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JOURNAL OF THE INDIAN CO-OPERATIVE UNION

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THIS ISSUE CONTAINS:

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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	... „ **14,32,300.**
Reserves	... „ **25,82,845.**

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

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Summary of Balance Sheet as on 30-6-'50.

Liabilities.	Rs.	*Assets.*	Rs.
Paid-up Share Capital ...	14,32,300	Cash on hand and balance with Banks ...	17,251
Reserve and other Funds...	25,28,845	Loans to Primary Banks ...	3,88,32,224
Debentures ...	4,39,31,700	Sinking Fund Investments...	83,48,530
Deposits, Loans and Over-drafts ...	31,97,937	Other Investments ...	42,07,098
Sundry Liabilities ...	5,89,516	Sundry Assets ...	6,78,457
Profit ...	3,49,262		
Total ...	5,20,83,560		5,20,83,560

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

Phone No. 261.

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BANGALORE CIVIL STATION CO-OPERATIVE BANK, LTD.

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THE INDIAN CO-OPERATIVE REVIEW

VOL. XVII **JANUARY—MARCH, 1951** **No. 1**

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THE INDIAN CO-OPERATIVE REVIEW

VOL. XVII JANUARY—MARCH, 1951 No. 1

EDITORIAL NOTES

Rural Banking Committee Recommendations.

We publish in this issue the observations of some agricultural economists and co-operators on the Report of the Rural Banking Enquiry Committee, received in response to our request. The consensus of opinion among economists is that an inquiry was necessary to assess the effects of the higher prices of agricultural commodities and requirements on the rural community and the extent of net increase in the purchasing power of the new incomes of agriculturists. Secondly, whether the rural savings, as assumed by the Committee, will be a normal feature of our economy or will only prove to be a passing phase consequent on the prevalance of higher agricultural prices for a few years, is open to doubt. In the nature of things it is hard to pronounce that the savings will be a normal feature of our rural economy.

The recommendations in respect of the encouragement proposed to be given to the Imperial Bank and other commercial banks to open branches at taluk headquarters and important mandi towns are disappointing to co-operators and to those who believe in co-operative planned development, in asmuch as the opportunities and encouragement which co-operative banks require for their own expansion are sought to be given largely to commercial banks. The attitude of the commercial banks in serving rural folk has not changed from what it was in the past to deserve such a recommendation. It cannot be said that the commercial banks have either as their object or as their policy the promotion of the interests of the agriculturists as a class by providing them with cheap finance. At a time when co operative banks are asked to tap deposits to an increasing extent so as to satisfy their financial requirements themselves and decrease their dependence on the provincial bank, which militates against the basic principle of self-help, this recommendation comes as a counter measure to the efforts expected of co-operative banks.

The feeling among co-operators that the Committee should have recommended the entrustment of treasury work to co-operative banks, at least those situated in taluk headquarters and built up a reputation, is predominant.

We hope these aspects will be gone into thoroughly by the Committee now entrusted with the task of drawing up a plan for giving effect to the recommendations of the Rural Banking Enquiry Committee.

* * *

Revision of Land values in Land Mortgage Banks.

A State-wide demand for a revision of the basis of land valuation, in view of the steep rise in the prices of the lands, adopted for purposes of fixing the limits of loans granted by land mortgage banks has been voiced at the twenty-first conference of land mortgage banks held in Madras in February last. The valuation of lands taken for security is governed by the orders of Government issued from time to time. The last order fixing the basis was issued by the Government in 1943. It is incontrovertible that there has been great rise in the prices of lands as well as agricultural commodities since 1943. According to the Government order of 1943 the hypotheca was asked to be valued on the basis of the pre-war sales statistics of similar lands with an addition of 10 per cent. As this was considered to be too low the Board of Directors of the Central Land Mortgage Bank constituted a special committee to go into the matter. The Committee recommended the enchancement of valuation on pre-war statistics from 10 to 25 per cent. But the Conference felt this to be low and demanded an increase of 35 per cent over pre-war values. Whatever justification there was for this demand of the primary banks caution needs be exercised in the matter of revision. We wish the rules of the bank governing the sanction of loans are so amended as to permit the adoption of the revised valuation basis at least in the case of loans applied for purposes of land improvement or acquiring new lands.

Sri P. S. Kumaraswami Raja, the Chief Minister of Madras, in his opening speech of the Conference appreciated the subscription

by central banks of the recent issue of the debentures of the Central Land Mortgage Bank to the tune of Rs. 37.40 lakhs, out of Rs. 40 lakhs, which investors who looked for profit did not support. But systematic subscription by these banks to the debentures might, in the long-run, in result blocking up of funds of short-term financing institutions in long-term investments which was sought to be avoided by establishment of separate institutions for financing long-term requirements of the agriculturists.

Sri Kumaraswamy Raja advised the elimination of individual share holders by stopping admission of fresh members and by transferring all their shares to primary banks as and when they became available. It may be of interest to note here that it was not by accident that individuals happened to be admitted as members in the Central Land Mortgage Bank. In view of the great role that was expected of the Central Land Mortgage Bank, provision was made in the bye-laws for admission of public-spirited individuals as members as it was felt necessary to harness their business acumen and financial knowledge in the matter of flotation of debentures, investment of sinking funds etc., for the successful working of the bank. The successful working of the bank for over twenty years now does not root out the necessity to the bank of their business talent or knowledge in financial matters. Non-borrowing individuals particularly in a borrowers' land mortgage bank act as a sort of check when the heart shows a tendency to rule over the head. There is already provision in the bye-laws of the Central Land Mortgage Bank vesting the deciding vote with the member banks as a safeguard against the predominance of the individual members.

* * *

Financing of Agriculturists in dry areas by Land Mortgage Banks.

Financing of agriculturists in dry areas even for land improvement purposes presents a problem for the land mortgage banks. In the pre-war years only cereals, such as cholam (Jowar) were cultivated in these lands, which yielded in terms of money little income or nothing. Accordingly the value of these lands also was very low and ranged from Rs. 10 to 100 per acre. But owing to the progressive increase in the prices and in the demand for groundnut, tobacco and cotton agriculturists have taken to the cultivation of these commercial crops in these areas. Now the normal average income from these lands is said to range between Rs. 50 and Rs. 70 per acre. And with a little improvement such as installation of pumping set, levelling or contouring the yield per acre and consequently the money income is said to be capable of considerable increase.

Land mortgage banks in the Rayalaseema area grant loans for the purpose of land improvement upto 35 per cent of the pre-war value on black cotton soil and 30 per cent on other soils. In other areas the percentage of loans payable is 45 per cent on black cotton soil and 40 per cent on other soils. Of course a certificate that the lands were systematically cultivated at least for the previous five years is necessary. These loans work out only to a small amount in most cases where the holdings are not very large and they are insufficient to undertake any effective improvements to the holdings as to increase the yield. Hence agriculturists, particularly those with small holdings, are not able to take advantage of the loans granted by the land mortgage banks. Of course it is but right on the part of the land mortgage banks to be cautious in their lending operations.

The present world conditions have something to do with the prices of the cash crops grown on these lands. There is a shortage in the production of oilseeds and cotton all the world over. The demand for oilseeds, particularly groundnut, is said to be on the increase. The cotton produced in our country is not sufficient for our home consumption and the Government is anxious to increase its production with a view to cut down the imports which are costlier. Oilseeds and tobacco are two of the important agricultural commodities that India exports and that are in great demand abroad. Groundnut and tobacco growing areas abroad do not appear to have been extended to cause a short shrift in the export market of these commodities and a consequent price fall. The Government is keen on developing the export market either to earn our dollar requirements or to effect a favourable trade balance.

It is no doubt true that the land mortgage banks cannot lend more than they do at present without an assurance as to the period the present high prices are likely to prevail. We feel that the institution of a long-range inquiry by the Government is called for so as to gauge roughly the position these commodities are likely to occupy at least for a decade to come, so that land mortgage banks can revise the basis of their valuation of these lands to lend more money for land improvement purposes.

* * *

Consumers' Co-operation In Bombay

For the first time since the inception of consumers' co-operative movement in Bombay State, some thirty years ago, a Conference of Consumers' Co-operative Societies in the State was held at Bombay on the 29th and 30th October last. Sir Janardan A. Madan, Chairman of the Bombay Provincial Co-operative Institute, presided over the Conference and Hon'ble Sri Vaikunth L. Mehta, Minister in charge of Finance and Co-operation, Government of Bombay, inaugurated the proceedings.

Sir Janardan A. Madan, in his presidential address, referred to the organisation of a few consumers' societies in Bombay at the time of World War I mainly to counteract the soaring prices of consumer goods. But the societies soon languished with the disappearance of the causes of their organisation and the spur to loyalty of members. The travail through which we are passing for some years now on account of the abnormal conditions created by World War II acted again as a stimulus to the organisation and growth of consumers' societies in Bombay State as in other parts of India. The present number of stores societies in Bombay State exceeds 1,000. This development, Sir Madan observed, was due not only to the abnormal conditions of scarcity and governmental patronage and encouragement but also to popular enthusiasm and popular appreciation of the advantages of the movement. The Co-operative Wholesale Establishment set and run by the State Government for the procurement and supply of consumer goods to societies will be taken over by the Federation of consumers' societies when formed and then he hoped that it would be in a position to render more valuable service to the community with the business experience it had already gained. He expressed considerable anxiety to see that the present position of the societies did not turn out to be a hot-house growth.

Hon'ble Sri V. L. Mehta, in the course of his inaugural address, observed that it was only during the last ten years that consumers' co-operation had come to play an important part in the economic life of Bombay State. The bulk of consumers' societies in Bombay, however, do little business beyond functioning as officially recognised agencies for the distribution, among members and non-members alike, of controlled commodities received from the Civil Supplies Department of the Government of Bombay. Under the circumstances the need for organisation of a wholesale to establish contacts with the producers and suppliers of various consumers' goods was not felt by the societies. But the time has come, he said, not only for the creation of federal agencies for supervision and control and for trading and manufacture but also for providing facilities for education and training—education not only in and for co-operation but education of co-operators as well—to strengthen the consumers' movement. He preferred the establishment of one State-wide federal agency for trading, which need not necessarily be combined with supervision, to a number of district wholesales as in Madras.

Hon'ble Sri Mehta, dealing with the working of consumers' societies, expressed disagreement at the practice of most consumers' societies in the State declaring a return on capital right upto the maximum limit permitted by law (6¼ per cent) and the non-payment of any rebate to consumers—dividend on purchases—the practice of which has earned popular support for the consumers' movement in England. He deplored the proportion of breaches of governmental regulations which is greater among consumers' societies and other co-operatives undertaking the work of distribution of controlled commodities than amongst any other group of co-operative societies, credit or non-credit. For the consumers' societies to attain any measure of success, he said, it is essential to overcome all forces making for weakness, though it imposes on

those within the movement additional responsibility and demands greater vigilance. He sounded a note of warning that from now onwards they have to prepare themselves for the time when controls might be withdrawn and the sheltered atmosphere in which the societies now functioned changed, and stressed the need to raise the standard of efficiency of service provided by the societies. He also stressed the need to cultivate skill in salesmanship and to utilise the occasion for the study of customers' requirements and tastes, which knowledge would be useful in promoting planning of production on the basis of the known needs of customers, at the time of linking up the distributive with the productive enterprises.

The Conference voted for the federation of societies into central units with a view to securing the cheapest supply, to contacting producers and multipurpose societies, and arranging transport and godown facilities and if necessary, undertaking productive activity and supervision and training. But it is not known from the resolution as to how many central institutions will be organised, whether they will be organised district-war or whether they propose to federate the central units into a State federation. The other resolutions related mainly to functional details and requests to Government for preferential treatment, etc. But the Conference constituted a Committee to work out a detailed scheme for the reorganisation and structure of the Consumers' Co-operatives in the State in the light of the resolutions passed at the Conference.

Not all the suggestions contained in Hon'ble Sri Mehta's inaugural address were brought up for consideration by the Conference. The issues contained in the suggestions of Sri Mehta—particularly those relating to the practice of the theory of distributive justice, raising the standard of efficiency of service and studying customers' tastes and requirements—are fundamental which provide the necessary base for the healthy growth and successful working of consumers' movement and merit deeper consideration. The efficacy of the theory of distributive justice, enunciated by the Pioneers, as a potential factor in gaining unswerving loyalty of members, has been proved by almost all western countries. It is incontrovertible that the standard of service of consumers' societies in Bombay—or for that matter in our country—is nowhere near the mark attained by similar societies in western countries. Yet, our co-operators appear to be indifferent to this vital aspect. Experience in the past 100 years shows that any radical departure from the cardinal principles of consumers' co-operation, enunciated by the Rochdale Pioneers, led co-operators to trouble all the world over and Bombay can be no exception to it. We hope that the Committee set up by the Conference will go into all these and other fundamental aspects of the problem and evolve a suitable policy for adoption by all the societies for their successful working.

* * *

I.L.O. Asian Technical Conference on Co-operation

The expression of their faith in co-operation and the increasing interest evinced by Governments is Asian countries for the development of the co-operative movement during recent years attracted the attention of the International Labour Organisation. With a view to afford an opportunity for a general exchange of ideas on current co-operative development questions among the countries in Asia an Asian Regional Conference was convened in New Delhi by the I.L.O. in 1947. This was followed up by placing on the agenda of the next I.L.O. Asian Regional Conference held at Nuwara Eliya (Ceylon) in 1950, the report submitted by the experts deputed by the I.L.O. to study the development of the Co-operative Movement in South-east Asian Countries. The Nuwara Eliya Conference adopted resolutions dealing with international and national action for the development of the Movement in the region.[1] With a view to facilitate an examination of the measures commended in the resolutions adopted by the Nuwara Eliya Conference by experts of the region for their practical application and to consider in common such difficulties as might arise in this work and ways of solving them and to determine points upon which the I.L.O. might be of service in relation to the special needs of co-operative development in Asian countries, the I.L.O. convened an Asian Technical

[1] See pages 18 to 20 *Indian Co-operative Review*, 1950 (Vol. XVI No. 1.)

Conference on Co-operation at Karachi (Pakistan) in December last. This was attended by delegates from eleven countries[2] including India and by observers from Japan, U.S.A., and the Food and Agricultural Organisation of the United Nations. It is not clear whether the delegates were representatives of co-operative organisations or the Governments of the countries from which they came.

The agenda for the Conference comprised four subjects, *viz.*, general discussion on the practical application of the measures for co-operative development indicated in the resolutions of the Nuwara Eliya Conference; establishment of organic relationships between co-operatives; training of co-operative office-bearers and employees; and the co-operative organisation of small-scale and handicraft industries. The basis for discussion was provided by the reports prepared by I.L.O. office on the four subjects. The resolutions of the Conference were in the nature of recommendations to the Governing Body of the I.L.O. for taking such action as it deemed necessary to fulfil the objects expressed in the recommendations.

Apart from desiring the I.L.O to evince keener interest in the development of the Movement in Asian countries, and render such assistance as dissemination of more literature and results of their research studies, advice on techinical matters, deputation of experts to assist in the development of the Movement, etc., the Conference called for State assistance in various forms for various purposes. We are not sure whether this is an expression of the view of the Co-operative Movement or of the Governments in Asian countries.

The recommendations of the Conference envisage a large measure of State aid. We are not opposed to State assistance so long it remains a token of their interest in the development of the Movement; we however feel that State aid in a large measure involves State control and dictation which cuts deep into the Movement's autonomy. Any development that is achieved on account of

[2] Afghanistan, Australia, Burma, Ceylon, France, India, Malaya, Netherlands, Pakistan, United Kingdom and Viet-Nam

props afforded by the State without building up inherent strength based on self-help and mutual-help within the Movement is sure to fade out with the removal of governmental buttresses. Hence it is desirable to invite and accept State assistance to the minimum extent possible and that too when it was felt absolutely necessary. The State might show its anxiety to afford all assistance for the development of the Movement with a view to press it into service for the discharge of governmental duties such as procurement or distribution in times of scarcity but withdraw all help immediately the necessity is over necessitating the Movement to contract. It will be of no enduring value to the Movement. Any aid sought from the State should be for the development of the Movement of a lasting character.

It is heartening to note that the importance of co-operative education for any plan of development is well stressed. It was recommended that "the subject of co-operation should be included in the syllabuses of primary and secondry schools, as well as of universities. and co-operators should be associated with the framing of the curricula" and that "wherever possible, degree courses in co-operation should be introduced, chairs of co-operation should be set up in universities." Whatever action the Governing Body of the I.L.O. might take on this resolution, co-operators in our country should bring it home to our Governments the importance of this recommendation. The Conference further requested the Governing Body of the I.L.O. to consider the desirability and feasibility of establishing in an Asian country where co-operation is already sufficiently developed, a field office for technical assistance in co-operation functioning under the auspices of the I.L.O. We welcome this decision and invite the I.L.O. to establish their field office in our country not only because the co-operative movement is fairly well spread in India but because of its preeminent position geographically.

NEWS AND VIEWS

The Ministry of Agriculture of the Government of India formulated a scheme for the establishment of Associated Farms by public institutions. The object of this scheme is to encourage public institutions viz., a registered society, a co-operative society or a joint stock company, to take the leadership in starting large-scale farms. If these farms were started in large number all over the country, they would add to production substantially and also demonstrate the economies of large-scale production to the countryside. According to the scheme published the initiative in starting an 'Associated Farm' may be taken by any public institution, whether official or non-official, engaged in agricultural, educational or charitable activities having a certain minimum of cultivable land under its ownership. The institution would be given all encouragement and support by Government in securing the association of contiguous areas for the purpose of joint cultivation according to improved technical practices. The area of the farm should be 1,000 acres or more and naturally consist of the area which is willingly pooled with it by the cultivators, for the purpose of joint cultivation.

Any person who is prepared to entrust land, of which he is either the owner-cultivator or the tenant-cultivator, to the farm should be eligible for membership. The existing rights of ownership or tenancy of members are assured: but the land and the agricultural machinery and implements of members would be leased to the society for a period of five years. The draught and dairy cattle of the members would remain with them but would be available to the Farm for use on reasonable rent. The cultivators and members of their family will be assured of employment at current wage rates either on the farm or in the cottage industries started by the society. At least one member of each cultivator's family would be provided employment on the farm itself.

The liability for land revenue charges and the rent to be paid by the tenant-cultivators would be taken over by the Farm. All cultivation expenses would be borne by the Farm. The surplus profits after providing for reserves bonus payments to workers and staff and an endowment to the institution which has promoted the farm, would be distributed amongst the members in proportion to the area of their holdings.

The State Governments would exempt such farms from the payment of land revenue for the first three years; refix rents to be paid by tenant-cultivators to landlords after enquiry; and give subsidies in accordance with the current Government rules. The subsidies would be shared by the State and Central Governments on the usual basis. The State and Central Governments would give loans for land improvement, cultivation and marketing at concessional rates. Similar loans and subsidies would also be given for the cottage industries set up by the Farm under the State Aid to Industries Act.

* * *

The All-India Co-operative Fire and General Insurance Society, recently started in Bombay, with the area of operations extending to the whole of the country, transacts business of insurance in all its branches and particularly fire insurance in all its branches; motor insurance in all its branches; accident insurance; fidelity guarantee insurance and insurance against loss of property by house-breaking, burglary, theft or larceny. Provision is made in the byelaws to enable the Society to transact business in crop insurance, cattle insurance sickness insurance and such other miscellaneous insurance as might be determined by the directors from time to time. The authorised share capital of the society is Rs. 10 lakhs of which shares of the value of Rs. 3.25 lakhs have been fully subscribed and paid up. The bulk of the capital is subscribed by co-operative societies only. Under the bye-laws of the society all persons and institutions whether co-operators, co-operative societies or members of the public are entitled to participate in the profits of the society; a sum not exceeding 50 per cent of the profits is to be reserved for such distribution amongst them.

* • *

It is said that consequent on the absorption of Jagirs in Hyderabad and the formation of new taluqas the co-operative organisation requires strengthening. Accordingly a provision of Rs. 4 lakhs has been made in the Hyderabad Government's budget for 1951-52 for providing better arrangements for the training of workers as the success of the co-operative movement depends on the quality of men looking after it.

Rs. 15 lakhs have been provided for partially financing the proposed establishment of a land mortgage bank and an industrial housing corporation.

* • •

In regard to the development of cottage industries in Hyderabad State, a five year plan has recently been announced by Government which aims at building up about 1,000 industrial co-operative multipurpose primary units covering the field of supply of raw materials to artisans and marketing of their products. At the apex will be the Industrial Co-operative Federation which will work through the taluqa co-operative unions with an authorised capital Rs. 50 lakhs. The State Government will subscribe to 25 per cent of the shares of the Federation and also bear the cost of the administrative expenses of the Federation during the first year of its working.

* * •

The Governing Body of the International Labour Organisation at its meeting held in March last recorded its approval of the principle of State aid to assist in the development of the co-operative movement in Asia recommended by the I.L.O. Technical Conference on Co-operation held at Karachi in December '50 and January '51. The Governing Body further authorised the Director-General of the I.L.O. to send to Governments is Asian countries the recommendation of the I.L.O. Technical Conference on Co-operation declaring that governmental action should be intensified for the development of co-operation in Asia.

* * *

A Commonwealth Conference on Agricultural Co-operation is arranged to be held at Oxford at Rhodes House from the 23rd to 28th July 1951. The provisional programme of the conference includes discussions on Co-operation and the Mechanisation of agriculture; co-operative farming: Multi-purpose versus specialised co-operative societies: Co-operation and State aid; financial and other relations: Co-operative marketing; Education and co-operative Development; publicity: New developments in Co-operation: the Film in co-operative education and publicity. Excursions and visits to places of interest are also arranged for the delegates. The Conference fee is sh. 15 for each person. The inclusive charge for the five nights for residence and all meals is £ 5-15s. each person.

* • *

A novel experiment in co-operative living is being tried at Parwa village in P.E.P.S.U. State by the Co-operative Department of the State. About 600 acres of evacuee land have been allotted to 33 refugee families from West Pakistan who have agreed to live in this village and formed a co-operative society. In six months they managed to sink three tube wells and sow about one-third of the total acreage with cotton, churry (fodder) and sugarcane. The interesting features of this co-operative experiment are a common kitchen for the entire population, a basic education school and a branch of the All-India Charkha Sangh. No one is permitted to drink, smoke or indulge in litigation. The responsibility for education, marriage of boys and girls devolves on the managing committee of the society and not on individual parents. After meeting the requirements of the village the entire crop of food-grains and cotton is placed at the disposal of the State Government. The name of the village has been changed to Sewanagar Co-operative Village.

• • •

The question of providing for a larger measure of financial assistance by the Reserve Bank to co-operative banks, by extending the scope of the present provisions of the Reserve Bank of India Act was considered at an informal conference of experts in agricultural finance held in Bombay under the presidentship of Prof. D. R. Gadgil in February last. The conference recognised that assistance by the Reserve Bank should be extended to States also which were relatively underdeveloped. It was suggested that the Reserve Bank should provide agricultural finance to co-operative banks for medium-term purposes also. The conference proposed that in view of the larger financial assistance envisaged from the Reserve Bank close liaison should be established between the Reserve Bank and co-operative banks by providing for the inspection of such banks by the Reserve Bank on a statutory basis. It was also agreed that the establishment of an expert standing advisory committee in association with the Agricultural Credit Department would be very desirable.

* • *

A Government sponsored State Consumers' Co-operative Society with a capital of Rs. 10 lakhs to counteract the activities of profiteers and black-marketeers has been registered in Bombay. The society will deal in all essential articles of life including cloth and food on a competitive basis with normal channels of trade. The membership of the Society is open to the public. Mr. Dinkarrao Desai, Minister for Civil Supplies is the Chairman of the Society. The Society proposes to open 300 departmental stores throughout Bombay State, 20 of which will be located in Bombay. Cloth shops run by Government are soon to be taken over by the society.

* * •

With the sanction of the State Government the U.P. Provincial Co-operative Marketing Federation has started opening of a number of retail cloth shops all over the State.

* * •

Hon'ble Sri Jagjivan Ram, Labour Minister to the Government of India, in his article to the Republic Day Supplement of the Times of India, observed: "It is necessary to take up the organisation of agricultural workers and the best way of doing so would be to organise them into co-operative societies. If co-operative societies already exist in their villages, conditions of membership should be suitably relaxed to enable agricultural workers to become members. They should be represented particularly on the panchayats of societies. Alternatively, separate societies may be formed for agricultural workers. They can serve as agricultural labour employment exchanges. These organisations can run subsidiary occupations and organise the sale of goods produced by agricultural workers. They can render yeomen service by promoting rural housing. There are many other functions which agricultural labour co-operatives can take up. Properly organised, they will be able to promote the economic, moral and material prosperity not only of the 34 million of agricultural workers but of the entire population."

• • •

A conference of the representatives of Co-operative Wholesale Stores and Marketing Federations in Madras State was held at Madras on the 12th and 13th February last. The Conference adopted a number of resolutions. The Wholesales resolved to take stock of Ammonium Sulphate and Super Phosphate from agricultural depots and manufacturing firms for distribution to ryots through primaries. The Government was requested to permit the disposal of the existing stock of chemical fertilisers at half the prices and subsidise them for the other half. The Director of Controlled Commodities was requested to enlist the co-operative wholesale stores and the marketing federations as registered stockists for the purpose of procurement and distribution of raw materials for co-operative fabricators and further requested to place indents on producers of iron and steel only in respect of such categories as are required by the co-operatives on the basis of data furnished by the co-operative wholesales. It was requested that co-operative wholesales should be given a quota of 33 1/3 per cent of the mill cloth available with the Director of Controlled Commodities every month for distribution through primaries. Where co-operatives have been recognised as procurement agents for food grains for a specified zone another procurement agent should not be appointed for that zone and that where Government are considering the appointment of two procuring agents in each zone the second agent should be only a co-operative society, if the monopoly is not already enjoyed by any co-operative.

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In Bihar it was decided in 1949 to select a few thanas for organising multipurpose societies on an intensive scale so as to cover almost all the villages in those areas. The scheme was put into operation in five thanas in five districts. A special staff of Inspectors and Supervisors was appointed to carry out the work under the supervision of the Circle Assistant Registrars concerned. They helped in starting night schools, repairing old *bandhs* or *ahars* and constructing new ones, getting wells disinfected, repairing old roads and laying new village roads. They also distributed improved seeds and manures and organised village industries.

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A scheme for organising vegetable growers' co-operative societies was started in Ranchi and Hazaribagh districts in Bihar with a view to increase the production of vegetables and to arrange for their marketing. The 26 vegetable growers' societies had under them 7,421 acres. In the year 1949 they produced 69,467 maunds of vegetables of the value of Rs. 7,09,423 of which vegetables of the value of Rs. 1,75,007 were exported outside the province while the rest were disposed off locally.

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A seven-member committee to examine the question of setting up a Co-operative Housing Finance Corporation for Bombay State to meet the growing demand for financial assistance from co-operative societies was formed at a conference of representatives of banks, insurance companies and co-operative institutions in Bombay early in February last. Sri Vaikunth L. Mehta, Minister for Finance and Co-operation, Government of Bombay, who convened the conference assessed the requirements of finance for co operative housing in the State at about ten crores of rupees. The consensus of opinion was in favour of establishing an institution for this purpose.

* * *

The Government of India allotted 11,000 spindles to the Madras Handloom Weavers' Provincial Co-operative Society for starting a Spinning Mill. A scheme for starting a separate co-operative Society for the installation of the spinning mill at Guntakal (Anantapur District) with a paid up share capital of Rs. 30 lakhs of which 51 per cent will be contributed by the Madras Handloom Weavers' Provincial Co operative Society and the rest by primary weavers' co-operative societies in the State, was approved by the Government of Madras. The Government sanctioned for a period of six months the loan of services of a Deputy Registrar to the Provincial Society for employment as Special Officer of the spinning mills and to push through the scheme.

The mill, which is expected to go into production in about a year's time, it is understood, shall produce only such kinds of yarn as required by the Madras Handloom Weavers' Provincial Co-operative Society and shall deliver it only to it on such terms and conditions as may be previously settled with it. It is estimated that the mill will be able to produce about 700 bales of yarn per month. But the requirement of the Provincial Society appears to be 6,500 bales per month.

* * *

During the course of a lecture on 'Co-operative Farming and Compulsory Co-operation' delivered on the occasion of the 5th Anniversary of the demise of the late Prof. V. G. Kale, at the Poona Central Co-operative Bank, in January last, Prof. P. N. Driver pointed out that it would be utterly ridiculous to expect ordinary agricultural co-operation on a voluntary basis to lead us automatically towards co-operative farming. "The psychology behind agricultural co-operation is different from what we need. Whilst in co-operative credit and other such forms of co-operation our object is to help the independent farmer in co-operative farming or joint farming we have to replace or supplant the independent farmer—which is an entirely different thing. To expect the farmer to cultivate lands jointly whilst owning them separately is to expect a miracle out of a dual psychology with conflicting elements at the base."

VIEWS ON THE REPORT OF THE RURAL BANKING ENQUIRY COMMITTEE

I

By

DR. G. D. AGRAWAL,

Government Agricultural College, Kanpur.

More thorough and scientific enquiries are needed to confirm or refute the findings of the Rural Banking Enquiry Committee as regards increase in the real purchasing power and consequently the saving capacity of the rural people as a whole. A survey of economic conditions during 1948-50 in a number of villages in the Uttar Pradesh, carried out by us with the help of post-graduate students in Agricultural Economics, lends full support to the view expressed by the Committee that the major part of rural surpluses or savings are to be found with the bigger land-holders in all tracts and with other agriculturists too in fertile and irrigated tracts and tracts growing commercial crops. The sugarcane growers in West U. P. and in the *tarai* tracts, the wheat and rice producers in irrigated tracts and the producers of oil-seed crops are surely much better off economically at present than in the pre-war period. The economic position of small-holders cultivating less than 3 acres and the landless population, especially in thickly populated districts of East and North-east U. P., shows no appreciable improvement. Roughly speaking, farmers below 3 acres constitute 67.4 per cent of the agriculturists in the U. P.

Factors such as reduction in rural indebtedness, higher balances in rural post office savings banks and improvement in the financial position of agricultural co-operative societies, cited by the Committee in support of increase in the purchasing power of rural people in general will on closer analysis, be found to hold good only in the case of bigger land-holders. It is they who have post office savings bank accounts and the majority of members of agricultural co-operatives are also drawn from them.

The inculcation of savings habit is as necessary among small-holders as among big-holders. The small-holder, despite his deficit economy, manages to exist by squeezing his expenses to the utmost. He is subjected to greater exploitation by the money lender, the village merchant and the land-lord. Within the limitations of his deficit economy, he too has good, bad and indifferent years. His surplus in good years is at present swallowed up by his money-lender. If he can be induced to save then, he can better tide over bad years with less dependence on the money-lender. The question of mobilising savings should not be looked at as a temporary expedient to mop up an occasional rural surplus resulting from high agricultural prices. It should be a permanent feature of any plan of economic reconstruction.

For attracting rural savings, facilities for deposits must be provided at the very door of the cultivator. The village co-operative is the most suitable organisation for this purpose. No other agency at the village level can be economical, convenient and successful in gaining the confidence of the cultivator as the village co-operative. Co-operative approach to economic activities has been accepted by the nation as the only policy compatible with the democratic form of government. In an era of planning, the formation and working of Co-operatives have to be set to a certain pace of progress. This implies a greater official direction and supervision. The committee also states, "The generally favoured plan now is the establishment of strong multipurpose societies, able to employ competent paid staff for each group of contiguous villages; and these attempts should be encouraged by the Provincial Governments by providing the necessary staff for inspection and supervision." The resuscitation of village panchayats and the attempts at re-organising the field services of welfare departments on *extension* basis also mean making available the services of a properly trained person at the village level, at least in the early stages till internal leadership is developed. It should, therefore, be possible for the village co-operative to function as Raiffeisen banks did in Germany. The Raiffeisen principles of village co-operatives have undergone considerable modifications in recent years. The principle of unlimited liability, which was considered as an obstacle in the way of expanding the activities of the village co-operatives far beyond a mere borrowers' association, has been given up by many.

In the context of these changes, the maintenance of a separate machinery for long-term loans, supported by the Committee, is hardly necessary. The time-old objections to a single co-operative machinery for short, intermediate and long-term loans, emanating from supporters of the unlimited liability principle in primary

credit co-operatives have lost much of their validity. The country-wide demand for agrarian reform will, if successful, simplify the task of finding the title to land. In the changed set-up of *extension service*, responsible and able official personnel will become available at the village level for evaluation of land and active guidance and direction of the village co-operatives. As against a separate machinery for long-term land mortgage credit, its merging with the village co-operatives and their apex organisations will lead to economy in operation, to a lowering of the rate of interest and to better adjustment between different categories of loans and better control over them in regard to their use and recovery. Co-operative character, which is very much wanting in the existing set-up of land mortgage institutions, will also be there. Such a suggestion is no more a mere theoretical concept. A scheme, akin in part to this concept, is working successfully in certain parts of Madhya Pradesh and Bombay States where practical considerations have led to the merging of the land mortgage banks with the central co-operative banks.

Conditions in industrial and agricultural sectors are quite different. Hence an Agricultural Credit Corporation, on the analogy of Industrial Credit Corporation, for the country as a whole is unnecessary.

In order to retain the confidence of private investors, co-operatives should extend credit to credit-worthy agriculturists under the strictest business rules. The number of such agriculturists is not likely to exceed 30 per cent of the total. Therefore State Agricultural Credit Corporations, dealing with the farmers through co-operatives at the village level, would be the most satisfactory institutional credit set-up for the rest of the agriculturists, including those in distress areas as well.*

* For further details, please see *Re-organisation of Agricultural Credit and Agricultural Rehabilitation* by the author.

II

BY

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The Report of the Rural Banking Enquiry Committee is a carefully prepared, well-balanced document. The conclusions and recommendations, on the whole, are sound. I fully agree with the Committee's recommendations with regard to: (1) the future structure of banking, (2) the special assistance to co-operative banks, (3) the establishment of a Warehousing Development Board to promote warehousing facilities, (4) the recognition of the place of the private money-lender and (5) the expansion of rural post offices doing savings bank work. The suggestion to concentrate on the consolidation of the progress already achieved and to plan further expansion on sound and cautious lines has much to be commended.

It is doubtful whether commercial banks could be encouraged to expand upto taluka (or tehsil) towns, mandis or market towns. Will there be sufficient volume of business for such commercial banks to be successful, especially when grants of direct cash subsidies to rural branches of banks have not been recommended? Is it not too much to expect commercial banks to take the necessary risk and make an experiment for the benefit of the nation? It is true that for the time being land mortgage banks are the most appropriate agencies for providing long-term credit. But eventually a central agency like a State owned and State sponsored Agricultural Credit Corporation or an Agricultural Bank may be necessary to slove the problem successfully. It is also true that the fact that co-operation is a State subject mutilates against unified control; but one should remember that Banking is a Union subject and rural banking may well be taken under that head, for without a unified plan from the centre progress will be limited.

III

BY

DR. M. SRINIVASAN,

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The Rural Banking Enquiry Committee Report does not deal with some issues of crucial importance pertaining to rural savings: the maintenance of rural savings in the face of adverse cyclical factors. the relative profitableness of tapping rural savings compared to the cost involved and the redistribution of the agricultural income and savings in favour of the poorer ryots.

The structural changes in evidence in the savings sector of the Indian economy are of recent origin and of an ephemeral character, occasioned by fortuitous causes. They are too transitory to form a basis far a long-term policy. The war-generated, the rearmamented and the stockpile-boosted inflationary conditions, with a sellers' market, and the maintenance of a high level or incomes in the United States are not sound foundations to build upon. ' Counter cyclical fiscal action ', to ward off an octopus-like depression emanating from the United States and extending its tantacles to all parts of the World, as in 1929, has not been evolved. Such a recession will endanger the full employment policies of the United Kingdom and other European countries and the reformist crusade in India. The parity may move against the Indian agriculturist in the absence of insulation from world forces; and rural dissaving may appear. Attention should be focussed on measures to avoid such a catastrophe, which the disappearance of a sellers' market and the competition that high cost Indian produce will have to face abroad will involve. The maintenance of stable agricultural incomes should be priority number one, rather than the mobilisation of rural savings, which will only cause embarrassment with the onset of a depression due to panic withdrawals and the need to meet pressing and mounting obligations.

Though the extent of the tilting of the balance in favour of the share of the rural classes in the national income is difficult to ascertain, it is certain that the gains are not uniform. As the committee has pointed out, the bigger landlords have alone benefitted; and their savings, due to the considerations noted above and others shown below, are transitory. The legislation for Zamindari and Jagirdari abolition in most of the States, pending or enacted, has shaken the confidence of these 'savings' sectors. It cannot be revived by a savings drive; so great is the fear of expropriation. Agricultural labour is becoming increasingly restive and vocal, and minimum wage enactments will inevitably raise the cost of cultivation and reduce the profit margin.

Revolutionary proposals to reform land tenure contained in the Congress Agrarian Reforms Enquiry Committee Report and raised in public pronouncements will further cut the ground from under the feet of these richer classes. Measures for the imposition of taxes on agricultural income will eat into the resources of the landlords. Hence, even if the amount of rural savings is considerable, it can hardly be coaxed in the face of the creeping paralysis in the Indian capital market.

These wealthy classes find more profitable avenues of employment of their surplus funds in exploiting their weaker brethren. The high rates of remunerative return obtained by moneylending at penal rates of interest to poorer ryots is well known; It is an open secret that moneylender legislation has been flouted with impunity. Such people can hardly be weaned from their unsocial practices and induced to invest in relatively unprofitable National Savings Certificates etc., which will incidentally sound their own death-knell.

The Rural Banking Enquiry Committee has but served a rehash of proposals mooted as long ago in 1926. The co-operative movement has been largely a purveyor of credit since its inception and has hardly touched the fringe of even that problem. Strengthening these old institutions or founding new ones with high sounding names will be merely pursuing will-o-wisps. Nor will the Government's financial requirements be satisfied by chasing these rainbows. The economist may well doubt whether the return will be commensurate with the cost.

A redistribution of agricultural savings within the primary sector and stabilisation of rural incomes and profits in favour of the smaller units should receive urgent consideration. Formation of economic holdings, amendment of the law of inheritance, compulsory or voluntary consolidation of holdings, prohibition of absentee landlordism, reform of land tenure, improvement of marketing practices and family planning are age-old remedies for India's ills, to which lip service has been paid hitherto. These deserve

prior consideration; any rural savings resulting therefrom can be tapped latter.

For the immediate future, it is no use wasting time and money trying to rope in credit which is sterilised in gold, silver, ornaments and land or is driven underground by institutions created *de novo*, or in existence catering to classes which have hardly any savings at present to tap. The propensity to save should be made to predominate over the propensity to consume among the bulk of India's ryots before any sizable rural savings arise.

It will be easier to encourage foreign capital to enter, with adequate safeguards, for the lasting benefit of the country rather than to coax refractory rural capital, which refuses to sally forth from its hidden lairs. Multiplication of branches of selected commercial banks, as suggested by the Central Advisory Council for Industries in July 1949, will merely present impotent facades of inactivity, while co-operative banks can more profitably engage in multipurpose activities and lift the mass of ryots from grinding poverty. Good solid and patient work will, as ever, pay dividends. The Committee is to be congratulated on not recommending the establishment of exotic new institutions. But the addition of new functions to existing co-operative institutions may be the proverbial last straw on the camel's back. The Rural Banking Enquiry Committee is correct when it states that co-operative institutions do need a reorientation and infusion of vigour, but not in the sense it envisage.

IV

BY

C. W. B. ZACHARIAS,

Madras University.

It is the first part of the Report, the one devoted to the question of the development of rural banking, that is the more positive and valuable part. Consequently the utility of the Report will depend on the soundness and comprehensiveness of this part. I, therefore, wish to confine the little that I have to say, by way of comment, to this part.

On the question of rural finance and banking many authoritative pronouncements have already been made, and one could not expect this Committee, traversing the same ground and facing the same recalcitrant problems to make suggestions of a radical character. And so one is not surprised to find that the approach made by the Committee has been essentially realistic and the suggestions made are in conformity with it. The many proposals made boil down to three propositions, viz., that the co-operative organisations should be strengthened, that the banking activity of the post office should be expanded and that commercial banks should be induced to open branches in semi-urban and major rural centres. The new effort is expected to be more fruitful than efforts in the past for the reason that the rural community *en masse* is at present in the enjoyment of higher purchasing power in real terms. Naturally, therefore, emphasis is placed on the mobilzation of savings.

The institutional arrangements recommended for this work are the ones mentioned above. On this question there can hardly be any disagreement. But one doubts whether the mere provision of institutions will be sufficient, first, to induce the rural community to more largely indulge in saving rather than raise consumption standards, and secondly, to deposit those savings with the said institutions. The recommendations of the Committee in these matters, one fears, do not go far enough. To generate saving reliance is to be placed on propaganda and group effort; but no detailed proposals are made in this behalf. Nor can it be said that the inducements offered to rural folk to prefer depositing to private lending would really break their age-long predeliction for the latter. It is easy, of course, even for rural folk to realize the advantages of depositing as against hoarding. But the real alternative to depositing is private lending, and this question does not seem to have received the attention it deserves.

The lines along which the co-operative institutions are to be strengthened and the special assistance which should be given to them in this respect are all treated in detail. Still one misses specific proposals for the development of land mortgage banking or any examination of the consistency of multipurpose activity with full-fledged banking in primary societies. The commercial banks are to receive only general assistance, such as the removal of impediments, in their rural branch-banking activity. In view of the long period which will elapse before these impediments, specifically mentioned as such, can be removed, it is very doubtful whether this recommendation will be found to have much utility as a short-term proposal.

Apart from these lacunae, the Committee has to be congratulated on the production of a valuable report, which is at once sound and practical and conceived with a full realization of the environment in which all advance must take place. Its underlining of the efficacy and importance of the co-operative structure must come to all co-operators as particularly heartening.

V

BY

MAHESH CHAND,

Allahabad University.

It is an instinct with our villagers to spend economically and to keep savings secure. There is no doubt a section of the villagers spend their higher purchasing power over social ceremonies, tobacco, clothes and ornaments, but the majority try to make a productive investment, which for me includes freeing oneself from the shackles of debt-bondage. The villager must, however, be told to preserve his purchasing power and money income for the rainy days as far as possible. It must be dinned into his ears that when prices fall and depression returns few will be found to take care of him. So he should make a productive investment of his income.

Illiteracy and his old experiences lead the villager away from the banks including the co-operative banks. Delay, distance, and the red tape (of rules) keep his savings away from even the post offices. These are long period maladies. The Rural Banking

Enquiry Committee has come to the conclusion that there is a tendency of rural savings even in normal times and that in view of the embargo on gold and silver imports since 1947 there is greater scope for savings. But ignoring the vast majority of rural people who are apt to have only driblets of savings, the capacity for larger savings seems to be concentrated in the hands of a few—the big landholders and tenants and to a certain extent the village money-lenders, traders and owners of mills. The Government may well accord to the co-operative societies and commercial banks the facilities recommended by the Committee. It may expand and make more efficient the post office savings banks. But an important negative step will be *not* to pay *in cash* a large portion of the compensation to the landholders under schemes of zamindari abolition and an important positive measure will be to develop cottage and small-scale (rural) industries.

At one place the Committee has rightly stated that "the only way by which capital formation could take place may be by the continuance - *which seems inevitable under existing conditions* - of low consumption levels for large numbers of people", but the Committee has not found it possible to make any specific recommendations in this regard.

The Committee has admittedly ignored the long term nature of the development of banking and also the important connection between rural banking and the supply of rural credit. On the authority of the Government of India the shroffs and indigenous bankers have also been left out and only measures to assist the extension of banking facilities through organised banking institutions have been considered. The financing of small scale and cottage industries in the rural areas has also been "out of bounds" for the Committee. Yet after a review of the situation the Committee has mainly advised the consolidation of the progress made and the planning of further expansion on sound and cautious lines to mobilise the savings of the relatively well-to-do classes, particularly in the prosperous regions. For others, post offices and co-operative societies are considered to be the only suitable sources. There were some who had raised the cry of a flood of rural savings and the need to extend the activities of the commercial banks to the rural areas to mop up the same. The Committee has established the baseless character of that cry. Although the Committee in the earlier part of the report talks of the means to stimulate and mobilise rural savings in order to help the Government's anti-inflationary programme as well as to provide financial resources for

national development to the maximum extent possible, it ends by finding that little can be done about it in the short period, beyond stressing the need to inculcate the habit of thrift and encourage—a vague term—sound commercial banks to open offices as near the rural areas as possible. One wishes the Committee had recommended that Government treasuries should keep the cash and safes of co-operative societies and central banks, which should undertake to accept from and pay cash to their clientele at their own counters.

VI

BY

S. V. DURAISWAMI AYYAR, B.A., B.SC. (Ag.)
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The recommendations, though they cover all aspects of rural finance, do not suggest in unmistakeable terms definite or practical methods, which have not been so far attempted, for rapidly augmenting the free flow of finance for agricultural and industrial production in rural areas. A concrete scheme for developing this aspect on a five or ten year planning basis would be welcome. The Committee has of course emphasised the part played by co-operative institutions and made a plea for further development on these lines.

In the matter of land mortgage banks, mere mention of their favourable position as institutions for long-term credit is not enough. When increased production and liquidation of indebtedness are pressing problems the financing of these banks on a larger scale could have been discussed fully and suitable recommendations made. It would be appropriate to suggest a subsidy of a few crores of rupees every year to the central land mortgage banks by the Reserve Bank of India, in view of the sound working of the land mortgage banks, in Madras particularly. This is particularly required as the formation of the Agricultural Credit Corporation is not recommended now. The States may not be able to guarantee debentures to an increasing extent, due to the present position of the finances of the States.

The establishment of the Warehousing Development Board is to be welcomed, as this line requires urgent development to help the small and medium holders in their production and marketing of their produce. The Committee could have recommended that these warehouses should first be formed by co-operative institutions. For this purpose a definite recommendation with regard to the methods of financing the project on co-operative lines would have been very helpful.

In regard to rural savings, it is clear that the savings among the agriculturists have been high indeed, particularly in the tracts farvoured by lift or flow irrigation. This has been illustrated by the offer of voluntary loans in the Tinnevelly and Coimbatore districts towards the cost of construction of some works of river irrigation in those districts. The Committee could have taken note of this before concluding its recommendations and added some practical suggestions for the mobilising of such savings in other similar tracts.

The introduction of mobile banks under present conditions, when large rural areas are utterly devoid of banking facilities, should have been considered worthwhile. Such banks may be tried as part of the extension activity of well established co-operative urban banks. This will help in the education of the partly literate class in rural areas in banking methods and ultimately develop that 'banking mentality' which is a desideratum in modernising agricultural production and small scale industries.

VII

BY

DIP NARAYAN SINHA,

President, Behar Co-operative Federation.

The Committee has laid great stress on the need of immediately extending banking facilities in rural areas. For this the Committee deserves our congratulations.

The Committee suggests that the Imperial Bank and other commercial banks should be encouraged to expand up to taluka (or tahsil) towns, mandis or market towns. It is of opinion that an expansion in the number of offices of the Imperial Bank is desirable in the interest of the rural areas. This may be so in the interest of the banking system as a whole. But it will not solve, I am afraid, the problem of our villages. Methinks the whole structure of the co-operative banking was not clearly placed before the Committee; otherwise it would not have recommended establishment of an organisation other than co-operatives for supplying credit to rural areas. Co-operatives are working for the achievement of the same object for which the Committee wants to

open new organisations in the villages. The co-operatives are capable of undertaking rural banking, marketing village products and furthering all-round village development. Experience has proved that they can effectively undertake the above activities. There is one great quality in co-operatives, that their management is in the hands of villagers themselves. Therefore the latter would not hesitate in putting their savings in co-operatives.

In each State there is a State Co-operative Bank. In the headquarters of practically every district and sub-division or (taluka) there is a central co-operative bank. Though not in all villages but in some villages of each thana co-operatives have been established and are functioning. There is full co-ordination between the village co-operatives and the State or central co-operative banks. These organisations have acquired full experience of handling rural banking. Further, vast amount of money has been spent in opening and running them. Enough time of the officials and non-official co-operators has been spent in bringing the movement of co-operation to the present level. The co-operatives of the country have got a history behind them. When well organised co-operatives are functioning all over the country, I do not think it would be desirable to by-pass them and strive to set-up new organisations.

Considering the present economic position of the country, it would be hazardous to start new experiments. It would be desirable, in my humble opinion, to utilise the present co-operatives and the experience of the vast number of co-operators for developing rural banking.

VIII

BY

SHYAM NANDAN SAHAY, M.P.,

Chairman, Bihar Provincial Co-operative Bank.

The most striking fact about the Rural Banking Enquiry Committee was that there was only one co-operator on the same and he too was an official. As far as the State of Bihar is concerned it had been completely ignored on the Committee; though it is an agricultural State requiring a good deal of agricultural finance.

The result of absence of the view-point of the co-operators on the Committee has been responsible for conclusions and recommendations which are not only indifferent to the cause of co-operation but also detrimental. In the recommendations and conclusions, co-operation has been given an unimportant place and prominence has been given to commercial banks and post office savings banks in preference to the co-operative institutions. This is contrary to the declarations made by the Government from time to time to help the cause of co-operation by reorganising the rural economic structure on co operative lines. As it is not possible to analyse in detail the report in this brief note, I am only pointing out some of the more important matters which have a bearing on the working of the co-operative movement. It is stated in the recommendations that the different requirements of the people cannot be provided by one set of institutions and all the various types of institutions have their place in the banking system. Though the statement may be true, still in my opinion the co-operative banks or societies can co-ordinate all the different functions of banking under one movement. This has been amply proved by several co-operative institutions in the country.

While recommending the ways and means of mobilisation of rural savings it has been suggested that encouragement should be offered to sound commercial banks to open offices as near the rural areas as possible. This is another instance where the position of co-operation has been altogether ignored. The mobilisation of rural savings can be done effectively and economically through the central co-operative banks and the co-operative societies leaving the commercial banks to carry on their commercial banking in urban areas only. Later while recommending the co-operative societies for functioning in rural areas, recommendation has also been made for post office savings banks which is hardly desirable. In my opinion the rural banking should be entirely handled by the co-operative banks and societies only.

While discussing the marketing of agricultural produce, reference has been made only to commercial banks and no place has been given to co-operative banks. The marketing of agricultural and other rural produce has been effectively and efficiently done by co-operative banks and it is surprising why the Committee is not in favour of handing over this work to the co-operative banks. The main aim of organising co-operative societies has been to free the rural population from unscrupulous private moneylenders but the recommendations are more in favour of the moneylenders than against them. Though the recommendations regarding extensionof banking facilities include the co-operative banks, still more importance has been given to the Imperial Bank and other commercial banks. Similarly at other places also special favours have been

shown to the Imperial Bank and post office savings banks as against the co-operative banks. All these facts indicate that the view point of the co-operators of the country and the experience and advantages of co-operative working have not been taken into consideration and the recommendations have been one-sided, the result of which will be a set-back to the cause of co-operative development in the country.

IX

BY

PROF. P. N. DRIVER M.A., F.R. ECON. S. (LOND.)

College of Agriculture, Poona.

Co-operation is recognised as important: but it is denied scope for development.

The Rural Banking Enquiry Committee's Report is a disappointing document for those who believe in co-operative planned developments. It acknowledges the merits of co-operation and yet refuses to give to it the scope for expansion which it requires. Quite frankly and without any reserve the Report favours commercialised banking, particularly the Imperial Bank of India.

The Report envisages in theory a banking system consisting of the Reserve Bank, the Imperial Bank, the co-operative banks, a chain of land mortgage banks, and also some type of State-owned Agricultural Banks or other suitable organisations. But having come to this conclusion it goes on to favour commercial banking and the Imperial Bank more than is really necessary and certainly more than co-operative banking. It makes an admission worthy of attention, viz. that the largest part of the structure providing banking facilities to rural areas consists of co-operative societies. This admission means that whatever the defects in the co-operative movement and its working, and indeed there are many defects, the movement has potentialities which commercialised banking can never even dream of having. Many co-operators will feel that in contrast to this admission only a very limited attempt has been made to suggest anything to widen the basic potential utility of co-operation or to strengthen it and infuse in it fresh blood and life. The opportunities which it requires are here sought to be given largely to commercialised banking.

Co-operative development likely to be jeopardised.

No honest co-operator will deny the need for caution in dealing with co-operative banks, or refuse to admit that there is much that is fallacious in our loose talk of progress in the co-operative movement as it is to-day. But when it is known that nothing can effectively replace it as an instrument of rural welfare and also when it is admitted that in States like Bombay and Madras it has shown signs of active healthy life and has made very satisfactory progress, it becomes one's duty to see that no recommendation is made which would jeopardise its future at least in such selected areas. It certainly does not seem proper to suggest extension of banking facilities to rural areas through commercialised non-State and non-co-operative banks specially when the ultimate need in our rural areas is to make the people self-reliant through co-operation aided by the State. Anything that could make the good co-operative banks better than they are and thus serve as useful models to others would be preferable to anything which would strengthen an ordinary commercial bank at the cost of the people and their institutions.

The Report suggests that the Imperial Bank and other commercial banks should be allowed and encouraged to expand in taluka towns, etc. But when it is admitted that such banks go up to places smaller than taluka towns one would expect concrete suggestions first to develop co-operative banking at the taluka or district headquarters level and to aid it further by bringing the good co-operative institutions in touch with the large savings of the well-to-do classes and with sources of safe finance such as marketing finance. Besides the Report has rejected outright the suggestion of the Bombay Provincial Co-operative Bank, Ltd. to be allowed to do the work of Government Sub-treasuries in taluka towns. Some of the grounds given in the Report for this rejection are sound, but what matters is the general attitude on the question as a whole.

Presumption that there is harmony between commercialised and co-operative banking.

The Committee assumes that there is no conflict between commercial and co-operative banks (P.51) and that their activities can be co-ordinated on principles of a healthy division of labour. It has made recommendations obviously without taking into account the experiences and views of a large number of people. Many eminent co-operators do not seem to have been consulted at all or even asked to fill in the Questionnaire. The very small number of men interviewed by the Committee and the admission that it had no time to undertake extensive tours explains why the views of the Committee cannot be said to be based on a full investigation.

The Report stands for a varied system of institutional finance for providing rural credit. Whilst we agree that different institutions may have to play different roles in providing banking facilities, this should not mean that intrusion of commercial banking in the sphere of work of co-operative institutions would be a sign of harmony. The Report admits that commercial banks do not provide long-term, medium term or short-term credit for agricultural operations, and yet with the same breath it recommends that commercial banks should immediately take up short-term credit for financing agricultural marketing. It shows the importance of co-operative institutions for tapping rural savings and it admits that no other alternative machinery appears available at the primary level ; but having admitted this it recommends almost immediately the use of commercial banks for rural credit. It does not consider that this work will hamper the work of co-operative credit societies or of multipurpose societies, no not even when the commercial banks are recommended for giving advances against produce or loans for purchase of expensive equipment or loans on security of gold, etc. The co-operator cannot be blamed if he naturally does not agree with this. The dangers of commercialised banking, the fact that a large number of these banks have failed even in years when conditions were conducive to their success, and their rather unhappy role in the past is forgiven and forgotten !

Controvercial assumptions and neglect of important problems.

There is bound to be considerable dissatisfaction about several of the arguments and assumptions made in the Report for the purpose of its recommendations. One is inclined to wonder whether the Committee has not erred in ignoring problems of greater importance than the problems it has taken up for detailed discussion. Another cause of surprise to some will be the mixing up of two such largely independent problems as the arrangement for cash work at treasuries with that of the extension of banking facilities in rural areas.

In the first place the arguments given for support to commercialised banking at the cost of co-operative development are not very convincing. The Report appears to be interested in the comparatively minor problem of the savings of the minority of well-to-do rural classes and is desirous of connecting these savings with commercialised banking. It is true that by its terms of reference he Committee had to make proposals related to the immediate needs of the situation, as distinct from the long-range plans for development. The objective of taking immediate steps to mobilise rural savings from rural areas has certainly diverted the Committee's attention from other problems and even perhaps endangered the possibilities of sound co-operative expansion in other important fields. It may appear that the Committee clearly *had* to avoid wider issues and of greater importance—such as the needs of rural credit, or of the co-operative financing of cottage industries. The fifth term of reference, however, gave considerable scope to the Committee to avoid some of these difficulties but it does not seem to have been availed of in any large measure.

Speaking of rural debt and possibilities of savings in rural areas the Report states that our rural debt, which is constantly growing, "represents largely the re invested savings" of the well-to-do rural classes such as big landholders, cultivators of economic holdings, etc. This seems strange. The Committee errs on the side of optimism in talking of the possibilities of tapping large rural savings. It believes that we can assume "some net savings in the rural sector of our economy *even in normal years* although such savings may not indicate a surplus available over and above what may be considered to be the justifiable consumption requirements of the entire rural population." It frankly stands for capital formation at the cost of, and through, the low consumption levels for large numbers of people. This level is taken to be the normal level of consumption. It wants to provide means for tapping rural savings because it assumes "normal prices", and it takes the old low level of consumption to be in fact the "normal level" for many years to come. Both these assumptions are controvercial.

The Report wants experiments in the liquidation of debts to be postponed indefinitely and rejects the recommendations made previously by authorities like the Gadgil Committee or the Saraiya Committee. It feels that the providing of a suitable machinery for rural credit is more important than any attempt to liquidate old debts. Whilst one may not disagree entirely with this conclusion it is difficult to believe, as the Committee does, that much of the total rural debt to-day really consists of current debt. It is equally difficult to overlook the fact that the total rural debt even now is indeed very great.

The Committee has concluded that agricultural prices have increased more than non-agricultural prices. It has assumed increasing agricultural prosperity and therefore the possibility of substantial rural savings. Unfortunately, the comparison made in

order to arrive at this conclusion is between agricultural price indices and general wholesale indices. The absence of a comparison between agricultural price index and index of prices of goods purchased by the cultivator should warn us against any hasty optimistic conclusion. The Committee has no hesitation in accepting the impression of some that there is a relative shift in incomes in favour of agriculture. Here also more caution would have been appropriate specially since the sources of information of the Committee on this point are largely journalistic and in any case do not reveal any substantial increase in the rise of the figure showing the percentage of agricultural income to total national income. The share of agricultural to total income is supposed to have gone up from 52.8 per cent to not more than 57 per cent. It can be pointed out incidentally that even if we assume that the money income as well as real purchasing power of the agricultural sector has increased, we cannot assume that this has led to any substantial increase in rural savings unless we also assume that there has been no substantial increase in the levels of consumption. What we often seem to ignore is that the rural masses are trying to come into their own and they have now begun to think of a higher level of consumption than their own original sub-human level. Saving capacity could have increased only if all other things had remained the same whilst money income and real income had increased. In actual fact the increase in consumption level cannot be ignored. It is necessary to assume much more than done here that more people have begun to buy more things than ever before.

It is best also to note that rural savings could increase substantially only if the increase in rural incomes were not utilised for paying off old debts. On the whole, even the estimates of rural savings made vary so much that the search for extending banking facilities in order to tap our rural savings appears much less important than the long-range problems we have to face and solve. The very fact that estimates of rural savings have ranged from Rs. 20 crores to Rs. 1,000 crores per annum for the country as a whole or from Rs. 2 crores to Rs. 50 crores for individual provinces, ought to make us realise that we are likely to be following a will-o-the-wisp and neglecting other more important problems.

Cash work and Co-operative Banks.

On the question of entrusting the cash work of Government, the Report has given many reasons against any radical departure and against also the giving of this work to co-operative institutions. Many of the arguments given in the Report against a radical departure are quite sound and will receive strohg support among those who have not vested interest in this matter. However there are some arguments for not giving this work to co-operative institutions which appear rather weak. One such argument is that if this work is done by co-operative institutions, they will cease to be co-operative since much of it will be with non-members. The Report feels that no new line of business should be given to co-operative banks which will divert their attention from their main work of reaching the masses. Co-operators will feel on the other hand that the best way to reach the masses is to attract more deposits and cash work done on behalf of Government would help in this matter.

The basic question ignored.

We cannot fail to regret the fact that whilst the "deficit" character of Indian agriculture is the most important of all our problems it has not received more than a passing reference in a small paragraph of about a dozen lines only (vide: Para 45 of the Report). The Committee has rightly referred to the two view-points whether the State should at all take any positive measures to bring about extension of banking facilities to rural areas. Whilst some desire the State to do this, others want that such facilities should be extended only as a result of the growth of effective demand for the same. The Committee's view is a via-media and is unexceptionable. But if we admit that development of banking is impeded by certain risks and difficulties, it is our duty to remove these risks and difficulties.

To say, as the Committee does, that the Government can or should help only upto the limit of the present financial and administrative limitations is good logic but it falls short of what we have to do in order to attain what we desire to attain. It is dangerous to ignore the fact that much of the present backwardness and bankruptcy of our rural areas is due to factors like paucity of capital in the hands of our small cultivators, a faulty system of land tenure, and an equally inefficient method of land cultivation. It is true that we must collect savings to the maximum possible extent in order to have the capital required for rural reconstruction. But if we cannot plan to cast our eye on these cancers in our rural life and for their removal, the talk of extending banking facilities to rural areas will lead us to nothing more than mere wishful thinking without effect, repeated decade after decade in the face of a fast increasing prostration of our economic life.

REORGANISATION OF AGRICULTURAL CREDIT IN UTTAR PRADESH[1]

BY

VED PRAKASH SHARMA, M.Sc. (AG.) D. PHIL.

Agriculture is a seasonal occupation and there exists a time-lag between the investment and the return. Therefore finance is the very core of the success of this industry. The problem assumes further importance in Uttar Pradesh on account of the fact that a majority of the agriculturists are tenants with uneconomic holdings. They are unable to distinguish between productive and unproductive purposes. Their poverty further comples them to utilise any funds available in meeting the deficit in their own family budgets. It is in this context of things that we think that a proper organisation of the credit system is an essential to agrarian progress in U. P.

What should be the lines on which the future credit organisation in U. P. should be developed? We think that a strong and sound financial machinery should be established in the rural areas of the State, with the following main objects.—

1. Attraction of surplus money in the rural areas.
2. Development of banking habits in the countryside.
3. Provision of adequate finance to the agriculturists.

For achieving the above-mentioned objects, the following four methods are suggested :—

(*a*) Modernisation of the indigenous system of moneylending.

(*b*) Opening of branches at convenient centres by commercial banks for providing agricultural finance and attracting surplus money available in the rural areas.

(*c*) Opening of a State-sponsored Agricultural Credit Corporation with a network of branches located in district and tahsil headquarters for providing banking facilities in the countryside.

(*d*) Reorganisation of the co-operative movement.

At present the village moneylenders play an important part in the field of rural credit. As the cultivators of U.P., except the fixed-rate tenants, under-proprietors and some others, had upto this time no transferable rights in the land, there were resorts to unofficial mortgages of tenures, especially in the eastern part of the

[1] The conclusions embodied in this article are drawn from my thesis entitled 'Agricultural Planning in the U.P.' submitted for D. Phil. degree (1950) of the Allahabad University.—V.P.S.

State. But when the cultivators get *Bhumidhari* rights with restrictions on transferability as envisaged in the scheme of agrarian reforms in the State, the above-mentioned unofficial types of mortgages are likely to be more common : most of the surplus money available in the countryside is likely to be invested in acquiring more land and the agriculturists may also incur debts on account of this. In the State, the village moneylending system is totally disorganised. Any attempt of the Government to regulate the business of the village moneylenders is not likely to break much ground. Although they can be made to stop their unbusinesslike activities, to keep accounts and not to charge usurious rates of interest strict enforcement of the law may lead to evasion of the provisions and the system will go to dogs. We have to plan differently for regulating this centuries-old financial source available to agriculturists. Till a special committee goes into the question and gives its verdict on the solution of this problem, we suggest that the State Government should at least get passed the 'U. P. Moneylenders' Bill' (1939) and appoint a special machinery to enforce its provisions throughout the State. Only those officials should be chosen for this work whose honesty has been established beyond doubt.

The State Government in their reply to the queries of the Famine (Woodhead) Commission Stated: 'It is high time that the Reserve Bank of India, through its Agricultural Credit Department, became linked with the indigenous banking system of the province. It does not seem desirable that the banks should insist on differentiation of the banking transactions of these village *sahukars* from their trading transactions. It will not be possible to introduce this bifurcation among rural credit suppliers." We are in complete agreement with the above suggestion. Much has been discussed of the problem, the role of the Reserve Bank of India in the field of rural credit and utilising the services of indigenous bankers; but nothing concrete has emerged. We think that in order to make this practicable, steps should be undertaken early to enact and enforce the U. P. Moneylenders' Bill, 1939. When this preliminary step is taken, efforts should be made to organise indigenous bankers of ten to twelve villages into a union. These unions should be further federated into district unions, spread all over the State. At the apex of these, there should be a State union of indigenous bankers. We think that through these unions, it might be impossible to link the indigenous bankers with the Reserve Bank of India. Although difficulties are likely to be

encountered in the implementation of the above-mentioned programme, we have to adopt some such line of action, so as to make the services of the Reserve Bank available to agriculturists in the State.

Lack of acceptable collateral security has been one of the impediments to banking in the rural areas. Only a small sum can be recovered by the banks by way of legal attachment of the assets of the debtor in case of default.

Higher operating costs and relatively small earnings have checked the large commercial banks from playing an important role in the field of agricultural credit. It is the presence of the Reserve Bank in the country which makes us expect that every banking agency should act according to recognised principles of sound banking. A uniform banking policy should be adopted in the country. But the Reserve Bank has got a special role to play in the field of rural credit. Agriculture cannot be financed directly by the Reserve Bank. It can only finance agriculture either through a State or a co-operative or a scheduled bank. In U. P., as the co-operative movement stands to-day, we are afraid that for several years to come the co-operative movement may not be expected to progress much. Hence the commercial banks get an added importance.

The rural banking problem has also changed at present. Previously, the problem was one of granting loans and advances to agriculturists. But at present it is more a question of tapping rural savings. Nothing is exactly known at present of the proportion of gains to different classes in the rural community as a result of the present boom in agricultural prices. It cannot even be said whether on the whole the rural community is better off on the balance or not. The illiteracy and conservatism of the rural masses and the disparity in rural savings among the various sections of the rural community make it very difficult to tap rural savings. We think that big commercial banks with several branches spread over the State can better undertake the banking business in the rural areas.

It is our view that the commercial banks should be induced to open branches at convenient centres, each with a population of 10,000 and more. In order to encourage their further expansion, treasury work should be entrusted by the Government to these branches. These branches should handle the collection of taxes and distribution of *takavi* and other government loans. They should also see to their recovery. The Government should also provide these branches with suitable premises and adequate police protection. Further, we think that Government should make good losses of these branches to the extent of fifty per cent for the first five years of their working. Propaganda by the banks to foster banking habits in the rural areas should also be undertaken. Loans should be advanced to the villagers against the storage of their produce. Although difficulties may be experienced in the beginning of the venture, we expect that with the passage of time these banks assisted by the Government can be expected to tap the rural savings and thus play an important part in bringing prosperity to our rural areas.

The Central Government has been thinking for sometime in terms of establishing an Agricultural Credit Corporation in the country for meeting the long-term needs of the better class of tenants. The share capital is partly to be subscribed by the Government and the rest of the shares are to be offered to institutional agencies. The establishment of such a Corporation is not opportune at present, as difficulty is likely to be experienced in getting the whole of the issued capital subscribed. It can only be done in case the rate of dividend is more than 3½ per cent. But such guarantee is likely to upset the security market. Further much time may be wasted in opening several branches, through which it will function. As regards U. P., we think that the establishment of such an organisation at the State level may not be possible, due to the financial difficulties of the State Government and the economy measures launched.

As regards the reorganisation of the co-operative movement, we think that greater care needs to be exercised. Only a cautious and well planned policy can be expected to place the co-operative movement on a sound footing in the State. The present policy of a rapid extension of the number of societies and their function by the Department is not likely to bear much fruit, unless the general standard of education of the people goes up in the country-side. We think that unless the rural masses themselves understand the advantages of the principles of co-operation and an urge in this direction comes from within, the co-operative movement cannot be expected to make much headway. The co-operative movement should be deofficialised gradually. The progress of the movement has been hampered on account of its being a State-sponsored movement. Attention should also be paid to the question of intermediate-term loans. We think that there is no

harm in the primary societies utilising their own reserve funds in their own transactions. Some societies may be selected for this purpose, and allowed to utilise their reserve funds for granting loans. We have found that there arises a certain amount of irresponsibility, when the funds of the central banks are drawn from urban areas and utilised for loan purposes in the villages. We think that if our scheme is accepted every depositor is likely to feel interested in the transactions of the society. Lastly, ways and means should be devised to tap rural savings by these societies. No complusory savings scheme is likely to serve our purpose, as it is likely to have a detrimental effect on the masses, who are already badly affected on account of the ten long years of inflation. We think that the creation of limited liability in case of primary credit societies and the offering of better terms to the investors are likely to go a long way in the matter of tapping rural savings. Full attention should be paid to propaganda and publicity in this connection.

We may point out that we are in full agreement with the opinion of the Gadgil Committee on Agricultural Finance that financial reconstruction cannot be successful unless all problems of agricultural economy are tackled as a whole and unless the attempt to raise a sound system of finance is only a part of the general programme of reconstruction.

FOOD PROBLEM AND CO-OPERATION

By

A. B. N. Sinha.

The deteriorating food position in Bihar has turned attention to the seriousness of the problem confronting the State. It was in December 1946 that after discussion with the representatives of the then Government of India, a target of providing three lakhs and seventy thousand tons of additional foodgrains during the succeeding five years was fixed. This was reported to be the quantity required to make the State self-sufficient. Nearly five years have elapsed and during this period every possible effort is said to have been made to reach the target. More wells, more embankments and other irrigation facilities have been provided. Some months ago, the Food Commissioner in the course of an All-India Radio talk claimed that Bihar's production had gone up by one lakh and forty-five thousand tons in two years out of the five; though curiously enough the Foodgrains Investigation Committee recorded a fall in the yield of rice and wheat alone at a higher figure, namely, one lakh and seventy-one thousand tons. Inspite of 7,583 new wells, 9,473 minor irrigation works and 560 open borings and more lands put under the plough the rice crop failed last winter and miserably too. The Hathia rains proved to be as irresponsible as the Grow More Food Department. At any rate if the enormous amounts spent on the Grow More Food Department with its subdivisional and district staff, its head and superhead cannot help in cheking the State from hopelessly deteriorating, it is time to stop this huge waste and to spend all this money on cheapening the prices of food grains. Even during the worst famines known to history, the prices of cereals never shot up so high, nor were any other than the poorest so badly affected. The position to-day is that not to speak of the poor, even those with an income of two to three hundred per month are not getting two square meals a day.

How best to reclaim more land and to increase food production has been solved by Bombay in another way. The Hon'ble Mr. Patil, Minister for Agriculture, claimed recently that in 1949-50, no less than 57 co-operative farming societies with a membership of 6,000 were organised. These societies controlled over 5,000 acres of cultivated land. The Bombay Government has given subsidies amounting to Rs. 1½ lakhs and a loan of Rs. 3

lakhs during that year. Some of these societies have also been assisted by the loan of agricultural officers, who work with them as Managers. In the matter of irrigation, there exist 85 co-operative lift societies besides 17 others from the multipurpose type are doing the work. These 102 societies will bring an aggregate area of over 20,000 acres under irrigation. Bombay Government was giving assistance to the extent of Rs. 18 lakhs by way of loans and subsidies. Then again there are 80 forest labourers' co-operative societies, which have reclaimed 138 forest coupes worth about Rs. 23 lakhs. In that way in the Bombay State the services of co-operative societies are being fully utilised for reclamation of waste land, for providing better irrigation facilities and for greater production.

In the Madras State there are forty-one land colonisation co-operative societies formed with lands given by Government. These cover 22,000 acres of land, of which 18,600 acres have already been reclaimed and brought under cultivation. The Honb'le the Chief Minister said the other day that Government have been giving these societies all possible initial help by way of subsidies and loans to enable the members to carry on reclamation and cultivation. He further announced that there were 120 more schemes involving 50,000 acres of land under cultivation.

In 1946 the Co-operative Planning Committee submitted its report recommending an increase of societies to 50 per cent of the number of villages and of members to 30 per cent of the population in ten years. In Bombay, as claimed by Professor Karve there is roughly one society for every two villages and every third person in the State is a member of some co-operative society or other. In that way, by 1950, Bombay attained the ideal set up by the Saraiya Committee on Co-operation. For the Andhra districts of Madras, the Hon'ble Chief Minister, Sri Kumaraswami Raja claimed that 61.6 per cent of the villages and 17.70 of the population were members of some co-operative organisation or other. A little more intensive development would raise the membership to 30 per cent. Now turning to Bihar, it will be noticed that the number of societies including cane growers' societies total 14,000, which would be roughly 20 per cent of the number of villages in Bihar. In regard to membership the percentage is barely 5. I am sorry to have to say all this about a State to which I have the honour to belong, and which I have occasionally represented in all-India assemblies, but I am anxious that there should be improvement. If here also the work of reclamation of waste land, the expansion of irrigational facilities could be entrusted to co-operative societies and not to Government departments or private individuals a better result would have been visible. The only effective solution for the Grow More Food problem is the introduction of co-operative organisation at all phases.

If the co-operative department is unable to undertake all this work, it is either inefficient or undermanned. It would be well to strengthen it and bring it on a par with the departments in other States, such as Bombay, Madras and Uttar Pradesh. It would be well to reproduce here a resolution passed at the 17th Andhra Co-operative Conference, inaugurated by the Hon'ble the Chief Minister of Madras. The resolution runs thus: "Whereas the Co-operative Movement in this State has grown so enormously in size and the Registrar cannot cope with the existing work, this Conference strongly endorses the suggestion of the Conference President (Sri Kala Venkata Rao) that the administrative and development sides of the department be separated with a Registrar for each. The Conference therefore requests the Government to appoint two Registrars for the department." We would commend this resolution to the Government of Bihar, which is co-operatively so backward, that even three Registrars would be required for sometime.

In so far as the Administrative Registrar is concerned, he should be a competent and experienced officer, able to inspire enthusiasm for work and to control the large staff under him. The Development Registrar should be a man of the type of Prof. B. B. Mukherjee, with enough experience of the working of the movement and with new ideas of co-operative development. He should be guaranteed the fullest co-operation from the other nation building departments, and should have a separate budget of his own. Given the right type of officer, it would be possible for the co-operative societies to contribute their full to the development of agriculture, cottage industries, animal husbandry, rural sanitation, and to take their proper share in the trading activities of the Bihar State with great advantage and profit to the people themselves. He may be given a Co operative Council of the type envisaged in the Co-operative Planning Committee Report to advise and assist him in his work, and to keep him informed of public opinion in regard to each scheme.

I.L.O. ASIAN TECHNICAL CONFERENCE ON CO-OPERATION[1]

Held at Karachi, Dec. 1950—Jan. 1951.

For many years the Co-operation and Handicrafts Service of the International Labour office has been in contact with the official services which are maintained by most Asian Governments for the promotion and supervision of co-operatives, and has been able to assist them by supplying information and advice on problems connected with their activities. An opportunity for a general exchange of ideas on current co-operative development questions between the countries concerned was provided by the I.L.O. at its Asian Regional Conference in New Delhi (India) in 1947, and as a result of the discussion on that occasion the specific problem of organising co-operative development was placed upon the agenda of the next I.L.O. Asian Regional Conference, held at Nuwara Eliya (Ceylon) early in 1950.

On the basis of the report submitted by the International Labour Office the Nuwara Eliya Conference adopted resolutions dealing with international and national action respectively, the latter adumbrating a series of measures which Governments might find useful in implementing policies of co-operative development in their respective countries.

With a view to facilitating the practical application of these measures, it was felt that an expert examination of them would be desirable. Accordingly the Governing Body of the I.L.O. authorised the convocation of an Asian Technical Conference on Co-operation in order to enable experts from the region to compare the practical application in their respective countries of the I.L.O. Regional Conference resolutions (for plans for such application); to consider in common such difficulties as may arise in this work and ways of solving them: and to determine points upon which the I.L.O. might be of service in relation to the special needs of co-operative development in Asian countries.

This Conference took place at Karachi, by invitation of the Government of Pakistan, from 26th December 1950 to 2nd January 1951, and was attended by experts from eleven countries and by

[1] This is a summary of the proceedings of the Conference as reported by the I. L. O. Co-operation and Handicrafts Service, Geneva in the *Co-operative Information.*

observers from Japan, U.S.A. and the Food and Agriculture Organisation of the United Nations. Its agenda consisted of the following items, upon each of which a report was submitted by the Office:

1. General discussion on the practical application of the measures for co-operative development indicated in the resolutions adopted by the Asian Regional Conference, Nuwara Eliya, January 1950.
2. Establishment of Organic or Working Relationships between Co-operatives.
3. The Training of Co-operative Office-Bearers and Employees.
4. The Co-operative Organisation of Small-scale Cottage and Handicraft Industries.

A summary of the discussion and recommendations of the Conference (which were adopted for action or study by the I.L.O. Governing Body at its 114th Session in Geneva, March 1951) is given below:

General Discussion:—During this discussion several delegates described the growth of the co-operative movement in their respective countries. It was emphasised that one of the handicaps in co-operative development was the illiteracy and lack of education of the populations of these countries. It was, however, generally agreed that the co-operative movement itself could be a valuable means of spreading literacy and education, that in any case the movement could not wait until education had been spread and that intensified efforts should be made by Governments and other agencies to promote its growth. Some delegates pointed out that circumstances like wars and economic fluctuations had greatly hindered co-operative progress.

Stress was also laid on the desirability of developing other types of co-operatives in addition to credit societies and of creating effective working relations between them.

The value of technical assistance in developing the co-operative movement and, within the scope of technical assistance, the utility of pilot co-operative projects to serve as models, were emphasised by several delegates. Such pilot projects might be sponsored by the State, but care should be taken that while the State should act as a tutor it should not hinder individual initiative.

The Conference generally agreed on the following points and recommended the Governing Body either to submit them to the Governments concerned or instruct the Office to take the necessary action thereupon:

(*a*) National Co-operative Councils or Committees which should include responsible Government officials, leaders of the co-operative movement and, where necessary, other competent persons, should be set up by Governments. Their functions should be, *interalia*, to review co-operative progress in the country concerned with a view to making suitable recommendations for further action. International organisations should, on the invitation of Governments, send experts to assist in the making of periodical surveys and recommendations. Such National Co-operative Councils or Committees should also work in collaboration with experts engaged on technical assistance missions and help in implementing their recommendations.

(*b*) The composition of the I.L.O. Advisory Committee on Co-operation should be broadened to enable more experts from Asian countries to participate in its deliberations and, through the medium of the I.L.O., liaison might be established between it and the national Committees or Councils so as to co-ordinate the work of the latter on an international plane.

(*c*) In consultation with the Governments a larger number of experts in the field of co-operation in Asia should be included in in the list of experts established by the I.L.O. for the technical assistance programme.

(*d*) In view of the importance of securing the best possible training for officials of Government co-operative services and of co-operative leaders, the Office should investigate the possibilities for and facilitate an interchange of officers between Government co-operative agencies in different countries and the opportunities for officials and non-officials undertaking studies in other countries, these studies being undertaken preferably by officials recruited locally. Furthermore, the Governing body should consider ways and means for the expansion of the I.L.O. fellowships programme to enable fellowships to be offered to Asian countries in the field of co-operation.

(*e*) Pilot co-operative projects would be of value in encouraging the spread of co-operation in new spheres and in new areas. Such projects might be initiated by the Governments concerned or by co-operative organisations. Where required, the assistance of the I.L.O. or other international organisations might be obtained by the Governments concerned.

(*f*) In organising schemes for the promotion of co-operatives, attention should be paid to ensuring an all-round development in order that societies providing necessary complementary service could function simultaneously, and that the necessary working liaison between them could be effected.

(*g*) The Office should provide Asian countries with information on (1) employer-worker relationships in co-operative societies; (2) the application of general labour laws to co-operatives and their effect upon the progress of the movement in under-developed countries, taking into account the fact that in some types, such as industrial co-operatives, employer and worker are identical; (3) the general relationship between trade unions and co-operatives.

(*h*) Governmental action should be intensified for the development of co-operation in Asia. This action could be intensified not only by the foregoing means but also by the provision of State grants, State credits or credits guaranteed by the State, by the supply of loans for equipment, by the grant of certain fiscal privileges, the allocation of certain priorities in the procurement and distribution of essential commodities. It was requested most particularly that the Governing Body should address to the Governments an urgent recommendation that, when developement schemes of Asian countries are initiated, substantial capital should be invested in the equipment and development of co-operatives, and that loans should be made on favourable terms.

Inter-co-operative Relations :—Delegates from different countries gave details regarding the various types of existing central and federal co-operative organisations in their countries. The value of establishing close inter-co-operative relations between co-operatives of the same type and between co-operatives of different types was emphasised, with a view particularly to harmonising their action and better utilising the facilities and resources available.

It was generally agreed that on principle a solid basis of primary societies should be established before building up central organisations, but that special circumstances might warrant the creation of apex organisations to begin with. Thus, in a general manner the credit co-operative organisation should be supported by central or federal organisations responsible for collecting funds and canalising their distribution among the primary credit societies using them. The organisation of co-operative production, processing and sale of produce or foodstuffs should take place initially where possible and economically through the primary societies responsible for collecting, processing or selling them.

It was thought impracticable to evolve a general set of rules applicable to all countries for the development of central co-operative organisations. National circumstances would have to be taken into account and in this connection it would be desirable if some medium could be provided through which different countries could obtain information on the structure and methods of co-operative organisation in other countries. Different views were expressed regarding the development of federations or unions according to a set plan.

Reference was made to the desirability of co-ordinating certain forms of co-operatives, such as credit, processing and marketing, to their mutual advantage and that of their members. Some delegates thought that the link could most effectively be established at the village level where economic activities were simplest, while others stressed that unions and federations would give much assistance in facilitating the establishment of relations between producers' and consumers' co-operatives and reconciling the divergence in their points of view and interests and in promoting equitable economic and commercial agreements between them based particularly on fair prices. Emphasis was laid on the value of developing economic relations between co-operatives in different countries.

The Conference generally agreed that :

(*a*) In order to promote the sound development of co-operative activities, federal co-operative organisations for economic and non-economic purposes should be encouraged by the Government.

(*b*) The Governing Body should instruct the Office to supply to Asian countries information on the structure and methods of organisation of co-operative federal bodies of different types.

(*c*) . National or regional bodies should be set up to co-ordinate relations between different types of co-operatives in a country. Where desirable, such functions might be performed by advisory co-operative councils, which various Governments have set up, or are contemplating setting up.

(*d*) The Governing Body should draw the attention of the Governments to the importance of facilitating the establishment of economic relations between co-operatives in different countries by all appropriate means. Where possible, co-operatives should be given representation on official advisory bodies concerned with foreign trade.

(*e*) The results of the I.L.O. enquiry regarding inter-co-operative relations should be communicated to the Asian countries.

The Training of Co-operative Office-bearers and Employees :—In the course of the discussion various delegates gave accounts of the systems of co-operative education and training in their respective countries.

It was agreed that in less developed areas Governments and national co-operative organisations should take even stronger measures than at present to promote the teaching of co-operation among those connected with the co-operative movement. In addition, it was suggested that the subject of co-operation should be introduced into the syllabus of educational institutions at the primary, secondary and university levels.

The delegates also considered that as officials of Government departments of co-operation were usually responsible for the initial promotion and development of co-operatives, they should receive adequate training in the first place, and that sufficient arrangements should be made to strengthen the staff of such departments as well as of the national co-operative organisations for the efficient supervision, inspection and audit of co-operatives. In order to ensure continuity of policy in co-operative work, Governments might consider the establishment of a body of officials specialising in co-operative education.

With regard to the training of co-operative employees, proper importance was attached to the careful selection of persons who should receive such training and to special emphasis being given to co-operative principles in the training courses. Persons holding responsible posts in co-operatives, such as secretaries and managers in more advanced co-operative societies, should be given a thorough training and they should be recruited from among persons with high qualifications.

In view of the great need for qualified personnel to run and supervise co-operatives and the ignorance of the masses regarding co-operation, the Conference considered that comprehensive action should be undertaken on behalf of co-operative education. Local and national action, which might be limited in regard to finances and objectives, should be effectively supplemented by international action useful to all Asian countries.

The following recommendations were made:

(*a*) The subject of co-operation should be included in the syllabuses of primary and secondary schools, as well as of universities, and co-operators should be associated with the framing of the curricula. Wherever possible, degree courses in co-operation should be introduced, chairs of co-operation should be set up in universities, and international organisations should institute scholarships for university courses in co-operation for Asian students.

(*b*) The training of departmental officials being essential for the sound development of the co-operative movement in Asian countries, Governments should be requested to provide more adequate training courses for them on their appointment as well as periodical refresher courses at intervals of their service.

(*c*) With regard to employees of co-operatives, particular care should be taken in the selection of persons who should receive training, and vocational training should be supplemented by education in co-operative principles.

(*d*) Special attention should be paid to the training of those holding responsible posts in co-operatives, such as secretaries and managers. Wherever possible, appointment to those posts in more advanced co-operative societies should be made subject to the employees' undergoing training courses and passing the examinations conducted at the end of these courses. Governments and co-operative organisations should set apart adequate funds for the training of such personnel.

(*e*) Governments in Asian countries should consider the advisability of establishing institutes for the training of co-operative officers of the Government and co-operative organisations. These institutes should be adequately financed by Governments.

(*f*) In the training of office-bearers and members of co-operatives, audio-visual methods should be adopted in addition to others.

(*g*) Governments should be invited to depute departmental officials and co-operative personnel for study and practical experience in countries other than their own. This could be encouraged by the grant of fellowships and other facilities by provincial and national Governments, by co-operative organisations and by international organisations.

(*h*) The Governing Body was invited to instruct the Office to pursue its studies of methods of training employees of co-operative societies, departmental staff and members and office-bearers of co-operatives. The results of these studies should be made available to Asian countries.

(i) The Governing Body was requested to consider, in consultation with the Governments of member countries and the Asian Advisory Committee, the desirability and feasibility of establishing in an Asian country where co-operation is already sufficiently developed, a field office for technical assistance in co-operation functioning under the auspices of the I.L.O. The functions of this field office should be determined by the I.L.O. in consultation with the Governments concerned.

The Co-operative Organisation of Small-scale Cottage and Handicraft Industries:—The delegates emphasised the vital role of handicraft and small-scale industries in the economy of Asian countries. Some of them gave a short account of the co-operative organisation of such industries where it existed and furnished information regarding the major problems facing them in their respective countries.

The main problems appeared to be technical and organisational. On the technical side, the main consideration was the productivity and efficiency of such industries. On the organisational side, the principal questions were the supply of raw materials, the provision of equipment and credit, and, more particularly, the organisation of marketing. On all these matters there was a great deal of scope for action by Governments and by organisations representative of the handicraftsmen themselves. Special emphasis was laid on co-operative organisation as a means of improving productivity and solving supply and marketing problems.

The delegates emphasised that for the development of handicraft industries on a co-operative basis, it was necessary for Government to decide the role to be assigned to such industries in the industrial development of the countries concerned. It was important that only such handicraft industries as had a survival value should be selected for development. In some cases, however, it might be necessary to give assissance to certain handicraft industries, primarily because they afforded employment to a very large number of persons, as for example the handloom industry in several Asian countries. It was also pointed out that as far as possible handicraft industries should be located and developed outside large centres of population where wages may be high and raw materials may not be available.

The Conference invited the Governing Body to recommend the following to the Asian Governments:

(a) In plans for industrial development an appropriate place should be assigned to handicraft and cottage industries. The machinery for industrial planning should include a special section dealing with such industries. The economic possibilities of each industry should be carefully examined before plans of development are approved before being put into operation.

(b) Special measures should be taken by the Governments in order to protect and promote the development of handicraft and cottage industries, such as the allocation of raw materials, the grant of subsidies and loans, the provision for standardisation and grading of products, and the framing of fiscal and import-export policies. Governments should also explore the possibility of securing and expanding domestic and foreign markets for handicraft products.

(c) Special technical services should be established for the promotion of handicraft and cottage industries, where they do not already exist. Where the responsibility for the development and co-operative organisation of such industries is divided among several departments, close and effective co-ordination should be established between them. Suitable representation should be given to the co-operative department and the co-operative organisation on the councils or committees, if any, set up by the Government for the development of such industries.

(d) Centres should be established by Governments to carry on research and experiments for the improvement of production techniques and equipment in such industries.

(e) Governments should encourage handicraft and cottage industries to be organised on co-operative lines, in order to enable producers to control the organisational machinery themselves and avoid the risk of exploitation. In this connection, special attention should be paid to the establishment of central organisations so as to improve the supply of raw materials and the marketing of finished products. Such organisations would facilitate the execution of Government policies in regard to handicraft and cottage industries.

The Conference also submitted the following recommendations for the consideration of the Governing Body:

(a) The I.L.O. should pursue its studies of the technical and organisational problems of handicraft and cottage industries and make the results available to the Asian countries in collaboration with the United Nations Economic Commission for Asia and the Far-East.

(*b*) The I.L.O. should assist Asian Governments in the introduction of schemes for vocational and co-operative training in handicraft and cottage industries. It should also facilitate the training of selected personnel in countries where small-scale industries are advanced.

(*c*) The I.L.O. should consider the arrangement of visits to co-operative institutions in one or more countries for groups of official and non-official co-operators, the expense being borne by Governments and co-operative organisations, taking part in the visits supplemented by the international organisations.

(*d*) On the request of Governments, the I.L.O. should send qualified technical experts to assist them in making surveys and introducing improved equipment, methods and techniques.

(*e*) Within the framework of the technical assistance programme, the I.L.O. should render practical assistance to Governments in the setting up and operation of pilot co-operative projects for handicraft and cottage industries.

LETTER TO THE EDITOR

COMPETITION IN CONSUMERS' MOVEMENT IN UTTAR PRADESH

Sir,

Co-operation stands for plain speaking but there is another type of plain speaking going on within the co-operative stores movement in U. P. which in essence is as follows:

The primary co-operative society is yours. You manage it in whatever manner you like. We are not concerned with the spread of co-operative education nor with making the members understand and practise co-operative management. But you must quietly allow parent bodies like the district co-operative development federation and the Provincial Marketing Federation to take over your business. And you must at once pay Rs. 600 to the Provincial Marketing Federation and Rs. 1,000 to the district federation. The Co-operative Department cannot co-operate with you in asking the Government restore the cut in the commission on ration business.

This is, on the whole, a deplorable attitude. Co-operation cannot progress in this environment. This is not the way to co-operation built on primary units and decentralised activity.

It is in the interest of the movement that we who are responsible must think aloud and consider what must be done now. The Government cannot be made solely responsible for it. Much depends on how the State policy is implemented by our Registrar and the district co-operative officers. I am prone to attribute the many defects of co-operative stores which are being reported in the press to an inappropriate policy at the district level.

It may be, as is understood to be the case in U. P., that the State might have asked the Provincial Marketing Federation to open fair-price retail cloth shops. Does it follow that such a shop be established even in the area of operation of a society well-known for integrity and honesty of management and which is already running a cloth shop? Or does it mean that in order to run the fair-price shops the supply of cloth to co-operative societies in whose areas the fair-price shops have been opened should be reduced to cutpiece and prints? Competition in co-operation is abhorred all the world over. The district level workers and those higher up at the provincial level are evidently copying the capitalistic tactics to rob poor primary units, sometimes under the garb of being paternal bodies and sometimes under some other pretext. It is high time that such policies are given up. There is an urgent need for the spread of proper co-operative education, patient sympathetic building up of co-operative traditions and behaviour, and realistic positive treatment.

MAHESH CHAND.

Allahabad.

MADRAS AGRICULTURE BY C.W.B. ZACHARIAS (*University of Madras, Madras*) **Economic Series No. 6. pp. 408. Rs. 15.**

The author claims that it is a book of data providing the background required for the planned development of Madras agriculture and expects that the factual analysis attempted will be of help. The author should be complemented on the presentation of facts in the chapters relating to finance and credit.

In other cases, particularly those relating to the Department of Agriculture, the data furnished are not based on the latest rules and regulations. He has not taken the trouble to get his statements verified. It is evident that he has relied on old pamphlets and publications taking for granted that they are still in force.

Here are some of the statements that are neither correct nor clear :

In page 43—"Mysore Agricultural Department put a new steel bar suited to the ordinary cattle plough." The meaning is not clear.

In page 272—"To train agricultural labourers in proper methods of cultivation, certain farm labourers' schools are maintained." The juvenile labour school is intended for the children of the labourers employed on the farm.

In page 275—"But cultivators have to rely on this station (Coimbatore) for all seedlings and to facilitate their transport, special railway wagons have been designed." No such facility is provided.

In page 385—"Production of farm yard manure is, on investigation, found to be sufficient for the purpose of manuring all the fields, both dry and wet, in an ample measure." The common complaint is that the quantity is not adequate.

In page 41, while discussing about implements the author states, "it is nearly quarter of a century since the iron plough was initiated into Indian agriculture and the number actually used on the farms is hardly a tribute to the efficacy of the work of propaganda carried out by the Department of Agriculture."

In page 112, the author states "the peculiarities and requirements of different crops, the deficiencies of different soils, the necessity for the employment of different kinds of manures, the need for rotation, the advantages of transplantation, all these and more are common knowledge with the cultivators of Madras to which the scientific department of agriculture of the State has been able to add little during the half century of its existence."

Such sweeping remarks serve no useful purpose. It does not fit in with what the author himself has stated in Chapter XVI—Agricultural Department—however meagre the information may be.

In the revised edition, readers would expect the author to rectify these mistakes.

M. KANTI RAJ.

CO-OPERATIVE SOCIETIES FOR FISHERMEN; (*Reserve Bank of India, Bombay*)

The Bulletin sets out to depict in brief the socio-economic conditions of the fishermen in India, and in particular the patent disabilities under which the fishermen are labouring, and rightly emphasises the need and the importance of a co-operative approach to the problems confronted by them. It traces the growth and the development of co operatives in six important States in India, comments on their progress in contrast with that, of the fishermen co-operatives in the Western countries and Japan, but does not in our view strike at the root causes of the failures of some of the co-operatives in India.

The bulletin stresses the need for State assistance to be given to the co-operatives in India. The need for such assistance is always felt, but the success of Co-operative Movement does not depend on State assistance only. In a country like India, State assistance of any kind or degree may be defeated, if there is no proper response from the fisher-folk in organising their co-operatives to success. Therefore, what the Indian fishermen require now is a socio-economic service which will examine the root causes of the failure or inefficiency of the co-operatives—an important aspect of reorganisation which has not been touched upon by the author—and plan ahead for the future. If State assistance is emphasised, it should not be merely in the form of subsidies, royalties and concessions, but in the form of a broad-based programme to be executed by the right type of personnel in order to band the fishermen together by effective propaganda and to co-ordinate work between the Fisheries and Co-operative Departments—a factor which has not so far been given due importance for a final initiation of the fisher-folk into a progressive Co operative Movement.

Except for a few missing links as to where exactly a beginning should be made in the right direction, the pamphlet serves a useful purpose in leaving room and incentive to organise co-operatives after the pattern of those that have grown to efficiency and success in Canada and Japan, by making a realistic approach to the fishermen's problems from three directions viz., credit, supply and marketing and by harnessing the resources of individuals to group effort by oral and visual publicity. D. D. A.

CO-OPERATIVE HOUSING (*Reserve Bank of India, Agricultural Credit Department, Bombay*), **1950 ; pp. 65. Re. 1.**

The magnitude of the present day housing problem all the world over with special reference to our country; the superiority of co-operation over all other methods to solve this problem; the achievements of co-operative housing in foreign countries ; co-operative housing activities in India—these are dealt with in brief in the first four chapters, while the fifth chapter is but a resume of the achievements, with pointed reference to the defects in their organisation.

The superiority of the co-operative method is well argued. It is asserted that "provided a society is based on *genuine co-operative* principles, it can secure for its members certain distinct advantages by reason of their combined strength, democratic management and equitable participation in the surplus". The Reserve Bank would have rendered great service if only pains were taken to give a set of model bye-laws for adoption by building societies in our country embodying the *genuine co-operative principles*.

The information presented on the achievements of co-operative housing in some of the western countries suffers from a lack of uniformity. The extent of aid extended by the State in western countries bears out amply the responsibility taken by it in the provision of housing for the public. In Sweden, a member seeking a flat or a house has to pay only 5 per cent of the cost as initial deposit, while the poor class housing colonies are formed by the members supplying all the manual labour. In most other countries members have to make a small initial payment and follow it up with monthly or annual instalments to cover the cost of the building. "Share capital supplied by the members or initial payments can form only a small percentage of the total funds required." What a contrast to the conditions obtaining in India, where the amount to be paid by a member initially ranges from 25 to 50 per cent! It is admitted that we in India have housing conditions that present a deplorable picture even in urban areas, while rural housing conditions are sub-standard by any reasonable appraisal and are really shocking. Our standard of living can, by no stretch of imagination, be said to be higher than or even equal to, those in western countries, where a member of a housing society can walk into the newly constructed house paying almost nothing, or a negligible amount initially. It is a pity that here in India we do not have any such facilities, and that the few societies that have been working, or newly set up, have helped a few 'haves' leaving the 'have-nots' to themselves. It requires a thorough heart-searching on the part of our co-operators and the State to probe whether their help has actually helped any middle classes, who have perhaps been the hardest hit by the shortage of housing accommodation.

CO-OPERATIVE EDUCATION (*Reserve Bank of India, Agricultural Credit Department, Bombay*) 1951; pp. 104; Re. 1.

The proposed aim of this bulletin 'is to give an idea of the facilities that exist in our country in regard to co-operative education as contrasted with what are obtaining in countries abroad.' But the information furnished of the facilities available in our country is far from upto date in respect of some States while more recent data were published in the pages of the *Indian Co-operative Review* (October-December, 1948). Two co-operative colleges have been working, one at Missamari (Assam) and the other at Trivandrum (State of Travancore-Cochin) for over two years now, but there is no mention of these anywhere in the bulletin. The information furnished on several States in India is too meagre in contrast to the data furnished of the countries abroad.

Surely Indian co-operators would feel thankful for the information presented regarding the facilities offered in western countries by the movement itself and the State; the nature and extent of aid offered by the State and the interest evinced by autonomous bodies like Universities; the missionary zeal of workers in the movement to propagate its principles. It is said that 'despite the high degree of literacy prevailing in Britain, and abundant facilities that are available for co-operative education and training, much importance is still attached to propaganda.' Wholetime propagandists employed by non-official co-operative bodies tour districts where the movement is weak, help societies which require assistance and make special efforts to increase their membership or trade. Many of the larger societies have a publicity department. The facilities offered in countries abroad for co-operative education are so many and so varied that they defy description in a short review. A study of the chapter on Co-operative Education in Foreign Countries will, we are sure, leave a deep impression on the mind of every co-operator in India, official as well as non-official, and rouse him to sense of responsibility in the matter of the promotion of co-operative education, which is the life-breath of the Movement

REVIEW OF THE CO-OPERATIVE MOVEMENT IN INDIA (1946-48); (*The Reserve Bank of India, Agricultural Credit Department, Bombay*) 1950; pp. 134; Rs.

In this, the third Review of the Movemet which sums up the progress during the years 1946–47 and 1947–48, figures even for 1946–47 (pre-partition year) are given only for the institutions located in the partitioned areas of the Indian Union. But this has enabled a comparative study of the Movement in the two years. The Movement in the three border provinces viz., West Bengal, Assam and East Punjab suffered considerably on account of the partition and efforts are being made to consolidate and reorganise it. The pace of progress, taking the country as a whole, is striking during the year 1947–48. Vigorous efforts appear to have been made almost simultaneously in most of the provinces either to reorganise the existing credit societies into multipurpose societes or to register new multipurpose societies, taking advantage of the scarcity conditions. In the year 1947–48 alone the number of multipurpose societies almost doubled. But we find no data furnished as to the range of activities of these multipurpose societies. U.P. has come in for some praise for its 15 thousand and odd multipurpose societies. But in the statement relating to the operations of these societies (Appendix II) we find that their sales turnover was only Rs. 17.63 lakhs, while that of the 653 societies of C.P. & Berar was Rs. 149 lakhs and that of the 655 societies of Bombay was Rs. 139.50 lakhs. It is heartening to note that the Reserve Bank is coming to realise, though slowly, the difficulties to be encountered in organising multipurpose societies. It is said "The problem of organising economic units and finding well-trained and efficient staff to work the multipurpose societies is also to be fully gone into before multipurpose societies are actually organised."

It should be a matter of pride to co-operators to find that some of the sale societies in Madras were able to establish trade connections with the co-operatives in Ceylon, which provided a good market for agricultural products such as onions, turmeric and chillies. We wish such contacts were made by co-operatives in other provinces also with co-operatives abroad so as to develop international co-operative trade on a wide and range.

The data given regarding the value of goods sold by the sale societies as well as consumers' societies will not help us assess their real progress in a period of progressive increase in prices. The fears held in many quarters that the consumers' societies will not be able to face the strain of competition in normal times appear to continue. We are told that the value of total sales and purchases declined owing to the policy of decontrol which was temporarily adopted in January 1948.

Though land mortgage banking did not make any spectacular progress during the period under review, the war-time restricted demand for loans and advance repayments showed a distinct reversal. It is a matter of pleasure for co-operators to learn that the Reserve Bank of India has at last decided to recognise the debentures of the Madras Co-operative Central Land Mortgage Bank for the purpose of making advances under Section 17 (4) (a) of the Reserve Bank of India Act. The Bank has also agreed to subscribe to a portion of the new issues of debentures of the Madras Co-operative Central Land Mortgage Bank as a token of interest. We hope these concessions would be extended to similar banks in other provinces also.

Both central banks and provincial banks made satisfactory progress during the period. The central banks are advised against their increasing dependence on Provincial Banks for their finances as it militates against the basic principle of self-help. The necessity of a strong provincial bank as a major cause of the success of the Movement is stressed.

C. D. P.

THE HYDERABAD CO-OPERATIVE JOURNAL, *January 1951* (No. 1. Vol. I.) (*Published quarterly by the Hyderabad Central Co-operative Union Ltd., Hyderabad, Dn.*) **Annual Subscription Rs. 4. Single copy Re. 1.**

The Hyderabad Central Co-operative Union is the 5th State Co-operative Union in our country to take up the publication of a co-operative journal in English. The Union has to be congratulated on its decision to run the journal not only for the benefit of the people in the State but also for those outside Hyderabad. We extend a hearty welcome to this new journal and wish it all success.

The most notable contributions of the first number are: the History of the Movement in Hyderabad by Sri K. I. Vidyasagar, Registrar of the Department in the State and Land Mortgage Banks in Madras by Dr. N. Natarajan, Economic Adviser to the Government of Madras.

CO-OPERATIVE CONFERENCES AND MEETINGS

CONFERENCE OF CONSUMERS' CO-OPERATIVE SOCIETIES IN BOMBAY STATE

Held in the Council Hall, Bombay, 29th and 30th October 1950

Extracts from
The Welcome speech of Sir Janardan Madan

I have great pleasure in welcoming you today on behalf of the Institute to the Conference of Consumers' Co-operative Societies in Bombay State. As you are aware, the Institute holds periodically a Provincial Co-operative Conference. Sectional conferences have not so far been held by the Institute and when we were approached to organise a conference of consumers' societies our first reaction was to have a separate section devoted to Consumers' Co-operatives at the forthcoming Provincial Conference. In view, however, of the keen desire of persons connected with the consumers' movement to have a separate Consumers' Conference the Institute agreed to the proposal and we are meeting here today to consider the problems of Consumers' Co-operation in Bombay State.

Senior co-operators in this State may also be aware of the efforts made since 1918, if not earlier, to introduce and foster Consumers' Co-operation in this State. The problems and difficulties created by World War I almost pale into insignificance when compared with the travail through which we are passing practically since World War II started. But it is interesting to recall that even World War I did prove a stimulus and attempts were made to start stores societies. People were glad to use these as media to overcome the hardships of such controls as existed then. But the controls removed, the spur to loyalty disappeared and one store after another collapsed.

Today the circumstances and conditions are different. The agonies of a long-drawn-out period of misery, the unequal fight of the middle and lower classes against unprecedented heights to which prices have soared up, the acute shortage of foodgrains, the risk of the black market—all these have created a situation which admits of only one solution—the co-operative organisation of consumers, so that people may enjoy the blessings of organised distribution. Since 1946, the State of Bombay, in common with other parts of India, is enjoying the blessings of a popular Government and it is but natural, therefore, that the co-operative movement in this State should have recorded gratifying progress during these four years. So far as consumers' societies are concerned, we had four years back only about 300 societies in the whole State. Today their number exceeds 1,000.

This rise is no doubt due partly to the attitude of Government which has been actively encouraging co-operative activities of all types in our

State, but I would not be happy if the development of Consumers' Co-operation or of other branches of co-operation were due entirely to Government activity. Years back, Sir Horace Plunkett said of the co-operative movement in India that it is "not so much a Movement as a Government Policy". I think the movement has passed that stage and that popular enthusiasm and popular appreciation of the advantages of the movement is responsible as much for the growth of the Movement as Government policy.

With rapid expansion of the co-operative stores, it was inevitable for co-operative wholesale establishments to spring up. In April 1945, the newly created department of Co-operative Development undertook the functions of supplying the co-operatives with consumer goods. Its turnover for 1946 was sixty million rupees, in 1947 sixty-two million rupees and in 1948 fifty-four million rupees. Today it is perhaps a leading commercial establishment dealing with so many varieties of consumer goods. The C.W.E., it should be clearly understood, is now a Government concern but when the Federation is formed this institution will be taken over by the Federation. With increasing business experience, with growing trade contracts and large stocks of goods the C.W.E. under the auspices of Government or later under the aegis of the Federation will be able to render to co-operatives in particular and the community in general more valuable service in future than it has been able in the past.

What we all are anxious about is to see that the picture which we see today does not turn out to be a hot-house growth. Do co-operative stores of today represent a hot-house growth brought about by the stress of circumstances or the stores have taken their roots firmly in the soil? How far can we postulate hopes of strong distributive movement on the growth which we see today? It is true that the purchase from one shop habit and local grouping so essential of loyalty of members which alone can spell success is fostered extremely well by the institution of Government shops and co-operative stores. The policy of Government may help in the increase of such stores, which must in the end rely for their success on the loyalty of their members and to secure this loyalty they must offer appreciable economic advantages and facilities and appeal to sentiment, the conspicuous presence of one of which factors at least is absolutely necessary.

The Conference will of course address itself to the pratical difficulties that beset workers in the field of Consumers' Co-operation and suggest suitable remedies. I have no doubt that as a result of the deliberations of this Conference, the Consumers' Co-operative Movement in our State will be able to march ahead with the assurance of success I have referred to earlier.

We were happy therefore when we were able to secure as President of the Couference, a veteran co-operator like Shri T. A. Ramalingam Chettiar. Shri Chettiar comes from the State of Madras which alone among all the States forming the Indian Union, can show a record of the successful working of consumers' stores. We have been admiring for a long time the achievements of our firiends in Madras in this particular branch of co-operation. With Shri Ramalingam in our midst, we hoped to take from him some useful hints to help us to ensure the success of our stores. Unfortunately, we have to miss his presence on account of his indisposition. On behalf of the Conference I wish him speedy recovery.

We are very grateful to Shri Vaikunth Mehta for consenting to inaugurate this Conference at very great inconvenience to himself. He is too well known to co-operators for me to recapitulate the many good qualities of head and heart he possesses. Suffice it to say that we greatly appreciate his presence in our midst today. Whenever he is present at a co-operative gathering; it is a sure sign not only of its formal success but even more so of its real fruitfulness. I shall now request Shri Vaikunthbhai to inaugurate the Conference.

Extracts from
The Inaugural address of Shri V. L. Mehta

I am grateful to the authorities of the Bombay Provincial Co-operative Institute for asking me to inaugurate the proceedings of this, the first session of the Conference of Consumers' Co-operative Societies in Bombay State. It is a unique occasion, inasmuch as this is the first time, since the inception of the consumers' co-operative movement in this State some thirty years ago, that those interested in this important branch have got together for discussion of their common problems. Personally, I attach even greater value to these functional gatherings of co-operative workers than to the type of conferences that we have been accustomed to hold so far.

A glance at the development of co-operation in various parts of the world is enough to indicate the place that consumers' co-operation occupies in the movement as a whole. According to statistics compiled in 1939, although consumers' co-operative societies numbered only 50,279 out of an aggregate number of 8,10,512 the membership of these societies was nearly 6 crores as against a total membership of fourteen crores for all types of societies. In European countries, including Russia, this is the predominant type of co-operation and claims the bulk of the membership and represents the major proportion of the business operations of co-operative organisations. This predominance is natural, firstly, because whatever one's interest in life or one's occupation, every individual is a consumer, and, secondly, because experience shows that it is possible to have organisations of cosumers easily fitted into the structure of society, whatever be its characteristic—either capitalistic, or socialistic, or communistic, or an admixture of various forms.

Without attempting to trace the origin and growth of consumers' co-operation in India, I may observe that it is only during the last ten years that it has come to play an important part in economic life. A few co-operative stores were started in Bombay Province during the days of the first World War, both in urban and in rural areas. They were of some service in checking profiteering and keeping down prices and in being the channel for the distribution of a few essential commodities in the hectic days of high prices. That they constituted a form of organisation altogether distinct in shape and content from the agricultural or urban resource movement that had developed in the Province until then was, however, brought home to co-operators only when Mr. Otto Rothfeld sought to embody this distinction clearly in the classification of co-operative societies when the law governing the working of co-operative societies was amended. It was only then that we in Bombay appreciated the fact that consumers' co-operation represented an effort to reorganise the distributive system, voluntarily albeit, on the basis of economic justice. But by the time this truth dawn on us, the consumers' societies were scarcely anywhere to be found, having languished because of the disappearance of the abnormal conditions that had led to their somewhat hot-house growth.

The intervening period of nearly twenty years between the two World Wars was almost barren of achievement. With a few notable exceptions, among which I should mention the Gujarati Stree Sahakari Mandal and the various co-operative stores organised by South Indians in Bombay City and elsewhere, there was scarcely any progress to record. The number of co-operative consumers' societies in 1940 was just 30. They had a membership of a little over 8,000 and commanded funds totalling two lakhs of rupees, on the strength of which they had transactions of approximately Rs. 6 lakhs. Thereafter, the situation underwent transformation; and by 1946 when the present Ministry assumed office the number of societies had increased to 465. Since then, the growth has been steady, if not striking, as will be seen from the following figures :—

—	No. of Societies.	Membership (lakhs.)	Working capital. Rs.	Transactions (figures in lakhs) Rs.	Profits. Rs.
1946 ...	465	1.32	55.11	5,42	8.41
1947 ...	515	1.33	62.80	6,00	7.66
1948 ...	612	1.82	70 82	5,40	7.76
1949 (including merged areas) ...	1,048	2.44	162.48	22,76	18.17

Considerable as has been the progress achieved, it is less noteworthy than what has been attained in the corresponding period in Ceylon or in Madras. In the latter, the development made is recorded in the following table:

	No. of Societies.	Membership (lakhs).	Share capital (lakhs) Rs.
1939–40 ...	237	0.34	3.20
1948–49 ...	1,764	5.83	111.86

Besides, there were 23 wholesale societies. These had a turnover of Rs. 25.13 crores, whereas the primary societies alone had a turnover of Rs. 23.07 crores. In Ceylon, progress has been still more striking.

The organisation of district co-operative wholesale societies is a feature of the war-time development of consumers' co-operation in Madras. The need for a wholesale has probably not been felt in Bombay because the bulk of consumers' co-oparative societies here do little business beyond the distribution of controlled commodities. These commodities they receive from the Civil Supplies Department of Government. No effort is needed on their part to establish contacts with the producers and suppliers of various consumers' goods. For building up such contacts, experience in most parts of the world shows that the creation of some central wholesale agency is essential. In England, the C.W.S. which was started in response to the need is now one of the leading trading organisations in the country ; and there are few goods stocked by the primary units which have not been purchased through its agency. Besides, the C. W. S. itself undertakes the manufacture of certain types of goods thus reducing the dependence of co-operatively organised consumers on private manufacturers and suppliers. In Bombay, we have few federations of consumers' societies. It will be for this Conference to discuss and determine whether the federal agency should combine the functions of advising, supervising and controlling with those of trading and manufacturing, and also whether what the movement needs at present is one central wholesale for the State or a number of wholesales in the districts, as in Madras. Personally, I prefer the former alternative for trading, which need not necessarily be combined with supervision.

In any event, subscription to she share capital of a wholesale seems to present a suitable manner of utilizing a portion of the accumulated special development fund of primary consumers' societies. In this connection, there is some misapprehension about certain discussions that I had in Ahmedabad in August last with the representatives of consumers' societies which I should like to remove. My discussions related not to the investment or use of reserve fund—the law in respect of which is clear and specific—but to the use to which the accumulated special development fund of consumers' societies in that city should be put. One of the suitable purposes is, obviously, the strengthening of the business basis and organisational strength of the consumers' movement through the creation of federal agencies for supervision and control and for trading and manufacture. Another equally suitable purpose would be the provision of facilities for education and training, education not only in and for co-operation but education of co-operators as well. Isolated and desperate efforts in this direction may mean wastage of valuable resources ; and hence it is only when for an area some suitable plans can be drawn up that the work should be financed out of the special development fund. With the purpose achieved since the fund was created, the time has undoubtedly, come for taking a general decision in the matter.

It is because of the peculiar conditions in which most consumers' societies in this State operate at persent that the need has arisen for the creation of this special development fund. A majority of them function merely as officially recognised agencies for the distribution of controlled commodities among members and non-members alike. Ordinarily, as the Bombay Co-operative Societies Act provides, the contribution that has to be made by consumers' societies towards the reserve fund is less than corresponding allocations in resource societies. The fullest benefit of the margin between incomings and outgoings, according to the Rochdale principles, should accrue to members in proportion to their transactions with their societies. Out of the surplus, only a limited return should be allowed on capital. The maximum return permissible by way of dividend or bonus is 6¼ per cent under the law in force in Bombay, and to me it is somewhat an unsatisfactory state of affairs that quite a number of consumers' societies sanction a return on capital right upto this maximum limit and do not provide for a rebate to consumers that is a dividend on purchases. It is this form of return made to those who contribute towards the building up of the surplus that has, in practice, earned popular support for the consumers' movement in England. In theory, it represents distributive justice in operation.

There are two aspects of the relationship that subsists between the consumers' movement and Government that call for comment As is recognised in our co-operative law, consumers' societies are accorded a special status in respect of the audit of their accounts in view of the fact that this branch of co-operation is less dependent on State aid and support than other branches and should, thus, enjoy a greater degree of autonomy. If special relations obtain today, they are due to the conditions in which consumers' societies operate, namely, as authorised distribution agencies of Government. It becomes Government's duty to ensure, firstly, that the benefit of the patronage is passed on in full measure to the consumer —whether member or non-member; and, secondly, that the transactions are carried on strictly in conformity with the law. Controls are worse than useless if they are ineffective in practice. Their enforcement necessarily involves close scrutiny and checking and introduces a certain element of rigidity. For breaches of the regulations it becomes necessary, occasionally, to take action as provided under the law. It is unfortunate, but it is true, that the proportion of delinquencies, though on a limited scale, is greater among consumers' societies and other co-operative societies undertaking the work of distribution of controlled commodities than amongst any other group of co-operative societies, credit or non-credit. One can analyse the reasons that may be responsible for this position; but I refer to the matter because if we wish the consumers' movement to be as successful with us as in several parts of the world, it is essential to overcome all forces making for weakness. It may be that, with the expansion of operations, there is considerable dependence on a salaried staff. Appreciating this situation, my colleague, the Minister in charge of the

Civil Supplies Department, personally scrutinises every case where action has to be taken against the honorary workers who are office-bearers. This, however, imposes on those within the movement additional responsibility and demands greater vigilance to ensure that the need for disciplinary action is minimized.

Another matter affecting the relations of the consumers' movement with Government which calls for notice is raising the standard of efficiency of the service provided by consumers' societies. From now onwards, they have to prepare themselves for the time when controls may be withdrawn and the sheltered atmosphere in which the societies now function changes. Whatever activity consumers' societies undertake they should conduct as a normal one, which they should ever seek to develop but which they should never have any intention of giving up. One reason why Government in the Civil Supplies Department have found it necessary to set up their own shops for the sale of cloth is that, at one stage, they were faced with the withdrawal of a considerable number of co-operative societies from the agency work entrusted to them. Another was Government's anxiety to dispose of the accumulated stocks of cloth which was returned as unwanted by co-operative societies. When co-operative societies enter the cloth trade, the Civil Supplies Department expects them to assume normal risks, to accept the rough with the smooth. To utilize the occasion for studying customers' requirements and tastes and for cultivating skill in salesmanship is also a task to which, I trust, consumers' societies will, in general, prove equal. The association of women with day-to-day work, either in a stipendiary or honorary capacity, has been found helpful in several countries in the development of the consumers' movement. Except here and there, this field of recruitment of workers for consumers' co-operation has been neglected in Bombay State, as also elsewhere in India.

In recent years, the consumers' co-operative movement has been helped by Government, not merely by being recognised as the accredited agency for the distribution of controlled commodities, such as foodgrains and cloth, but also by the grant of financial guarantees. No special credit is claimed by Government for having extended assistance in various forms, because Government are convinced that not only in the present state of partially controlled economy, but even in an economy where, with the disappearance of scarcity conditions, controls wither away, the consumers' co-operative movement represents a potent force making for a healthy social order. Where bodies of citizens, without interfering with the rights of others, are able to make collective provision for their own needs as consumers, they should, in a democratic State, be afforded every encouragement to do so. Retail distribution organised in this fashion, with participation of members in trade surpluses is less costly and socially more equitable than State or municipal trading. There is close relationship, if not identity of interest between the consumer and the distributive agency; and the entire structure is fully democratic, being based upon free public participation in control and ownership by the customers in their capacity as members. Conducted as retail trading is by and on behalf of customers it is possible to provide goods of varieties suited to their tastes; and if an attempt is made, as I trust will be done in Bombay, to link distributive and productive enterprises, the consumers' movement can help in promoting planning on the basis of the known needs of retail customers. When the consumers' co-operative movement in Bombay appreciates these trends in economic development and adapts itself to the social needs of the times, when it functions as something not apart from the State but as a recognised part of the mechanism of a socially helpful enterprise associated with the State, it will surely succeed in securing an honoured place for itself in the planned economy of the future.

With these observations I have much pleasure in declaring open this session of the Consumers' Co-operative Societies' Conference. I was very happy that you had been able to persuade my esteemed friend, Shri T. A. Ramalingam Chettiar, to preside over the Conference. I am sure the movement in Bombay would have gained by his sage advice and guidance. I am indeed sorry that indisposition has prevented him from undertaking a journey to Bombay. Sir J. A. Madan then took the chair.

As Sir J. A. Madan could not come on the Second Day Prof. D. G. Karve, Vice-Chairman of the Institute, took the Chair at the request of Shri Nagindas T. Master.

Prof. Karve, in taking the Chair, pointed out that, in the light of the creative interest and close thought of all those present in the subject of consumers' co-operation, he expected a very fruitful session.

Resolutions Passed

General Policy

"The spokesmen of the Government of India and of the Government of Bombay have repeatedly declared their intention of so ordering their economic and administrative policy as to lead to an early establishment of a Co-operative Commonwealth in India. While in the Department of Co-operation in Bombay, considerable progress has been made in recent years in developing the several forms of co operative activity with State support the situation needs to be materially improved in two important respects, if the declared goal of a Co-operative Commonwealth can be said to be honestly and unreservedly pursued. Not only in the co-operative department, but in all departments of Governmental organisation, in the State and at the Centre, emphasis must be laid on the co-operative way, priorities must be ensured for co-operative action, and co-operative institutions must be helped in all legitimate ways.

"Secondly the great and almost limitless field of Consumers' Co-operation must be more systematically and more courageously approached than has been done hitherto. On the expansion and success of the

consumers' co-operative organisation depend in a large measure not only the success of other forms of co-operation, but also the realisation of the hope of a Co-operative Commonwealth.

"While recognising the fact that the soundness and progress of the Consumers' Co-operative Movement must depend on the devotion and efficiency of the co-operative workers and members, this Conference reiterates its conviction that unless the Government, both at the State and the Union levels, and local authorities adopt a policy of steady, whole-hearted and systematic support to the co-operative way in meeting the needs of the large body of consumers, the co-operatives will find their prospects of survival and progress seriously marred by unfair competition from powerfully entrenched dealers. Both at the level of policy decisions and at that of administrative action consumers' co-operative organisations must receive timely and adequate support from governmental authorities, if co-operation, and not exploitation, is to play a dominant part in our social and economic life."

Structure

"With a view to ensuring to consumers' co-operatives the advantages that are inherent in large-scale organisation of business without sacrificing the basic principles of co-operative activity, namely, voluntary action, equality of status among members and absence of profit-motive, this Conference recommends, as a rule, the establishment of consumers' co-operatives at the mofussil, district and State levels. In such an organisation the member units should cover areas at least sufficient to make them efficient and economic units. These should be federally organised into central units with a view to securing the cheapest supply, to contacting producers and multi-purpose societies, to arranging transport and godown facilities and if necessary, undertaking productive activity and supervision and training."

Finance

"This Conference draws particular attention of those interested in the consumers' co-operative movement towards the necessity of sound capital structure for co-operative stores and, therefore, appeals that early and necessary steps be taken in that direciton. The Conference, however, feels that occasions would occur for additional working funds. In such cases, the Central Financing Agencies should lend on liberal terms and if need be, the State should subscribe to and arrange to guarantee such loans."

Management

"With a view to make available to consumers' co-operatives the services of suitably qualified and experienced staff, this Conference recommends:

(1) the formation of regional cadres to be administered normally on a territorial basis;

(2) the institution of a special course in consumers' co-operation particularly of salesmanship, secretaryship and business

organisation, in the scheme of co-operative training worked by the Provincial Co-operative Institute ;

(3) the sharing by the State, for three years in the first instance, of a substantial portion of the salary of essential staff employed by central organisations of consumers' co-operatives."

(4) if the employees of a society desire to have the benefits of education in principles and management of consumers' co-operatives, the society should arrange to so keep its hours of work that the above desire is fulfilled."

SUPERVISION

"To prevent consumers' co-operatives from either tolerating or developing inefficient standards in their working, this Conference recommends that—

(1) the present methods of official inspection of the working of consumers' co-operative societies should be improved so as to make them more effective,

(2) a regular system of internal supervision should be maintained by the central organisations of consumers' co-operatives within their respective areas of operation,

(3) with a view to making this internal supervision both efficient and self-sufficient a suitable charge should be levied on the earnings of all consumers' co-operatives."

DISTRIBUTION OF CONTROLLED COMMODITIES—PREFERENCE TO CO-OPERATIVE ORGANISATIONS

"Resolved that this Conference views with concern the tendency on the part of District Authorities and District Supply and Price Advisory Committees of ignoring the claims of co-operative societies in the selection of agencies for distribution of controlled commodities and preferring private individuals and group of merchants or other organisations for the discharge of this work in spite of Government Orders.

This Conference, therefore, requests the Government to impress on the District Authorities and District Price Advisory Committees to faithfully carry out the orders of the Government in this behalf and not to deviate from their policy of encouraging the co-operative societies."

UTILISATION OF DEVELOPMENT FUND

"This Conference requests the consumers' co-operative societies who have earmarked a Special Development Fund to utilise the same mainly for augmenting the fixed and permanent means for the progress of consumers' co-operatives."

FACILITY OF PAYMENT TO CONSUMERS' CO-OPERATIVES

"This Conference requests Government to make arrangements with the Bombay Provincial Co-operative Bank, Ltd., to accept payment on their behalf from co-operative consumers' societies and issue pay slip in lieu of payment received by them for issuing goods to the co-operative societies by Government in order to ensure immediate delivery."

IMPORT LICENCES

"Resolved that the Government of India, Commerce Department, be requested to grant import licences in favour of co-operative societies on a liberal scale and without distinction as between established dealers and new-comers."

EQUITABLE DISTRIBUTION OF CLOTH THROUGH CLOTH SHOPS

"This Conference views with apprehension the recent policy on the part of Government in preferring Government cloth shops for sale of better varieties of cloth and leaving the undesirable and unsaleable varieties to the co-operative societies and continuing the Government cloth shops at centres where efficient co-operative organisations are prepared and willing to undertake the distribution of cloths. This Conference, therefore, requests the Government to close down all Government cloth shops wherever an efficient co-operative society is willing to do the work of distribution of cloth."

TRANSIT CHARGES

"Whereas it has been noticed in one of the districts that the consumers' societies conducting retail distribution of controlled commodities in rural areas have to take their allotments from Government godowns to their places of business and are required to pay higher transit charges than fixed by the Government and whereas the consumers' stores in urban areas are allowed to retain gunny bags with them while in rural areas they are required to return them the consumers' stores in rural areas are put to heavy losses and their working has become uneconomic. It is resolved that either the Government should, at their cost, supply the rationed articles at the business premises of the societies concerned or should pay the entire actual transit charges incurred by the society.

It is further resolved that the empty gunny bags of the rationed articles supplied to the societies in rural areas should be allowed to be retained by those societies as is done in the case of urban societies."

CONTROLS

"This Conference recommends to the Union and the Bombay State Governments that, whenever they propose to introduce control of any commodity, adequate stocks of controlled articles should be maintained in advance and the controls should be instituted in such a way that no profiteering takes place on account of control."

REORGANISATION COMMITTEE

"A Committee consisting of the following members be and is hereby appointed to work out a detailed scheme of the reorganisation and structure of the consumers' co-operatives in the State in the light of the resolutions passed at this Conference and to submit the same to the Bombay Provincial Co-operative Institute for such further action, including the amendment of the present model bye-laws, as may be necessary. This Committee shall have the power of co-opting members not exceeding three in number":—

1. The Chairman or Vice-Chairman of the Institute to be the Chairman (Sir J. A. Madan or Prof. Karve)
2. The Hon. Secretary of the Institute to be the Convener (Sri V. P. Varde)
3. Sri Nagindas T. Master
4. Sri K. T. Mantri
5. Sri B. P. Sinha
6. Sri R. T. Popawala
7. Sri K. M. Thakore
8. Sri Rajendra N. Desai
9. Sri J. K. Patel
10. Sri Y. T. Ogale
11. Sri P. B. Ugargol
12. Sri P. R. Chikodi
13. Sri Ramachandra Iyer
14. Sri Hindurao Patil, Sangli
15. Sri T. G. Chandvani
16. Sri R. B. Tadvalkar, Baijapur
17. Smt. Vimala Mehta.

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In his concluding speech, Prof. Karve thanked the house for the excellent co-operation given to him in the course of the discharge of his duties as president of the Conference and observed that he had certain articles of faith, viz. Consumers' Co-operation was the fundamental basis of the entire economic order of the country. Just as self-government was the basis of the democratic order Consumers' Co-operation was the keynote of the country's socio-economic reconstruction. He appealed to the house that, since right efficiency and right efforts were the two watch-words for the real success of the consumers' movement, they, as harbingers of faith, should make as much religion of efficiency as possible in the movement, so that they should have lived for something and gained something without giving room for any kind of exploitation. He wished the consumers' co-operative movement in the State all success.

Proposing a vote of thanks to the Chair and all the delegates present, Sri Nagindas T. Master conveyed his thanks to the Institute for having arranged this conference and to all those officials and non-officials who took part in the proceedings and made the conference a success. On behalf of himself and on behalf of the Bombay Consumers' Co-operative Societies' Federation, he thanked the Finance Minister, Sri V. L. Mehta, Sir J. A. Madan and Prof. D. G. Karve and said that Prof. Karve deserved their best compliments for having conducted so successfully, so efficiently and so tactfully the conference proceedings that all resolutions passed that day were in a spirit of unanimity and co-operation.

In seconding the above, Sri V. P. Varde expressed his pleasure at the success of the Conference and thanked one and all who contributed their mite to this success.

MYSORE PROVINCIAL CO-OPERATIVE CONFERENCE

Held on 30th December 1950

Extracts from the Presidental Address of Shri K. L. Panjabi I.C.S., Agriculture Secretary, Government of India, New Delhi

Mysore has had a number of co-operative conferences during the last year. In May the Eighth All-India Co-operative Conference was held in Bangalore which, in a way, marked a distinct stage in the organizational growth of the Movement. In the face of continued economic stress and the mounting threat to orderly progress from disruptionary elements, the decision was taken to coalesce the different all-India co-operative bodies into one Union, which would give the Movement a unified command and increase its striking capacity. Shortly after, in February of this year, came the conference of the officers of the Co-operative, Rural Development and the Marketing Departments of the State, at which important recommendations were made affecting the development of the Movement, particularly on its marketing and consumers' side. This, in turn, was followed in May by a Seminar of the co-operative workers in the State, which reviewed the whole progress of co-operatives in the State and produced a report which, I think, has left no aspect of the Movement untouched. Its recommendations, made after a free and full discussion of all relevant issues affecting the growth of the different branches of co-operative activity, will undoubtedly form the basis of future development of the Movement in the State.

There has thus been a close and detailed study made of every aspect of co-operative activity, both in the context of the local as well as the national needs. In a way, therefore, your work and mine in this conference has been considerbly lightened. There is little that we have to add by way of breaking new ground or affirming our faith in new principles. As Pascal has stated, "all good maxims have been written. It only remains to put them into practice". In the practical working out of the principles, however, there are bound to be fresh difficulties and new problems, which co-operation, will naturally have to face. It is our task to probe into some of these problems, and endeavour, in the light of our united experience, to find a workable solution for them.

The post-war trends in production, prices, employment and trade have brought many problems. The pressure of pent-up demand, even though it has weakened in many countries, has not completely exhausted itself, and on the whole, supplies continue to be scarce in relation to demand. Industrial production, taken the worldover, has exceeded the pre-war level, but agricultural production is not much higher. In the Far Eastern countries, agricultural production is still only 92 per cent of the pre-war average. Production of food crops in 1949-50 is estimated to be only 94 per cent of pre-war levels, while that of non-food crops is about

14 per cent below the pre-war production. World production of rice in 1948-49 was estimated at approximately 144.5 million metric tons, as against 147.5 million tons in 1934-38. In Asia, it was only 135 million tons, as againt 141.3 million tons in 1934-38. During the past decade, however, the population of rice-eating countries increased by about 10 per cent. Per capita food supplies have, therefore, been estimated to be only about 88 per cent of pre-war levels. Oilseeds production in 1949 is about 10 per cent below pre-war. Production of fibres in 1948-49 was still slightly below the pre-war. World supplies of food and fibre, despite all attempts at improvement, have, therefore, continued to remain below requirements.

Although there was a slight relaxation of inflationary pressures at the beginning of 1949, prices of farm products and other raw materials have thrust further upward after the outbreak of the Korean War. Continued short supply of essential commodities and fear of inflationary spiral have led most of the countries of the world to retain the apparatus of war-time controls practically in full operation. The disequilibrium in world trade since the last War, has not been due to the contraction of world effective demand and the diverse currency policies pursued by countries, as in the 1930's, but to the failure of the majority of countries to keep their exports at a leveal at which they would be able to get the essential imports which they badly need for equipping their industries, increasing agricultural production and feeding their population. A different emphasis has thus come to be placed on the export and import policies of the countries in relation to their economy. The entire energy of almost all the countries has been devoted to giving every possible stimulus to increasing production, arresting the flight upward of prices and costs, and maintaining consumption standards at levels which would satisfy at least the minimum requirements for health and efficiency. The whole economy has been controlled and directed with a view to attaining these primary objectives. The agency of every organisation whose objectives coincide with these, has been freely and fully utilised by the State as instruments for carrying out the national policy. On the part of the co-operatives, therefore we find an increasing emphasis on the organisation of production co-operatives, which would make available new technical and scientific methods to individual farmers and consumers' co-operatives, which would ensure distribution of essential commodities at controlled rates and help maintain consumption standards at desired levels. On the part of the State, there is a greater willingness to use the co-operatives as agents of some form of State planning and control and with the increasing acceptance of the concept of a 'Welfare State' to use these people's associations as effective means of popularising social welfare schemes.

Co-operatives have adjusted themselves to these purposes with remarkable success. They have flourished in an equal degree in the totalitarian as well as democratic countries. This is largely due to the fact that in the process of its evolution, co-operation has come to adopt the capitalist framework, but given it a social content. It is significant that in the United States the movement is commended as bulwark of free enterprise against State intervention and Communism. Behind the Iron Curtain co-operation is considered as the first step towards Communism, and a bridge between individualism and a fully socialised economy.

Under the stimulus of War and post-war conditions and the active help given by the State, co-operatives have expanded in every direction. The total world membership of the Co-operative Movement in 1939 was of the order of about 143.26 millions; it has been estimated that in 1946-47 membership rose to about 181.11 millions, thus representing an increase of 26.4 per cent. Agricultural co-operatives and consumers' co-operatives together constitute 87 per cent of world co-operative membership. Consumer membership throughout the World rose by 18.8 per cent as compared with the pre-war figures. In the economically advanced countries, the consumers' movement covers one-quarter to one-third of the population and constitutes 10 to 20 per cent of the national retail trade. In Asia its growth has been almost phenomenal; from a membership of about 3,30,000 before the War, it rose to over 9½ million by 1946-47. In America, the increase has been 300 per cent. Striking advance has been witnessed in agricultural societies also whose membership rose by 35 per cent over that of the pre-war figure. In Asia alone the increase has been 74 per cent. In the U. S. A., about 10 per cent of fertilisers and 22 per cent of feeding stuffs are handled through the agricultural requirement societies, while in Europe a figure of 40 to 60 per cent is common. Agricultural Co-operation, in the advanced countries, benefits two-thirds of the farm population, and is estimated to handle anything from 40 to 90 per cent of the more important agricutural commodities. A consciously planned order with more definite objectives has come to stay. In such an economy, the role of co-operatives as partners of the State, working in a democratic outfit towards the same social and economic objectives, cannot but be decisive.

In India, conditions have been very propitious for a great advance of the Movement since the outbreak of the last war. In the initial years of the war, until the full apparatus of control came into operation, prices of agricultural produce moved faster than costs, and this brought into life again societies which had lain moribund as a result of the freezing up of loans in the Depression years. Overdues were wiped out, outstandings were reduced, and repayments came in rapidly, much too rapidly sometimes than was to the liking of the lending institutions. Later the closure of the main export markets for jute manufactures, combined with the increasing difficulties of getting food and agricultural requisites from abroad, forced the country to alter her pattern of production. The Partition accentuated the gap between production and requirements in respect of many of the commodities. To meet the situation the resources of the nation have been mobilised to the fullest extent possible in the task of increasing production, particularly of food and fibre. This has meant a greater degree of State assistance to production co-operatives, and a conscious attempt to foster institutions, which, being close to the lives of the people, could be made effective vehicles for carrying help to the farmer. The third important factor, which has influenced our policy has been the necessity to keep both prices and costs in check, and ensure an equitable spread of available resources in food and raw material. This again has meant greater reliance on institutions of consumers which could be trusted to operate the system of controls, procurement and distribution in the larger interests of the people and in alignment with State policy. Finally, the assumption of power by popular Ministries has led to the undertaking of large-scale land reforms. The gradual conferment of fuller rights on land to the cultivator, the substitution of the concept of a "welfare" for a "police" State, and the devolution of powers to local democratic institutions, have given great stimulus to the growth of co-operatives.

Co-operative statistics for the Indian Union States alone prior to Partition have not been compiled. But even a comparison of the figures for the Indian Union alone with those of undivided Indta prior to the war is sufficiently impressive. The number of socities, which in 1938-39 was only 1,22,000 rose to nearly 1,64,000 by the end of 1948-49, representing an increase of 34.4 per cent. The number of members rose from 53.7 lakhs to, 127.1 lakhs, or an increase of 136.7 per cent. The working capital in the movement increased from Rs. 106.47 crores in 1938-39 to Rs. 219.49 crores, showing a rise of 106.2 per cent. It is instructive to compare the development of the Movement before the country gained its independence and in the two years since then. The number of societies, membership and working capital of societies in the Indian Union in 1946-47 were of the order of 1,39,000, 91 lakhs and Rs. 156 crores respectively. This represents a rise of 18.0 per cent, 39.7 and 40.7 per cent respectively in a short period of two years. Viewed this way, the progress of the Movement within the first two years of our getting independence has been truly remarkable.

The shift of emphasis on different forms of co-operation, during this period, is also remarkable. The proportion of agricultural to the total number of primary societies has dwindled from 87.2 per cent in 1938-39 to 82.89 per cent in 1948-49. The proportion of credit societies has also shrunk from 83.2 per cent of the total number in 1938-39 to 73.22 per cent in 1948-49. Among the agricultural societies, the proportion of non-credit to the total societies has increased from 10.92 per cent in 1938-39 to 16.44 per cent in 1948-49. Another instructive feature is the remarkable growth of limited liability societies, which in 1948-49 exceeded the unlimited liability type by 10,695. Taking the agricultural societies alone, whereas

limited liability societies constituted only 2 per cent of the total in 1938-39, they now constitute 45 per cent.

These serve to show the main lines of co-operative development in the course of ten years. The slight increase in the number of non-agricultural societies is no doubt due to the marked expansion in recent years of the consumers' movement, particularly in the urban areas. From a barely 400 societies in 1938-39 in the whole of undivided India, the number of consumers' societies in the Indian Union alone rose to 4,542 at the end of 1947-48. The increasing importance of non-credit societies, even among the agricultural classes, and the increasing popularity of societies of the limited liability type are note-worthy trends.

It is pleasing to note that the Movement has made quite rapid advance in this State also. The number of societies, membership and working capital has increased by 168.7 per cent, 178.9 per cent and 70.0 per cent respectively at the end of 1948-49 as compared with the position ten years back. The number of agricultural societies has about trebled; their membership has increased from about 59,000 to over 2 lakhs, and share capital about three times. More than even these, the percentage of overdues has appreciably declined. The membership of primary societies constitutes 49.2 per thousand of the population of the State, which is higher than that of some of the major States, like the U.P., Madhya Pradesh, the Punjab, Assam, West Bengal and Bihar. These are all welcome features, no doubt, and show the earnestness and the zeal with which you have worked for the development of the Movement in the State.

I find, however, that much of the advance has occurred in the last one year. Considering that only a very small fraction of the population is still touched by the Movement, there is very large scope for the expansion of the Movement in all directions. It would, however, be well to bear in mind that the strength of the movement will depend not on the number and size of the societies but the extent to which responsibility is undertaken by the members to promote the co-operative ideals of self-help and mutual-aid.

We have seen that in the whole of India the non-credit societies have rapidly covered ground. In your State, while the proportion of credit to the total number of agricultural societies was as high as 95 per cent in 1938-39, it fell to about 76 per cent in 1948-49. This no doubt is due in a large measure to the drive which has been launched for the organization of multipurpose co-operative societies, of which 826 have been organized in one year. The proportion of the owned to the total working capital of agricultural societies comes to about 47 per cent, which is almost the same as the all-India figure. Deposits, however, form only 15 per cent of the working capital of the agricultural credit societies.

This is an aspect to which obviously more attention has to be paid in the future. There is urgent need for mobilising rural savings in a greater degree than before for financing agricultural development measures. With capital still investment-shy and money market getting increasingly tighter, the Movement is likely to be thrown more and more on its own resources. Further, the usual lending rates of your primary societies are still over 6¼ per cent. If more savings could be mobilised within the Movement itself, this would materially help the societies to lower their rates. I would suggest that a thrift campaign be organized which would help the societies to build up inherent strength.

There are no specialised credit institutions between your primary societies and the Apex Bank. Perhaps with limited number of societies, the need was not strongly felt for district credit institutions. But with the increase in the number of societies and the contemplated expansion of their activities, the strain on the resources of the apex, and the only central, institution is bound to be heavy, unless it could be cushioned by intermediary credit bodies which could develop resources of their own. It is unlikely that the taluk multipurpose societies, which you contemplate interposing between the circle society and the Apex Bank, would be able, with their multifarious trading functions, to attract banking deposits, which credit institutions of the type of Co-operative Central Banks in Madras are able to do for financing the primary societies. There may perhaps have been other considerations, which have weighed with you in your decision not to have district banks, banking unions, or branches of your apex bank.

Regarding the Apex Bank itself, although the number of societies and their membership have increased rapidly in the last one year, the society-membership of the Bank, the share capital contributed by the affiliated societies and the working capital have remained more or less stationary. This would seem to show that there are many societies still to be affiliated to the central institution, and that the reserve and the surplus funds of the societies are not fully invested in the bank.

The Mysore Central Co-operative Land Mortgage Bank and the primary land mortgage societies have made good progress in membership working capital and loan transactions The bank's functions have been limited to the granting of loans for the redemption of prior debts. It may, however, be noted that against a total indebtedness of Rs. 32.5 crores, the bank has so far been able to advance loans for the redemption of debts only up to Rs. 76.65 lakhs. As stated in your administration report for the year, "the activities of the Bank have therefore touched only a fringe of the problem of rural indebtedness, and unless vigorous attempts are made to attract capital by way of debentures, the land mortgage scheme cannot rise to its full stature."

It is very encouraging to note that every effort is being made in your State to correct the lopsided growth of the Movement and to put it on a broad, even keel. The base is sought to be widened by the organization of multipurpose societies, for which you have launched a determined drive. The progress made so far is heartening. It has been felt that unless

an integrated approach is made to the problems of the agriculturist, no lasting improvement could be secured. Certain features of the structure proposed to be adopted in the State deserve closer attention.

According to the scheme inaugurated in the State in 1949, each multipurpose society at the base will cover a circle consisting of 20 to 25 villages, comprising about 1,500 families. Effective democratic management is, however, the life-blood of co-operative institutions, and if the ultimate aim is to cover every family in rural areas, it will have to be considered whether the primary societies should not have smaller areas, which will permit every family to participate effectively in the management and daily working of the society. Secondly, in order that the multipurpose societies may have expert technical assistance and help, it might be necessary to affiliate them to specialised central societies in the higher tiers of the co-operative structure. Thirdly, for enabling the circle and taluk multipurpose societies to function effectively as purchase and sale organizations, it would be necessary to build a chain of godowns and depots. I find that this aspect is receiving your serious consideration.

It is good to note that the enthusiasm for the organization of multipurpose societies has not eclipsed action in other important directions, and you have made a beginning in the organization of larger production units through the formation of Co-operative Farming Societies. With about 66 per cent of the agricultural holdings in the State below 5 acres in size, it is necessary that every effort should be made to enlarge the size of the unit of cultivation, if full use is to be made of modern methods of agriculture. Every effort at improving the methods of land management and use must, however, be proceeded with cautiously, and unless public opinion is well educated to the possibilities of the scheme, they are bound to end in failure. Your idea of entrusting the multipurpose societies with the duty of encouraging better farming before launching on full scale joint farming ventures is, therefore, sound.

I need not stress the importance of cottage industries in the country's economy, especially in view of the difficulties of obtaining heavy capital equipment from abroad, the necessity to decentralize industries in the interests of all-round development and full employment, and for ensuring wide-spread distribution of man-power and capital resources. Mysore is peculiarly well placed for developing cottage industries. With plenty of inherited skill, raw materials like wood and metal-ware, and cheap electric power, it should be possible to organize industrial societies on a wide scale. The biggest difficulty in the way of the success of cottage industries has been the lack of organizations for the distribution of raw material, provision of technical and financial assistance, and the sale of finished goods. Co-operatives offer the best form of organization for the purpose and, if federated into district and provincial industrial societies, will be able to enhance the income and efficiency of the cottage worker.

The establishment of primary and central industrial societies, and if conditions warrant, the organisation of an apex federation, are matters which should receive serious consideration.

The expansion of the movement in all directions must be based on the continuous training of the office-bearers and the personnel engaged in administering and running the Movement. The organization of multi-purpose societies on a wide scale would call for the employment of staff, not merely versed in co-operative principles and practice, but also in business methods, company law, trade and economics. While co-operative propaganda can be undertaken by the Provincial Institute, it might be necessary to consider the possibility of organizing permanent Training Institutes or colleges for imparting short-term courses of instruction as well as advanced theoretical and practical training to the staff of the Co-operative Department and the non-official bodies. If your Movement is to prosper, more attention to this is required.

In the present circumstances of social unrest and economic distress, co-operation has a vital part to play on the side of peace, stability and progress. In all other organizations there is a divorce between the means and the end. Capitalism believes in self-interest and competition as the driving urges of economic action. Communism makes use of the conflict of class interests for bringing in a new order. Co-operation is not midway between the two, as is often stated, but far in advance of both, for, in co-operation, the process of working for the ideal itself represents the achievement of the ideal. Herein lies the superiority of co-operation over other forms of action; for, while they must work for all or nothing, co-operation can take up life piece-meal and patiently improve one sector after another without violent disturbance to the general conduct of life. It is this creative power even in the midst of warring elements which makes for its survival and growth. It provides for a happy blending of self-help and mutual collaboration, which makes it a powerful force for social peace and justice.

The co-operative movement should be permitted to expand and to rise to its full stature. During the British occupation the movement was treated as a show window. It was not permitted to develop into a people's movement. It was treated with suspicion. Co-operation developed certain qualities of independence and self-reliance and could not, therefore, receive the full measure of support. Now that political independence has been won the movement has gained its rightful place. It can play its part in leading the country towards economic independence. In this battle co-operators, like a well disciplined army, must be in the forefront. May their effort be fruitful in bringing peace and stability to this country.

INAUGURAL MEETING OF THE ALL-INDIA CO-OPERATIVE FIRE & GENERAL INSURANCE SOCIETY

Held on 18th January 1951 at the Radio Club, Bombay.

Extracts from The Welcome Address of Sri Keshavprasad C. Desai, B.A., LL.B.

It was in the year 1944 that the 18th Provincial Co-operative Conference presided over by Sri T. Vijayaraghavacharya appointed a Committee consisting of myself, Sjt. V. L. Mehta, and 3 others to investigate into the possibility of organising a Co-operative Fire and General Insurance Society. The Executive Committee of the Bombay Provincial Co-operative Institute on receiving the favourable report of the Desai Committee abovementioned appointed another Sub-Committee consisting of Sjt. H. L. Kaji, myself, Sjt. G. H. Thakore and 3 others to take steps for the formation of a Co-operative Fire and General Insurance Society.

In the meantime the report of the All-India Co-operative Planning Committee appointed by the Government of India and presided over by Sjt. R. G. Saraiya was published and one of its recommendations was to establish an All-India Co-operative Fire and General Insurance Society.

Consequently this Society was registered in 1949. Collection of the necessary capital took some time. It was achieved with the help of a Special Officer, Sri Dinker Desai, placed at the disposal of the Society by the Government of Bombay at their cost. The Society is thankful to the Government of Bombay and particularly to the Minister of Finance and Co-operation.

Our thanks are also due to the Bombay Provincial Co-operative Bank and the Bombay Co-operative Insurance Society for subscribing Rs. 50,000 each to the share capital of this Society. The Bombay Co-operative Insurance Society is further giving all sorts of other assistance.

Indian compaines for fire and general insurance are of recent origin. The first of such companies was established in 1907 as a result perhaps of the Swadeshi agitation. Other companies came into existence after 1919. Total number of Indian insurance companies writing general insurance is at present 64. In spite of there being such a large number of Indian companies, there are about 77 non-Indian companies working in India. The distribution of the net premium income between Indian and non-Indian Companies is as follows:

	Indian Companies	Non-Indian Companies	Total
Net Fire Premium in 1948.	Rs. 5,02,06,000	2,37,35,000	7,39,41,000

(Note :—Portion of the business of Indian companies is from outside India).

Thus about one-third of the premium income available in India goes to non-Indian Companies. Practically similar position prevails in marine and miscellaneous insurance business.

Notwithstanding the existence of so many Indian and non-Indian fire insurance companies in India, it was absolutely necessary that a Society like ours be established on co-operative lines because the aims and ideals inspiring formation of the latter are entirely distinct from those which prompt the formation of joint stock companies. In a co-operative society the ideal of service, and the motive to make available its services to the persons on the lowest rung of the ladder are dominant. Unlike joint stock companies it has no profit motive, nor are there any vested interests. The temptation of handling the accumulated funds for the personal benefit of people having control is absent here.

Co-operative insurance creates a new path, a new enterprise which represents something more than the individual efforts of its members; it accumulates many separate risks in one joint risk and transforms them into something different in quality to the sum of separate risks which the members of the co-operative societies seek to avoid. A co-operative insurance society is built on equality, common interest and collective management. Above all a *Co-operative Insurance Society is always ready and anxious to link itself with the Co-operative Movement in the country, thereby giving it a fillip, at the same time obtaining handsome reward in the shape of the extension of its own beneficial activities through the instrumentality and good will of sister co-operative organisations.*

I would draw the attention of the Government of India to the impropriety of lumping mutual compaines snd co-operative societies in one group in Part IV of the Insurance Act. The fact of a co-operative society having share capital should not make it a joint stock company to be treated on a par with other joint stock concerns doing insurance business. A co-operative insurance society should be differently and specially treated.

The first co-operative fire insurance society in India was established at Madras in the year 1941, and it has been making a fair progress, but it has so far confined its activities in the Madras State only. There are a couple of other local fire insurance societies working in some parts of the Union of India. Our society is established with the definite idea of spreading over all parts of the Indian Union. which are not being served by any other co-operative fire insurance society.

The World today is experiencing conflict between the ideals of Communist economy and those of free enterprise. The fact to note, however, is that in the post-war peirod the co-operative movement recorded considerable progress in countries with a predominantly Communist economy as well as in those with a Capitalist or mixed economy. Co-operation is considered by many as a bridge between individualist and fully socialised economy. In the United States of America, it has been resorted to as an example of free enterprise and bulwark against State intervention and Communism.

The ideal of the Co-operative Commonwealth has been officially accepted in the costitution of the Union of India. This society, therefore, is rightfully entitled to the fullest co-operation and support not only from co-operative organisations but also from the Union Government as well as the States. In the absence of a Government or State controlled insurance corporation, this insurance society ought to be the official insurers for the respective Governments. With the distribution of grain and cloth add several other articles by Government Agencies and the establishment of corporations like the State transport etc., and with the municipalisation of local transport services in Bombay and Ahmedabad, The All-India Co-operative Fire and General Insurance Society Ltd., which rightfully claims their support, has a bright future.

The speech delivered
By Hon'ble Sri V. L. Mehta, Minister for Finance and Co-operation, Bombay.

Insurance is a service for the community to which the attention of co-operators was drawn in the early stages of the movement in foreign lands. There are about thirty countries where insurance societies have been established, Great Britain having started one in 1867. This Society ranks third amongst the insurance concerns in that country in respect of life business and fifth in other businesses. Its life assurance policy alone amounts to £ 550 millions, the premium income being £ 17 millions. Sweden has an equally big organisation. With us in India, the principle of co-operation was first applied over thirty years ago in the field of insurance of cattle. Much later came the extension to life insurance and still later to general insurance. In Bombay, Ratnagiri was pioneer, in a sense, as it established a motor vehicles insurance society over 15 years back. It was in Madras, however, that a co-operative fire and general insurance was first started. This is now nearly ten years old and has now established itself in popular favour in that State. It commands a substantial volume of business, Rs. 15 crores. Other insurance societies, life and general, number 16.

It is now over five years since co-operators in Bombay turned their attention to general insurance. The co-operative insurance society we have makes provision in its by-laws for general insurance work after securing the approval of Government. Very wisely, however, the management of that society decided that this important line of business should be handled by a separate institution. The present scheme is the outcome of prolonged discussions among various groups of co-operators. The organisers have made every effort to interest all types of co-operative institutions in the project, particularly those which are potential customers, namely, co-operative banks—central and urban, marketing societies and consumers' societies. There are two other categories of societies, the operations of which also demand resort to insurance—housing societies and industrial societies. If these have not been approached so far, the attempt may well be made now.

The most important group of institutions likely to be interested are co-operative banks. They have a large volume of business to place with an insurance concern, as quite a considerable portion of their business is on the security of goods which need to be insured against risks of fire, burglary and accident. A smaller portion of their funds is also invested in advances against house property taken as collateral security, or in office-building and godowns owned by themselves. Not only is it necessary that this business should be diverted to the new institution; but banks, following the admirable lead given by the Bombay Provincial Co-operative Bank, should subscribe to the share capital of this institution in proportion as their own operations grow, so that the Insurance Society can extend its operations and carry larger risks. No less important in their development is the role of marketing societies of all descriptions, from the highest to the lowest. Their operations extend throughout the State and are, in times to come, sure to be on a much larger scale than at present. They should look upon this insurance institution as their own, in the same sense in which an appeal can be addressed to banks.

Housing Societies have a twofold interest, first as insured and; secondly, as potential borrowers. In several countries, there is a close link established between housing and insurance. Recognizing this, nearly 13 years ago, the then Registrar of Co-operative Societies, Mr. M. D. Bhansali and myself in our Joint Reorganization Report urged the formation of a Co-operative Housing Finance Corporation to be closely associated with a scheme of insurance. We have in this State a Co-operative Life Insurance Society. We are now having a fire and general insurance society. The question of establishing a Co-operative Housing Corporation is under consideration by the Government and is likely to be discussed in the near future at a meeting of representatives of all interests concerned. Even though we have separate apex institutions for the different purposes, it is my fervent hope that there will be close co-ordination among all the three and that the movement for the provision of cheap co-operative housing for persons of small means will stand much to gain by the establishment of a fire and general insurance society, which will attract an increasing volume of custom from co-operative institutions of diverse types

I see that the Society intends to extend its operations all over India. In insurance risks have to be spread, but I would like to utter one word of caution. There are at least two fire and general insurance societies operating elswhere in India—in Madras and Hyderabad. These have presumably tried to develop business within their own areas. It is very desirable that this new society should not encroach on their areas of operations. We must not have any element of competition creeping in among co-operative institutions themselves, any tendency to canvass co-operative business in areas which overlap. In other countries usually one region is covered by only one insurance organisation.

The scale of premia for various types of business should be so fixed on a non-profit basis, subject of course to the tariff regulations, as to provide the insurer with service at the lowest cost permissible. The competitive system of insurance, as it has developed with us so far, has prevented costs being kept down. Except among the old and well established concerns, there is a scramble for business. Practices have been indulged in which have led to the introduction in the Indian Insurance Act of provisions for the regulation of terms of commission and for the imposition of limits on the expenses of management. In other countries, costs have been kept down in co-operative institutions by eliminating agents and establishing direct contacts with co-operative societies for the insurance of their property and of the lives of their members. Such contacts should be the rule rather than the exception with us here. Only then can a co-operative insurance agency claim to serve the insurers better than the joint stock companies.

XXI LAND MORTGAGE BANKS' CONFERENCE, MADRAS

Held at Madras on the 17th February 1951

Extracts from the Address of Sri B. Venkataratnam, President, The Madras Co-operative Central Land Mortgage Bank.

The provision of long-term credit to agriculture in our State has made good progress, thanks to the consistent support given by the Government in this behalf. During the last 21 years of its existence the Central Land Mortgage Bank has disbursed loans to the extent of Rs. 7.5 crores. The amount outstanding, viz., Rs. 4.09 crores, bears different rates of interest. The bank has always followed the principle of regulating its rate with reference to its borrowing rate and the margin to be maintained between the borrowing and lending rates, as per Government's orders. The ultimate borrower in land mortgage banks is at present charged 5¼ per cent on his loan, as the bank has been able to borrow in the market at 3 per cent. The market conditions are perceptibly deteriorating, as may be observed from the decline in the value of Government securities. The fall is striking in the case of long dated securities. As our debentures are issued for twenty years it is becoming increasingly difficult to command the necessary credit at the rate of 3 per cent. Notwithstanding these adverse conditions in the market in general, the last flotation of 45th series of debentures of the value of Rs. 40 lakhs was a success because of the generous and willing help afforded by the Reserve Bank of India and the co-operative institutions of the State. But I regret to say some of the big Insurance Companies, which have their

Head Offices outside Madras State and who write a fair proportion of business in this State and derive considerable amounts as premium income, have been evincing no interest in these debentures. They recognise that the debentures of this bank provide excellent security in as much as they are backed by first mortgages of agricultural land valued on a conservative basis and supported by the Government's guarantee of both the principal of and the interest on these debentures. They also recognise that the land mortgage debentures form the one enduring link between insurance companies and agriculturists and that this is the one channel through which funds at the disposal of insurance companies can be ploughed back into agriculture for their mutual benefit. In our country, by far the largest portion of the business of any company can come only from the agriculturists. Still our appeals to the leading companies to invest a small percentage of their annual premium income in our debentures have yet to meet with the success they deserve. I appeal to the Government of Madras to recommend to the Government of India to devise a scheme by which these companies will contribute their mite in making available cheap credit to the agriculturists.

All the committees on agricultural finance have recommended the provision of long-term credit at low rates of interest. The Gadgil Committee on agricultural finance laid considerable emphasis on the need for providing long-term credit at a cheap rate, not exceeding 4 per cent. Under the existing conditions of the money market, it is impossible for land mortgage banks to lend money at this rate. It is for the Government and the Reserve Bank of India to make necessary provision and lend the required funds to the Central Land Mortgage Bank at a low rate of interest to enable it to pass on the benefit to the agriculturist at 4 per cent. The Commonwealth Bank of Australia, which is the counterpart of the Reserve Bank of India in that country, has a mortgage banking department and provides the long-term funds required by that department by transfer of 25 per cent of its annual profits to that department for the purpose. If Government provide in the Reserve Bank of India Act for the creation of such a department and transfer a reasonable portion of the profit to that department to enable it to lend the money at low rates of interest to the agriculturists for long-term purposes, it would go a long way in securing cheap long-term credit to the agriculturists.

We are passing through difficult times and great changes are urged in every sphere of life. In agriculture the view is held that unless the ownership of the land vests in the tiller of the soil, production cannot increase. Our Government have appointed a Committee to examine and report on the agrarian reforms that need to be introduced in the State. How far it is necessary in the interests of increased production to transfer ownership rights is a matter which requires to be examined carefully. And even if the conclusion is reached that such transfer of ownership to the tiller is necessary, it should be effected with the least

disturbance to the economy of the people. In the United States of America, systematic work has been done in this direction and credit facilities have been made available to tenants, who wish to buy farms and become owners. They have provided necessary assistance in other directions to improve their status in life. In considering agrarian reforms, our Government will have to see that the tenant becomes an owner by paying for the land he acquires and that he is provided with the necessary finance and technical advice to be an efficient and contented farmer. I wish to assure the Hon'ble Chief Minister that the Government can utilise the services of this bank in this behalf to the best advantage of the people at large.

With the abolition of the Zamindaris, large areas have come under the direct revenue administration of the Government. Considerable areas under Mittas and Zamindaris have not been surveyed and settled. This bank has been urging on the Government the need for undertaking this piece of work for the benefit of the agricultural population of those areas. So far, a major portion of the big zamindaries remains unsurveyed. Unless this is done, institutional credit cannot be made available to the ryots of those areas. I appeal to the Government to take up the survey and settlement of such areas with the least delay.

The monsoon in some of the southern districts of Madras has failed for the fourth year in succession. Naturally there is a great clamour for postponement of instalments payable to the land mortgage banks, as the agriculturists are not able to meet even their primary needs, due to failure of crops. This bank has however not been able to acceds to their requests.

My predecessor urged in 1949 that there is an urgent need for the Government to constitute a revolving fund from which instalments may be drawn by land mortgage banks on certification by a duly appointed Governmental authority. At the last Conference, I made a reference again to this important subject and requested the Government to reconsider their decision rejecting our appeal. The Bank has not so far been favoured with any reply in the matter. This year the distress of dry areas is more acute and it is time that careful consideration is given to this important subject. My plea for the constitution of a revolving fund receives further strength now that land mortgage banks have been started in the dry areas of Rayalaseema, Guntur, Trichinopoly and Madura districts. The Board of Directors, after careful consideration, have recommended to the Government the sanction of loans on the exclusive security of systematically cultivated dry lands and this recommendation is pending approval of the Government. Whenever there is failure of rain, the crop in these rainfed areas, is bound to fail and with it will arise the question as to wherefrom the instalment is to be collected. The Government are spending large amounts to stave off famine. The agriculturists, in these dry areas, will be benefitted by land mortgage banks and if a portion of the famine fund is diverted to a revolving fund. I feel sure it will be appreciated by the agriculturists of these dry areas, for whose benefit the Government have been putting forth their best efforts. I request you, Sir, as one who knows the difficulties of the agriculturists, to examine the proposal, appreciate the difficulties the ryots are undergoing and sanction the constitution of a revolving fund.

The valuation of lands taken for security in land mortgage banks is governed by Governmental orders passed from time to time. The last one on the subject was issued in 1943 and Government ordered therein that the hypotheca can be valued on the basis of the prewar sales statistics of similar lands with the addition of 10 per cent. Constant representations have been made in this conference as well as in the district conferences and communications are received from several banks that the basis adopted is too low and highly unrealistic to be of help to the agriculturists. The Board of Directors considered this matter and appointed a Special Committee, which among other things recommended the enhancement of the valuation on prewar statistics from 10 to 25 per cent. The draft resolutions, now circulated to members, disclose how greatly primary banks are agitated over this decision. I hope the Government will pass orders early approving these very reasonable proposals of the Board. I appeal to my brother co-operators assembled here to accept the recommendation of the Board in a spirit of helpfulness and work them. If, after some time, it is felt that there is a case for further revising the basis of valuation, necessary steps may be taken. I wish, however, to emphasise that the good reputation the Central Land Mortgage Bank has built up all these years is due not a little to the conservative valuation of the hypotheca and consequently the high security it has been able to offer to the debenture holders. It should be our aim to live up to the reputation and any step in regard to valuation and acceptance of security should be taken only after mature deliberation.

Extracts from
The Opening Speech of the Hon'ble Sri P. S. Kumaraswamy Raja, Chief Minister, Government of Madras.

I am happy to be in the midst of Co-operators, and proud to have the privilege of opening the twenty-first Land Mortgage Banks' Conference ; for the Land Mortgage Banking Movement in this State is the best and most flourishing enterprise of its kind in the whole of India.

Your Central Land Mortgage Bank, during the last 21 years of its existence, has built up its financial strength by the patient and persistent efforts of its Directors supported by helpful Registrars of Co-operative Societies who functioned as the Trustee of the Bank. Your share capital has risen from Rs. 70,400 to Rs. 14,82,800 and your reserves,

including the additions out of the profits of the year 1949–50, will amount to Rs. 28,25,000. The primary land mortgage banks, too, have progressed rapidly during these 21 years. Their number has increased from 19 to 124, and their share capital and reserves stand at Rs. 30,65,438 and Rs. 7,47,498 respectively. As observed in your annual report, "it is a matter for gratification that in spite of the cyclone in the Northern districts and the dearth of rain in the Southern districts, all the Primary Land Mortgage Banks have met their dues to the Central Land Mortgage Bank."

I am aware that the Central Land Mortgage Bank had some anxiety in finding investors for its 45th series of debentures which were issued at Rs. 99-8-0 for a period of 20 years for Rs. 40 lakhs. One should have thought that these debentures would be readily subscribed in full not only because they are secured by land mortgaged and Government guarantee but also because they are secured by the general assets of the Central Land Mortgage Bank. Yet, investors, who looked for profit, did not support the issue ; but the co-operative central banks of the State rose to the occasion, true to the co-operative principle that the strong should help the weak in moments of distress. They did not reckon the profits. In a spirit of service to the agriculturists they underwrote the issue to the tune of Rs. 34.70 lakhs. With the assistance given by the Reserve Bank of India to the extent of Rs. 8 lakhs the issue was over-subscribed. This episode demonstrated to the world that, within the Co-operative Movement, service and not profit is the motive force. Agriculturists of the State and myself tender our hearty thanks to every co-operative institution which subscribed to the 45th series of debentures.

In the next few months, the Central Land Mortgage Bank may have to float a new series of debentures. I hope that it will not be necessary to float the series at a higher rate of interest than the usual 3 per cent rate. Borrowing at this rate, the agriculturist in the primary land mortgage bank gets his loan at 5¼ per cent. The Gadgil Committee on Agricultural Finance was of the view that long-term loans to agriculturists should be given at 4 per cent interest and the Government of Madras adopted this recommendation and subsidized the Central Land Mortgage Bank so that it might reach the agriculturists in the Ceded districts with funds at 4 per cent. Agriculturists in other districts asked for similar subsidy, so that they too might have their loans at 4 per cent ; but Government did not see their way to subsidize them because their economic condition was generally better than that of the agriculturists in the Ceded districts. It would be contrary to the wishes of the agricultural masses and to the opinion of an Expert Committee if the rate of interest on debentures was put up and the ultimate borrower is asked to pay more than the present 5¼ per cent. I realise that it may be hard to raise cheap money in the market in the midst of the present tightness of the money market.

I hope the Directors of the Central Land Mortgage Bank and the Co-operative Department will be resourceful enough to tap avenues where money can still be found. They should take heart from the fact that even the 45th series of debentures was subscribed by the general public to the extent of Rs. 3.72 lakhs.

This brings me to the question as to why the Central Land Mortgage Bank should finance well-to-do agriculturists at a moment when the Bank finds it difficult to raise debentures at a cheap rate of interest. Till the year 1944, the Bank was lending to agriculturists only up to Rs. 5,000 and in rare cases up to Rs. 10,000. In that year, the Government permitted the Bank to lend up to Rs. 15,000, because it had enough money to spare. Considering the present change of circumstances, it may be worth-while to stop sanctioning loans exceeding Rs. 5,000 until such time as debenture money can be found easily. To secure ample money for the richer agriculturists by putting up the rate of interest on the debentures will hit the humbler agriculturists hard, if their requirements can be found at the existing rate of interest. Let us not forget that the most important contribution of the Co-operative movement to the State is the reduction in the general rate of interest to the agriculturists on account of the low rates the co-operatives charged for their loans. Besides, there has been a progressive reduction in the rate of interest charged by co-operatives, whether for short-term loans or for long-term loans, and it would be a retrograde step if we are to go back on this achievement.

Probably, a direction in which help can be found for maintaining the rate of interest at 3 per cent is another principle of co-operation viz., the principle of self-help. Loanable funds may very well be found within the Land Mortgage Bank movement itself. I observe that out of Rs. 30,65,438 which the primary land mortgage banks hold as share capital, they have invested only Rs. 14,42,100 as share capital in the Central Land Mortgage Bank. The bulk of the rest has probably been given as loans by the primary land mortgage banks themselves, and some part may be kept on other investments. The recent amendment to the Land Mortgage Banks Act, whereby all the mortgages obtained by the Primary Land Mortgage Banks will *ipso facto* become mortgages to the Central Land Mortgage Bank, will tend to prevent the Primary Land Mortgage Banks from lending out their funds themselves and divert them as share capital into the Central Land Mortgage Bank. If, in addition, the proportion between the share capital and loans in primary land mortgage banks is raised from 5 per cent to 10 per cent, at least in respect of loans exceeding Rs. 1,000 the shares in the Central Land Mortgage Bank will increase by about at least Rs. 10 lakhs every year. The ultimate objective should be that the Central Land Mortgage Bank should find the bulk of the funds it requires from its owned capital. Efforts in this direction of increasing the share capital in the Central Land Mortgage Bank will not only add to the loanable funds of that bank but will also promote thrift in the countryside and bring more rural savings which are so necessary for curtailing inflation.

This point about share capital brings me to the question of the two classes of share-holders which your Central Land Mortgage Bank has. I find that only 124 of the share-holders are primary land mortgage banks, while 499 are individuals. The co-operative ideal is that a central financing organisation should be composed, if not exclusively of affiliated societies, at least predominantly of such societies. From the co-operative point of view, the individual share-holders of the bank are far too many. I realise that it will be hard to eliminate them all on a sudden but it would be a wholesale policy if the Central Land Mortgage Bank could put a limit at the present number of 499 individuals and stop admitting fresh individual members. By degrees, they may eliminate the individual share-holders by transferring all their shares to primary land mortgage banks as and when they become available. This is the policy adopted by the Madras Provincial Co-operative Bank and I am sure it will be welcomed by the primary land mortgage banks. By this process of elimination the bank will become more and more their own.

I appreciate the need for a revolving fund, but how it should be built up is the question. I understand that it is being examined by the Registrar and when concrete proposals emerge I shall give them my sympathetic consideration. In conclusion, I wish to say that the suggestions I have made today are based on my knowledge of co-operation and out of my desire to help the Land Mortgage Banking movement forward and assist the agricultural masses of this State. I hope they will receive your earnest consideration at this Conference. I have great pleasure in declaring the Conference open and wishing it every success.

Resolutions Passed at the Conference

The following are among the resolutions passed by the conference. (Resolutions referred to the Board or other Committees are omitted.)

This Conference requests the Government to draw up a scheme for making it obligatory on the part of Insurance Companies to invest a portion of their premium income earned in the State in the debentures of co-operative land mortgage banks.

In view of the enormous increase in land values since the last war, this Conference resolves that lands can be safely valued at 35 per cent more than the pre-war values and loans advanced on such valuation.

Where there is a difference of opinion between the departmental Officers and a primary bank in the matter of valuation this Conference resolves that such a case shall be referred to a member of the Board of Directors of the C. L. M. B. for report. The Executive Committee should decide the question of valuation finally.

Sub:—**Margin**: The C. L. M. B. and the Registrar are requested to enhance the margin between the lending and the borrowing rates in the Primary Land Mortgage Bank from 1 per cent to $1\frac{1}{2}$ per cent as the P. L. M. Bs. could not carry on the work with low profits in these hard days with 1 per cent now allowed as they have to meet enhanced establishment charges and contingencies owing to the prevailing abnormal cost of living; or the C. L. M. B. is requested to bear 50 per cent of the establishment charges of the P. L. M. Bs.

Resolution:—"Passed with the amendment that the margin be shared between the Primary Land Mortgage Banks and the Central Land Mortgage Bank at $1\frac{1}{4}$ per cent and 1 per cent respectively."

As great delay is caused by the Revenue authorities in providing chitta extracts which hinders the work of this bank considerably, this meeting requests the members of the Board of Revenue to kindly issue necessary orders to attend to the bank's references as quickly as possible and not later than 10 days.

Zamindari Land: This Conference resolves to request the Government to take early steps to have Zamindari villages surveyed and equip the concerned P. L. M. Bs. with the field maps and Settlement registers so as to enable the banks to issue loans to the members having lands in Zamindari villages.

Registration Fees: This Conference resolves to request the Government to charge full fees for registration of documents and encumbrance certificates only for applications in which the loan amount exceeds Rs. 10,000 and above instead of Rs. 5,000 and above as at present, because the borrowers are experiencing a lot of trouble to satisfy the tests of our land mortgage bank investigation coupled with their expenses for sub-divisions etc., in the Revenue Department.

Government are requested to subsidise the P. L. M. Bs. in the Rayalaseema Districts liberally for employing additional Supervisors at the rate of one for each taluk temporarily for the next three years and to keep only two banks in charge of one Co-operative Sub-Registrar.

The Madras Shop and Commercial Establishments Act hampers the work of the bank during inspection times of the Co-oparative Sub-Registrar and the Deputy Registrar, final audit and other extraordinary occasions. The banks having one Supervisor and a clerk cannot adhere to the hours of office work. In addition, there is a clash between the maintenance of some of the fundamental registers maintained as per our departmental manual and that of the orders under the Shop Act Regulations. The Shop Act Inspetors require P. L. M. Bs. to conform to their instructions, on threat of prosecution rather than the instructions to the banks by the Departmental Authorities. Hence this Conference requests C. L. M. B. to move the Government either to exempt our Land Mortgage

Banks from the operation of this Act or to permit us to follow the instructions of Shop Act authorities even if they contravene the instructions of our Departmental Manual.

This Conference requests the C. L. M. B. to address the Government through the Registrar to create provision in the by-laws of the P. L. M. Bs. for Dividend Equalisation Fund and Building Fund.

Primary Land Mortgage Banks may be permitted to pay house rent allowances to their employees at 12 per cent of their salaries in Municipalities and at 10 per cent in other big towns from their own resources.

(*a*) In view of the fact that the staff of P. L. M. Bs. are not adequately paid, the Central Land Mortgage Bank is requested to pay them at least a month's salary as bonus out of their profits as a sort of encouragement to the field staff.

(*b*) This Conference requests the Registrar to permit the payment of bonus to the employees of P. L. M. Bs., wherever there is profit, in supersession of the previous circluar.

This Conference resolves that as employees of P. L. M. Bs. cannot afford to furnish two forms of securities viz., cash and fidelity guarantee policy for heavy amount the Government may be pleased to direct the Registrar to fix the nature and quantum of securities in consultation with the respective banks which will take note of the conditions prevailing in each bank and of the staff employed and fix securities suitably.

This Conference regrets that the wholesome procedure of convening periodical conferences of Co-operative Sub-Registrars and the employees of P. L. M. Bs., of groups of districts, to exchange ideas and evolve new schemes and procedure for the development of P. L. M. Bs. has been given up by the C. L. M. B. and requests the C. L. M. B. to revive this practice with effect from 1950-51 at least.

EXTRACTS

THE CO-OPERATIVE MOVEMENT IN BRAZIL, URUGUAY AND ARGENTINA

By

EMIL LUSTIG

Conditions in these countries cannot be compared with those in European countries, where the co-operative movement has developed as a result of decades of work, permeated by the theory and practice of the Rochdale principles. In the countries under consideration, however, the Rochdale principles are being propagated by all leading officials of the movement, and, so far as I could see, the rules of the various co-operative organisations accord with these principles so far as voting rights, distribution of surplus and payment of interest on capital are concerned. This does not apply to the cash sale usual in co-operative societies, because the credit system has, up to now, been prevalent in the consumers' co-operative societies of Brazil and Uruguay. In addition, the right to join a co-operative society is limited in these two countries.

In general, the membership of consumers' co-operative societies is confined to certain circles of civil servants, employees of institutions, banks and factories. As a rule goods are sold on credit, and the member is obliged to allow his employers to deduct from his salary what he owes to the society. The consumers' co-operative societies are compelled to maintain a very complicated administrative apparatus in order to keep an account of all sales on credit and be able to submit the amounts to be deducted before payment of salaries, the more so when the undertaking in question has many branches to which the deductions must be allocated. This means that each co-operative society needs a very big book-keeping department. In the larger towns the goods are delivered to the members' homes, only a small portion of the sales being made over the couuter.

This kind of distribution is much more expensive than direct distribution through a network of shops. In Brazil and Uruguay there exists no joint central administration of the co-operative societies nor a joint purchasing and production centre. The import trade is also exclusively in the hands of private enterprise.

The co-operative movement in Brazil is controlled by the State. The Ministry of Agriculture, Industry and Trade maintains a secretariat in each Brazilian province for aid to the co-operative societies (Departemento de asistencia ao co-operativismo). This department grants permission for the establishment and official registration of all kinds of co-operative societies, and is responsible for keeping the register, for propaganda, control, revision, and assistance to the societies. It is an official body, whose proper working depends, of course, on the efficiency of its leading personality and to a lesser degree on its staff. Brazil is fortunate in that the majority of the

leaders of this official organisation are masters of co-operative theory and many of them contribute to modern co-operative literature.

I was told in various places which I visited that the co-operative societies sustain great losses owing to the fact that the members of the various administrative bodies do not function properly and that the general meetings of the co-operative societies are, in the main, not well attended. I am of the opinion that this is due to the puculiar kind of organisation. This official system was established during the first period of office of Getulio Vargas who has been re-elected president of Brazil, and who, in the past, had issued a decree that the trade unions are in duty bound to establish for their members consumers' co-operative societies, the implementation of which was officially supervised. Thus a kind of closed co-operative society was created. In view of the political situation in Brazil, one can safely assert that this decree emanated from the desire to exert political influence and control over the co-operative societies.

In Uruguay consumers' co-operative societies are closed, with two exceptions. The societies are not subjected to official control, but each operates on its own with no organisational link with the other local or provincial societies. It is true, a co-operative committee for joint purchasing exists, which, however, is of no great importance. Efforts are being made to popularise certain products, such as salad oil, of a co-operative brand. This is mainly the concern of the Public Health Service Employees' Society, which, in addition, advocates the formation of a national co-operative federation.

In Argentina the consumers' electricity and agricultural co-operative societies record great progress, but the control exercised by many provincial authorities gives cause for great concern. In the province of Buenos Aires, the authorities, with the support of the local police, set up rival agricultural organisations, without regard to the old and valued farmers' co-operative societies which already existed in many districts. The main reason for this measure is political, as the existing co-operative societies expressed opposition to the agrarian policy of the Peron Government. The provinclal authorities of the Buenos Aires district support the "new co-operative societies" by supplying them with agricultural machinery, seed, etc., hoping thus to win the favour of the farmers and to combat the old co-operative societies. It is feared that one day the Peron Government will take over the control of the co-operative societies and their central organisations just as happened in the case of the trade unions. The co-operative societies of all kinds are working unobtrusively to avoid attracting the attention of the authorities and giving cause for procedure against them. The existing co-operative movement operates under the leadership of three main federations: the consumers', agricultural and electricity co-operative societies.

In Brazil and Argentina, living standards have fallen as a result of inflation which led to an enormous increase in rents and prices, so that in spite of temporary increases, wages are quite insufficient to meet the rising prices. Only in Uruguay is there a certain stability because, owing to the price control of essential commodities, and a fund balancing the home and export prices, the standard of living of the population has not deteriorated so much. Montevideo, the capital of Uruguay, is perhaps the only city in the world where there is no housing shortage, and where vacant flats are advertised at the entrances to blocks. Owing to inflation however, the co-operative soceties are very short of capital, particularly in Brazil: many owe large sums to private wholesalers and some of them have appealed to the government for assistance. In Argentina the Central Consumers' Federation is trying to raise the value of the shares in the societies and the Union to meet the increasing inflation. In Brazil, the Government has established a co-operative credit bank (Caixa de Credito Co-operativo) under the control of the Ministry of Agriculture, with a loan fund of 100 million cruzciros, and has made a similar loan to the co-operative societies. The balance sheet shows a reserve capital of about 8 million cruzeiros. In general the rate of interest is very high; on mortgages it is between 8 and 12 per cent but on private loans about 20 per cent. The State Banco do Brazil only grants credit to a limited extent, and the many private banks have followed its example. Brazil is exceptional in that many new houses are being built there, the capital for which is raised by the sale of individual flats. This is made possible by the law which permits the division of a house into separate flats. The Governments of Uruguay and Argentina are now following the Brazilian example and have instituted similar legal measures.

This complicated situtation has impeded the development of the co-operative movement in Brazil, which depends entirely upon the efficiency of local officials and employees.

CO-OPERATIVE EDUCATION

Centro Nacional do Estudios Co-operativos, Rio de Janeiro, is a voluntary and independent institution which was created on the initiative of private individuals and co-operators. Its leaders are prominent co-operators and writers like Fabio Luz filho, who is President, and Dr. Valdiki Moura, who is General Secretary. The latter is at the same time editor of the monthly magazine *Cooperativismo*, issued by the Caixa do Credito Co-operativo. The aim of this centre (CNEC) is to spread co-operative education and propaganda and disseminate economic and co-operative literature. Branches are to be established in the various provinces of Brazil: three are already functioning, and representatives have been entrusted by CNEC with the setting up of others.

Great efforts are being made to enlist the support of directors of the Department for assistance to the co-operative societies of the Ministry of Agriculture, as, in all provinces, this organisation issues monthly magazines dealing with the theoretical and practical principles of co-operation. CNEC holds the initiative, thanks to its very efficient General Secretary.

In June 1950, CNEC published a book entitled *Temas Co-operatives* which is most instructive on all theoretical questions of the movement, beginning with the theses of the "School of Nimes" and ending with an essay on school co-operative societies, which, according to statistics, are widespread in Brazil. The book contains a series of lectures delivered by leading Brazilian co-operators. In this way CNEC has become the only free and independent factor of the Brazilian Co-operative Movement.

Not much statistical material on the co-operative movement in Brazil is available, but the figures below were published for 1948

Type of Co-operative Society	Number	Membership	Paid in capital cruzeiros
Consumers' and school societies ...	1,266 ...	209,367 ...	21,587,462
Credit co-operative societies ...	315 ...	79,584 ...	21,697,550
Productive co-operative societies ...	1,043 ..	101,161 ...	94,301,430
Miscellaneous societies	58 ...	6,478 ...	7,056,710
Total	2,682 ...	396,590 ...	144,634,152

It would, of course, be very valuable to learn how the co-operative societies operate, what is the amount of their turn-over and what services they render to their members, but, unfortunately, no figures are available for these items. The share capital invested by the members amounts to 260 million cruzeiros. There is an astonishing number of productive co-operative societies, mainly of an agricultural character. I had an opportunity to visit some of them in order to find out which products they could export to Sweden, and I was able to ascertain that those societies which I visited were in a position to undertake export and exchange of goods, and were on a very high level both as regards trade and administration. Mention should be made of the citrus producers' society in Quiemada; of the banana producers in Santos; of the cocoa producers in Salvador-Bahia and of the coffee producers in Sao Paolo. Particular attention should be paid to the agrarian co-operative society de Cotia in Sao Paolo which has 5,000 members and gives excellent service both to them and to the general public. This model co-operative society is at the same time the producer of fodder and artificial fertilisers, rearing poultry and breeding stock poultry for members in a big factory equipped with electrical incubators. The society is turning to good account its output of tea and menthol. It supplies 60 percent of the fresh vegetables and 40 per cent of the eggs consumed by the two million inhabitants of Sao Paolo. It possesses its own agricultural school for the training of farmers of both sexes. The society has existed for 22 years and looks after the material and personal well-being of its members in every respect. It maintains its own hospital, a first aid and dental clinic, and its own dispensary where drugs are sold at considerably reduced prices. I mention this co-operative society because it constitutes an exception in the Brazilian scene.

Some of the producers' co operative societies which I visited are certainly in a position to do a great amount of export business, particularly the cocoa co-operative society which exports 3,00,000 sacks of cocoa yearly, mainly to North America. I believe that Brazil offers a wide field for international commerce on a co-operative basis.

As regards the consumers' co-operative societies in Brazil, as already mentioned, they are closed societies, in many cases subject to private capitalist influence. One of the biggest closed societies is that of the railway clerks, with headquarters in Rio de Janeiro. It was founded in 1937 and operated over the railway line from Porto Elegre via Sao Paolo to the north as far as Salvador-Bahia. It numbers 18,000 members, has a turnover of 53 million cruzeiros and capital and reserves amounting to 6,600,000 cruzeiros. The members received a dividend of 5'8 per cent. The society provides medical assistance for members and their families, and maintains two hospitals and 28 schools, with an average attendance of 1,130 children. Considering the fact that 60 per cent, and possibly even 70 per cent of the Brazilian population is illiterate, and the absolute lack of municipal school buildings, the co-operative society, in addition to being a supplier of goods, is performing an important cultural and social function. Apart from this society, there are in Rio, the consumers' society of the employees of the Banco do Brasil and of the employees of the firm of Carris Luz and Forca, both of which have an annual turnover of 20 million cruzeiros. It is estimated that the number of co operative societies exceeds 3,000, but many are quite inactive or do very little business.

The consumers' co-operative movement of Uruguay concentrates its activities in Montevideo. The societies number 15 with 30,623 members, 570 employees and an annual turnover of 13 million Uruguayan pesos ($2\frac{1}{2}$ pesos=1 dollar); capital and reserves amount to 2,400,000 pesos. Thanks to the work of Antonio Frizzi, the principles of the modern co-operative movement are being explained and propagated through the co-operative press. Frizzi is trained in the theory and practice of co-operation and his books prove how dis-interestedly he works for the free co-operative movement. The co-operators of these countries are cut off from contact with the international co-operative movement, and in my view, the International Co-operative Alliance would be well addised to get in touch with them and give them its moral support.

—*Review of International Co-operation*, March 1951.

The Madras Provincial Co-operative Bank, Ltd.

Head Office:—379, Netaji Subhas Chandra Bose Road, Madras.

Balance Sheet as on 30th June, 1950.

	Rs.		Rs.
Capital ...	15,00,000	Cash ...	18,88,345
Reserves ...	50,04,278	Investment in Govt. Securities ...	2,21,10,672
Deposits & Borrowings.	608,68,297	Other investments ...	2,83,500
Sundries ...	5,44,182	Loans and Overdrafts	4,32,59,991
Profit & Loss A/c. ...	3,46,352	Sundries ...	7,20,601
Total ...	6,82,63,109	Total ...	6,82,63,109

Analysis of Working.

Year ending 30th June

	1947 Rs.	1948 Rs.	1949 Rs.	1950 Rs.
Paid up Capital ...	6,95,500	8,98,900	14,64,200	15,00,000
Reserves ...	43,15,582	44,99,120	49,92,234	50,04,278
Fixed, Current and other deposits ...	5,42,41,992	5,60,53,821	3,90,50,026	4,29,35,969
Net Profit ...	3,16,375	4,61,321	3,60,167	2,88,978
Amount transferred to Reserve Fund ...	1,50,000	1,50,000	1,25,000	1,00,000
Other Accounts ...	84,320	2,14,526	1,14,000	46,500
Dividend at 9 per cent.	62,015	67,677	99,529	1,34,820
Carried Forward ...	46,195	55,146	57,373	43,977

BANKING BUSINESS OF EVERY DESCRIPTION UNDERTAKEN.

For Rules, etc., apply to:—

C. RADHAKRISHNA CHETTY,
Secretary.

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