primary credit soceities.

The Bombay Provincial Co-operative Bank and central banks in the Province have undertaken the responsibility of financing the credit needs of all credit-worthy agricultural borrowers in the province, except in those parts liable to recurring famines or are inhabited by tribes or people requiring special care and assistance from Government. In the revised constitution of the Bombay Provincial Co-operative Bank, not only do the co-operative primary societies and central banks find enlarged representation but 3 seats are given to the Government of Bombay who have undertaken to contribute to its share capital as a basis for expanding its working capital. An institution like this can cater for the requirements of rural finance only if such finance is made available to it. After all a bank can only lend from its own deposits or from borrowings from Government. If, therefore, the Government of India contemplate expansion of banking facilities in the rural areas, they cannot do better than put at the disposal of the co-operative movement in the province any State assistance which may be necessary. For example, the State can subsidise the operations of uneconomic branches *i.e.*, branches where the turnover is so small that the bank is not able to pay its way from the interest and commission earned. The State can also put funds free of interest as deposits with the provincial co-operative banks and provide free remittance facilities for co-operative funds. It would indeed be a serious anomaly if the Government of India lends its assistance to institutions other than co-operative banks for promoting rural banking.

THE CO-OPERATIVE MOVEMENT AND RESERVE BANK

The Reserve Bank is playing an increasingly useful role in financing the agricultural activities of the co-operative banks. Originally it was said: "it was not intended to supply normal finance for which the provincial co-operative banks should have to rely on their own resources." But the Bank's views have been modified. Its circular of November 1944 stated "we have accepted that the co-operative movement would utilise the concession on a fairly large scale" and again in the circular of July 1946 it was mentioned "In order that the co-operative banks may make a greater use of the facilities offered under the scheme than they have done so far, we have decided to increase the rate of rebate from 1 per cent to 1½ per cent." Finance is thus available to the co operative banks at the Reserve Bank of India rate of 3 per cent less 1½ per cent rebate *i.e.*, at 1½ per cent. The accommodation which the Reserve Bank can give, however, is limited by the Reserve Bank of India Act. At present the Act permits the lending of funds for two specific purposes, *viz.*, financing of seasonal agricultural operations and the marketing of crops. Unfortunately the interpretation of the word "agricultural crops" excludes from the operation of the Act many commodities which should be included, *e.g.*, milk, cream, butter, ghee and wool. It also excludes processed crops such as sugar, cotton which is ginned and pressed, groundnuts which have been decorticated and vegetable oil and oil-cakes. It is necessary that the scope of the Act should be so widened that all these commodities come within the purview of the Reserve Bank of India Act. The Reserve Bank of India Act also excludes from its purview the operations of industrial co-operative societies although finance for the marketing of the goods produced by these societies would be available under Sec. 17 (4) (d). The other operational finance needed by such societies cannot be advanced by the Reserve Bank. It has been suggested that this should be remedied and the Reserve Bank's finance should be made available for all co-operative activities permitted under the Co-operative Societies Act. Recommendations regarding the amendment of the Reserve Bank of India Act have been made by the Co-operative Sub-Committee appointed by the Government of India on the recommendations of the last Conference of the Registrars of Co-operative Societies, over which I had the honour to preside and I trust that these recommendations will soon be implemented by the Government of India.

CO-OPERATIVE FARMING

Farmers working in co-operation can undertake a common plan of cultivation and of crops, and work on the principle of division of labour and share the use of improved facilities for irrigation or improved agricultural implements. With a further advance in co-operation, land itself can be pooled and the ownership of land of members re-organised by a share in the capital of the society which would be entitled to a dividend based on the value of the land. Cultivation can then be undertaken on scientific principles with the use of equipment which can be available to the co-operative society working in a larger unit, but which is impossible to be secured by an individual farmer on a small uneconomic unit.

Apart from the economic advantages, it has been shown by an ILO study that co-operative farming "like other forms of co-operation tends to develop in the individual members a social sense and a group spirit that may find expression in unexpected sound achievements." Such enterprises have been known to protect their members against risk due to accident, sickness, death or to the failure of crops. It becomes possible to re-group the houses of members and thus provide them with such centralised communal services like water, electricity and recreation facilities. Conditions of work can be improved by rationalisation of work and the savings effected by the division of labour.

Bombay has registered 37 co-operative farming societies and there is a demand from certain sections of the farming community for such societies. I am glad to note that in Madras, besides 9 or 10 co-operative land colonization societies for ex-servicemen, there are 26 co-operative land colonization societies for civilians who are generally landless and poor, designed to increase food production in the Province by reclaiming waste lands and bringing them under the plough. I have also noted with great interest that your Province has started a co-operative society at Marudur in which both the landlords and their tenants have been enrolled as members. May I take this opportunity to appeal to the co-operative workers in the Province and to the Government of Madras and the officers of the departments of agriculture and co-operation to intensify their efforts for the promotion of co-operative farming by persuasion, propaganda and the provision of facilities? To my mind this offers the most constructive contribution that the co-operative movement can offer to the solution of our rural economic problems.

RESOLUTIONS PASSED

The following were among the Resolutions passed at the Conference:—

This Conference is of the opinion that the co-operative wholesale stores and big societies may be encouraged to own and lease lands for production and processing of articles of food, etc., needed for the members, where they have got financial and other resources.

This Conference urges on all co-operative credit societies to make a vigorous drive to attract more deposits for co-operative work.

This Conference requests the co-operative training institutes to open separate courses to train paid secretaries, managers, accountants and agents and a short-term course to train shop-assistants and salesmen.

This Conference strongly urges the Central and Provincial Governments to confine any assistance they may contemplate for the extension of banking facilities in rural areas to co-operative institutions.

This Conference is of the opinion that separate Agricultural Credit Corporations are unnecessary, as the Provincial Co-operative Bank and other existing co-operative agencies will effectively do the work if the help that is intended to be given to the Agricultural Credit Corporations is extended to them.

This Conference resolves to request the Government and the Reserve Bank of India to help co-operatives by financing them for agricultural operations including procurement and widen the scope of the word "Crops" by including milk, cream, butter, livestock, wool, sugar, cotton, groundnuts, vegetable oils and other products. If necessary, the Reserve Bank of India Act may be amended for the purpose.

The State should as far as possible make use of co-operatives in preference to private agencies in respect of trading activities, when and where the co-operative institutions are capable of undertaking such work.

This Conference resolves that when the State makes use of co-operatives on behalf of the general public and calls upon them to undertake such functions as procurement and distribution of foodstuffs, textiles, and other controlled articles, it should assist them in securing the funds required for the purpose. The loss arising thereby, if any, should be borne by the Government.

This Conference suggests that the time limit of 2 years for the conversion of co-operative societies into multipurpose societies should be abolished, but the conversion of co-operative credit societies into multi-purpose co-operative societies should be brought about in conformity with the economic requirements and capacity of each society giving due consideration to the wishes of the members.

Societies should be organised whenever there is demand and after education and propaganda only.

This Conference requests the Government to make it mandatory on the municipal councils to hand over vacant house sites belonging to them to the building co-operative societies, after receiving compensation.

This Conference requests the Government and Registrar to permit central banks, land mortgage banks, sale and marketing societies, stores and other limited liability societies to appoint Registered Accountants as auditors from the panel of auditors approved by the Registrar instead of Co-operative Department auditors.

Since the audit fees charged are heavy, this Conference requests the Government to examine the matter in consultation with the Provincial Co-operative Union and reduce the audit fees suitably.

This Conference requests the Government to separate immediately the Audit and Administrative Sections of the Department to ensure efficiency in audit.

This Conference requests the Registrar to exempt employees of co-operative institutions like central banks, urban banks, central stores etc., who have put in more than 10 years continued service in co-operative institutions, from general educational qualifications to make them eligible for promotions in deserving cases.

The Registrar is requested to extend the time limit for obtaining security from the employees of land mortgage banks by one month and, in deserving cases, accept the fidelity bonds of the Co-operative Fire and General Insurance Society or unencumbered immoveable property in addition to, or in substitution of the cash security, as the case may be.

This Conference requests the Government to exempt all co-operative societies from the operation of the Shop Assistants Act.

This Conference resolves that central banks should advance loans to primary societies for periods of 1, 3 and 5 years according to requirements and the Provincial Co-operative Bank may give necessary facilities for such advances by amending the rules under the Co-operative Societies Act if necessary.

This Conference requests the Government to amend the Co-operative Societies Act to make the loan advanced by co-operative societies a first charge upon the debtor's properties next to that of Government.

This Conference resolves to request the Government to extend the facility of half-grant by Government for construction of godowns to all co-operative institutions and also raise the maximum amount to Rs. 10,000 and also requests the Government to extend the concession to central banks to put up godowns in non-municipal areas with a proviso that such

godowns ought to be transferred to primary societies when they are able to pay for and take them up.

This Conference reiterates the old resolutions of 1944 and 1947 and requests the Government to make it obligatory on the salary disbursing authorities to deduct the dues of the members of the co-operative societies from their salaries.

This Conference requests the Government to permit employees' societies to issue loans on life insurance policies repayable in 4 years.

This Conference again requests the Government to make co-operative societies the only licensed channels to deal in iron and steel implements used by agriculturists—cart tyres—chemical manures and groundnut cake by transferring the stocks from the Agricultural Department to the local co-operative societies.

This Conference also requests the Government that adequate quantities of cement be allotted to co-operative societies for equitable distribution for agricultural and other purposes.

This Conference resolves that the Madras Provincial Co-operative Marketing Society may be made the sole agency for export of groundnut cake and that the Provincial Co-operative Marketing Society may act as agent of the local marketing societies.

This Conference resolves to request the Government to introduce the Groundnut Marketing Act to North Arcot and Salem as there is much of speculation in those districts.

This Conference regrets that Government is collecting 5 per cent of the net profits as supervision charges from co-operative stores while supervision of stores and other co-operative institutions is the legitimate duty of the Government. This Conference requests the Government to cancel the G.O. levying such supervision fees on stores, weavers' societies and other co-operative institutions, as such levy retards the growth of the Movement.

This Conference requests the Government to enhance the wholesalers allowance for procurement work so as to give the wholesale societies a reasonable margin of profit and also to include the actual cartage paid by the procuring agents in fixing wholesale prices.

This Conference requests the Government to enforce strictly all over the province the Weights and Measures Act and make necessary arrangements for manufacturing and supplying adequate quantities of standard weights and measures and distribute them through co-operative agency or Government agencies.

This Conference is of opinion that it must be made obligatory on all co-operative institutions to set apart 5 per cent of the net profit for propaganda and education, in addition to the sum allowed for Common Good Fund.

EXTRACTS

CO-OPERATION IN ICELAND—A SNAPSHOT

By

HANNES JONSSON

Iceland has often been called "the most co-operative country in the world." The co-operative societies of Great Britain, Sweden, and Canada, no doubt do much more total business every year than do the Icelandic co-operative societies. A fairly successful co-operative society in a country with a large population is bound to do more total business than a highly successful society in a country with a tiny population. But that does not necessarily say that the people of the large country are engaged in more co-operative activities than the people of the smaller country.

Due to commercial difficulties, which make themselves felt mostly in strictly regulated import quotas and government control of foreign currency in Iceland, the Icelandic co-operative societies have not been getting all the goods they desire to handle for their members. In order to show more effectively that the import quotas of the societies are too small, the Federation of Iceland Co-operative Societies conducted a very thorough membership survey last year, the results of which showed that 28,728 Icelanders belonged to one or another co-operative society in the country. Furthermore, these members and their families consisted of 93,709 persons. Thus, when we keep in mind that the total population of Iceland is only 138,502, we see that 20.74 per cent of the Icelandic population belongs to the co-operative societies and *67.66 per cent of the entire population get their daily necessities through the co-operative societies* affiliated to the S. I. S. (Federation of Iceland Co-operative Societies).

It is very doubtful if any other native co-operative movement can put up an equally impressive showing. The figures are based only on the membership list of societies affiliated to the S. I. S., but there are many co-operative societies, particularly marketing societies, which *are not* affiliated to the Federation. Such are the many slaughterhouses, the vegetable growers' societies, the dairy product marketing societies and others.

But leaving the statistical data aside, it is quite certain that the average Icelander does not live a single day without using the services of one or more of the co-operative societies. When he sits down at the dinner table he eats meat and vegetables that were sold through the farmers' co-operative slaughter houses and marketing societies. Likewise in his consumption of butter, milk and cheese he is using the services of the co-operatives Some of the very best books published in the country come through the co-operative publishing house. Should an Icelander want to build a good house, he very likely joins one of the 21 co-operative housing societies in the country. If the inhabitants of Reykjavik, the capital of Iceland, need

a taxi in a hurry they undoubtedly call the co-operative taxi station in the town. If an Icelander has saved enough to buy a car of his own, he very likely goes to the co-operative auto-dealer and buys his Chevrolet, Vauxhall, Bedford or Buick. And, as indicated before, if he is one of the many members of the co-operative societies affiliated to the Federation of Iceland Co-operative Societies (S. I. S.) he gets all his necessities through the local co-operative store.

The farmers of Iceland were the first to make use of the co-operative form of enterprise. They established the first Icelandic co-operative society in 1882. The farmstead has always been, and still is, the stronghold of the co-operative societies in the country. Consequently the enemies of the co-operative movement have constantly claimed that the Icelandic co-operatives are farmers' societies and only suitable for producers. This rather obscure claim was most effectively refuted by the membership survey which showed that more than 66 per cent of the entire population is affiliated to the societies through their family heads. Another survey, since 1940, showed, furthermore, that the occupational division of the membership of the Icelandic co-operatives is almost identical with the occupational division of the Icelandic population. The result of that survey is shown in the Table below.

The percentage occupational distribution of the Federation of Iceland Co-operative Societies as compared with the percentage occupational distribution of the Icelandic population :—

Occupational Groups.	Membership of S.I.S. per cent.		Icelandic Population per cent.
Farmers and farm labourers..........	49.37	...	35.88
Sailors.	8.73	...	16.67
Labourers, domestic servants and industrial workers..................	24.43	...	24.74
Commerce and communications......	3.59	...	14.52
Civil Servants..............................	3 26	...	4.31
Unclassified and unemployed........	10.62	...	3.98
Total...........	100.00	...	100.00

Iceland was a very isolated country until the Second World War. Then all of a sudden a spotlight was flashed on it, first, when the English occupation took place and, second, when the first American troops to be sent abroad during World War II were sent to the island after the Icelandic Government had asked for protection.

The Icelanders learned much from the British and Americans who were stationed in the country during the years of occupation. Perhaps it is too much to say that the nation went through a rebirth during those years, but it is no exaggeration to say that the great changes and unbelievable progress that took place in the country during World War II produced an almost completely new nation.

One of the greatest tragedies in Icelandic history is that the country was early subjected to the control of a small "colonial power." This "colonial power" never seemed able to develop the vision and the leadership necessary to cope with the "Icelandic problem," as the Icelandic independence movement was often branded in government circles in Copenhagen. Consequently the Icelanders were kept in isolation and economic misery by means of official trade monopoly. Needless to say the nation endured a life of bare existence for centuries.

But during the early 1940's there was a great change in Iceland. The nation came into contact with large nations and learned much from them, both technically and culturally. Apart from that, it cut all political tier with the small "colonial power" and established an independent Icelandic Republic during the spring of 1944. This is the brightest chapter in the entire history of the country. Since then the Icelanders have seen more technical progress than they had seen in five centuries.

The development of co-operative activities in Iceland in late years is no small matter. The Federation of Iceland Co-operative Societies has become by far the greatest commercial establishment in the country. Its budget is second only to the budget of the Icelandic government. It operates not only an export and import department, but also industrial, shipping, insurance, mechanical and educational departments.

The Icelandic co-operative movement has always paid special attention to co-operative education. In 1919, the Federation passed a law stating that 20 per cent of the profits of the S. I. S. should be put into a cultural fund and used to further co-operative education. From this fund the co-operative school, the co-operative magazine and several other educational activities have been financed.

If an Icelander who had left the country in 1939 were to return to Iceland to-day he would hardly believe his eyes. He would see new modern houses, a large new fishing fleet and merchant marine; new industrial establishments; new schools, hospitals, roads and factories. He would see machines, tools, automobiles and technics which he had never even dreamed of seeing in Iceland.

The co-operative societies have been very important in connection with this rapid development of Iceland in recent years. Many of the most progressive steps towards a healthy and progressive economy in the country have been taken by the S. I. S. under the leadership of Vilhjalmur Thor. Such are, for example, many of the industrial plants established or purchased by the S. I. S. since 1946, the purchase of ships, building of commercial houses, &c, &c.

In conclusion it is safe to say that co-operation has become such an important part of the everyday life of the Icelanders, that it would be impossible for an Icelandic youth to think of Iceland without the healthy and thrifty people's business, the co-operative societies.

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