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# THE INDIAN CO-OPERATIVE REVIEW


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# THE INDIAN CO-OPERATIVE REVIEW

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## EDITORIAL NOTES

**Reserve Bank and Co-operative Credit**

The Conference of co-operative banks held in Bombay during last June was of more than local interest. The inaugural address of Sri Benegal Rama Rao, Governor of the Reserve Bank of India, surveyed the role that the Reserve Bank was expected to play and was in fact endeavouring to play in financing the agricultural development not only of Bombay but of the whole of India. Through co-operative provincial and central banks, he stated, amounts advanced under the Reserve Bank of India Act, at the concessional rate of 1½ per cent, rose from a paltry sum of Rs. 1½ lakhs in 1946–47 to Rs. 510 lakhs in the first nine months of 1950–51. It was likely to exceed Rs. 700 lakhs by the end of the year. The Reserve Bank had also raised its subscription to the debentures of the Madras and Bombay central land mortgage banks from ten to twenty per cent. He next referred to the recommendations of the Rural Banking Enquiry Committee regarding some facilities for co-operative banks and societies and promised their implementation. The failure of the Committee to recommend treasury work to co-operative banks was referred to rather sympathetically but no explanation was offered by him how that responsibility would be too great to be discharged.

Tha Reserve Bank has decided to have a standing advisory committee of experts to guide its future credit policy, to extend credit to regions which are co-operatively less advanced. It is contemplating a fact-finding enquiry on the actual conditions obtaining as regards rural finance in different parts of India—a servey by the random sample method, while hitherto committees of enquiry were more concerned with the discussion of credit policies. Several changes had taken place in recent times—in respect of prices of produce, cost of living, tenurial problem, social status and political progress that conditions of credit could not remain the same. It was necessary to take stock of changed conditions to evolve a long term policy.

The Reserve bank had already accepted the proposals of the Banking Committee in respect of making co-operative paper eligible for rediscounting, under Section 17 (2) (a) of the Act, extension of the period of accommodation for seasonal agricultural operations and marketing of crops from 9 months to a maximum of 15 months. Sri Rama Rao said that the proposals of the Committee regarding widening the interpretation of 'seasonal agricultural operations and marketing of crops' to include mixed farming activities and the processing of crops by agriculturists or their organisations; providing accommodation for financing the production and marketing activities of cottage and small-scale industries and making medium-term finance available to co-operative banks are engaging the attention of the Government of India.

Sri R. G. Saraiya, Chairman of the Bombay Provincial Co-operative Bank, in his presidential address at the conference was grateful that the Reserve Bank had latterly been doing "its best to assist the co-operative movement to the extent possible within the framework of the Reserve Bank of India Act". But he drew pointed attention to the need for amending the Reserve Bank Act for further assisting the co-operative banks in respect of medium term finance, accommodation for financing industrial societies, widening the definition of 'crops' so as to include animal products like cream, butter and wool, and processed goods like sugar and vegetable oils. The other point he stressed was that the Reserve Bank should find its way to sanction cash credit arrangements to the State (Provincial) Co-operative Banks against the security either of the demand pro-notes of primary societies or of central fiancing agancies, instead of sanctioning credit limits for central banks. Such an arrangement, it is hoped, would obviate the difficulties of repaying all the bills drawn on a particular date irrespective of their duration, and the inability to avail of the credit limits sanctioned in respect of central banks—in the year 1950-51 the Madras Provincial Co-operative Bank could not draw as much



as Rs. 66·5 lakhs out of Rs. 247 lakhs sanctioned. We hope that the standing advisory committee will unhesitatingly endorse the views expressed by Sri Saraiya and recommend early action by the Reserve Bank of India.

* * *

**Weavers' Societies and their Problems.**

Co-operators will be pleased to note the striking progress made in the co-operative handloom weaving societies during the past decade as revealed in the series of articles published in this issue of the *Review*. It is said that the expansion has been possible because of assured supply of yarn to members of weavers' societies. The number of handlooms that work in these co-operatives may indicate their magnitude. In Madras they are about 1,35,000 out of an estimated total of about 8 lakhs looms in the State; in Bombay as many as 1,01,000 out of a total of 1,62,000; in Rajasthan about 13,000 out of a total of 60,000; in Madhya Pradesh about 60,000 out of a total of 1,20,000. In the Punjab about 6,400 looms and in Bihar 10,400 looms are said to be be working in the weavers' societies. State-wide apex organisations have been functioning quite vigorously for some years in Bombay, Madras and Madhya Pradesh. In Madras the expansion of weavers' societies commenced earlier than in the other States. Prior to 1944 in other States the number of weaver' societies, their membership and their transactions were negligible. The business of these societies was very brisk from the year 1946-47. The peak was reached in 1948-49. During the succeeding year, however, owing to the flow of mill cloth into the market in large quantities there was a glut felt in the handloom cloth market. With the accumulation of undisposed cloth the scarcity of funds became so great that the societies could not even lift the quotas of yarn allotted to them. In more than one State the Government had to go to the assistance of the societies to enable them to lift the yarn and to dispose of their finished goods. The transactions, however, did not improve and the societies were forced to cut their sale prices and revise their wages structure. There was another reason for this accumulation of stocks. The yarn allotments were made not on the basis of the counts of yarn needed by the weavers but of whatever yarn was available. The weavers were forced to use unsuitable yarn to carry on the weaving of varieties of cloth which they were accustomed to weave and for which there used to be a demand. But in Bombay, we understand, on the recommendation of the Provincial Industrial Co-operative Association, this practice of dumping unwanted yarn on the weaver has been stopped from 1949.

Again from about the middle of 1950 there was an acute scarcity of yarn. The yarn position, however, appears to have been easing slowly. But this frequent repitition of the scarcity of yarn set co-operators connected with weavers' societies athinking as to a more lasting solution of this difficulty. By common consent weavers' and their sympathisers would vote for a power spinning mill of their own to cater to their requirements of yarn which should be mill-spun rather than hand-spun, as this was found to be neither economically nor technically satisfactory. But for over a quarter century now the policy of the Congress, the party in power in the States, had been to promote hand-spinning (Khadi), and there was a lot of sentiment in the circles of the Congres Party against setting up power spinning mills. Weavers who preferred mill-spun yarn had to fight against odds for a long time but succeeded in winning their own way in Madras, where a decision has been taken, with the active support of the Government, in favour of setting up a power-spinning mill to be owned by the weavers' societies for the manufacture of yarn for use of their constituent members. This solution appears to be inevitable as long as hand-spun yarn cannot be made more even and strong so as to commend itself to the weavers. In the attempts made to improve the position of the handloom weaving industry in the several States, of which we get an account, no such reinforcement of hand spun yarn seems to have been thought of as a solution.

As early as in 1944 we suggested in these pages that "it is worthwhile investigating the possibilities of a spinning mill started on a co-operative basis by the Madras Handloom Weavers' Provincial Co-operative Society to supply yarn to its constituent societies and their members." We are happy that co-operative opinion has at long last crystallised around the idea of weavers' co-operatives



owning a spinning mill for the benefit of their constituents. It is gratifying to note that in Bombay too a Committee has already been appointed by the State Government to recommend measures to be taken for ensuring an adequate supply of yarn to handlooms and small power looms and that the Committee would consider, among other things, whether new spinning units should be established either on Government account or on co-operative basis. We earnestly hope that other States will take note of the writing on the wall and set up, sooner than later, spinning mills for the uninterrupted supply of yarn to weavers' societies.

Apart from the problem of supply of raw materials, the other equally important problem that continues to engage the attention of all concerned is the marketing of finished goods of weavers' societies. The problem is one that has many sides to it. The greatest hurdle to the marketing of handloom cloth has been the competition offered by mill cloth. Even the allocation of spheres of production for the mills and handlooms does not appear to have gone a long way in helping marketing of handloom cloth, either because yarn of the counts allocated for the handlooms is not forthcoming in the required quantities or the price of handloom cloth is too high for the average consumer.

Except in Bombay where there are Government Cottage Industries Sales Depots organised in all the districts and in Madras where there are emporia of the Provincial Society organised throughout the State, the marketing of finished goods has to be done by the primaries and even individuals. In Orissa the Provincial Marketing Society, recently organised, is selling the goods of primary weavers' societies on a commission basis. It is high time that the apex organisations, which only can have the requisite staff and business acumen, step into the field of organising the marketing of the finished goods of their primaries. The apex organisations are already developed to such an extent that it is an easy task for them to study market trends and consumer tastes for advising its primaries on the designs and varieties of cloth to be manufactured.

* * *

The wisdom of diverting the funds in possession of co-operative central banks for investment in twenty year debentures of the Madras Co-operative Central Land Mortgage Bank has been the subject of controversy for some time now in Madras between Mr. J. C. Ryan, the Registrar of Co-operative Societies and Sri T. A. Ramalingam Chettiar, the President of the Madras Provincial Co-operative Bank. The views of both have been cogently and vigorously expressed in the pages of the *Madras Journal of Co-operation* for July 1951. For sometime past, owing to the growing tightness of the money market the Madras Co-operative Central Land Mortgage Bank has been finding it difficult to find purchasers for its debentures floated at a low rate of interest (3 per cent—with a view to lend to the ultimate agriculturist borrower at 5¼ per cent) and offered at the price of Rs. 99-8-0 per Rs. 100. Mr. Ryan has been able to induce the co-operative central banks to subscribe to Rs. 34 lakhs of such debentures and saved the Central Land Mortgage Bank a lot of worry and expense. The central banks have, in a commendable co-operative spirit, says Mr. Ryan, thus come to the rescue of a sister institution. Short term funds, if wanted, can be raised on the pledge of these very debentures by the central banks.

**Long Vs Short-term Credit in Madras.**

Sri T.A. Ramalingam Chettiar, with his great experience of both short term and long term credit and as one responsible now for the management of short term credit in Madras State, finds fault with this diversion of funds greatly in need for use in short term credit, specially for the supply of immediate requirements of agriculturists, into investment in long term debentures, which central banks and societies, left to themselves would not have been tempted to go in for, at such a low rate of interest or at such a high initial price. Mr. Ryan says that the purchase of debentures (and co-operative at that) was a proper investment for the uninvested reserves of co-operative societies lying with central banks. Sri Chettiar contends that it is not a profitable investment and it would not all have been so made but for gentle official pressure and that even general funds of central banks have been used for this purchase of debentures—perhaps to please the Registrar and help him fulfil his promise to the Central Land Mortgage Bank.



It seems to us that this unpleasant controversy in the co-operative credit movement in Madras could have been well avoided, if before issuing his circular the Registrar had placed the whole question before the State Council of Co-operation, discussed the pros and cons and accepted the views of the majority and then taken action.

Sri Chettiar referred to this question pointedly in his address at the Central Banks' Conference held in Madras in June last. It is a pity that the representatives have recorded no views of their own on the subject.

* * *

The amendment to Section 8 of the Indian Income-tax Act, proposed in the Indian Income-tax Act Amending Bill published recently, seeks to include the debentures issued by co-operative societies in the same category as debentures issued by a company or a local authority, for purposes of deduction at source of income-tax on the interest earned by these debentures. This is further sought to be reinforced by the insertion of a new sub-clause (10) (ii) to Section 18 of the Act making the deduction of tax compulsory on the part of a co-operative society and its principal officers and providing for penalties for non-deduction.

**Incometax Amending Bill and Co-operative Debentures.**

The co-operative societies that are at present raising funds by the issue of debentures are a handful of Apex Co-operative Land Mortgage Banks in different States in the Indian Union, for the long term finance of agriculture. These debentures are floated at as low a rate of interest as possible to enable them to finance agriculturists for their long-term needs at a rock bottom rate of interest, which is 5¼ per cent in Madras, keeping for themselves a very small margin for meeting bare working expenses. The State Governments, from the very beginning, guaranteed these debentures both in respect of their principal and interest, thereby making the debentures a success. The Governments continue to extend this aid, because both provision of cheap long term finance to the agriculturist for the development of agriculture and promotion of co-operation are in furtherance of State policy. It can also be asserted that it was not by accident but only by design and for the same reasons that the Central Government left out the debentures of co-operative societies from the purview of Section 8 of the Indian Income-tax Act. Further these debentures are registered securities that cannot be transferred by a simple endorsement. And the fact that the list of holders of all the debentures is with the Government does in itself act as a check to any tax evasion. The Department was satisfied with a list of debenture-holders earning by way of interest more than Rs. 400 per annum, supplied by the respective land mortgage banks. Nothing has happened since to warrant the withdrawal of this privilege.

Generally speaking, the investors in these debentures are a few middleclass men, that do not usually come in for any tax assessment, who sympathise with the movement and condescend to put in their savings, insurance companies and a few other types of institutions. All these groups of investors are attracted to these debentures primarily for the facility that is offered, i.e., non-deduction of tax at source, at the maximum rate of As. 4 in the rupee plus 5 per cent surcharge. Individuals feel that by investment in these debentures they are relieved of the trouble of applying for refund of tax deducted and the insurance companies are tempted at the facility of getting the full interest without any deductions, (though ultimately tax is paid by them on assessment) for reinvesting it immediately.

It must, however, be remembered that even under the existing conditions raising the required funds for the debentures is not an easy walk-over. The difficulty encountered to get funds is considerable, particularly in view of the unattractive rates of interest offered. More often than not personal influence had to be pressed into service for finding investors. The difficulty was greater in the case of finding small investors when the Government of India were offering 10 year Treasury Savings Certificates giving a tax free interest of 3½ per cent. Under the circumstances it cannot be denied that the investors in these debentures have already made some sacrifice of their own interest. And if they are denied even the facility of non-deduction of tax at source the small investors would prefer a fixed deposit in a sound bank and the big investors prefer Government or other securities that are



readily marketable and obtainable at a lesser price in the open market, to these debentures. The land mortgage banks in consequence would have no alternative but to put up the rates of interest on their future issues of debentures, if they should attract capital, which would make long-term agricultural credit dear. There can be no two opinions of the incapacity of the agriculturist to bear higer rates of interest.

We trust that it is not the intention of the Government of India to place more obstacles in the proper working of these land mortgage banks, which should be fostered by the State and are, for the most part, manned by non officials under the close supervision of Government, with the sole object of helping the development of agriculture—the crying need of the hour. The amendments would affect the interests of the existing societies and block the expansion of the movement and run counter to the avowed State policy and programme. The contemplated expansion of the co-operative movement, the blue-print of which has already been made in the Planning Commission Report, requires the mopping up of all available funds in all conceivable ways including the floatation of debentures. The proposal in Bombay for the starting of a Housing Finance Corporation for financing housing societies and other similar proposals for long term credit raised in different parts of the country may have to be put in cold storage if the amendments are not dropped.

* * *

**The Late Prof. S. K. Yegnanarayana Ayyar.**

It is with deep regret that we record the death of prof. S. K. Yegnanarayana Ayyar, at his residence in Madras, on 24th, June 1951. He died in co-operative harness, so to say, as he was functioning till nearly the end as the President of the premier co-operative stores of India, the T.U.C.S. To begin with he was one of the original members of the Trivandrum Co-operative Stores, which was recently reckoned to be the second greatest consumers' society in India, the first being the T. U. C. S. He acquired ample first-hand experience of a variety of urban societies, largely composed of middle and poor class members, while he was Principal of the Municipal College at Salem. As a member of the local supervising union and the district central bank there he gained a close idea of the problems of affiliated rural societies. For sometime he represented the Salem Central Bank in the Madras Central Urban Bank (now the Madras Provincial Co-operative Bank).

Since he came over to Madras from Salem 30 years back, his interest in co-operation grew both wider and deeper. He joined the T.U.C.S., was elected to the Board of Management and later invited to be its managing director, an arduous office, and finally its President. He was the founder and for long the guiding head of the Madras Teachers' Guild Co-operative Society, which has reached a remarkable position among societies in the city. His varied co-operative experience, wide knowledge added to his facility of writing brought him the editorship of the *Madras Journal of Co-operation*. It maintained a high level during the ten years of his editorship.

He rendered signal service to the South India Co-operative Insurance Society, as preliminary to its establishment he undertook to study the working of the Co-operative Insurance Society in Bombay and another in Calcutta. He served on the Board of Management of the Society for over 10 years.

Prof. Yegnanarayana Ayyar was the author of an attractive booklet on *Co-operation in India*, brought out by the Horace Plunkett Foundation, London. He was associated with Prof. H. L. Kaji in editing the much bigger encyclopaedic work by the same name *Co-operation in India*, which is a collection of contributions on different aspects of our movement by authoritative writers all over India. He was for a few years a member of the Standing Committee of the All India Co-operative Institutes' Association. He was an occasional contributor of articles and book reviews to the *Indian Co-operative Review*.

Prof. Yegnanarayana Ayyar was sauve by temperament, had a cultured mind, winning personality and the power to sway audiences in English and in Tamil. He was therefore much sought after on co-operative platforms. Co-operators of Madras miss a familiar figure on such occasions. May his soul rest in peace!

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## NEWS AND VIEWS

The West Bengal Government constituted a 24-man Council including the Hon'ble Minister for Co-operation, with a view to formulating plans and policies for the development of the co-operative movement in the State. The Council, it is understood, will further initiate and approve of experiments on subjects relating to co-operation

• • •

The weavers' co-operative societies in Uttar Pradesh whose work is supervised and helped by the Cottage Industries Directorate, produced 1,19,516 yards of cloth worth Rs. 85,324 in the month of April 1951. The sales effected in the month were 1,30,304 yards worth Rs. 1,31,726 directly by the societies and about 900 yards through the Government of U.P. Handicrafts. Considerable orders for the supply of bandage, guaze and jaconet cloth have been placed by the Central and State Governments with these societies. Considerable quantities have already been supplied. 3 07,754 yards of bandage cloth 1,78,346 yards of guaze cloth and 1,71,130 yards of jaconet cloth are still to be supplied during the year.

• • •

The Widul Multipurpose Co-operative Society in the Yeotmal District, Madhya Pradesh, prepared its accounts for the year ending 30-6-1951, within a week of the close of the year and placed them before the General Meeting held on 9-7-1951.

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The Hon'ble Prime Minister, Pt. Jawaharlal Nehru, in the course of a broadcast talk suggested that "each village should form a small committee of its own whose function should be to help every person in the village. That Committee should assume responsibility for the village and those who lack food should be supported by those who have a little surplus. Of course, where necessary, Official help will be given. But the village should function as a co-operative unit in this matter and the committee should also see that there is no hoarding by any one in that village. I am sure that our people, as soon as they realise the nature of the crisis, will co-operate in this common endeavour and not seek private profit out of their neighbour's misfortune. If any still continue to hoard, then the committee should bring this matter to public notice."

• • •

In Hyderabad State there are over 1,40,000 looms registered with the State Textile Department, out of which a little over a lakh belong to members of weavers' societies in the State. A Central Society for the weavers' co-operatives was organised, early in 1950. The society is at present distributing yarn and has chalked out a programme for production and marketing of handloom products. The Hyderabad Handloom Weavers' Central Co-operative Society has a subscribed capital of Rs. 2,60,000 and did a business of Rs. 50 lakhs in 1950 and earned a profit of about a lakh of rupees which will ultimately be utilised partly for the development of handloom industry in the State.

* * *

The Mysore Provincial Silk Handloom Co-operative Society registered at Bangalore on 20-7-50 had by February 1951 about 1,040 members, a paid up share capital of Rs. 66,305 and total working capital exceeding Rs. 75,000. The society had distributed imported silk to an extent of Rs. 1,05,850.

With a view to arranging for the equitable distribution of silk among various power-looms, the Mysore State Power-loom Silk Manufacturers' Co-operative Society was registered on 19th September 1950.

The Government of Mysore appointed a Controller of Civil Supplies in Mysore as the President of the Mysore Provincial Cotton Handloom Weavers' Co-operative Society. The aim of this society is to distribute yarn to the weaver-members through the agency of the primary weavers' co-operative societies. A cash credit to the extent of Rs. 1 lakh at 6 per cent interest has been sanctioned by the Mysore Provincial Co-operative Apex Bank for the purpose.

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According to press reports, fifty thousand acres of land is proposed to be brought under co-operative farming in the Bilaspur area of Rampur district, U.P. The plan, already finalised, would be undertaken by about half a dozen co-operative societies.

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The Harsi Krishka Multipurpose Co-operative Society, Ltd., Madhya Bharat, which was registered on the 10th August, 1949 has for its area of operations 180 villages. It has a membership and paid up share capital of 850 and Rs. 21,700 respectively. It has purchased a tractor which is let on hire to members. It supplies cement, sugar, petrol, iron, sheets, lanterns, etc., to its members, arranges sales of the produce of its members, supplies seed and manure. Ten members of the society have also purchased tractors of their own with the financial assistance of the society. The society has its own cinema machine which is utilised for propaganda work. It was instrumental in having got planted 1,000 trees and dug 200 manure pits.

* * *



It is learnt that expansion of existing industrial co-operaties and starting new ones for the manufacture and sale of cottage industry goods will form the main part of the Kashmir Government's plan for developing cottage industries during the next two years. The plan, which is a part of the development plan of Kashmir provisionally approved by the Planning Commission, envisages expenditure of Rs. 21,61,000 during the next two years on cottage industries. Kashmir's industries, including the ring, shawl, embroidery, wood-carving and papier mache industries, which came almost to a stop as the result of the invasion of October 1947 have slowly been recovering. It is said that the workers were being persuaded to form industrial co-operatives. These with the help of loans would buy raw materials, convert them into finished goods and either sell directly or through the Kashmir Government emporia at Srinagar, Bombay Delhi, Calcutta and Lucknow. To train workers, the Government plans to start technical institutes at Srinagar and Jammu.

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The recently organised Federation of Industrial Co-operatives in Hyderabad State is expected to push through a five-year plan of development of cottage industries. In the execution of the plan, the Department of Commerce and Industries will be entrusted with the management of technical and industrial training schools the running of workshops and the maintenance of an emporium. In the first instance, the Federation will aid the following industries: handloom weaving, rope-making brassware metal industry, carpentry, bidriware, tanning, leather goods, soapmaking, tailoring and the toy and lacquer industry.

* * *

The Government of Madras was considering a proposal to bring all the handloom weavers in Krishna and East and West Godavari districts into weavers' co-operative societies, and thus eliminate the whole chain of middlemen in yarn and handloom cloth trade. The share capital to be subscribed by handloom weavers, would according to the scheme, be advanced in the form of interest free loans, to be repaid in monthly instalments in one year. The scheme, is found successful, would be extended to other districts.

A proposal to grant interest free loans towards share capital for all handloom weavers' throughout the State, intending to join weavers' societies was also under consideration, said the Minister for Industries, Madras.

* * *

The Government of Bihar have published a Bill which seeks to amend the Bihar and Orissa Co-operative Societies Act, 1935. Among others, the Bill provides for compulsory co-operation among the growers of an agricultural commodity by requiring them to sell it to the society, if 66 per cent of the growers residing in the area of operations of that society are its members. In case of farming societies if lands non-members, which do not exceed one-third of the total area under the possession of the society are so situated that consolidation of the holdings of the society into one compact block is not possible, the owners of such lands shall be required to become members of the society.

* * *

A scheme for the colonisation of the deserted village of Holti Koti, 15 miles from Dharwar, has been sanctioned by the Government of Bombay. Under the scheme, which will be worked through a co-operative tenant farming society, 38 families are to be settled in the village. The Government will give loans to the tune of Rs. 1,07,280 to the society for distribution to its 33 member families. The Government will spend an amount of Rs. 7,000 on items such as clearance of Gaothan, provision of a well for drinking water and an approach road.

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The Annual General Meeting of the All-India Co-operative Insurance Societies' Association was held in Bombay on the 25th June, 1951. Sri K. C. Desai, in his presidential speech, stressed that the administration of the Insurance Act should be carried on by the Department in close consultation with the two Councils—Life Insurance Council and the General Insurance Council. He desired that the Councils should be given an opportunity of establishing correct practices for carrying on insurance business so that in spite of the various clauses of the Act, the business may be carried on with the least interference from the Department. He complained that in the Executive Committee of the General Insurance Council, no individual, connected with a Co-operative General Insurance Society, has been nominated by the Government to represent co-operative interests. He hoped that this injustice to Co-operative General Insurance Societies would be rectified at the earliest possible opportunity.

## WEAVERS' SOCIETIES IN THE MADHYA PRADESH

BY

N. S. DASHOTTAR, M.A., B COM.,

*Organiser, Weavers' Scheme, Madhya Pradesh.*

Next to agriculture, handloom weaving is the most important industry of the Madhya Pradesh. The survey made by the Fact Finding Committee in 1941 showed that there were 73,300 handlooms worked by over 70,000 weavers, living in about 3,000 places in the State. During war years, the number of looms increased to over 1,20,000. But the Co-operative Movement amongst the weavers is of recent origin. Under the Government of India's subvention scheme, a provinicial organisation known as the Central Provinces and Berar Weavers' Co-operative Society was registered in 1934. Attempts were made then to organise societies in some places such as Kamptee and Umrer, but these proved abortive and therefore the Provincial Weavers' Society functioned till 1943, more or less as a primary society. The chief difficulty was the lack of an impulse from within the community to improve. However, the individual attempts made to organise weavers' societies at Washim and Balapur in the Akola District and at Itarsi in the Hoshangabad district proved successful. The Washim Society, the oldest weavers' institution within the State, was registered as early as August 1921 and the Itarsi Society in June 1939 by a Christian Mission. Both these institutions, despite many crisis in their long history are doing excellent work in their respective areas of operations. The Balapur Society, though registered in 1939, was practically dormant till 1944, when it got itself affiliated to the Provincial Weavers' Society and commenced its working.

Real beginning for organising the primary weavers' societies within the State commenced from 1944; the lead in this respect was given by the weavers of Sindi in the Wardha District, followed by societies at Pandhurna, Mowad and Dewang and Manohar societies at Nagpur.

But the real work on systematic lines commenced from April 1946, when the State Government sanctioned the execution of a five years scheme ending with 31—3—1951 for the weavers of the Province. This scheme aimed at organising 50 per cent of weavers all over the State on co-operative lines and using the co-operative organisations for improving their conditions. The scheme was to be worked out solely through the Provincial Weavers' Society Ltd., Nagpur. Each society was expected to raise its own share funds, to undertake sale of raw materials to its members, marketing of their finished products, introduction of improved methods of weaving, introduction of new designs etc. For the execution of the schemes the post of an organiser and two posts of Circle Auditors for 3 years were sanctioned. Since then systematic efforts for organising a weavers' society at every convenient place with atleast 100 looms and affiliating it to the Provincial Weavers' Society, Nagpur have been made.

Standard bye-laws were evolved and prescribed for the weavers' primaries ever since 1946. The salient features of these bye-laws are: the value of each share is Rs. 25, the liability is limited to five times the value of shares held by each member, the borrowing capacity of the society is limited to three times the paid up share capital of the society and that it should get itself affiliated to the Provincial Society and should purchase at least one-twentieth of its share capital. The affairs of each primary are managed by a Committee consisting of a President and a Secretary nominated by the Registrar of Co-operative Societies, from amongst the shareholders, a representative of the Deputy Commissioner of the district, a representative of the Provincial Weavers' Society and a representative of the Textile Expert to Government of the Madhya Pradesh. The powers of the Managing Committee are subject to the control of the General Meeting of the society.

| Co-operative year. | Number of affiliated socs. to the Provl. Weavers' Society. | Number of Handlooms claimed by the Primaries. | Number of Powerlooms claimed by the Primaries | Value of yarn sold to Primaries by the Provl. Weavers' Society. | Value of shares held by Primaries of the Provl. Weavers' Society. |
|---|---|---|---|---|---|
| (1) | (2) | (3) | (4) | (5) | (6) |
| | | | | Rs. | Rs. |
| 1943-44 | 8 | 3,000 | .. | 64,594 | ... |
| 1944-45 | 51 | 16,000 | .. | 14,14,377 | ... |
| 1945-46 | 117 | 32,026 | .. | 79,21,628 | ... |
| 1946-47 | 186 | 46,683 | 497 | 1,17,18,408 | 49,080 |
| 1947-48 | 215 | 51,761 | 413 | 1,20,51,522 | 53,587 |
| 1948-49 | 223 | 53,659 | 544 | 1,77,06,743 | 63,122 |
| 1949-50 | 227 | 60,000 | 541 | 90,36,912 | 63,902 |
| From 1-7-1950 to 31-3-1951. | 239 | 62,176 | 409 | 84,99,984 | 67,959 |



The number of primaries affiliated to the Provincial Organisation since the co-operative year 1943-44, yarn sales to them each year and the total shares purchased by them of the Provincial Weavers' Society since then are furnished above.

It is clear from the above statement that steady progress in organising primaries and affiating them to the Apex organisation was maintained till 1947-48. The scarcity of yarn was the main motive power amongst the weavers to join the movement. The second control over yarn was imposed since August 1948 and since then the trade depression both in yarn and handloom goods commenced all over the country which gave a set-back to the movement till July 1950. During the depression, the departmental staff and the Provincial Weavers' Society guided the primaries on the steps to be taken for successfully meeting the crisis. But the disloyalty of the average weaver-member came in the way and therefore for the disposal of their accumulated stocks the primaries had to look to the non-members and in turn the Provincial Society to the trade. As on 1-7-1949 out of a total of 227 affiliated societies hardly 50 primaries continued to purchase yarn from the Provincial Society in Oct-November 1949. Revival of working of these primaries was therefore kept the constant object of the endeavours during the year 1949-50 and as a result the number of primaries which commenced to purchase yarn increased to 140 by the end of the year. Since November 1950, yarn began to be scarce in the market and this again, gave an impetus to the movement. As on 31-3-1951, the number of affiliated primaries to the Provincial Organisation reached the figure of 239 commanding within their fold 62,176 handlooms working throughout the State and 409 powerlooms working at Burhanpur and Jabalpur. The proportion of looms within the movement to the total looms working in the State comes to 52 per cent.

The State Government has been pleased to continue during this control the previous practice of allotting 50 per cent yarn of the State mills for the co-operatives and also continued the sole importership for yarn of the Ex-State Mills in favour of the Provincial Organisation. Out of total ex-State mills' yarn received by the State, nearly one-third is sold to the dealers as per instructions received from the State Textile and Yarn Commissioner from month to month and two-third amongst the affiliated primaries. With the increased scarcity of yarn, rigorous and rigid steps were taken by the Provincial Society to see that the yarn distribution within the co-operative fold became as equitable as possible and no misuse was made thereof. For all old societies, the basis of yarn distribution was taken on their October 1950 loom lists. Primaries were directed to collect loom cards from their individual members given by the Civil Supplies Department during the last loom census of 1946. Those members who were not given any loom cards are required to submit a declaration in the prescribed form duly attested both by a responsible person of the ward and an office-bearer of the primary that the member under reference has not been obtaining yarn from any other source. All these cards and declaration forms are checked by the Provincial Organisation and in return, the latter supplied its own cards to the primaries at nominal cost for distribution amongst their members.

For distribution, the primaries have been classified as per count-group requirements of each primary these are supplied yarn in the same count-groups as during the first control period, which was based on the result of loom census referred to above taken by the Civil Supplies Department.

Upto-date figures of the total paid-up capital of these primaries are not available and therefore the above table mentions the value of shares held by these of the Provincial Organisation. As on 31-3-1951, these purchased out of the total paid up share capital of the Provincial Society amounting to Rs. 1,01,770, shares worth Rs. 67,959. From the latter figure, it is estimated that their share capital amounts to Rs. 12 lakhs, which is insufficient for handling the monthly yarn quotas meant for the co-operatives. Owing to the inadequate share capital at their disposal, most of these primaries, for lifting their monthly allotments of yarn from the Provincial Society, depend upon private dyers of Nagpur, who in return for the yarn for dyeing which they receive from these primaries, give them credit facilities for a month or so. It may be mentioned here that correspondingly the Provincial Society, owing to inadiquate share capital at its disposal and on account of the lack of credit facilities from the Provincial Co-operative Bank or required financial assistance from the State Government, for lifting the monthly yarn bales from mills both within and outside the State, is dependent upon a private firm of Bankers of Bombay M/s Kotak & Co.

The above inadequacy of funds explains also the negligible progress so far made by the co-operatives to bring the marketing of finished goods and other cognate activities as envisaged in the scheme within the fold. However, individual attempts made so far



in this direction by some of the older and enterprising societies are dealt with below.

The Provincial Weavers' Society has got its own manufacturing section wherein 307 members are being supplied yarn for weaving into pieces on wage-basis. The goods are sold direct by the Society through its shop. During the last depression of handloom saries, which started in January, 1949, deepened and continued unabated upto October 1950, the Society had to incur great loss in the disposal of its accumulated stocks. Therefore since December 1950, it has been following the principle of 'Production to order', that is, orders are first booked from customers before the issue of warps and if there are no orders in a particular month, yarn is sold to these members on credit against the thrift deposits held by each of them.

The Itarsi Society has been working as a production unit right from its inception. All members work at their respective cottages on a wage-basis. The finished goods are sold by the society through its shop and canvasing agents. It has specialised in production of bed-spreads, napkins, tablecloth and other furnishing materials.

Societies working at Washim, Seoni and Warora take on pledge the woven goods of the needy weavers during the slack season and advance them credits to the extent from 75 to 90 per cent of the value of goods. The trade depression in the handloom products market of 1949—50 severely affected the financial position of some of primaries which had undertaken the manufacturing activity during the war-time boom such as societies working at Mohadi and Sindhi and their failure naturally discouraged any other primary society to undertake this activity. However, from the month of March 1951, the State Government has been pleased to place every month at the disposal of the Registrar of Co-operative Societies 3 per cent of the entire quota of yarn that comes to about 70 bales per month for the co-operatives which undertake to weave cloth. Accordingly, 11 societies including the Provincial Society have been selected and these have been directed to follow the "Production to order" policy and to specialise in production of those fabrics which have been reserved for the handloom industry by the Government of India. The Textile Expert to Government has assured to give all technical assistance to these societies and the State Textile and Yarn Commissioner is to supply the required counts for the production of such cloth. The progress of the scheme is keenly watched.

Some of the enterprising primaries working at Achalpur, Durg, Washim, Warora, Khapa, Deolgaonraja and Itarsi supply shuttles, dobbis and other weaving implements to their members whenever required by them. Sales of these articles by primaries are limited, as in the majority of centres, these implements are locally manufactured or refitted. The fly-shuttles are now increasingly preferred to throw-shuttles except in remote parts of the integrated State area.

Amongst the primaries, the Chhattisgarh Weavers' Association, Raipur, the Drug District Weavers' Association, the Warora Society and the Handloom Owners' Association, Nagpur have their own dye-houses and continue to supply the yarn in different shades to the members as per their requirements.

The Provincial Weavers' Society has been running a Dye-house of its own since October 1948 wherein all yarn required for its manufacturing section and some yarn of primaries which give to it a certain proportion of their quota for dyeing are being regularly dyed. The working of the Nagpur Dyers' Society—another Central Co operative Institution for dyeing consiting of petty dyers registered in 1946 practically came to a stand-still since the depression of 1949 50 for want of work from primaries. The Co-operative Dyeing run on central basis is handicapped on account of lack of credit facilities, which it cannot afford to give and which are insisted on by primaries. On the other hand, the private dyers grant them these facilities, in return, for the quotas of dyeing which they receive from them per month.

Mechanical warping on co-operative basis has not been undertaken by handloom weavers as in the majority of centres they carry on preparation of warps by the members of their family. More than 75 per cent of weavers of the State pre-dominantly weave saries. It is generally believed by them that though calendered saries are more attractive, their durability is affected by weakening the tention of the yarn and therefore no attempt is made within the State to establish any calender unit.

Difficulties that are holding up the progress are :—Illiteracy of weavers coupled with their conservative nature and their poor conditions in general. The majority of societies are of recent origin and therefore difficulties are experienced in getting proper staff for the maintenance of accounts and running the business on co-operative lines. The present inadequate supply of yarn, which hardly suffices to keep a loom active for 10 days in a month has



added another difficulty to the above. The Departmental staff provided under the scheme is quite inadequate to cope up with the varied problems that arise in day-to-day administration of the scheme.

Despite the above difficulities, the target of the scheme of bringing 50 per cent of weavers into the Movement has been realised by organising a net-work of 239 societies throughout the State, all getting their monthly yarn quotas through the Apex Organisation, Nagpur, to which each of them is affiliated. It is increasingly felt that unless the State Government comes forward with financial assistance in some form or other, for developing marketing of handloom goods, it would not be possible to develop the same on the State-wide scale. For consolidating the Movement and developing the other aspects of the scheme, the State Government has been approached for further extension of the period of the scheme. This is yet under the consideration of the State Government. It is earnestly hoped that with active State support and public co-operation, the present weavers' edifice would be fostered and developed with a view to play its due role in the economic and social regeneration of the village life to which the Government is committed.

# WEAVERS' SOCIETIES IN THE EAST PUNJAB

By

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In the United Punjab, the weavers' co-operative societies played an important part in the textile industry of the Province. Besides meeting the local demand these societies prepared cloth in considerable quantity for the market and for Government departments. Most of the weavers were Muslims. After the partition, the Muslim weavers in East Punjab migrated to Pakistan and the Handloom industry of the Province stood paralysed. After the partition the East Punjab was left with 25 societies of weavers with a membership of 380 only. The societies of wool-workers in Kangra district were however not much affected as these societies were amongst non-Muslim workers. Twenty five societies that were left in the East Punjab after partition were almost wholly in Kangra district. These were the societies of wool-workers.

After the partition of the Province, the weavers who migrated to East Punjab were not good craftsmen. The newcomers have now received training in the various Vocational Training Centres set up by the Central and the State Governments and have taken up the textile work. In Jullundur, Hoshiarpur, Ludhiana and Ferozepore districts there were some non-Muslim village craftsmen who besides doing leather work were doing a little of weaving also. These artisans took up weaving more seriously as the migration of Muslim weavers provided a new field of activity for them. They are not so skilled in the weaving craft and are thus not so efficient, as those who have migrated. The local weavers and the emigrants taking up the weaving craft have made up the deficiency to a considerable extent so far as the number of handloom weavers in the State is concerned but so far as the desired skill, efficiency and workmanship goes, this will take time to acquire.

The old and new artisans interested in weaving craft have begun to organise themselves on co-operative basis. As many as 109 new societies of weavers have been registered in 10 out of 13 districts of the State. Now there are 134 societies of weavers with 2,823 members having Rs. 3.16 lakhs as working capital. Kangra district with 45 societies tops the list, Jullunder district with 21 societies comes second and the Hoshiarpur district with 21 societies



comes third. There are no societies of weavers in the districts of Hissar, Gurgaon and Simla. Out of the weavers' co-operatives formed by the displaced persons, 9 were granted Rehabilitation loan to the extent of Rs. 2.15 Lakhs. Five of these have repaid the entire loan amounting to Rs. 57,000, and now Rs. 1.58 Lakhs are due from 4 such societies at Panipat in Karnal district.

These industrial co-operatives raise funds of their own in the form of shares and deposits for purchase of raw material, payment of wages, purchase of tools and equipments etc. The funds so raised being insufficient for their business, these societies are financed by the Co-operative Industrial Bank Limited, Amritsar and 9 Industrial Co-operative Unions started in various districts.

These societies prepare woolen, silk and cotton cloth. Woolen goods include pashmina shawals, chhadars, wrappers, blankets, gudmas etc. These manufactures are the specialities of the weavers' societies in the Kulu Valley of the Kangra district. Silk goods are prepared in Amritsar, Jullundur and Hoshiarpur districts. Bed covers, bed sheets, pillow covers, teapoy covers, and khases are the specialities of the societies of displaced persons at Panipat in Karnal district. The societies at Sonepat in Rohtak district manufacture, niwar, lace, tape etc. Cotton textiles which include khaddar, dasoti, latha, shirting, coating, durees, khases, dusters, bastas, etc., are manufactured in all the districts where weavers' societies exist. The Health Department of this State has placed its order for the supply of gauze and bandage cloth, with the Co-operative Industrial Bank, Amritsar, which is being prepared by the societies of weavers in Amritsar district. The weavers' societies thus cover a vast field in the varieties of textile goods. Two societies at Sonepat in Rohtak district have set up power-looms and would soon be producing silk cloth in addition to niwar, lace, tape etc.

All is not well with these societies of weavers. The greatest handicap from which these societies suffer at present is the shortage of yarn. When mill yarn was not a controlled article, the societies of weavers and their members purchased yarn in the open market and produced goods as could be sold economically in the local markets or elsewhere. There was no difficulty in the procurement of yarn in the earlier period of its control. The difficulty has arisen since the quota system has been introduced. The supply of yarn now is not adequate, regular and of the requisite count. If the work of weavers' co-operatives should go on regularly and systematically, the supply of adequate yarn of the requisite count must be arranged. If the supply of yarn is not regular, the societies cannot provide continuous employment to their members. It is noticed that when yarn is not available, the weavers are obliged to wind up their looms and take to agricultural labour or other work. This adversely affects their efficiency for work and the supply of cloth to the local markets. The Standing Handloom Committee, at the meeting held on 17th and 18th December, 1950, desired that State Governments should, out of their yarn quota, allot a quota to the Central Weavers' Co-operative Organisations so as to enable them to purchase yarn at ex-mill rates and provide continuous employment to weavers working in weavers' co-operative societies. The quota of the Punjab State for fly-shuttle, throw-shuttle and duree-loom is 4,339 bales. The weavers' co-operatives in the State have about 6,400 looms. According to the rate per loom fixed by the Joint Director, Civil Supplies, the quota of the weavers' co-operatives comes to about 875 bales. If this much quota is placed regularly at the disposal of the Registrar of Co-operative Societies for distribution to the weavers' societies, the difficulty may be allayed.

At present yarn is distributed to the societies through the Punjab Yarn Corporation, Amritsar which charges 9 to 10 per cent commission on such supplies. This middle agency between the mills producing the yarn and the societies consuming it, can be safely eliminated without any detriment to the distribution policy of the State Government ; rather this will help suppling yarn to the societies at ex-mill rate, which would ultimately mean supply of cloth to the consumers at cheaper rate. The Punjab Co-operative Weavers' Conference held at Panipat on 26th and 27th May, 1951 has adopted a resolution to this effect and the State Government is being approached to consider this proposal. The weavers' societies are being advised to use hand-spun yarn also as far as possible and the production of hand-spun yarn is also undertaken. This will relieve the present yarn shortage to some extent.

At this stage when there is shortage of mill cloth in the market, and some varieties are reserved for handlooms, there is no difficulty in the disposal of the finished goods. The goods of the societies are disposed of through the central institutions, shows and exhibitions. The societies and the members dispose of their goods direct also.

The Standing Handloom Committee (vide resolution (d) of its meeting held on 17th and 18th December, 1950) resolved that weavers' organisations should be encouraged to open sales depots in important consuming centres for sale of their products and given financial assistance by way of grants-in-aid by the Central Government to meet their establishment and rental charges for a period of 3 years. In accordance with the spirit of this resolution a subsidy of Rs. 19,210 has been demanded in the next year's budget to start sales depots at 5 important consuming centres next year. This will increase the sales of the products of weavers' societies and more sales would contribute to more production. The more the production, the lesser the cost.



These societies have not so far made arrangements of their own for dyeing and calendering. In some cases, however, dyes have been purchased by the central institutions and sold to the societies. Some central institutions have got the yarn dyed and then the dyed yarn is sold to the societies requiring it or it is used by such central institutions in getting the cloth prepared on wage system through the societies affiliated to them. The goods prepared are got calendered through the machines set up by individuals. However, the Industrial Union at Panipat is contemplating to set up a calendering plant of its own.

The manufacturing processes require constant investigation and improvement. New designs have to be introduced in order to compete with the market. The members of the weavers' societies have some capacity for workmanship, but they are not experts in their crafts. The weavers' of the Punjab State whether local or displaced persons from the West Punjab, even after having received training at various Vocational Training Centres of the Rehabilitation Department are not yet efficient in their trades and crafts. They need coaching and guidance at all stages of manufacture. The co-operative weavers have got to compete with the factory workers guided and supervised by trained technicians. Without technical guidance, the weavers' co-operatives will not be able to stand in the market when mill made cloth is thrown open in local markets.

The Industrial Co-operatives of the Punjab were provided with technical staff in 1945 and it continued till February 1951. Feeling that technical staff is indispensable for the improvement of the manufactures of the weavers' co-operatives, the demand has been put for the restoration of such a staff withdrawn this year. It is expected that, technical guidance made available, the weavers' co-operatives in the Punjab State will thus from a permanent feature of the Textile Industry of the Punjab State.

# WEAVERS' SOCIETIES IN ORISSA

By

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The weavers of Orissa are an easy prey to mahajans or master-weavers. By their hereditary skill in weaving fine counts with attractive colours, shades and borders they have mobilised popular appreciation for this cottage industry. But the products of their labour and skill are subject to severe exploitation by the village mahajans and master-weavers. The system of advancing them money at exhorbitant rates of interest on the security of products got at concessional rates was the main weapon of exploitation. It was in 1918 that the eyes of the co-operators were turned towards this exploited class of producers. By 1921, 15 co-operative societies were organised among the weavers of Orissa: 8 in Sambalpur, 6 in Cuttack and one in Puri district. Some other spcieties gradually sprang up in subsequent years, but they did not go a great way in ameliorating the condition of the weavers. The main functional defect of the organisations was that almost all of them were credit co-operative societies similar to the rural credit societies. They could do nothing better than arranging small loans at comparatively cheaper rates of interest to the member-weavers. The members had to purchase yarn from the open market on their own account and had to make their own arrangements for marketing their products at their own risk, facing the fluctuations in the market and selling away their wares at whatever rates readily available.

It is owing to this defect that the weavers' co-operative movement could not attract popular interest and make any headway. By the end of 1928, there were 17 societies in the Sambalpur district, 32 in the Cuttack district and 6 in the Puri district. By the efforts of the textile experts of the Industries Department primitive looms were replaced by fly-shuttle looms. Noteworthy among these weavers' societies was the one at Dhalapathar in the Puri district. The screens for doors and windows produced by this co-operative society elicited appreciation in the Wembly Exhibition and the society worked thoroughly and satisfactorily.

Such a state of affairs continued till 1942. But by this time the sufferings of this class of skilled artisans reached a climax. Fluctuations in the yarn and cloth market was the main factor



contributing to such a state of things. There were other handicaps also. Owing to timely monetary obligations of the mahajans the weavers remained virtually indebted to the mahajans. The slump period had already set in. The weavers had to face keen competition from the mills, which reduced their wages and profit margin to a level of starvation. The patronage by some of the public of handloom cloth in preference to the mill-made and the disinclination of the weavers to be swept away by any revolutionary changes they pulled on for some time, but their resistance gave way when depression set in. In fact some of the weavers gave up their ancestral way of earning their livelihood and had recourse to other means of earning their bread. Still some of them clung on to weaving as a subsidiary occupation.

Their discontent and distress stirred the public mind and induced State aid. In 1934 the Government of India sanctioned a scheme for the marketing and improvement of the quality of handloom cloth. The scheme provided for entertainment of one organiser and 3 supervisors for the undivided province of Bihar and Orissa; but Orissa could avail itself of any material benefit out of it only after its separation from Bihar.

In 1936 three weavers' co-operative societies on production and sale basis were organised under the said scheme. One organiser and two supervisors were appointed to look after these societies. Of these 3 societies, 2 were in Cuttack Sadar and one in Kurda area of the Puri district. These 3 societies started with a membership of 40 and working capital of Rs. 590. They purchased yarn of the value of Rs. 2,705 and sold products worth Rs. 3,115 only. They steadily improved their working. In 1940-41 one Inspector of weavers' co-operative societies was appointed in each of the districts of the province to organise weavers' co-operative societies on production and sale basis, under the auspices of the Handloom Marketing Organisation Scheme, financed partly by the Government of India and partly by the Provincial Government. Next year the number of these societies increased to 18. So far, there being no central marketing organisation for marketing the products of these societies, they were tacked on to the Bihar Handloom Marketing Organisation. Although these baby organisations made some strides, they could not derive the desired benefit as they received neither timely order for production nor regular yarn supply from the Bihar Handloom Marketing Organisation. It was also no easy affair for the indigenous weavers to produce only quality cloths to suit the Bihar Market.

At this stage a separate handloom marketing organisation for Orissa came into existence. These societies were affiliated to the Textile Marketing Organisation with a business Manager at the top. The T. M. O. procured grey yarn from mills and supplied to the weaver-members through their respective societies and undertook the responsibility of marketing the products at reasonable rates. This Central Organisation attempted successfully to obviate many of the then existing difficulties. By the end of 1945, the number of these societies rose to 76, with a total membership of 2,540 and a total working capital of Rs. 17,000. Between the years 1942 and 1945 these societies apart from producing textiles for civilian consumption were also occupied in producing war supplies, viz., H. B. Burls and Dosutti. The production was being supervised by the Textle Expert through the Weavers' Organisers and Inspectors. The Organisers and Supervisors were technical men and imparted necessary training in regard to pattern and finishing. The T. M. O. had a dyeing section, where grey yarn was being dyed and supplied to the societies for consumption. These societies did marvellous work during this period and were able to earn decent wages and profit for their constituents. In 1945 alone these societies produced 2,10,094 yards of war textiles and 53,720 yards of civil textiles. They made a net profit of Rs. 18,000 in a year. Branch depots were opened by the T. M. O. at Berhampur, Aska, Bargarh and Khurda. The production, however, began to decrease thereafter. The reason was that the yarn supplied by the T. M. O. was high priced and the weavers had to cut down their wages so as to face competition in the market.

In 1945 yarn began to be rationed out. This ensured regular supply of yarn, but the supply based on the number of looms of 1941 was not adequate for the increased number of looms. The quota was further reduced in 1946 owing to the smaller production of yarn by mills consequent on labour troubles and stoppage of imported yarn. This created acute shortage of cloth in the market and the weavers found it easy to market the cloth produced by them. This led some weavers' societies to sever connection with the T. M. O. and carry on independently and in fact most of the weavers' societies affiliated to the T. M. O. functioned independently with as little yarn as they got against their ration cards. Owing to inadequate supply of yarn the



individual wholesaler and retail dealers took recourse to black marketing. The black market price of yarn reached unprecedented heights and yarn was beyond the reach of ordinary weavers.

To give relief to these weavers Regional Cloth and Yarn Sale Societies were organised and Government appointed them either as wholesalers or as retailers. These Regional Societies helped the weavers in ensuring fair distribution of yarn to the weavers' co-operative societies as well as to outsiders.

Yarn was decontrolled in 1948 and as a consequence the price of yarn increased by leaps and bounds. The market price became almost double the controlled price. This was a menace to the weavers, but soon the control was re-imposed and they heaved a sigh of relief. They continued to get yarn at controlled price. But the quantity supplied to these weavers could keep them occupied only for a few days in a month. Besides, the counts of yarn forced on them were hardly utilised by them to their best advantage.

This unstable condition of supply of yarn following the stopping of imports of foreign yarn and violent fluctuations in the price of yarn at home necessitated the formation of a co-operative organisation for the supply of yarn to the weavers who had joined or would join. Such conditions contributed to the greater demand for organisation of co-operative societies both for supply of yarn and for sale of the products of the members.

Three types of societies grew up; (i) purely credit societies which advanced loans to weavers to carry on their trade somehow. Forty such societies with a membership of 759 and with Rs. 33,601 as working capital functioned. But they did not make any mark.

(ii) The Yarn Distribution Co-operative Societies which were of great help to the poor weavers. They not only advanced loans to weavers but also jointly purchased yarn and distributed the same amongst the weavers, leaving to them the full liberty in the matter of marketing their products. 82 such societies with a membership of 10,454 and with a working capital of Rs. 3.04 lakhs were functioning. They purchased yarn worth Rs. 8.38 lakhs. They made a net profit of Rs. 24,225 during the year 1950–51.

(iii) The third type of weavers' societies aimed at not only supplying yarn to the members but undertook to market the products of the members. There were 96 such societies functioning all over the State with total membership of 6,412 and with Rs. 1.93 lakhs as working capital. These societies fetched a profit of Rs. 16,414 for their members during the year 1950–51.

Gradually the Co-operative Movement is attracting more weavers into its fold and every month some new societies of the latter two kinds are being organised. By now 46 more Yarn Distribution Societies have been organised.

A Provincial Marketing Co-operative Society has been functioning in the State. This came to the relief of the Yarn Distribution Co-operative Societies which could not market their products at reasonable prices. The Provincial Society collected the products of the Distribution Societies, marketed the products and finally made over the sale-proceeds to the concerned societies taking a nominal percentage as commission to meet the establishment charges.

Recently the Provincial Marketing Society has undertaken to supply yarn to the member societies, acting as the importer. So far the co-operative institutions were either getting their quotas of yarn from some Central Co-operative Organisation or from individual trader. This created confusion. Individual traders took advantage of the shortage of yarn, indulged in unfair distribution and at times took to black-marketing. To obviate this, Government has now been experimenting a scheme of supplying yarn to the weavers entirely through the Provincial Co-operative Marketing Society, which functions as the imorter and distributes the yarn, with the help of the Central Co-operative Banks which act like wholesalers. Fair and equitable distribution has thus been assured. At the present moment when there is acute shortage of yarn and when the supply position fluctuates very often the weavers in the co-operative fold are at least assured of supply of small quotas of yarn at scheduled prices. This has resulted in attracting more weavers to the co operative fold. Within the course of the last five months as many as 30 new societies have been registered and they have started functioning.

Although these societies are looking forward to the co-operatives for all help, due to irregular and inadequate supply of yarn the weavers are not in a position to better their position. In fact, now when the supply of cloth has become limited, it would have been a great boon to the weaver community as a



whole if they could get enough quantity of yarn to weave cloth. In fact the Provincial Marketing Co-operative Society, which was marketing the surplus products of the weavers of the primary societies is not getting any cloth from societies. The weavers find it difficult to supply even a piece of cloth to the Marketing Society. This indirectly affected not only the primary societies but the Co-operative Movement in general. It is hoped that in the near future this stringency of yarn position will be eased and the weavers will be able to produce quality cloth, and better their economic and social position. In the midst of these difficulties it is gratifying to note that Badbag, Maniabandh, Banamalipur and Nuapatna Weavers' Co-operative Societies have made great progress. They have been able to construct buildings of their own and the weavers in their fold are comparatively better off.

It is hoped that in the near future, when adequate supply of yarn will be assured and the required counts will be available, the weavers of Orissa will derive the greatest benefit from their co-operative organisation.

# WEAVERS' SOCIETIES IN RAJASTHAN

By

R. P. BHARGAVA,

*Registrar, Co-operative Societies, Rajasthan.*

The State of Rajasthan was formed on April 7, 1949 by the integration of the 19 States of Rajputana including Alwar, Bharatpur, Bikaner, Jaipur, Jodhpur, Kotah, Partapgarh and Udaipur. It has an area of 1,30,000 square miles and a population of over 1,53,00,000 scattered in about 30,000 villages.

Rajasthan produces only 80,000 bales of cotton, on an area of about 2½ lakhs acres of land. Wool, however, forms the basic industry of the place. Rural masses generally put on coarse cloth or Khaddar and most of the cotton yarn required for preparing the same used to be imported previously from outside, but with the coming into existence of a few spinning mills—at Jaipur, Kishangarh, Pali and Bhilwarathe—position has radically changed and at present out of a total quota of 1,150 bales of yarn per month, about 800 are supplied by the local mills.

Handloom weaving is, as in most other places, the main subsidiary industry of the villagers in this part of the country as well. The total number of handlooms in Rajasthan is approximately 67,000. In addition to these, there is a large number of weavers who have been working on a factory basis. The supply of yarn to such weavers is the concern of the Department of Industries. Amongst the handloom workers, some have organised co-operative weavers' societies while the rest are working independently. The distribution of yarn to the members of the co-operative societies is done through the societies while the Supply Department is responsible for distribution to the rest. The number of co-operatives is still very small. In this connection it will be interesting to mention briefly the origin and growth of the co-operative movement in the various covenanting States of Rajasthan. It has been as follows:—

| Name of the State. | Since when | No. of societies on 7th April, 1949. |
|---|---|---|
| Alwar | 1934 | 321 |
| Banswara | — | — |
| Bharatpur | 1915 | 654 |
| Bikaner | 1926 | 136 |



| Name of the State. | Since when | No. of Societies on 7th April 1949. |
|---|---|---|
| Bundi | 1949 | one |
| Dholpur | 1949 | 11 |
| Jaipur | 1944 | 410 |
| Jhalawar | 1949 | 9 |
| Jodhpur | 1938 | 275 |
| Karauli | 1949 | 25 |
| Kishangarh | 1935 | 35 |
| Kotah | 1916 | 655 |
| Udaipur | 1948 | 144 |
| Kushalgarh | 1949 | one |

There was no movement in the other States.

As usual, most of these societies have been credit societies and not much attention seems to have been paid in the past towards forming industrial co-operatives. The number of weavers' co-operative societies and their membership is as follows:

| No. of Societies | Membership | Paid up share Capital Rs. | Working Capital Rs. | No. of looms. |
|---|---|---|---|---|
| 296 | 13,231 | 80,577 | 1,80,100 | 15,232 |

With the formation of Rajasthan and the systematic organisation of the Co-operative Department the number of weavers' societies has been making very rapid progress and the special concessions that have recently been given to the members of the co-operative societies regarding the distribution of yarn are expected to give a further impetus to the growth of the weavers' societies. During the last two months alone 53 new societies have been formed. The growth of the weavers' co-operatives is closely linked-up with the general position of the availability of yarn in the country. Although complete information about the number of co-operatives in the various convenanting States from year to year is not available, from the information available it appears that most of these weavers' co-operatives had come into existence during the period of the last War, when there was a great scarcity of yarn and it had become a problem to obtain the same at controlled rates in the open market. With the de-control of yarn in the year 1947 the movement received a serious set-back and most of the co-operatives remained in dormant condition till 1951 when control was re-imposed. The next bottleneck has been the limited supply of yarn which will be evident from the fact that only one bundle is hardly available as against the normal requirement of about 5 bundles per loom per month.

Weavers are gradually giving-up 'throw-shuttle' methods of weaving and adopting 'fly-shuttle' methods. The primitive method of pit-looms is also soon becoming a past history.

At present there are 2 federations, 5 unions and 296 primary weavers' societies. The federations function as wholesaler-cum-importers of yarn for the areas in which they are situated and supply yarn to the societies.

The Jaipur Industrial and Marketing Federation Ltd., Jaipur, has been functioning since 1945. Its membership consists of 154 societies, working capital of Rs. 4,53,161 while its annual turn-over for the last 4 to 5 years has been as under:

| | Up-to 1947 Rs. | 1947—48 Rs. | 1948—49 Rs. | 1949—50 Rs. |
|---|---|---|---|---|
| Purchases | 12,63,153 | 16,21,632 | 37,70,778 | 4,54,387 |
| Sales | 12,67,294 | 15,49,752 | 34,70,201 | 8,92,185 |

It is being financed by a local Joint Stock Bank on the guarantee of State Government to the extent of Rs. 15,00,000 (This has, however, been recently reduced to Rs. 10,00,000) at a low rate of interest—4 per cent, now raised to 4½ per cent.

The other federations and unions are of recent growth and do not deserve any special mention.

The primary societies have generally been arranging their own finances and most of them have recently made it compulsory on their members to deposit As. 2 per rupee on the purchases of yarn made by them. This is a very healthy sign which is expected to go some way to improve their economic condition ultimately. This is also expected to prove a safe-guard against any possible collapse of the societies on the de-control of yarn.

The usual 10 per cent commission allowed on ex-mill rates is generally shared by the Federation and the societies in the ratio of 6:4. Members have joined in the societies simply for the joint purchase of yarn. The production and marketing is generally done by the members individually. With the gradual growth of federations and unions efforts are being made to arrange for the joint marketing of the produce of the members through them. The dyeing and calendering is at present generally done to suit local requirements by the local Chhipas. No collective or organised efforts have so far been made in this direction but this too is being taken up by the federations and the unions.



### Special types of societies

Ordinarily the cloth produced by these societies is coarse (reza). It is prepared from mill yarn of 10s to 20s but finer varieties are not uncommon. Pechas, pagris, doriya of Jaipur and Kotah prepared from yarn of 80s are reputed all over India and can favourably compete with any of their kind produced anywhere else. They are exported in large quantities from Jaipur to Bombay and Calcutta, where there is a great demand for them. The following 3 societies which prepare pure hand-spun and hand woven Khadi and which are certified by the All India Charkha Sangh have been doing excellent work.

| Name of Society | Membership | Working Capital Rs. | Turn-over in 1949-50. Rs. |
|---|---|---|---|
| Hindaun | 81 | 12,207 | 28,177 |
| Bairath | 171 | 21,317 | 55,212 |
| Shapura | 87 | 19,416 | 53,715 |

The former two societies were advanced Rs. 20,000 as loan at 3 per cent by the Central Co-operative Industrial and Marketing Federation Ltd., Jaipur. To effect improvements in the production of Khadi the Government also gave a subsidy of Rs. 1,000 each to these 3 societies during the last financial year. The assured markets for this Khadi are Bombay and Ahmedabad. Government have, as a special case, remitted duty on the export of Khadi to these and other places.

Since October, 1950 there has been a severe shortage of yarn and the condition of the weavers had become deplorable with the result that about 50 per cent of the looms were rendered perfectly idle while the remaining 50 per cent partly idle. On persistent representations made by the State Government the quota has now been slightly increased. In the month of March, 1951 a special conference of the concerned officers was convened wherein it was decided that ⅓ of the quota allotted to the State may be reserved for the industries and distributed through the Director of Industries while the remaining ⅔ may be distributed to the members of the co-operative societies and others through the Registrar, Co-operative Societies. As a result of this, the situation appreciably improved but since the co-operative movement had not spread to every nook and corner of the State the position had again to be reviewed by a special committee consisting of officials and non-officials appointed by the

Government during the last month. The salient features of the recommendations made by this committee are as follows :—

1. The yarn quota of each district should be fixed on the basis of the number of handlooms and other yarn consuming industries eligible to get yarn in each district.

2. The present system of the division of yarn quota between the Director of Industries and Commerce and the Registrar of Co-operative Societies should be discontinued and district-wise importer-cum-wholesalers of yarn should be appointed.

3. Wherever genuine federations of co-operative societies are prepared to undertake the work of importer-cum-wholesalers, they should be appointed as such. Where no such organisations are forthcoming to take up the work, associations of local yarn dealers be entrusted with the work of importer-cum-wholesalers for yarn. But in case this too is not possible, the importer-cum-wholesalers of cloth of the area concerned be also given this work. Failing this, the importer-cum-wholesalers for yarn be appionted on the basis of tenders.

4. The commission on the business of yarn be distributed as below:—

| | | |
|---|---|---|
| (i) For Importer-Cum-Wholesalers | 4 per cent over the ex-factory rates | These percentages are not yet final. |
| (ii) For Retailers | 6 per cent over the ex-factory rates. | |

5. Allotment of yarn to the various handloom weavers in a district be made in the under-mentioned ratio :—

| | | |
|---|---|---|
| (1) To individual weavers | 1 | These figures are still under consideration. |
| (2) To members of Weavers' Associations | $1\frac{1}{2}$ | |
| (3) To members of Weavers' Co-operative Societies. | 2 | |
| | $4\frac{1}{2}$ | |

6. Where in a local area a co-operative society exists, non-members should also be supplied yarn by such society. Such society should get quotas for sale at retail rates from the importer-cum-wholesalers, if any.

7. Attempts should be made to distribute yarn against ration cards. The weavers' association may, however, be made



direct supplies. In cases where there may be neither associations of weavers nor co-operative societies, the consumers will get supply of yarn against the permits to be issued by the District Supply Officers from the yarn retail depots to be opened by the importer-cum-wholesalers in accordance with the instructions of Civil Supplies Department.

8. The distribution figures of handlooms and percentages has been calculated, and it has been suggested that it may provisionally be adopted as a basis of allotment.

9. In order to implement the above recommendations there should be an advisory body in each of the districts and cities of Rajasthan, consisting of officials and non-officials with a strength of 3 to 5 members, who would offer their due advice from time to time to the officers concerned in regard to the import and distribution arrangements for cloth and yarn and also supervise the working of the arrangements. There should also be an advisory body of a similar nature at the Divisional Head-Quarters. Wherever it is possible one of the members of each of such bodies should be a representative of weavers.

# WEAVERS' SOCIETIES IN BOMBAY STATE

By

R. N. TRIVEDI,

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The handloom weaving Industry is the most important of all cottage industries in this State. The recent estimates show that there are 1,62,000 looms and that nearly 5 lakhs of persons earn their livelihood wholly or partly by pursuing this industry. Most of them who are wholly dependent on this industry and who are hereditary workers, are averse to change their vocation and take to any other industry. Although, the industry has to face vicissitudes, it still survives and provides work to a large number of artisans, as it supplements the mill-made cloth and produces more durable cloth of different varieties and designs, which cannot be economically manufactured by the mills.

The economic condition of the weavers is a very uncertain factor. The weavers are happy when adequate supply of raw materials, particularly yarn, is available at fair prices and when there is a fairly good demand for handloom cloth. These conditions, however, are not always present and the workers in the industry have to face considerable difficulties at times.

With a view to improve the conditions of the weavers and help them overcome the difficulties with which they are faced, weavers' co-operative societies have been organised in this State. In 1935, with the help of the Government of India grant, five district industrial co-operative associations were organised for the supply of raw materials and improved appliances at reasonable rates, to advise the weavers in regard to the production of improved and easily marketable patterns and designs, to undertake preparatory and finished processes and to accept on consignment account or outright purchase basis the handloom products from the weavers and sell them.

### General Working of Weavers' Societies

Most of the weavers' societies in the State of Bombay functioned in the past, more or less, as credit societies. Many of these societies have now closed their credit business and are engaging themselves in activities relating to distribution of yarn, supply of accessories, sale of finished products, etc. Some of the societies which have been registered with model byelaws of producers' societies, have been organising collective production.



Some of these societies have their own looms which are worked by members receiving wages from the societies. Others utilise the looms belonging to members and pay them wages for work done. In all such cases where production is collectively organised, the raw materials, such as yarn, are purchased by the societies and the finished products also belong to the societies and are marketed by them. Some societies in which members continue their individual production activities, have been making advances to their members against pledge of their finished goods. Almost all the weavers' societies in the State are affiliated to the district industrial co-operative associations which function as central organisations of all primary industrial co-operative societies in the districts.

The total number of weavers' societies in the State stood at 354 as on 30-6-1950 and their membership at 47,794. The share capital and reserve and other funds of these societies amounted to Rs. 17,41,548 and Rs. 18,55,993 respectively. The working capital stood at Rs. 61,64,823. The total value of raw materials supplied and of finished goods sold by these societies was Rs. 1,81,68,018. The total number of looms served by these societies was 1,01,100 as against 1,62,000 looms in the State. Of these 1,567 looms were owned and worked by the societies, and the rest by artisans and master weavers. Of the looms served by the societies only 15,637 were throw-shuttle looms. The number of fly-shuttle and 'automatic-take-up' looms was 61,209 and 15,467 respectively. The total amount of wages paid by the societies during the year 1949-50, amounted to Rs. 1,36,492.

A Comparative Statement regarding the working of the societies in the State for the last three years is given below :—

| Year. | No. of societies. | No. of members. | Total purchases & sales. Rs. | Working capital Rs. | Profit Rs. | Loss. Rs. |
|---|---|---|---|---|---|---|
| 1947—48 | 211 | 27,628 | 2,63,53,088 | 32,59,560 | 4,32,623 | — |
| 1948—49 | 268 | 42,621 | 4,10,93,756 | 82,54,133 | 4,12,754 | — |
| 1949—50 | 354 | 47,794 | 1,81,68,018 | 61,64,823 | 2,42,411 | 1,79,357 |

### Supply of Raw Materials

(*a*) *Yarn* :—The main difficulties under which the weavers' co-operative societies labour are either irregular or inadequate supply of yarn or irregular or poor demand for the finished cloth

In October 1948, as the supply of yarn was inadequate, Government re-introduced the control over the distribution of cotton yarn. The policy of Government was to appoint co-operative institutions as distributors of yarn so that the evil of black-marketing in yarn might be checked. The co-operative institutions were also anxious to undertake the work in spite of various handicaps relating to finance, staff, etc. The Industrial Co-operatives and Village Industries Section of the Co-operative Department assisted the societies in securing necessary finance from the central financing agencies on the strength of Government guarantee and in some cases the services of suitable Departmental hands were also lent to the institutions in order to enable them to carry on the work. The Co-operative Department also helped the societies with advice in solving the various difficulties that arose from time to time.

The Provincial Industrial Co-operative Association Ltd., Bombay, an apex body of the industrial co-operatives of this State, functions as a zonal distributor of yarn in respect of mills in Bombay. The Provincial Industrial Co-operative Association, Ltd., Bombay and 16 co-operative organisations (7 of them being district industrial co-operative associations) are appointed as district wholesalers for yarn. By the end of June 1950, there were about 279 societies, mostly of weavers working as retailers in yarn. This number has been further increased in the current year. During the year ended with 30-6-'50, the Provincial Industrial Co-operative Association, Ltd., Bombay in its dual capacity as zonal distributor, district wholesaler and retailer handled yarn valued at about Rs. 1,72,46,000. The 7 district industrial co-operative associations appointed as district wholesalers distributed yarn worth about Rs. 1,34,53,800 during the same period. The figures of yarn handled by the 279 weavers' co-operative societies in their capacity as retail distributors, are not available. On a conservative estimate, however, the yarn handled by these societies could be valued at over Rs. 2 crores.

Under the scheme of controlled distribution of yarn, which was reintroduced in the year 1948, the allotment of quota was made on an ad-hoc basis and the district wholesalers had no choice in purchasing yarn as per requirements of the weavers in their areas. Several district wholesalers complained that yarn of counts which was not required in their districts was dumped on them. Again foreign yarn which was imported into the State was also available to the weavers at a cheaper rate. These factors led to



the accumulation of heavy stocks of yarn with the co-operative agencies. Some of the district co-operative wholesalers found the work of yarn distribution unremunerative. Government, therefore, allowed the district wholesalers and retailers to return the yarn which was lying with them for more than 90 days as on 30th September, 1949, to Government.

To reduce the congestion of yarn, the mills were allowed to distribute one-third of their production to buyers of their choice. Export of yarn was also encouraged. Though these measures reduced the accumulation of stocks of yarn in the mills and with the distributing agencies, the condition of weavers did not improve. They were neither able to dispose of the stocks of handloom cloth which had been accumulated with them, nor could they get yarn of requisite counts to manufacture varieties which had some definite demand. To relieve the depression in the industry a special scheme for grant of advances against handloom goods was sanctioned by Government in January, 1950. Under this scheme, the Joint Registrar was authorised to give guarantee to the central financing agencies and to the scheduled banks for a margin upto 25 per cent or an aggregate amount of Rs. 5 lakhs, whichever was less, for enabling the weavers' societies, district industrial co-operative associations and the Provincial Industrial Co-operative Association, Ltd., Bombay, to raise funds to the extent of Rs. 20 lakhs for making advances to weavers against pledge of finished handloom goods, or for outright purchase of such goods at reasonable prices. Accordingly, credits were recommended to and sanctioned by the central financing agencies to the extent of Rs. 8,65,000 in favour of the weavers' organisations.

As the intensity of depression was very great in Bijapur district, Government sanctioned a scheme for starting production centres under the auspices of the Bijapur District Industrial Co-operative Association Ltd., Bagalkot. The number of looms to be brought under production activities was fixed so as not to exceed 1,000 and the weavers employed were to be paid wages at the rate of rupee one per day. Government also authorised the Joint Registrar to give guarantee to the central financing agency for a margin upto 20 per cent for enabling the District Industrial Co-operative Association to raise funds to the extent of Rs. 3 lakhs for purchase of yarn, silk, art silk, etc., and a further sum of Rs. 3 lakhs for holding the stocks of cloth manufactured under the scheme. Government also undertook to bear losses, if any, incurred in running the production centres, to the extent of Rs. 25 per loom per year of working. Due to the inadequate supplies of yarn the Association, however, was able to organise only 310 looms till the end of May, 1951.

By the beginning of the year 1950, the system of distribution of yarn on ad-hoc basis was modified and a revised system to distribute yarn against indents was introduced. Under this system, which is now in vogue, the consumers have to place their indents for the required counts and quantity of yarn (subject to a maximum of 30 lbs. per month and 60 lbs. per month, per handloom and powerloom respectively) with the retailers. The retailer in his turn places the indent with the district wholesalers. The district wholesalers after consolidating the indents of the retailers in the district send their indents to the zonal distributors. A consolidated indent of all the districts is sent to the State Textile Controller who in consultation with the Provincial Yarn Distribution Advisory Committee makes the district-wise allotments.

As the supply of yarn was very inadequate, Government issued orders about the middle of 1950 withdrawing the concessions granted to the mills to sell one-third of their production to the buyers of their choice and further steps were taken by Government to stop the export of yarn of coarser counts i. e. below 32s. In the beginning of the year 1951, orders banning the export of some of the finer counts viz., 80s, 100s were also issued. With the above measures the position regarding the supply of yarn to handloom weavers has been improving gradually with effect from January, 1951.

The following figures will give an idea of the yarn allotted to the Bombay State for distribution during the months of January to May, 1951 and during the same period in the year 1950.

| Months. | | No. of bales 1950 | No. of bales 1951. |
|---|---|---|---|
| January | ... | 218½ | 3,215 |
| February | ... | 852 | 3,690 |
| March | ... | 1,380 | 5,133 |
| April | ... | 2,925 | 6,077 |
| May | ... | 2,539 | 8,125 |

The normal requirements of yarn for handloom weavers and other machines etc., of this State have been estimated at 11,000 bales per month and the yarn now being distributed is about 70 per cent of the normal requirements.



With a view to ensure adequate supply of yarn to handloom and powerloom weavers, measures are being taken by the State Government. Recently Government has appointed a committee which is examining the problems relating to the economics of additional manufacture of yarn for supply to handloom and powerloom weavers in the State. The committee will recommend if production of yarn by machines, such as Kale's Auto-spinner should be encouraged or whether new spinning units should be established either on Government account or on co-operative basis.

(b) *Supply of dyes, chemicals, art-silk and silk etc.*:—Applications of weavers' societies for importing silk, art-silk yarn, raw silk etc., are recommended to the Chief Controller of Imports for grant of import permits. Recently the Provincial Industrial Co-operative Association Ltd., Bombay has been nominated by Government as distributor of art-silk yarn among handloom weavers of this State and it has been given an import licence for importing art-silk yarn worth Rs. 30 lakhs. The Association has also been granted yarn import licence for raw silk worth Rs. 10 lakhs. Applications of weavers' societies for supply of dyes, chemicals are recommended to the Textile Commissioner, Bombay, who arranges for the supply.

### Marketing of Finished Goods

With a view to offer marketing facilities to the artisans in Bombay State, the Industrial Co-operatives and Village Industries Section of the Co-operative Department has organised sales depots for marketing cottage industries products in various districts. These depots stock for sale cottage and small-scale industries' products such as handloom and powerloom textiles, carved articles of sandalwood, horn and ivory, sisal-fibre articles, leather goods etc. A major portion of the turnover of the sales depots, however, consists of handloom textiles. Individual artisans and their organisations including co-operative societies avail themselves of these depots for marketing their products. Articles in regard to which it is necessary to study the market are accepted on consignment account while articles which are in general demand are purchased outright. With a view to widen the field for marketing the products, a scheme called 'Customer Agency Scheme' has been introduced. Under this scheme, sales depots appoint reliable co-operative societies and firms in the districts to act as their agents for marketing their products. These societies are supplied stocks against deposits and are entitled to a commission on the sales effected. The sales depots also supply raw materials such as yarn and dyes to local cottage manufacturers at reasonable prices. Suggestions for improvement in quality, designs, colour schemes etc., are also made to the artisans and their associations so that their products might find a better market. The sales depots also carry on wide propaganda by means of advertisement, cinema-slides, publication of catalogues and bulletins, participation in exhibitions etc., with a view to enlarge the sale of cottage industries' products. They employ travelling canvassers and agents. In the past when export orders to Australia and New Zealand were executed by the Bombay Sales Depot, arrangements were made to have finished goods received from the district industrial co-operative associations, bleached, dyed, calendered and packed in overseas style prior to shipment at Bombay.

A Marketing Officer for Industrial Co-operatives and Village Industries, who is stationed at Bombay also assists district industrial co-operative associations and weavers' societies in marketing their goods. He also guides them in the manufacture of saleable varieties.

### Financial Assistance by the State

The Joint Registrar for Industrial Co-operatives and Village Industries under the powers vested in him can sanction financial assistance to an industrial primary society to the extent of Rs. 5,000 for purchase of tools and equipment, of which an amount to the extent of 50 per cent can be treated as a subsidy. Further, a sum of Rs. 5,000 can be sanctioned as a loan to serve as working capital *i.e.* for purchase of raw materials etc. The following statement shows the financial aid given to the weavers' societies in exercise of the powers mentioned above.

| Period From. | To. | No. of societies. | Amount of loan Rs. | Amount of subsidy Rs. | Total Rs. |
|---|---|---|---|---|---|
| 1-12-46 | 30-6-47 | Nil | | | |
| 1- 7-47 | 30-6-48 | 6 | 28,212-8-0 | 7,212-8-0 | 35,445-0-0 |
| 1- 7-48 | 30-6-49 | 9 | 27,637-8-0 | 4,862-8-0 | 32,500-0-0 |
| 1- 7-49 | 30-6-50 | 12 | 41,054-0-0 | 7,450-0-0 | 48,504-0-0 |

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# WEAVERS' CO-OPERATIVES IN BOMBAY STATE

## ROLE OF THE CENTRAL AND APEX ORGANISATIONS

BY

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The Bombay Economic and Industrial Survey Committee estimated the total number of handlooms in 1939 somewhere between 72,000 and 1,00,000. In 1941, the Fact Finding Committee appointed by the Government of India, estimated the number of working handlooms in Bombay State at 1,03,500 and that of idle handlooms 13,800. When the All India Yarn Distribution Scheme was brought into force in April 1945, a rapid survey by the Collectors gave the number of handlooms as 94,640. The census taken by the Government of Bombay in 1946 revealed the existence of 1,03,304 looms. The Sub-committee appointed by the Government of Bombay in 1949 for assessing the count-wise requirements of yarn consumed by handloom weavers in the State, in pursuance of the resolution passed by the Standing Handloom Committee of the All India Cottage Industries Board, came to the conclusion that the total number of handlooms in the State was 1,61,255 including the handlooms in the merged States. Only 1,34,373 handlooms are admitted by the State Textile Controller for allotment of yarn quota under the present yarn distribution scheme.

The main handloom centres of Bombay State are located in Khandesh, Nasik, Ahmednagar, Sholapur, Bijapur, Dharwar and Belgaum, parts or whole of which are highly liable to famine. These centres are well scattered over this region. Several centres are in cotton growing districts and are linked with one another and with other important areas through a net-work of roads and railways.

The total requirements of yarn, according to the 1949 Sub-committee were 21,632 bales, out of which 18,211 were of single and 3,421 of folded yarn. The requirements count-wise are :—

Single yarns (in bales)

| Counts | Bales |
|---|---|
| 1-10s | 3,966 |
| 11-20s | 6,210 |
| 21-30s | 4,231 |
| 31-40s | 1,840 |
| 41-60s | 1,626 |
| 61-80s | 202 |
| Others | 132 |

Double or folded yarns (in bales)

| Counts | Bales |
|---|---|
| 6s & 10s | 1,278 |
| 2/20s | 925 |
| 2/24s & 2/30s | 329 |
| 2/40s | 253 |
| 2/42s | 180 |
| 2/60s | 166 |
| 2/64s & 2/80s | 222 |
| 2/84s | 23 |
| Others | 45 |

73.98 per cent of the handlooms are engaged in the production of *sarees* and *khans*, 14.98 per cent handkerchiefs etc., 6.62 per cent blankets, *dorias* etc., 2.49 per cent coating, and 1.93 per cent shirting etc. Nearly 53.7 per cent of the handlooms weave cloth of above 48" width, 16.8 per cent between 44" & 48", 7.5 per cent between 36" and 42", 18.0 per cent between 28" to 36" and 4.0 per cent upto 27".

In 1945 there were only 35 weavers' societies, and they were doing credit work alone, and 9 district industrial co-operative associations that were engaged in production of handloom cloth, practically working as big primary societies of weavers. The total number of weavers' societies today is 456. Most of them have given up credit work. Nearly all of them are supplying raw materials to their members and some of them have undertaken production activities. The following table shows the progress of the societies since 1946-47, the year when a special section of Industrial Co-operatives and Village Industries was established within the Co-operative Department in the Bombay State and the Provincial Industrial Co-operative Association was set up. Detailed information about societies for the year 1950-51 is under compilation.

| | 1946-47 | 1947-48 | 1948-49 | 1949-50 |
|---|---|---|---|---|
| No. of societies ... | 174 | 211 | 373 | 354 |
| No. of members ... | 17,858 | 27,628 | 47,576 | 47,794 |
| | Rs. | Rs. | Rs. | Rs. |
| Share capital ... | — | 10,08,438 | 16,22,216 | 17,41,548 |
| Reserve & other funds. | — | 5,44,938 | 12,87,346 | 18,55,993 |
| Total purchases & sales ... | 1,75,51,286 | 2,63,53,088 | 4,56,22,375 | 1,81,68,018 |
| Working capital .. | 18,05,893 | 32,59,560 | 94,07,011 | 61,64,823 |
| Cost of management . | — | 4,18,746 | 7,12,897 | 6,74,152 |
| Profit ... | 4,93,278 | 4,32,623 | 4,90,382 | 2,42,411 |
| Loss ... | — | — | 36,627 | 1,79,357 |

The membership of the societies is predominantly that of workmen. The number of members and non-members who took advantage of the societies' services was as follows. The inclusion of the master-weavers and sympathisers has been necessary, because under the yarn distribution scheme the societies that are acting as retail or wholesale distributors have to supply yarn to all card-holders—weavers, master-weavers handloom and powerloom owners and other consumers like hosiery factories etc. It is considered advisable that in such cases all card-holders be enrolled as members of the societies.



| | 1947-48 | 1948-49 | 1949-50 |
|---|---|---|---|
| Number of societies ... | 211 | 373 | 354 |
| Member weavers who work their own looms ... | 23,289 | 39,521 | 41,962 |
| Member master-weavers ... | 1,237 | 21 | 2,590 |
| Member sympathisers ... | 3,102 | 8,034 | 3,242 |
| Non-members employed in production activities ... | 2,044 | 3,377 | 1,794 |

1,01,090 handlooms were being served by the weavers' societies by the end of 1949–50 and 38,785 handlooms were being served by the district industrial co-operative associations. During 1950–51 further attempts were made to bring in more looms in the co-operative fold, and it is expected that ultimately all the handlooms in the State will be covered and brought into the co-operative movement. The number of looms used by the members of the weavers' societies was as follows. Nearly 85 per cent of the looms were worked by artisan weavers themselves and less than 14 per cent by master-weavers.

| | 1947-48 | 1948-49 | 1949-50 |
|---|---|---|---|
| **Throw-shuttle looms** | | | |
| (*a*) Worked by weavers .. | 11,416 | 19,823 | 14,633 |
| (*b*) Worked by master-weavers .. | 1,962 | ... | 752 |
| (*c*) Worked by the societies ... | 141 | 145 | 242 |
| (*d*) Total ... | 13,519 | 19,968 | 15,627 |
| **Fly-shuttle looms** | | | |
| (*a*) Worked by weavers ... | 22,823 | 42,690 | 47,597 |
| (*b*) Worked by master-weavers ... | 6,051 | ... | 12,974 |
| (*c*) Worked by the societies ... | 75 | 906 | 638 |
| (*d*) Total ... | 28,949 | 43,596 | 61,209 |
| **Automatic take-up looms** | | | |
| (*a*) Worked by weavers ... | 864 | 6,793 | 15,234 |
| (*b*) Worked by master-weavers ... | 468 | ... | 223 |
| (*c*) Worked by the societies ... | 96 | 41 | 10 |
| (*d*) Total ... | 928 | 6,834 | 15,467 |
| **Pedal looms** | | | |
| (*a*) Worked by weavers ... | 1,508 | 7,898 | 8,086 |
| (*b*) Worked by master-weavers ... | 190 | 125 | 24 |
| (*c*) Worked by the societies .. | 1,697 | 91 | 677 |
| (*d*) Total ... | 3,395 | 8,109 | 8,787 |

| Total handlooms | 1947-48 | 1948-49 | 1949-50 |
|---|---|---|---|
| (a) Worked by weavers | 36,111 | 77,199 | 85,550 |
| (b) Worked by master-weavers | 8,671 | 125 | 13,973 |
| (c) Worked by the societies | 2,009 | 1,183 | 1,567 |
| Grand Total | 46,791 | 78,507 | 1,01,090 |

When the All India Yarn Distribution Scheme came into force in April 1945, most of the weavers' societies applied for recognition as retail distributors under the scheme. For the duration of the control, these societies supplied the requirements of the weavers according to their quotas. When the control was removed on 19th January 1948, the societies found their business going down. The control was, however, re-imposed on 2nd August 1948 and 326 societies have been again recognised by the Government for acting as retail distributors under this scheme. These societies, therefore, continue to do the work of the distribution of yarn. The value of yarn and other raw materials supplied by the societies is given below :—

| | 1947-48<br>Rs. | 1948-49<br>Rs. | 1949-50<br>Rs. |
|---|---|---|---|
| (a) Yarn supplied to individual members | 1,55,10,196 | 2,26,20,831 | 1,10,91,944 |
| (b) Yarn supplied to non-members | 52.20,129 | 75,19,458 | 44,65,572 |
| (c) Yarn used by societies for production activities | 35,45,674 | 37,17,778 | 2,00,146 |
| (d) Total | 2,42,75,999 | 3,38,58,067 | 1,57,57,662 |

Attempts have been made from time to time to strengthen the activities of these societies in sales of goods produced by their members. The response of the members, however, has been unsteady. They approach the societies for help, when it is more difficult to sell goods or when they require credit against their goods. When there is greater demand in the market and it is possible for the societies to stabilise their business, the members hesitate to go to them and prefer selling to merchants direct. The value of finished goods sold by the societies was as follows :—

| Textiles sold : | 1947-48<br>Rs. | 1948-49<br>Rs. | 1949-50<br>Rs. |
|---|---|---|---|
| (a) Manufactured by individual members | 11,84,177 | 40,75,357 | 21,56,987 |
| (b) Manufactured by non-members | 7,09,287 | 43,74,871 | 11,481 |
| (c) Manufactured by the societies | 1,83,525 | 34,14,580 | 2,41,988 |
| (d) Total | 20,76,989 | 1,18,64,808 | 24,10,356 |



A few societies have been trying to organise production in their own sheds. Some others are distributing orders to the weavers who manufacture goods on behalf of the society in their cottages under the latter's supervision. *The wages paid by the societies were as follows :—

| | 1947-48<br>Rs. | 1948-49<br>Rs. | 1949-50<br>Rs. |
|---|---|---|---|
| Paid to members | — | 1,09,067 | 1,14,730 |
| Paid to non-members | — | 16,907 | 21,762 |
| Total | — | 1,25,974 | 1,36,492 |

Their production programme, however, fluctuates according to the demand of the market. When handloom cloth was allowed free export to Pakistan, these societies did good business. During the period of decontrol between January 1948 and November 1949 as well as during the first few months of 1950, when both yarn and cloth had accumulated in the country, these societies had to curtail their activities considerably.

In 1945-46 there were 7 districts industrial co-operative associations in 7 districts which were organised under the scheme for subsidy to handloom weavers granted by the Government of India in 1935. These associations had been, however. mostly working for individual weavers and master weavers. Hardly any society was affiliated to them. They used to supply raw materials, sell finished goods of their members and had also undertaken production programmes under their own auspices. Two other big associations of weavers, that have now been classified as primary societies, used to be considered amongst the industrial associations till 1948. In 1946-47 it was decided that the district associations should be re-organised as federations of industrial societies and should undertake activities in industries other than handloom weaving also. In all, there are at present district industrial co-operative associations working in 16 out of 28 districts. One of them has recently been organised. Three others have, as a policy, not undertaken any activities regarding weavers' societies. The

*I have taken the figures for societies from the Annual Reports of the Jt. Registrar for Industrial Co-operatives & Village Industries in Bombay State. Comparing the figures for the raw materials used by the societies, the wages paid and the cloth sold, I am not satisfied about the uniformity of the break-up of the figures in different years. It is possible that stocks might have accumulated, showing this wide disparity in the figures of different years. It is also possible that the societies might have paid the weavers by the piece for the cloth and not shown the wages separately, or in some years they might have allowed the weavers to sell the societies' goods in the open market due to some disabilities of the societies in marketing.

other 12 associations are mainly devoting their attention to work in the weaving industry. The position of their membership is given below. The figures for individual artisans and master weavers given in the table could only be regarded as approximate for weavers, as individual artisans from other industries are as yet not becoming direct members of the district associations.

| | 1947-48 | 1948-49 | 1949-50 |
|---|---|---|---|
| No. of Associations ... | 15 | 14 | 15 |
| No. of members— | | | |
| (a) Weavers and other artisans who work their own looms or other tools and equipment. ... | 10,649 | 7,788 | 6,289 |
| (b) Persons employing weavers and other artisans .. | 1,198 | 125 | 1,076 |
| Sympathisers ... | 3,174 | 2,127 | 2,202 |
| Affiliated societies ... | 178 | 222 | 332 |

The number of handlooms directly served by the district associations is given below. In 1948-49 two associations were classified as primary societies. Hence the number of looms directly served by the district associations came down. As attempts are being made to encourage most of the individual artisans to come into the co-operative fold, those weavers and master-weavers that have not formed their societies yet are being enrolled as members of the District Associations.

| | 1947-48 | 1948-49 | 1949-50 |
|---|---|---|---|
| No. of Associations ... | 15 | 14 | 15 |
| Throw-shuttle looms .. | | | |
| (a) Worked by the Associations | — | 3 | — |
| (b) Worked by the weavers ... | 7,031 | 1,621 | 7,626 |
| (c) Worked by master-weavers ... | 665 | 70 | 5,970 |
| Total ... | 7,696 | 1,694 | 13,596 |
| Fly-shuttle looms | | | |
| (a) Worked by the Associations. | 452 | 48 | 321 |
| (b) Worked by the weavers ... | 20,476 | 14,167 | 19,726 |
| (c) Worked by master-weavers .. | 9,144 | 1,180 | 8,908 |
| Total .. | 30,072 | 15,395 | 28,955 |
| Automatic take-up looms | | | |
| (a) Worked by the Associations. | 17 | 7 | — |
| (b) Worked by the weavers ... | 162 | 549 | 360 |
| (c) Worked by master weavers., | 219 | 150 | 226 |
| Total ... | 398 | 706 | 586 |



| | 1947-48 | 1948-49 | 1949-50 |
|---|---|---|---|
| **Pedal looms** | | | |
| (a) Worked by the Associations. | 2 | — | — |
| (b) Worked by the weavers ... | 667 | 598 | 606 |
| (c) Worked by master-weavers. | 82 | — | 42 |
| Total ... | 751 | 598 | 648 |
| Total number of looms | | | |
| (a) Worked by the Associations. | 471 | 58 | 321 |
| (b) Worked by the weavers .. | 28,336 | 16,935 | 28,318 |
| (c) Worked by master weavers | 10,110 | 1,400 | 10,146 |
| Grand Total .. | 38,917 | 18,393 | 38,785 |

The district associations that are interesting themselves in weavers' activities have been appointed by the Government of Bombay either as district wholesalers or retail sellers of yarn. Some of them also worked as zonal distributors for mills in their areas. The value of yarn handled by these associations is given below. They also supplied weaving appliances, chemicals etc., to their members.

| | 1947-48 | 1948-49 | 1949-50 |
|---|---|---|---|
| | Rs. | Rs. | Rs. |
| Yarn used by the Associations .. | 2,90,551 | 62,554 | 1,56,883 |
| Yarn supplied to societies .. | 20,45,130 | 1,16,17,145 | 53,43,513 |
| Yarn supplied to individual members .. | 68,06,905 | 1,03,05,479 | 67,10,378 |
| Yarn supplied to non-members... | 2,38,930 | 26,44,453 | 21,46,341 |
| Total ... | 93,81,516 | 2,46,29,631 | 1,43,57,115 |

All the district industrial co-operative associations have been trying to market the finished goods of their individual members and affiliated and other societies. Some of them have opened sales depots at their headquarters. The value of finished goods sold by these associations is given below. This includes goods other than cloth. The bulk of the sales, however, were of cloth only. The percentage of other goods sold is meagre.

| | 1947-48 | 1948-49 | 1949-50 |
|---|---|---|---|
| | Rs. | Rs. | Rs. |
| Manufactured on the Associations' account ... | 16,07,086 | 9,14,103 | 1,34,978 |
| Manufactured by individual members on their account ... | 2,45,634 | 47,829 | 52,015 |
| Manufactured by affiliated societies or their members ... | 1,394 | 43,958 | 39,397 |
| Manufactured by non-members ... | 66,982 | 7,317 | 18,983 |
| Total ... | 19,21,096 | 10,13,207 | 2,55,378 |

The 7 older associations had been engaged in the production of cloth either by distributing orders to weavers for manufacturing in their cottages or by making workshop arrangements in the associations' own premises. The value of the goods produced by them has, however, gone down, firstly, because they are fully engaged in the work of distribution of yarn and secondly, because under the yarn distribution scheme it is the individual weaver who is supplied yarn and not the society or the association. The associations are, therefore, completely depending on the good wishes of those members who agree to work in their workshops or execute their orders.

In Bombay State the Provincial Industrial Co-operative Association Ltd. acts as an apex institution of all types of industrial co-operative societies including the weavers' societies. All the district industrial co-operative associations are affiliated to the Provincial Association and get their supplies from it. 85 weavers' societies are also affiliated to the Provincial Association. 67 weavers and master-weavers who have not formed themselves into co-operative societies have been admitted as members of the Provincial Association. Even though the promotors of the P.I.C.A. expected that this Association would concentrate more on the development of industries other than weaving, leaving the development of weavers' societies to district associations, the attention of the Provincial Association was attracted to this field at quite an early stage. Out of its multifarious activities the activities regarding the weavers' societies form the most important item of its work to-day.

Under the All India Yarn Distribution Scheme, which remained in force till January 1948, the Provincial Association offered its services to work as wholesale distributor of yarn in those areas where district associations did not exist. It worked as such in the Nasik district and also assisted the Ahmedabad and Surat wholesale distributors in lifting and despatching yarn of the Bombay mills to their districts. When control was re-imposed on 2nd August 1948, the Association was appointed by the Government of Bombay as zonal distributor for yarn produced by mills in Greater Bombay and as wholesale and retail distributor for Bombay City. The value of yarn handled by the Association is given below. Between June and December, 1949, the distribution was suspended due to large accumulations of yarn. The Association assisted the Government in liquidating a large quantity of yarn. It also purchased yarn on its own account and against



indents from district associations and societies. It has also received licence for importing raw silk yarn, artificial silk yarn and foreign cotton yarn for distribution in the Bombay State.

| | 1947-48 | 1948-49 | 1949-50 | 1950-51 |
|---|---|---|---|---|
| Value of yarn sold Rs. | 42,07,080 | 3,43,23,900 | 1,72,46,150 | 1,43,10,000 |

Formerly the Government of Bombay used to purchase all yarn offered to it by the mills and distribute it as ad-hoc quotas to the districts. Since 1949 the Government accepted the suggestion of the Provincial Association to introduce a system under which the weavers are expected to place indents of yarn required by them with their societies, the societies with the district wholesalers and the district wholesalers with the Provincial Association. Under this system it is ensured that unwanted yarn does not reach and is not accumulated with any of these bodies. The Government used to distribute yarn according to a uniform poundage in all counts to the weavers. The Provincial Association represented that that was not fair to those weavers who were using lower counts of yarn and suggested that the yarn be distributed on yardage basis. This suggestion has been accepted by the Government of Bombay.

The Association has made arrangements with the importers for supplies of dyes, chemicals and other weaving accessories required by the district associations and weavers' societies in the different districts. It also assists the associations and societies in marketing the cloth produced by them in Bombay City. The value of cloth sold during the different years is given below. Since 1949 the Government of Bombay has appointed the Association as the Managing Agents for their sales depot in Bombay City, where the major commodity sold is textiles. The Association is in touch with local wholesale merchants and exporters and is able to get more orders for supply of cloth than the societies and associations are able to accept to-day.

| | 1947-48 Rs. | 1948-49 Rs. | 1949-50 Rs | 1950-51 Rs. |
|---|---|---|---|---|
| Value of cloth sold by the Association | 16,440 | 12,460 | 42,470 | 1,96,800 |
| Value of cloth sold at the Goverment Sales Depot, Bombay | 3,80,780 | 9,36,920 | 1,40,440 | 1,40,380 |

The Association has now started a scheme for production of cloth by the district associations and weavers' societies under its own supervision. It places orders with specifications and designs, supplies yarn for the same and takes away the manufactured goods. A textile inspector has been appointed by the Association to conduct this activity as well as to give assistance to the societies.

In the initial stages the Association has undertaken the responsibility of giving work to 2,000 looms under the scheme.

The Government of Bombay has stood guarantee to the central co-operative financing agencies for the margin required by them from the weavers' societies and the district associations for advancing funds upto Rs. 20,00,000 to the former and Rs. 1,00,00,000 to the latter against hypothecation or pledge of yarn or cloth handled by them. It has also given a guarantee to the Bombay Provincial Co-operative Bank and the Central Bank of India for advancing funds upto Rs. 1,08,00,000 required by the P. I. C. A. for the work of distribution of yarn. It also sanctioned a scheme to organise production centres in Bijapur district as a measure of relief to weavers with a view to reducing unemployment and distress among them.

The policy of the Government is to handover as far as possible all work in connection with the wholesale and retail distribution of yarn to reliable co-operative societies in all districts. There are some districts, still where the Government has appointed its own staff to distribute yarn as zonal distributors. The commission paid to the Provincial Association as zonal distributor is 1¼ per cent, to the district wholesalers 3½ per cent and to the retail sellers 3½ per cent. All the yarn distributors in Bombay State are expected to handle yarn for their members as well as non-members. They have also to handle yarn required by all the 16,118 power looms, 1,528 hosiery factories and 10,979 consumers in addition to the 1,34,373 handlooms.

The Government has been running cottage industries sales depots in 6 district towns where the major commodity handled is handloom cloth. To impart technical training in the use of improved handlooms and manufacture of better varieties of cloth the Government is running 15 cotton weaving schools, which move from centre to centre in different areas. It is also running 5 dyeing and printing schools for systematic training of the artisans. Those new primary societies that are not able to meet their expenses are allowed a subsidy to meet their cost of management for the first 3 years by the Government. The Government also sanctions special loans and subsidies required by any society for purchase of tools and implements and for of working capital. For the last 2 years the Government has been encouraging purchase of goods manufactured by the societies for use by its departments.

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# WEAVERS' SOCIETIES IN MADRAS

BY

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The first weavers' co-operative society in Madras was organised in 1905 at Conjeevaram. But its progress was far from encouraging for three decades. There were only 21 societies in 1919-20. Their number increased to 63 in 1927-28; but they could do little work. The Economic Depression of the early 'thirties affected them badly and their number fell to 29 in 1934-35. The weavers evinced little interest or faith in co-operation as a means of self-improvement. This lack of interest was partly due to a functional defect in the weavers' societies of the day. The societies were mostly credit organisations. They gave only cash loans and left the members to produce and sell goods on their own account and at their own risk. The members could not undertake such risks readily because of fluctuations in the yarn and cloth market. The progress of the societies was slow, the best society not being able to cover more than 15 per cent of the weavers of the locality. In 1934-35 the annual transactions of all the societies amounted to Rs. 5 lakhs only, while the annual production and sale of handloom cloth in the province was estimated at about Rs. 5 crores. The weavers were still faced with serious problems, viz., (a) indebtedness to master-weavers and *sowcars*; (b) difficulty in obtaining yarn at reasonable prices; (c) difficulty in marketing handloom products; (d) low margin of profit and wages; and (e) poor credit-worthiness of the weavers.

### Organisation of the Provincial Weavers' Society

In the circumstances there was some agitation for the reorganisation of the industry and for State-aid in some form urgently. The Government of India earmarked Rs. 5 lakhs per annum for affording State-aid. The Industries Conference of 1934 (Simla) decided in favour of developing handloom weaving on co-operative lines. In Madras, the Madras Handloom Weavers' Provincial Co-operative Society was organised in 1935 for the purpose of developing the industry on commercial lines. Soon, some of the primary weavers' societies, which were functioning merely as credit institutions, took up production and sale of cloth as well. On 30-6-1938, there were 97 societies with 2,453 looms. During the early years, the Provincial Society helped the primaries by giving subsidies and by granting cash credits and loans for the purchase of raw materials and payment of wages to members. The primaries had to buy yarn and dyes at the local market. The Provincial Society had not enough resources to buy yarn in bulk from the mills and supply it to the primaries. It however tried to render some help in marketing goods by opening an emporium in Madras and some depots in the districts. Goods were obtained from the societies for sale on consignment basis. There was much difficulty in disposing of goods, because of poor texture, out-of-date designs and relatively high prices.

### The Movement During the War Period

The early years of the war were a period of much hardship for the weavers. Within a few months after the war broke out, yarn prices began to fluctuate violently, showing an upward trend, while the price of cloth did not rise commensurately. With a view to obviate these difficulties, the Provincial Society entered into forward contracts with some mills for yarn. In 1941-42 it procured and distributed yarn valued at Rs. 5,66,393 to 198 societies having 11,604 looms. It undertook to dye some yarn at its own dye-factories and supply it to the societies at fair prices. It also endeavoured to dispose of the production of the societies by securing orders from Government for the supply of long cloth, etc., to Government departments and mazri and bandage cloth, etc., to the war supply department. Due to war conditions, there was an acute shortage of yarn at home and the foreign markets for Indian cloth were closed. Consequently hundreds of looms had to be idle. With a view to help them the Provincial Society obtained Government sanction and introduced relief schemes. In 1941-42 about 1,000 looms of some ten societies were given some work and financial accommodation.

Meanwhile the Provincial Society was slowly organising its marketing side. In 1941-42 it had 13 emporia and in the next year 26 emporia besides numerous depots. It also enlisted many co-operative stores and merchants as agents. With a view to ensure a regular supply of cloth to the emporia and the agents and also with a view to enable the societies to find ready money for their goods, the Provincial Society started in 1942-43 the system of outright purchase of goods by which the Society paid cash against goods supplied by the primaries at cost of production *plus* 6¼ per cent. This year (1942-43) was specially hard for the weavers as well as the consumers. The Provincial Society reorganised itself with a view to meet the situation. It also undertook to produce handloom standard cloth and sell it at a fair price to the consumers. Over 20,000 looms of 192 societies were switched on for this line of production. During the year the Society received on the whole goods worth over Rs. 13 lakhs and sold goods to the value of Rs. 9.25 lakhs. The closing of the year was not happy for the Society: The Society had bought a very large quantity of yarn and about the end of the year yarn prices fell. Over 2,000 bales of yarn were left with the Society undisposed. Even in respect of cloth, there were huge stocks of handloom standard cloth left unsold due to a general fall in cloth, prices and also the coming of mill-made standard cloth into the market.



The two years that followed were a period of some ease for the weavers' societies. The yarn requirements of the Provincial Society and the primaries were treated as Government demand and the supply was arranged by the Provincial Textile Commissioner. For 1944-45 a district yarn quota scheme was drawn up. The societies were able to obtain some yarn. Coloured yarn was supplied by the Provincial Society to some extent. This Society secured the sole agency for the distribution of hydros so that the consumer might obtain it at a fair price. It also began to expand its production activity by starting some weaving factories and a printing factory. It also obtained as a special case a permit for the export of 10 lakhs of yards of standard cloth to Ceylon. In 1944-45 further progress of the weavers' societies was visible. There were 297 societies with 29,816 looms. They obtained 11,750 bales of yarn and produced goods valued at Rs. 1.69 lakhs and sold goods valued at Rs.1.99 lakhs. Production consisted chiefly of normal varieties like saries and dhoties. The Provincial Society had also fairly brisk business at its 32 emporia and agencies, the sales at the emporia amounting to Rs. 41.6 lakhs. Central godowns were opened for stocking goods. Though export of cloth was restricted, the Society was able to obtain from the Provincial Textile Commissioner a permit to export one lakh of yards of cloth every month from out of its production. This benefited the Provincial Society and the primaries.

### Period of Rapid Expansion

Following the end of the war, the weavers felt some relief and looked for better conditions in the textile sphere. Some bias in favour of co-operative organisation was noticeable everywhere and weavers were eager to join the societies and benefit by their membership, because regular supply of yarn was assured to co-operative weavers. But due to nill strikes, yarn production fell in 1945-46 and the Provincial Societv's indent was reduced from 1,900 bales to 1,300. Yarn had therefore to be rationed out. Due to delays in yarn movements, the weavers were not able to get yarn for more than two weeks' work. Further registration of societies had to be checked. Hence no spectacular expansion was possible in 1945-46. Yet there was some increase in the number of societies and number of looms, about 10,000 more looms having been brought into the co-operative fold. Societies had ready sale for their products. The Provincial Society also expanded its production and marketing activities by starting collective weaving centres, more weaving factories and dye-factories and by opening new emporia and agencies. Large bulk orders were secured for varieties like *lungis* and looms were kept employed to a large extent. Societies were asked to supply 50 per cent of their production to the Provincial Society on out-right purchase basis. The market being brisk, the primaries were rather reluctant to market their goods through the Provincial Society.

Expansion was very rapid during 1946-47. The number of societies and looms rose to 659 and 85,531 respectively. Several factors contributed to this expansion. First, Government lifted the ban on the registration of new societies. Secondly they ordered an increase of 20 per cent in the basic ration to co-operative looms. Thirdly, they enunciated, in December 1946, a policy of bringing as many looms as possible into the co-operative fold.

Though about 1941, it was estimated that there were only 3,40,451 looms in the Madras Province, by 1946-47 the estimate stood at 4,95,943 looms and the co-operative movement covered a fifth of the total loomage in the province. The financial resources of the societies were now stronger than ever before. New features like thrift deposits were also gaining some popularity. The primaries sold their bulk of their production through their depots and the Provincial Society's emporia. The Provincial Society supplied 52,516 bales of yarn to the societies, and itself produced and sold goods worth Rs. 121.74 lakhs and Rs. 120.2 lakhs respectively. In view of the rapid expansion, the Provincial Textile Commissioner made a permanent allotment of yarn from the mills on the basis of the looms in the movement in November 1946 ; and supplementary indents were accepted when additional looms came into the societies. The handloom and dye-factories and the printing section worked as usual and goods were supplied to co-operative



stores, private dealers and consumers direct. The Provincial Society continued to be the sole distributor of hydros and an approved retailer of art-silk in the Province. The Government rejected the request of the merchants to withdraw the monopoly of the Society in respect of hydros.

This policy of expansion continued till December 1947. The weavers' movement made further progress during the year. There were in 1947-48 as many as 893 societies with 1,33,199 looms and a paid up share capital of Rs. 62.20 lakhs and working capital of Rs. 201.90 lakhs. Their production and sale amounted to Rs. 668.10 lakhs and Rs. 814.15 lakhs respectively. They consumed 41,038 bales of yarn during the year.

### The Slump

This policy of expansion received a set-back in the later part of 1947-48. The controls on textiles having been abolished, mill cloth became cheap and the demand for handloom cloth dwindled considerably. Attention was therefore concentrated on consolidating and stabilising the progress already achieved so that the movement might hold its own during a crisis in the textile trade. Supervision over societies was intensified, wage-rates of weavers and the profit margins of societies were reduced. Though production and sale were far higher than in 1946-47, only Rs. 156.28 lakhs was paid as wages during the year. The profit was less and the loss more than in the previous year. Earnest efforts were made to dispose of the accumulating stocks. The Provincial Society appointed three Deputy Registrars as marketing officers to enter into forward contracts with societies for production and regular supply of cloth according to prescribed specifications. There were 59 emporia and 5 central godowns and a number of commission agents to market goods. Emporia were opened in Trivandrum and Colombo also. The Provincial Society also obtained in January 1948 an *ad hoc* export quota of 3,750 bales of handloom cloth for export to foreign countries. Against it a part of the accumulated stocks to the extent of 1,625 bales could be cleared before the end of 1947—48.

In spite of efforts towards consolidation and stabilisation, the condition of the handloom cloth trade deteriorated rapidly ; and for nearly an year and a half following July 1948, the slump continued with increasing intensity. In August 1948 cloth exports to Pakistan were banned. The Provincial Society tried to obtain a special permit to export the balance of the *ad hoc* quota and also to secure a permanent export quota. Though later on export to Pakistan was permitted in pursuance of the Indo-Pak Agreement, no export was possible since there were no import licencees in Pakistan to take the goods. The Business Manager of the Provincial Society visited Burma and Malaya to explore markets there. It was found that export was not possible due to political disturbances there. The Ceylon market also was not accessible since it was flooded with mill cloth. The Society's exports in 1948-49, therefore, amounted only to Rs. 41.78 lakhs and huge stocks of export varieties were held up in the Province. Some efforts were made to tap the Indian market by opening emporia at Calcutta, Hyderabad and Secunderabad. Vigorous efforts were made to improve the sales in the Province. The emporia and central godowns of the Provincial Society were increased to 62 and 8 respectively; and the primaries had 134 depots for disposing of goods. Numerous co-operative stores also undertook to sell handloom cloth. Yet the sales during 1948-49 were less than during the previous years while the production was more. Large stocks of cloth accumulated rapidly.

Several factors contributed to this: First, on account of an abnormal rise in cloth prices, the Government reimposed controls on cloth and yarn and entrusted the sale of mill cloth to co-operatives also. Large stocks of mill cloth flowed into the State and the demand for handloom cloth dwindled. Secondly, plenty of yarn was available for handlooms. The Government entrusted to the Provincial Society the sale of yarn to all the weavers in the State during July to September 1948. About 20,000 bales were supplied monthly, out of which 5,500 were meant for the co-operative looms and the rest for outside looms. The Society distributed the yarn through 63 of its emporia and 44 depots besides 630 primary societies recognised as retail distributors. The Government granted the Society a loan of about Rs. 3 crores for financing the scheme. An additional Government staff was also sanctioned for assistance in this work. In October 1948 the scheme was modified and half the provincial quota was given to the Provincial Society for distribution. This amounted to 9,256 bales—6,351 for the societies and 2,905 for the non-members. The Provincial Society closed some of its retail distribution centres. During 1948-49, 1,49,305 bales were allotted for distribution—67,045 for societies and 82,260 for non-members. Out of them only 1,27,635 bales were lifted. Co-operative weavers found yarn to employ them for no less than three weeks in the month.



Due to the glut in the yarn market and the slump in the cloth trade, several weavers and societies did not buy their quotas of yarn. There were heavy stocks at the mills also. The mills began to sell yarn at prices lower than those of the co-operatives. The latter were greatly handicapped by this reduction; they also had to reduce their prices very much. On 30-9-1949 all weavers' societies had unsold stocks of nearly 15,000 bales of yarn. At the request of the Provincial Society the Government relaxed the controls over the distribution of yarn to traders and consumers in and outside the province without restriction. Still the position was not satisfactory until about the end of December 1949.

The societies cut down prices of their goods even below cost price. They also had to reduce the wages of the weavers considerably. The loss incurred had to be met from the reserves and in some cases from their general funds.

This acute depression threw several weavers out of employment. With a view to give relief to the weavers the Government introduced a relief scheme by which the weavers were to be kept engaged by the offer of work and guaranteed wages. The scheme was first introduced in Salem and extended to 18 more districts and worked for a time. Under it every weaver who joined a society was given an interest-free loan of Rs. 25 towards share capital; and Government guaranteed the repayment of the loans and reimbursement of any business losses incurred by the central banks or societies in working the scheme. Five thousand two hundred and sixty seven members were admitted into the societies under the scheme; Rs. 77,835 was advanced towards share capital, and yarn worth Rs. 8.34 lakhs was distributed to them for producing utility varieties. This was not very encouraging to the weavers because of the low wages offered and the meagre monthly income of about Rs. 17 guaranteed for the family. The scheme has since been wound up in most of the districts.

The position during the post-war expansion and slump is given below:

| | 1945—46 | 1946—47 | 1948—49 | 1949—50 |
|---|---|---|---|---|
| Number of societies ... | 336 | 659 | 953 | 941 |
| Number of looms ... | 39,452 | 85,531 | 1,34,985 | 1,34,653 |
| | Rs. Lakhs | Rs. Lakhs | Rs. Lakhs | Rs. Lakhs |
| Paid up share capital ... | 20 00 | 38.75 | 72.60 | 65.98 |
| Working capital ... | 52.40 | 107.21 | 267.56 | 239.71 |
| Cloth produced ... | 347.69 | 423.91 | 690.49 | 370.38 |
| Cloth sold ... | 373.09 | 456.54 | 704.39 | 489.56 |
| Wages distributed ... | 147.60 | 238.56 | 163.31 | 90.00 |
| Reserve fund ... | 8.76 | 23.31 | — | — |

The slump period was characterised by signs of progress in other directions. First, it was decided to start a co-operative spinnihg mill at Guntakal with 11,000 spindles at a cost of Rs. 30 lakhs, to be found from weavers' co-operatives in the State. The Government would lend Rs. 10 lakhs to the Provincial Society for the purpose. A special committee was constituted to make preliminary arrangements. Secondly, about the end of 1949 the Government of India announced their intention to purchase a third of their requirements in the shape of handloom cloth while the State Government recommended the use of handloom cloth by the local bodies for their employees. It was hoped that it would form the basis for future Government policy. The Madras Government also prohibited sale of mill cloth by the co-operative wholesale stores so that they might concentrate their attention on the sale of handloom cloth. Thirdly, the desire for giving a better finish to handloom cloth was revived with a view to compete with mill cloth and it was proposed to instal calendering, bleaching, printing and dyeing plants at a cost of Rs 5.60 lakhs, with State aid and co operative money. Fourthly, a Handloom Standing Committee in New Delhi and a State Handloom Committee in Madras were constituted to advise Government on the steps to be taken to help the handloom industry in all possible ways. Fifthly, considerable attention was devoted by the Government of Madras to encouraging the formation of *Khadi* societies. Facilities for working the societies within the framework of the Co-operative Societies Act and for giving financial and other assistance were afforded by the issue of the Madras *Khadi* (Development) Order, 1949.

By far the most important feature was the scheme for reservation of varieties. It was felt that the spheres of handloom and mill production should be clearly demarcated so as to eliminate competition between both and facilitate harmonious development of the textile industry. A committee of representatives of textile interests was appointed by Government and it was decided to reserve ten items of cloth comprising saries, dhoties, towels and furnishing fabrics exclusively for the handlooms.

**Present Position**

Before these measures could help the weaver to build up his position, he was again caught in the grip of a yarn famine. From about the third quarter of 1950 scarcity conditions began to prevail in the yarn market. The quota of yarn for Madras fell from about 22,500 bales to about 11,000 bales per month on an average while the number of looms increased from 4,95,943 in 1945 to 8,41,000 in 1950. There was scarcity of mill cloth also. This increased the demand for handloom cloth and rendered the yarn shortage the more acute. The 1,63,000 co-operative looms also suffered from the yarn famine. Instead of 6,400 bales a month, reckoned at 36 per cent of the allotment for the weavers' societies in the State, only 3,300 bales per month were received on an average. This yarn could feed the looms only for ten days in the month. Wages had to be raised resulting in a further rise in the cost of cloth.



The position has slightly improved during recent months, due to reimposition of controls and adoption of other measures by the State. In consequence weavers' societies are able to get about 4,500 bales a month.

At present there are 950 societies with about 1,63,000 looms, of them 925 are affiliated to the Provincial Society with 1,53,580 looms.

Among the primary societies, the Yemmiganur Society (Bellary District) deserves special mention. It is the largest primary society in India with about 1,700 looms. Its annual production is of the value of about Rs. 14 lakhs, the varieties produced being chiefly coatings, shirtings and furnishing fabrics. The society has a dye-house, a calendering machine, a weaving factory and a printing section—all well equipped. It proposes to instal automatic looms and also start a garment factory. It is the first in the country to start a housing scheme for its members. Its weavers are being housed in an excellent colony.

During the decade following the outbreak of war in 1939, the weavers' movement expanded rapidly and built up a fairly sound financial position. But no real or earnest endeavour was made to consolidate their position at every stage and to build up a co operative spirit among the constituents, so that the co-operative weaving industry might be an inspiring force and a decisive factor in directing the handloom trade. The societies and the apex institution, allowed themselves to be drifted away by currents and cross-currents of mill and private weaving interests. The result is that on the eve of the ushering in of the National Plan of Development, the same problems as in 1934-35 stare even the co-operative weaver in his face. The solution of the problems lies chiefly in the following directions:

*Supply of raw materials*: About 10,000 bales of yarn per month are required for all the co-operative looms in the State at about three bundles per loom. Government should make this permanent allotment and direct the mills to supply it at a nominal profit. The Provincial Society should arrange for supply of the proper counts required by a particular society so that the members may not be handicapped and obliged to dispose of the yarn to others who need those counts. Care should be taken to maintain some elasticity in the price of yarn so that the co-operatives also may be able to reduce the prices when the yarn market is down. This will avert a difficult situation like the one in 1949 when the market price of yarn was far lower than the Society's price. The Provincial Society should see that the quality of dyeing does not suffer at the dye-factories as well as the approved dye-houses. The weavers' societies should in course of time have some five or six spinning mills on regional basis so that they may not only reduce the dependence of the co-operative looms on the private mills but also act as a standard for calculating costs and fixing fair prices for yarn.

*Production*: A beginning has just been made by the Provincial Society in respect of standardisation. Production of popular varieties should be strictly standardised like mill goods so that the quality of 'co-optex' goods may be uniform throughout the State. Technical assistance must be made available to the societies and the adoption of good designs and the production of proper varieties from particular counts must be encouraged. This will prevent accumulation of unsaleable varieties. Calendering cloth other than some types of saries and dhoties will help handloom goods to meet mill competition in similar varieties. While the quality is maintained, the cost of production should be reduced by effecting necessary economies so as to enable handloom cloth to compete with mill cloth in price also.

*Marketing*: The internal and external markets shoud be carefully studied by more frequent personal contacts with home and foreign consumers. For instance the Indian Trade Delegation reported recently that there was still a vast market for Indian handloom cloth in South-east Asia if only the producers are able to adjust themselves to "the changing requirements in quality, design and packing". In the home market a keener watch to prevent the accumulation of unsaleable varieties over six months will enable the weavers' societies to have a quicker and larger turnover of goods. The State should also patronise handloom goods by placing bul borders for its requirements with the societies.

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## WEAVERS' SOCIETIES IN BIHAR

*Contributed by*

*The Co-operative Department, Bihar.*

It was in the year 1930 that the first weavers' co-operative society—the Bihar Weavers' Co-operative Society–was registered at Biharshariff, a sub-division of Patna. It started with a membership of 24. In the course of about 8 months, the society manufactured goods worth Rs. 13,000, which yielded a profit of Rs. 2,500. This was encouraging to the Government and it was decided to push on organisation of more such societies in the Province. But till the year 1935 there were only 3 societies with a total membership of 96 and working capital of Rs. 12,856. Their number rose up to 16 in 1945 with a total membership of 563 and working capital of Rs. 52,369. The year 1946 saw a great development in the movement, due to control of yarn; the weavers eagerly joined the organisation for their own benefit.

In the beginning the weavers' societies worked under the guidance of the Industries Department and were supervised by the Demonstration Party, the Weaving Supervisor and *mistry*. They used to give demonstration to the weavers and help them in weaving cloth of different patterns and desings. The Textile Expert under the Industries Department used to visit the societies and arrange for their better working and development. The weavers were given training in manufacturing cloths of artistic designs viz. swan curtain, jehangi curtain and different patterns of Maharathy curtains. It was decided by the Co-operative Department to have their own supervisors for local supervision and writing of the books of the societies.

The Industries department sanctioned a cash credit of Rs. 4,000 to weavers' societies through The Bihar Cottage Industries for supply of yarn to the societies and realised the amount by taking the cloth of different patterns and designs, the indent for which was placed by the Bihar Cottage Industries. The societies used to manufacture dhoties, saries, Ranchi Chadar, plain chadar, curtains, furnishing fabrics, honeycomb towels, Turkish towels, table cloth, napkins etc. These goods were partly exported to England, France, America, New Zealand etc. The societies also supplied gauze, bandage and curtain cloth to the Red Cross and hospitals. Even today they are exporting furnishing fabrics and other materials to foreign countries through the Bihar Cottage Industries, the marketing organisation set up by the Bihar Government. Upto 1949 the weavers' societies were working entirely for the Bihar Cottage Industries. But the terms and conditions of the Bihar Cottage Industries were not such as to arouse much enthusiasm. It used to take a profit of 25 to 40 per cent on goods manufactured by the societies. The weavers were put to great loss as their goods did not find any market during decontrol days. The Bihar Cottage Industries failed to find a market for goods manufactured by the weavers' societies and was able to provide work only for 50 weavers out of a total membership of 8,385 in 1949. Hence it was decided by the Department that only furnishing fabrics should be marketed by the Bihar Cottage Industries and the staple goods by the Co-operative Department through an Assistant Registrar. Since then the huge stocks of finished goods of the societies worth Rs. 10,21,316 and Rs. 6,55,310 in the years 1949 and 1950 respectively, have been marketed by the Co-operative Department.

Control of yarn was imposed by Government in June1946. The Co-operative Department approached the Government for the allotment of a separate quota of yarn to the weavers' societies. In July, 1946 Government was pleased to allot 213 bales of yarn to the weavers' societies. Although they did not get their full quota of yarn, the allotment helped them in organising more societies in the Province. On 31st December 1946 there were 30 registered societies with a total membership of 1,616 ; they produced goods worth Rs. 6,87,128.

Their progress from 1947 to 1949 is given below:

| Year | No. of Societies | Membership | Looms |
|---|---|---|---|
| 1947 | 64 | 4,751 | 6,229 |
| 1949 | 121 | 8,385 | 9,877 |

The working capital of the societies rose to Rs. 4,01,034 in 1949.

The fall in production from Rs. 24,63,580 on 1948 to Rs. 11,50,594 in 1949 was mainly due to the decontrol of yarn and cloth during 1948 and exorbitant increase in the price of yarn. The Bihar Cottage Industries refused to take cloth after decontrol. Huge stock remained in the societies for sale. Much of the goods were sent to Pakistan through the members of the societies for sale. Large expense was incurred in carrying the goods to Pakistan and the members had to stay there for months together to find the market. They were finally obliged to sell their goods at a huge reduction of 25 to 40 per cent. Similar was



the case in the local market. Handloom cloth did not attract people in general in the face of competition of mill-made cloth. The societies sustained, in addition, heavy loss as the dealers appointed by the S.D.Os during control days refused to take delivery of handloom cloth. Members of the societies had to sell their goods in the local market or outside at reduced prices.

In August 1950 yarn was again brought under control and a separate quota for weavers' societies was allotted by Government. An allotment of 395 bales was given to them. The number of weavers' societies in the year 1950 rose to 124, with a total membership of 8,635 and 10,377 looms with a total working capital of Rs. 4,07,543. There are at present 133 weavers' societies in the State. They are getting yarn at 1½ bundles per loom per month, while the weavers outside the co-operative fold are not assured of any supply. But registration of further societies has been recently stopped by Government on grounds of inadequate supervisory staff and scarcity of yarn. But there is great demand for new societies.

Very little financial aid has been forthcoming from Government or the central banks. The Bihar Provincial Handloom Weavers' Co-operative Union, which was registered in May 1948 to improve the conditions of the affiliated societies, has not been able to offer any material help to the societies. The Provincial Union, which was established for the cause of the weavers of the province, has not fully exerted itself, for lack of funds, either in the supply of yarn or in marketing the goods of societies.

## REVIEWS

LAND MORTGAGE BANKS (*Agricultural Credit Department, Reserve Bank of India, Bombay I*) pp. 77; Re. 1.

This recent bulletin on 'Land Mortgage Banks' is an illuminating account of the working of land credit institutions in foreign countries and in India. For workers in the long-term credit movement in India this will be a highly useful bulletin. They would find compressed in a few pages an account of the practices of long-term credit institutions in different countries in regard to the methods adopted for raising finance and dispensing credit to agriculturists on the security of their land.

Land mortgage banking has been developed mostly on co-operative lines in all agricultural countries of the world. In India, we have no joint stock land mortgage institutions except in the State of Travancore-Cochin. In all other parts of the country land mortgage banks of the co-operative type alone have been developed with varying success.

In our country land mortgage banking has been developed mostly in Madras State. Land mortgage banks have been established in Bombay Madhya Pradesh, Cochin, Baroda, Orissa and Mysore. But the progress in these States has not been as rapid as in Madras. Madras has come to occupy a place of pride in this sphere, because from the beginning the Provincial Government has taken up this problem as an urgent one requiring solution and dealt with it in a sympathetic manner and decided even at the early stages to extend guarantees to the debentures issued, to provide the necessary valuation staff at their cost and instruct other departments of the Government to deal with the requests from the land mortgage banks in a sympathetic and helpful manner and granting other concessions to lighten the burden of the agriculturist borrower. In the early stages, semi-governmental institutions like local bodies were instructed to deposit their funds in the debentures. Thus the Government has aided in all ways to make the movement a success. The movement was further fortunate in having at its helm of affairs public men of standing. If today land mortgage banks in Madras are able to issue loans at $5\frac{1}{4}$ per cent to the agriculturists, credit is not a little due to the Madras Government and its officers who have made such a cheap rate possible.

Other States in the Indian Union have copied the Madras model largely; but for some reason or other their development has not been so striking. The Reserve Bank of India would help the country a great deal if they investigate and ascertain the reasons for this slow development.

There are problems like the methods of valuation adopted. In other countries, for example in Germany, land is valued on the basis of assessment; in the United States the National Farm Associations (corresponding to our primary land mortgage banks) and Federal Land Bank (corresponding to our Central Land Mortgage Banks) adopted what is known



as normal farm values as the basis for the issue of loans. The normal farm value is arrived at by taking into account a number of factors including the location of the farm, the crops grown, the fertility of the soil and the value that it would fetch under normal conditions by averaging several factors in several years. Thus in the U. S. A. during the depression period the farms were valued at rates higher than the market values and loans upto 65 per cent of the value issued. During the war and post-war years the value of lands has risen high but the land credit organisation stuck to its normal value and thus helped to some extent in putting down inflation of land values.

The land mortgage bank movement in our country started in the depression period and is passing through a boom period. Valuation of lands (in Madras) is at present based on sales statistics of pre-war years plus 25 per cent, provided it is not more than the average of the pre-war and post-war value. This conservative valuation has, of course helped the land mortgage banks in obtaining first class security. How far it has helped in giving the necessary monetary assistance to agriculturists who wish to improve the lands has to be investigated.

As land mortgage banking gains momentum in other States and the transactions increase, there will be need to raise several crores of rupees by means of debentures guaranteed by the respective State Governments. We are now at the beginning of an era of dear money rates. If there is competition between these banks in the market for raising debentures it will end in an unhealthy way and it will become necessary to raise interest rates to the detriment of the agriculturists. As there is no apex institution in India like the Federal Farm Mortgage Corporation of the United States of America, there is need for the Reserve Bank of India to co-ordinate the activities of the several central land mortgage banks in the country.

When the Reserve Bank of India bill was on the anvil of the Indian Legislative Assembly the nationalist members had to fight every inch of ground to get the necessary provisions relating to the establishment of an Agricultural Credit Department incorporated in the Act. But events have proved that it is not merely from the legislative provisions that the agriculturists can secure what they desired. It is the way in which the provisions are interpreted that either conferrs or denies material help. So long as we had an alien Government the functions of the Agricultural Credit Department of the Reserve Bank were intepreted in a very narrow sense denying practical help but tendering only academic advice to the co-operative movement. Since the establishment of the national government a great change has come over, and the Agricultural Credit Department has been not only tendering valuable advice but also rendering effective and substantial monetary assistance to the co operative institutions throughout the country and through them to the agriculturists. The Reserve Bank is advising the central land mortgage banks in the country on the opportune time to float the debentures, the rate of interest that may be offered, etc. Further it subscribes upto 20 per cent of the debentures issued by central land mortgage banks in each issue. It would be more helpful if a separate land mortgage department were organised in the Reserve Bank, somewhat on the lines of the land mortgage department of the Commonwealth Bank of Australia, where the the problems relating to the long-term credit can be studied and timely action taken by them. Perhaps it would, with advantage, help in the management of the sinking fund investments of these banks. It is understood that the Reserve Bank has an arrangement with the Industrial Finance Corporation to take over Government Securities held by them at cost price or market value, whichever is higher. Similar arrangements with central land mortgage banks would help in relieving these banks of the burden of depreciation in the value of Government Securities held by these banks in the sinking fund accounts.

The Reserve Bank has been advancing large sums, in recent years, to the short-term credit movement for agricultural production purposes at nominal rates of interest. Improvement of land and reducing the interest burden to the agriculturists are at least equally important. The Reserve Bank should extend this concessional rate to land mortgage banks and help in the rehabilitation of agriculture.

We are sure this bulletin will be read with interest by all co-operators and others interested in the welfare of the agriculturists.

MULTIPURPOSE CO-OPERATIVE SOCIETIES (*Telugu*) *By N. Satyanarayana, (The Alamuru Co-operative Rural Bank, Ltd., Alamuru, East Godavary District)* pp. 453 Rs. 10.

Sri N. Satyanarayana is a well-known co-operator of Andhra Desa. He is one of our few workers who lay great emphasis on the educative side of co-operation. As an indefatigable worker in Co operation in rural parts Sri Satyanarayana has few rivals. Soon after the establishment of the Congress Government in Madras in 1937, the Government considered how best the constructive programme of Mahatma Gandhi could be given effect to and reconstruction of villages made possible. It was considered desirable that full advantage should be taken of the co-operative movement in pushing through the constructive programme. Village credit societies which were suffering from the onslaughts of depression were in many places moribund and new life could not easily be put into them. Some of the co-operators believed that the village co-operatives would function well only when they could attract capital from men of the villages and lend to the needy at low rates of interest. This, they said, would tend to better management of societies, as the peasants who had invested their moneys in the societies would take great care to see that loans were issued only to creditworthy persons, who would be business-like, utilise money for productive purposes and repay their loans regularly. Some co-operators feared that it would not be possible to think of local deposits so long as the



unlimited liability continued because people with property would not like to be made responsible for debts incurred by weak borrowers. Another point stressed was that unless the society attended to more than one aspect of villagers' life it could not bring about the desired change in the outlook of the members. For this purpose they considered that the society should not be a mere credit society but a multipurpose society catering to all the economic needs of members. Sri Satyanarayana as an enthusiastic worker in the field of co-operation, undertook the organisation of a multipurpose society to serve a group of 12 villages with Alamuru as the centre. The Alamuru Co-operative Rural Bank was registered as a multipurpose co-operative society on 1-2-1938 based on limited liability. This society has been successfully functioning all these years.

Sri Satyanarayana has divided his book into two parts; the first part containing 15 chapters deals with the co-operative movement and its working in the Madras State in general. He has made use of his knowledge of the working of co-operative societies in other countries and compared the working of our societies with that of societies elsewhere. The philosophy of co-operation has been explained at length and its translation into practice studied at close quarters. By stages he brings the reader to appreciate the value of a multipurpose society in every village, if the economic conditions of the villagers should be improved and the new way of life opened up to the peasants. The second part of the book deals with the actual working of co-operation in the villages round about Alamuru from the year 1918. The financial morass into which some of the societies fell during the depression period, in spite of the very small transactions that they were able to push through in those days is explained. The formation and the working of the Alamuru Co-operative Rural Bank and the way in which the bank has been able to tackle the economic problems of the villagers are lucidly explained.

The Alamuru Co-operative Rural Bank has from the beginning laid emphasis on deposits from members as well as non members. It insists that every member should effect some saving and deposit in the bank. Agricultural labourers, peasants and small artisans are encouraged to put in short-term deposits. The bank has attracted deposits to the extent of Rs. 5 lakhs and its total transactions amount to Rs. 10 lakhs. Thus the society is obliged to borrow from the Central Bank only about Rs. 5 lakhs. The society finding fifty per cent of its needs by way of deposits is not a common feature in our co-operative movement. Sri Satyanarayana, its President, and the directors of the Bank deserve the hearty congratulations on this achievement. It caters not only to the credit needs of the members but also to their other needs. It has rice and cloth depots. The Bank takes leases of lanka lands on behalf of its members; leases them out to its labourer members, who otherwise could not hope to offer necessary security to the Government and take lanka lands on lease. Lease income is recovered at the time of harvest and dues are promptly paid to the Government.

Agricultural labourers, who require loans for maintaining themselves during the off-season are given loans in kind *i.e.*, in grain and other necessary supplies. They are also given the minimum clothing required. The grain and the cost of the cloth supplied is recovered in kind in the harvest season so that the labourer can have the minimum need from the society and punctually pays all the dues when he is in a position to pay. The Bank is also issuing loans on gold and other valuables and on the security of land. Another special feature of this Bank is that it helps joint cultivation by supplying members with agricultural implements etc. The Bank is running a reading room and a library and takes great interest in spreading co-operative education. The book has been written in lucid Telugu, which can be easily understood by all people. We have no doubt that it would be found useful by co-operative workers of all grades.

M.D.

SUNHALA SANSAR (*Hindi*)--*By Gowrishankar S. Bharatiya* (*Nava Prabhat Prakashan Mandir, Keymore, Madhya Pradesh*) pp. 116; Re. 1.

Literature on co-operation in our regional languages is scarce. The Regional Federations publish only periodicals in regional languages. There are only a few books or booklets dealing with co-operation. If our villagers should correctly understand and practise the principles of co-operation, books—preferably those telling the principles of co-operation through interesting and appealing stories—will have to be published and distributed in large numbers in all our regional languages.

This book in Hindi from the pen of that devout student of co-operation, Sri G. S. Bharatiya, is a very welcome addition to the meagre stock of such books.

It tells in simple Hindi, the story of the Rochdale pioneers. The effects of the factory system on the lives of the labour class in Lancashire, the pioneer attempts and experiments in Trade Unionism and the causes of its failure, the birth of the idea of a co-operative store, the opening of the Pioneers Equitable Society by the poor weavers of Rochdale, the difficulties encountered by the stores, its remarkable progress, the importance of the 'divi' on purchase principle and how the unconscious savings are useful to various people, the attempts of the Rochdale society in the field of production and wholesaling and the starting of the co-operative Wholsale are told in the form of a connected story, mostly in direct speech as a narrative of the personal experiences of varous persons. So even though the reader goes through the book very rapidly the principles of consumers' co-operation are thoroughly imprinted in his mind.

Our Provincial Co-operative Unions ought to have published dozens of such books in the first few years of their existence. It is a deplorable fact that they are not doing so even now. Sri Bharatiya and the Nava Prabhat Prakashan Mandir deserve to be congratulated by every co-operator for their commendable attempt and we hope that scores of such books will ere long be published in all the regional languages of our country. S.V.S.



CO-OPERATIVE PROBLEMS IN INDIA—*By Mahesh Chand* (*Premier Publishing Co., Fountain, Delhi*) pp. 192; Rs. 4.

This book is a collection of essays on Co-operation contributed by Prof. Mahesh Chand from time to time to periodicals. Naturally they do not by themselves form a full and co-ordinated treatment of the subject. The book lacks unity and continuity. There is little that may be called original. The author claims to have drawn inspiration from Worley's *Social Philosophy of Co-operation*, but he gives no idea of this book or of the principles of the co-operative movement. Even his attempt at a definition of co-operation is not a success. It contains indefinite expressions such as "which may be backed by Government support". One wonders whether the author considers Government support such a cardinal principle of co-operation as to find a place in the definition.

The author thanks the eminent Dr. J. P. Warbasse, Emerctus President of the Co-operative League, U.S.A., for a foreword to his book But we find no foreword in the copy of the book received by us.

Though the book lacks unity there is an attempt to study comprehensively the working of the different types of co-operative societies. Only we find little that is stimulating. There are too many printer's devils for a book of this size. The language is often involved and obscure. N. S. M.

## ACKNOWLEDGMENTS

### BOOKS

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# CO-OPERATIVE CONFERENCES AND MEETINGS

## THE VIII BOMBAY STATE CO-OPERATIVE BANKS' CONFERENCE

**Held at Bombay on 22nd June 1951.**

### Extracts from

### The Inaugural address by Sri B. Rama Rao, Governor of the Reserve Bank of India.

We are on the eve of great industrial and agricultural developments in this country. Colossal schemes such as the Damodar Valley Project are in the process of execution, and it has been announced that a five year plan for the country, drawn up by the Planning Commission, will shortly be published. The Government, however, can themselves undertake production only in a very limited sphere. In the non-governmental sector, which covers the far greater part of the Indian economy, their primary function will be to create conditions under which private enterprise and initiative can have full scope. The Government may direct, encourage and assist in every possible way development in this sector with a view to raising the standard of living of the masses, but ultimately the pace of progress will largely be determined by the measure of response from the general population, by their enthusiasm for development and their capacity for corporate endeavour. Rapid development demands immediate sacrifices for the sake of the future generation, and unless we can rouse the enthusiasm of the people of the country and make them feel that they are individually playing an active role in the scheme of development, progress, especially under a democractic constitution, must necessarily be slow. In the great effort to improve the condition of the masses by rapid agricultural and industrial development, the co-operative movement must necessarily play a vital and important part. In every co-ordinated scheme of development for the welfare of the masses, the co-operative organisation must claim its appropriate place. I hope you will all consider how you can assist in a practical manner in the execution of any national plan to build up a new India worthy of her past.

I will deal mainly with one question :

What can the Reserve Bank do to provide adequate credit facilities through the co-operative organisation and otherwise and assist generally in agricultural and industrial development in the semi-urban and rural areas ?

The Indian Legislature has always emphasised the urgency of the problems relating to agricultural credit in India and has urged the Government as well as the Reserve Bank to give constant attention to the question. As many of you are aware, when the Reserve Bank of India Act was passed in 1934, a provision was inserted requiring the Bank to submit to the Government within three years proposals for the improvement of the machinery for dealing with agricultural finance and for an effective liaison between agricultural enterprise and the operations of the Bank. The Report



required by the statute was submitted about the end of 1937. It pointed out certain fundamental difficulties in regard to agricultural finance. These have been emphasised subsequently by various Committees and economists who have investigated the problem of rural finance. In India the vast majority of the agricultural population consists of small cultivators, a large proportion of whom are part-time labourers. With them agriculture is not so much a profession as a mode of living. They have no substantial assets which can serve as security. In fact, agriculture as carried on by this class, is not remunerative according to ordinary commercial standards. Even if the value of their labour is excluded, their profits are uncertain. This uncertainty has resulted in the creation of a psychology of living for them, so that even when large gains are made in certain years, the general tendency is to use them up rather than to make provision for the future or to utilise them for productive purposes. The Report emphasised that the question of agricultural finance is closely linked up with the question of the improvement of agricultures Before credit can become freely available to the farmer, he must be made creditworthy. The agency most suitable for supplying finance in agriculture must have an educative as well as a purely business side. It should not only lend money, but should also supervise the use of credit and see that the farmer employs the funds for improving production and making the business of agriculture more profitable. The Report concludes that the agency which satisfies the requisite conditions for agricultural finance is the co-operative society, and it has been so recognised in almost all agricultural countries.

The Reserve Bank has, from its very inception, taken a keen interest in the development of co-operative credit. Progress was necessarily held up during the war years, but advances under the Reserve Bank of India Act at the concessional rate of 1½ per cent have been made on an increasingly generous scale since the termination of hostilities. The amount advances rose from Rs. 1½ lakhs in 1946-47 to Rs. 17 lakhs in 1947-48, to Rs. 103 lakhs in 1948-49, to Rs. 271 lakhs in 1949-50, and to Rs 510 lakhs in the first 9 months of 1950-51. The total credit sanctioned in the current year is Rs. 740 lakhs and it is likely that the balance will be drawn before the close of the year. The Reserve Bank has also raised its subscription to the debentures of the Madras and Bombay Co-operative Land Mortgage Banks from 10 per cent to 20 per cent.

Apart from a more liberal use of the provisions of the Act, the Reserve Bank has taken the initiative in the formulation of a forward policy in regard to rural finance. At its suggestion a Committee was appointed by the Government to enquire into the question of the extension of banking facilities in semi-urban and rural areas. The Committee under the Chairmanship of Sir Purshotamdas Thakurdas has produced a most valuable report.

The special place occupied by the co-operative organisation and machinery in the mobilization of rural finance and disbursement of rural credit has, as you are aware, been fully recognised by the Committees While recommending certain remittance and other facilities for all banks, co-operative and commercial, with a view to encouraging the extension of banking in general, the Committee has in addition not only envisaged certain special types of assistance to co-operative banks, such as cheaper remittance through post offices, but also emphasised the appropriateness of co-operation being subsidised, within certain limits, from the public exchequer, in the interests of the extension of rural banking. Action is in progress for the early introduction of the facilities recommended by the Committee. Perhaps I should mention here that one of the suggestions which the Committee had before it, but which, for adequate reasons, it found itself unable to endorse, either in respect of commercial or co-operative banks, was the entrusting of treasury work to these institutions as a means of inducement for the expansion of credit facilities. A detailed analysis of the implications of the suggestion led the Committee to the conclusion that such a transfer would carry with it some prestige but also much responsibility and little or no financial benefit. Besides, there were other pertinent reasons, some applicable to commercial banks and some to co-operative banks, which weighed with the Committee against acceptance of the proposal. Of various other matters noticed by the Committee in the context of co-operative banking, an important item was the close, more constructive and increasingly fruitful association between the Reserve Bank and the banking structure of co-operation. The Committee observed:—

"We have emphasized..........................the need for co-operative banks and societies devoting greater attention than in the past to the promotion of thrift and collection of savings in order to obtain larger financial resources for their operations. This will not, however, make them self-sufficient, and they will continue to require considerable financial support from outside. The obvious agency from which this assistance must be forthcoming is the Reserve Bank, and in this connection, we are glad to note that the Bank has of late shown greater willingness to provide financial accommodation to the provincial co-operative and central co-operative banks for financing seasonal agricultural operations, or the marketing of produce, and this finance has been offered at a specially low rate of interest of $1\frac{1}{2}$ per cent. While some use is being made of this facility, we consider that such assistance could be taken advantage of to an increasing extent by co operative banks. The terms and conditions stipulated by the Reserve Bank for such finance, we are convinced, are reasonable, and do not create any serious difficulties for sound co-operative banks. We support the proposal that the period for which facilities for the discounting of bills are available with the Reserve Bank should be extended from 9 to 12 months, and we are glad to learn that steps are being taken to implement this. Greater assistance from the eRserve Bank naturally presupposes closer contact between the Reserve Bank and the Provincial co-operative banks and suggests the necessity for keeping the Reserve Bank more closely informed of the inner working of the co-operative banks and enabling it to place its advice and guidance more effectively at the disposal of such banks".



We recently convened a conference of experts on rural and agricultural finance under the chairmanship of Professor D. R. Gadgil of Poona, with a view to reviewing the role of the Reserve Bank in the sphere of rural finance. This conference considered the question of short-term, medium-term and long-term finance for agriculture, the establishment of effective liaison between co-operative banks and the Reserve Bank, extension of rural credit in regions which are co-operatively less developed, a survey of rural credit, the role of indigenous banks in the sphers of rural finance and other relevant questions. The conclusions that emerged from the deliberations of the conference have been of great value. They have clarified our views and made it possible for us to formulate proposals for the development of credit facilities in rural areas. I will indicate to you, very briefly, the action that has already been taken on the recommendations of the Committee.

(*a*) We have accepted the recommendation that a small standing advisory committee, which would be an expert rather than a representative body, should be associated by the Reserve Bank with the working of its Agricultural Credit Department. These experts will be drawn from all parts of the country. The committee will meet periodically, review the results achieved and make recommendations as to future policy. This Committee will begin to function soon.

(*b*) On the suggestion of the expert committee, the Reserve Bank is considering the question of a factual enquiry into the actual conditions prevailing in India in respect of rural finance. Recent reports, such as those of the Gadgil Committee, the Co-operative Planning (Saraiya) Committee, and the Nanavati Committee were concerned more with questions of policy and principle than with a survey of conditions. Apart from this, several economic, legislative and political changes, for instance the abolition of Zamindari tenure in certain States, the very high price of agricultural produce etc., have modified appreciably the picture of rural credit and of the distribution of purchasing power in the rural areas. The committee, therefore, suggested a comprehensive survey for the purpose of evolving a long-term policy. Such a survey, in the Committee's view, should include all strata of the rural population and cover problems of capital formation in the rural areas as well as the credit requirements of the economic and indigent farmers. It will necessarily have to be in the nature of a sample survey.

(*c*) Some of the proposals made or endorsed by the Committee have already been embodied in the recent amendment of the Reserve Bank of India Amendment Act, as for instance—

(i) making co-operative banks' paper eligible for re-discount under Section 17 (2) (a); and

(ii) alteration of the period of accommodation for seasonal agricultural operations and marketing of crops from 9 months to a maximum of 15 months.

(*d*) The Committee have also made proposals:—

(i) widening the interpretation of "seasonal agricultural operations and marketing of crops" so as to inculde mixed farming activities and the processing of crops by agriculturists or their organisations;

(ii) providing for advances to co-operative banks for financing the production and marketing activities of cottage and small-scale industries; and

(iii) making medium-term finance available to co-operative banks.

These recommendations have been examined by the Board of the Reserve Bank sympathetically and their views have been communicated to the Government of India.

I do not wish to dwell at length on the other recommendations of the Committee, a summary of which has already appeared in the press. I hope I have given you sufficient facts to indicate that the whole problem of rural finance, including co-operative credit, is receiving the concentrated attention of the Reserve Bank.

We decided last year to create a separate department for the development of banking facilities both in rural and urban areas. The Department is in charge of a specially selected Executive Director. Along with one or two other officials, who have specialised in agricultural finance, he will soon visit many of the capitals of States and discuss and initiate measures with, of course, the assistance of the State Governments concerned for the establishment of apex banks in the States where no such institutions have so far been organised and to revive them in the States where they have remained dormant or inactive.

They, however, as I have indicated in my earlier remarks, are of a formidable character, and progress in this sphere must necessarily be slow. I can, however, give you the assurance that we shall do all we can to help the co-operative movement, which I believe and hope will play a great part in building up the economy of our country.

## Extracts from
## The Presidential Address by Sri R. G. Saraiya, O.B.E., President, Bombay Provincial Co-operative Bank, Ltd.

### HISTORY OF THE CO-OPERATIVE BANKS' ASSOCIATION

Although this Conference is now being convened by the Bombay Co-operative Banks' Association, the Association itself came into being as a result of a resolution of the fourth session of the Conference of Co-operative Banks held in the year 1938. At that Conference a resolution was adopted approving the formation of a co-ordinating agency for both the central and urban banks for the purpose of promoting unification



in financial matters and for considering problems of common interest. In October 1939 the Association commenced functioning with 10 central financing agencies and 23 urban banks as members. During the last 12 years of its existence, the most prominent feature of the working of the Association has been the willing and cordial co-operation it has uniformly received from the Government of Bombay, and particularly from successive Registrars of Co-operative Societies. In all major issues of co-operative financial policy the Bombay Government have consulted the Bombay Co-operative Banks' Association and have accepted a majority of its recommendations. The success of the Association in this regard would not have been possible without the cordial co-operation of its own members and other co-operative banks, all of whom have always been ready to supply information and also their views promptly. Co-operative banks have also been generally willing to act on the suggestions and advice tendered by the Association. At the end of the year 1950 the total membership of the Association was 103, of which 18 were central financing agencies and 85 were urban banks.

### RESOURCES OF CO-OPERATIVE BANKS

There are 17 district central co-operative banks and 6 banking unions in the State of Bombay discharging the functions of central financing agencies for the movement in their respective areas of operation. In addition there are 3 industrial co-operative banks whose main function is to finance industrial co-operatives. The Bombay Provincial Co-operative Bank serves as a central financing agency complete in 10 revenue districts and in parts of 7 other revenue districts. In addition it serves as the apex bank or Co-operative "Bankers' Bank" for the whole State and a financial balancing centre for the whole co-operative movement. At the end of the last financial year on 30th June 1950 its owned resources amounted to Rs. 81 lakhs, its total working capital on that date being over Rs. 10 crores. The 23 central financing agencies including banking unions, but excluding the Provincial Bank and three Industrial Co-operative Banks, had owned resources of Rs. 1.41 crores and total working capital of Rs. 12.41 crores. In addition to the above, there were approximately 131 urban banks functioning in the city of Bombay and mofussil towns (many of which possess no other banking facilities), with total owned resources of Rs. 2.18 crores, borrowed resources of Rs. 10.95 crores and working capital of Rs. 13.61 crores. Including the Bombay Provincial Co-operative Bank the total owned resources of all central financing agencies and urban banks on the 30th June 1950 were Rs. 4.44 crores, their total borrowed resources were Rs. 29.98 crores and their total working capital was Rs. 36 55 crores. Let us see how far these resources are adequate to meet the demands on the co- operative movement.

### OBLIGATIONS OF CO-OPERATIVE BANKS—AGRICULTURAL CREDIT

The most important obligation which the co-operative banks in the State of Bombay have undertaken is the scheme for an integrated

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system of providing agricultural finance to creditworthy agriculturists in the State of Bombay. With the passing of legislation for the regulation of money-lending and relief of indebtedness in the shape of the Moneylenders' Act and the Bombay Agricultural Debtors' Relief Act, it became increasingly evident that an institutional agency was necessary to assume the responsibility of providing finance to creditworthy agriculturist borrowers. The Gadgil Committee appointed by the Government of India in 1944 recommended the establishment of an Agricultural Credit Corporation for each State. It further recommended that, where the co operative movement was sufficiently developed, the best agency for the provision of such credit would be the co-operative agency with such State assistance as may be found necessary. The co-operators of the Bombay State, and particularly this Association, felt that in Bombay the co operative credit structure was sufficiently developed to assume this responsibility, provided the same type of assistance and State aid, which was envisaged for the Agricultural Credit Corporations, was made available to the co operative movement. The Government of Bombay shared this view and appointed a Committee under the Chairmanship of Sir Manilal Nanavati in 1947 to work out the details of State-aid and the reorganisation of the co-operative credit structure which would be necessary to enable the co-operative banks to assume this responsibility. In the light of the decisions of the Government of Bombay on the recommendation of this Committee, the Board of Directors of the Provincial Bank was reconstituted so as to provide representation to all central financing agencies and other co-operative interests and for three nominees of the Government of Bombay. The central financing agencies also revised their bye-laws in order to enable them to function as part of the integrated financial system of the Province. The State Government, on their part, agreed on certain conditions to contribute to the share capital of the Bombay Provincial Co-operative Bank and also of the central financing agencies. They also agreed to assist in subsidising uneconomic branches of central financing agencies and to provide some help to primary societies in order to enable them to lend to the ultimate borrower at 6¼ per cent. The Government of Bombay, however, did not accept the recommendation of the Nanavati Committee to create an Agricultural Credit Stabilisation Fund, which would be useful as a shock absorber to the movement in times of crisis such as floods, famine or an economic depression.

### DIFFERENT TYPES OF AGRICULTURAL CREDIT TO BE FINANCED

The responsibility assumed by the central financing agencies in for providing credit to all creditworthy agriculturists is enormous and can only be fulfilled with adequate assistance from the State Government and the Reserve Bank. Apart from short-term production credit, the central financing agencies have to provide medium-term credit for the agriculturists for purchase of bullocks, agricultural implements, etc., and the Land Mortgage Bank has to provide long-term credit for the redemption of debt for or improvement of land. Besides, the central financing agencies have to provide "marketing credit" to the purchase and sale unions or marketing societies to enable the produce of the agriculturists to be marketed in an orderly way and to maintain a proper link between credit, production and marketing. The co-operative banks are also financing the marketing of agricultural produce with individuals in a large number of small places, particularly where commercial banks are not available.



### VARIED CO-OPERATIVE ACTIVITIES FINANCED

The Government of Bombay have selected co-operative institutions as the best medium for the wholesale and retail distribution of cloth and yarn under control. In the year 1948 approximately 6 crores of rupees of co-operative banks, equal to nearly ¼th of their combined resources, were required for financing only this one operation. Co-operative banks are called upon to finance the distribution of iron and steel, sugar, agricultural implements, fertilisers, jaggery and other articles of daily consumption. Recently there has been formed, under the active lead of the Hon'ble Minister for Civil Supplies, the Bombay State Consumers' Co-operative Society, which appears to combine the functions of a wholesale distributor and a chain store. It naturally looks to the co-operative banks for financial accommodation. Collection of milk from producing centres for despatch to Bombay City through co-operative agencies has brought into existence a Milk Co-operative Union in Anand which also needs funds from co-operative banks for its operation. The Bombay Provincial Co operative Bank is also financing, through the Sir Lalubhai Samaldas Co-operative Bank; the producers of milk at the Aarey Colony for the purchase of buffaloes.

Another direction in which co-operative finance was recently required on a large scale was in the establishment and running of a large sugar factory at Loni on a co-operative basis. The allotment by Government of forest coupes for exploitation by co-operative societies of forest labourers has encouraged the formation of several societies during the past year. These have been financed by the co-operative banks on the strength of Government guarantee of a margin of 40 per cent. Co-operative banks are also called upon to finance societies of salt producers and fishermen. The latter have been organised for various purposes which include the purchase of fishing boats, nets and other fishing tackle, fish preservation, transport and distribution. Among the new industrial societies I may mention those oil-crushers and leather-curers. Besides, there are the weavers' societies which require large amounts of funds for the purchase and distribution of yarn. Even the salary-earners' societies, which so far were self-sufficient, are now coming to the co-operative banks for financial accommodation, presumably as a result of the increasing cost of living, the effect of which has been that the savings invested in these societies are not adequate to meet the financial requirements of their members. Housing societies have also come in for short-term financial accommodation from the co-operative banks, for the purchase of material and equipment, pending their receivinge instalments of Government loans, although the provision of long-retm finance for housing is not the function of the central financing agencies. The Bombay Provincial Co-operative Land Mortgage Bank recently. modified its bye-laws to enable it to finance housing societies to a very moderate extent. The urban co-operative banks cater to the needs of the small trades and of the middle classes not only in Bombay City but in other cities and a large number of small towns in the mofussil. The above list of co-operative activities which necessitate financial accommodation from the co-operative banks is by no means exhaustive but only illustrates the expanding scope of activities which have resulted in the phenomenon of the resources of the co-operative movement being not adequate for all the demands made upon it.

### CENTRAL FINANCING AGENCIES FINANCING AGRICULTURE TO THE SAFE LIMIT

It may be realised that the responsibility assumed by the co-operative movement in connection with the provision of agricultural credit it indeed onerous and can only be successfully fulfilled by its own untiring efforts, guided and assisted by the provision of finance from both the Reserve Bank of India and the Government of Bombay. While the resources of the co-operative movement invested in agricultural finance as the time when the Nanavati Committee reported were comparatively small, the demand for agricultural finance has now increased to a very large extent. The Agricultural Credit Organisation Committee had in 1947 estimated the requirements of the Bombay State for agricultural loans from co-operative sources at Rs. 10 crores after a period of 5 years. With the expansion of the limits of the State of Bombay with the addition to it of some areas from former Indian States, the estimate would have to be raised to, say, Rs. 12 crores. Taking into account the increase in prices of agricultural produce and the cost of living generally, this figure should be raised still further. The lendings of central financing agencies for agriculture and marketing, have already reached Rs. 6.76 crores in December 1950, and this figure is likely to increase to over Rs. 9 crores at the close of the current season. Total advances made by central financing agencies already exceed Rs. 11 crores. The result is that in many of the central financing agencies the limit of their capacity to make advances has been reached, and in some cases already exceeded. Even in the case of the Apex Bank the total advances have reached the upper limit of what may be called safe limit for lendings.

### NEED FOR INCREASING THEIR RESOURCES

The main problem, therefore, which faces the co-operative banks at present is one of increasing their financial resources—in other words, both their share capital and their deposits. It is true that in course of time the advances to agriculturists utilised for "productive" purposes will themselves build up the deposits with the co operative movement and it may be expected that a self-reliant structure will be evolved. But at the present moment there is every sign that the demand for agricultural finance will far exceed the resources of the co-operative movement, and to enable the co-operative movement to shoulder the onerous responsibility in this connection it will be necessary for the State of Bombay as well as the Reserve Bank of India to come to its assistance. This point was brought to the notice of the Hon'ble Finance Minister of the Bombay State in a deputation which waited on him on 13th August 1948. The leader of the deputation mentioned to Sri V. L. Mehta that "after all, the accommodation which the co-operative banks could give was limited by the funds available with them so that if Government assurance for working funds at case of need was not coming, their undertaking to finance creditworthy agriculturists would be modified and restricted to the extent of the resources available to them, only a part of which according to sound banking principles could be used for agricultural finance". The Hon'ble Minister replied that "provision of finance to all creditworthy agriculturists was the accepted policy of the Government and by subscribing to share capital of co-operative banks, Government were assuming part of the responsibility for the supply of funds and their sound and efficient management. If in spite of sound and efficient management co-operative banks find themselves in future in need of an extension of Government assistance, Government would no doubt consider on merits their request for either further subscription to shares or for working funds".



### GOVERNMENT ASSISTANCE REQUIRED IN THE SHAPE OF WORKING FUND

The time has now come for the co-operative banking structure in the State of Bombay to look for assistance either from the Government of Bombay or from the Government of India. While the Reserve Bank of India can certainly be useful in the matter of augmenting the resources of the co-operative movement, it must be acknowledged that any assistance from the Reserve Bank would be relative, in the sense that it will be governed by the resources of the movement itself. I shall deal later with the further assistance which can be reasonably claimed from the Reserve Bank of India, but I must say that it was the primary responsibility of the Government to provide the necessary funds as the provision of credit to all creditworthy agriculturists was part of the accepted State policy. Government would, no doubt, have been obliged to make arrangements for the necessary funds to enable the State-sponsored Agricultural Credit Corporation to discharge its functions. In the same way, it will be necessary for the Government of Bombay to put at the disposal of the co-operative movement, through the Bombay Provincial Co-operative Bank, sufficient resources to enable the central financing agencies to discharge their functions. A beginning can be made by the State Government depositing with the central financing agencies the amount of margin guaranteed by them in respect of loans which co-operative banks are called upon to make in industrial co-operative societies, forest labourers' societies, etc. Further. I would not rule out the necessity of outright assistance in the shape of working funds deposited either by the Central or by the State Government to enable the co-operative banks to discharge their duties in connection with creditworthy agriculturist borrowers. Otherwise one will be faced with the simple arithmetic that a bank cannot advance the money it does not possess. In fact a sound bank can only advance a portion of its deposits.

### RESERVE BANK ASSISTANCE—SYMPATHETIC SPIRIT WELCOMED

It is in view of these problems that demands have been made to make the resources of the Reserve Bank increasingly available to the co-operative movement. At the very outset let me pay a tribute of thanks on behalf of the co-operative banks to the sympathetic spirit in which the Reserve Bank of India has been approaching the problems of the co-operative banks. I do this with all the greater pleasure, as in the past, ever since 1939, I have on many occasions been extremely critical of their attitude. Apart from the advice which the Reserve Bank tender from time to time, their sympathy has now extended to the making of advances to the Bombay Provincial Co-operative Bank and, through it, to the central financing agencies at a concessional rate of interest. The Reserve Bank have also been doing their best to assist the co-operative movement to the extent possible within the framework of the Reserve Bank of India Act. But with the expanding scope of the activities of the co-operative movement it has been realised that the Reserve Bank Act itself needs amendment, and recently an informal Conference was convened by the Governor of the Reserve Bank at which a number of problems of rural finance were dealt with in detail. I am hopeful that practical and concrete results will arise as a result of the deliberations of that informal Conference.

### RECENT AMENDMENT OF RESERVE BANK IN RIGHT DIRECTION

I must first welcome the amendments to the Reserve Bank of India Act recently passed by the Parliament, according to which the period of accommodation from the Reserve Bank for the purpose of financing seasonal agricultural operations or the marketing of crops can be extended to 15 months instead of 9 months as before. The recent amendment also enables the Reserve Bank to carry on the transactions of the purchase, sale and rediscount of Bills of Exchange and promissory notes arising out of *bona fide* commercial transactions bearing two or more good signatures, one of which shall be that of a State Co-operative Bank and maturing within 90 days. This puts the State Co-operative Banks on the same footing as scheduled banks in the matter of trade bills. This amendment was necessary in view of the increasing activities of the co-operative movement in connection with the distribution of commodities, particularly controlled commodities.

### FURTHER AMENDMENT OF THE RESERVE BANK ACT NEEDED

The increasing activities, however, which have been undertaken by co-operative banks and the actual difficulties encountered in the matter of securing accommodation from the Reserve Bank necessitate further expansion of assistance from that source. Among those requirements may be mentioned the following:



(a) *Medium-term Finance*—The Reserve Bank Act should be so amended as to enable the Reserve Bank to accommodate the State Co-operative Banks against bills and promissory notes representing what are called "medium-term" advances. It is said that the best agricultural economy is a "mixed" economy, and that the agriculturist must be financed for all his requirements. One of the most important of his needs is the purchase of bullocks and milch cows or agricultural implements, the cost of which may be defrayed over a period of 3 to 5 years. To-day the Reserve Bank Act does not allow the Reserve Bank of India to rediscount or to give accommodation against the security of any paper representing such medium-term advances.

(b) *To Finance Industrial Co-operatives*—Another direction in which the Reserve Bank Act needs to be amended relates to the activities of industrial co-operatives. To-day the Reserve Bank of India Act does not allow the Reserve Bank of India to allow any accommodation to co-operative banks in connection with their advances to industrial co-operative societies. The omission in the Reserve Bank of India Act was pointed out both by the Co-operative Planning Committee and the Co-operative Sub-Committee appointed by the Government of India on the recommendation of the Fifteenth Registrars' Conference.

(c) *Widening definition of "Crops"*—The Reserve Bank of India Act enables the Bank to finance crops, but the definition of the word 'crops' excludes such animal products like milk, cream, butter, ghee and wool and processed crops like sugar, cotton, ginned and pressed, groundnuts, which have been decorticated, and vegetable oils and oilcake. It is necessary that either by amendment of the Act or by a wider interpretation of the word 'crops' accommodation should be made available to co-operative banks against the security of all such products.

(d) *Cash credit arrangement against Co-operative paper*—The Reserve Bank of India are already prepared to accept time pro-notes of primary societies as collaterals for advances to the Bombay Provincial Co-operative Bank. The Reserve Bank also sanction credit limits to each central co-operative bank on the recommendation of the Provincial Co-operative Bank and the Registrar of Co-operative Societies. The Provincial Co-operative Bank is then entitled to rediscount the pro-notes of the central co-operative bank with the Reserve Bank within the approved limit which expires on 30th September every year. The co-operative banks both in Madras and in Bombay feel that the interests of agriculture would be better served and the working of the credit would be more smooth if, instead of sanctioning these credit limits, the Reserve Bank of India could see their way to sanction cash credit arrangements to the State Co-operative Banks against the security either of the demand pro-notes of primary societies or of central financing agencies. Detailed submissions in this connection have been made jointly by Shri J. C. Ryan, Registrar of Co-operative Societies, Madras, and myself, and it is hoped that the Reserve Bank of India will see their way to meet this request and suggest an amendment of the Act, if necessary, for the purpose.

### RELAXATION OF RULES FOR BORROWING LIMITS

Some of the important issues before this Conference arise from the relation between the demand for funds and the resources of the movement. Many of the rules which have been laid down by the Co-operative Societies' Act or by the Registrar are based on sound financial principles. With increasing demand for funds some of the central financing agencies have found it difficult, if not impossible, strictly to observe these standards for the maintenance of fluid resources. These questions have been referred in detail to the Reserve Bank of India for further clarification and for such modification as may be advisable under the present circumstances. But I do realise that these proportions and these rules of sound banking are the result of decades of banking experience and cannot be tampered with lightly. After all, the first obligation of a bank—whether co-operative or not—is to maintain its ability to meet all obligations on due dates. In order to do this, a bank is required to keep a certain percentage of its deposits in cash and a certain percentage invested in Government securities. The advances which can safely be made are limited from 50 per cent to 60 per cent of its total borrowings. But the time has come when the central financing agencies and co-operative banks are not able to meet the legitimate demand of the agriculturist borrowers from their own resources without, to some extent, transgressing these safety limits. The advice of the Reserve Bank has been asked as to what extent the existing standards can be safely relaxed.

### THE NEED FOR INCREASING THE FINANCIAL RESOURCES OF CO-OPERATIVE BANKS

While some relief may be obtained by relaxation in the standard for the maintenance of fluid resources, one cannot escape the necessity for increasing and strengthening the resources of the co-operative movement. Unless the share capital and the working funds at the disposal of the co-operative banks are increased, they will not be able to support the expansion of the co-operative movement. The question may be asked whether if all the surpluses of the movement are deposited in co-operative banks, how it is possible to attract increasing deposits to the co-operative movement and to the co-operative banks from the rural as well as from the semi-urban areas, what the obstacles in the way are and how far it will be possible to surmount them. With the increased responsibilities the co-operative financial structure is now called upon to discharge, the time has now come to examine the whole problem and suggest ways and means for increasing its resources, to make the best possible use of the resources available to it and to avoid overlapping both in the number of institutions and their functions. For example, the starting of new district co-operative banks in areas, which were formerly served by the branches of the Bombay Provincial Co-operative Bank, has resulted in the loss of deposits of a substantial amount not only to the Bombay Provincial Co-operative Bank but also to the movement as a whole. On the one hand the Apex Bank has to face this reduction in deposits; on the other hand, it has to finance the new district central co-operative bank to enable it to discharge its function to the agriculturists. It has also to do this at a concessional rate of interest, as a new institution finds it difficult to make both ends meet without such assistance. The question may well be asked whether it is better in the interest of the co-operative banking structure as a whole to start new district central co-operative banks in areas which are served by existing co-operative institutions or whether the available resources in men and money could be better utilised in other directions. On strict co-operative principles I have always welcomed the starting of new district central co-operative banks in areas which are able to do so from their own resources. However, with the present financial stringency and with the limited resources in money and in trained personnel the time has come to postpone the starting of any new district central co-operative bank in areas which are already served by existing co-operative institutions like the Apex Bank.



### RATES OF INTEREST CHARGED—NEED FOR UPWARD REVISION

Perhaps the Bombay Co-operative Banks have been the first in India to reduce the rate of interest to the ultimate borrower to $6\frac{1}{4}$ per cent. The central financing agencies advance moneys to primary societies at 4 per cent and the primary societies advance to their members at $6\frac{1}{4}$ per cent. In the case of many small primary societies the margin between 4 per cent and $6\frac{1}{4}$ per cent has been found to be too small and the Government of Bombay have agreed to subsidise the working of such primary societies on certain terms. However, it has been found that some of the central financing agencies find it difficult to advance to primary societies at 4 per cent owing to factors which have arisen since the Gadgil and the Nanavati Reports were written, one of them being the rise in the rate of interest. Today even the Government of India have issued 10-year Treasury Savings Certificates giving a tax-free yield of $3\frac{1}{2}$ per cent. The yield on Government securities, which was hardly 3 per cent last year is steadily approaching $3\frac{1}{2}$ per cent now. On the other hand, the Banks have been called upon to write down from current profits the value of Government securities in their possession owing to the fall in their market price. With the rise in general interest rates the banks have to pay a higher rate of interest on their borrowings. Besides, owing to the rise in the cost of living, the costs of management and operation of co-operative banks have continued to increase, and they have to pay increasing salaries and dearness allowance to their staff. In the case of co-operative banks it must be realised that they have to deal with a very large number of customers each of whom has a very small account. Further, Co-operative banks have to operate in villages and small towns in which commercial banks will hesitate to establish. The cost of supervision over a large number of branches of co-operative banks scattered over a large number of small places is, therefore, relatively higher. The co-operative banks are, therefore, more vulnerable than ordinarily to any increase in the salaries and allowances payable to their staff, and if standards of efficiency are to be maintained and if properly trained staff is to be recruited and maintained it is necessary that such staff should be adequately paid. Hence, co-operative banks are faced with the problem of their increasing cost of administration and management, and both these factors will necessitate a revision of the rate of interest charged to the primary societies and by the primary societies to the ultimate agriculturist borrowers. While one is most reluctant to have to suggest that the rate of interest charged to the agriculturist should be raised, one is afraid that before long—sooner rather than later—this problem will have to be faced in the interests of the very existence of central financing agencies.

### NEED FOR CONSOLIDATION RATHER THAN EXPANSION

Since the achievement of the Independence of India the co-operative movement has made rapid strides. I have already indicated the various directions in which co-operative activities are expanding. I would like here to sound a note of warning that, as in any other sphere of life, the rate of progress in co-operation will be strictly governed by the availability of trained personnel and financial resources. Mere altruistic enthusiasm and desire to do good will not carry us far. If the pace is forced beyond the availability of either, and there is every danger of this, we may before long have a situation when some co-operative institutions will get into serious financial trouble. Any such development would permanently retard the co-operative movement. It is, therefore, necessary to concentrate on the consolidation of the position that has been achieved and on the building up of our resources by our own efforts.

### STATE AID JUSTIFIED FOR THE MOVEMENT UNDERTAKING STATE RESPONSIBILITY

To the extent, however, to which the co-operative movement assumes the responsibilities of the State, e.g. the provision of credit to all creditworthy agriculturist borrowers, of the procurement and/or distribution of foodgrains or controlled commodities, the co-operative movement would be entitled to receive State aid, as it would be serving not merely its members but the public in general. Whether the co-operative movement should be purely voluntary and be confined strictly to its members or whether it should embark on activities embracing a wider field is a question on which co-operative opinion is divided. But anyhow, in Bombay, the experiment in the matter of supplying credit to all creditworthy agriculturists is being tried with active governmental assistance and participation. It will require a truly co-operative effort on the part of the co-operative banks and workers and the Government of Bombay to make the experiment a success. In order to do this it will be necessary to secure the enthusiastic response of the agriculturists themselves as members of co-operative societies who will be willing to borrow from the societies in case of need and deposit with the societies in case of their having surplus funds or savings.



**The following are among the Resolutions passed at the Conference:**

1. Inasmuch as co-operative banks have, with the assurance of State aid and participation, undertaken the responsibility of providing necessary funds for creditworthy agriculturists, and inasmuch as co-operative banks are called upon to finance an increasing number and greater extent of co-operative activities iucluding forest labourers' and industrial co-operative and other types of societies many of which are organised with negligible financial resources, and inasmuch as the resources at the disposal of co-operative banks are not adequate for all these requirements, this Conference urges the Government of Bombay to take steps to augment the financial resources, particularly working funds, at the disposal of the Co-operative Movement, through the Apex Bank, viz. the Bombay Provincial Co-operative Bank, Ltd.

2. In view of the rapid expansion of the co-operative movement in various spheres of socio-economic activities and the responsibilities undertaken by the different co-operative institutions to assist in implementing the economic policies of Government and in improving the economic conditions of the community, this Conference is of opinion that the time has come to examine the organisation, constitution, structure and financial strength and resources of the various types of co-operative institutions. The Conference, therefore, requests the Government of Bombay to appoint a Committee on Co-operation to fully examine the problems so as to ensure consolidation and co-ordination and to suggest ways and means to increase the financial resources of the Co-operative Movement.

3. This Conference welcomes the spirit of increasing helpfulness with which the Reserve Bank of India has been giving financial assistance and advice to the co-operative movement. In view of the responsibilities for agricultural finance undertaken by co-operative banks in the State of Bombay, this Conference requests that further financial facilities be made available to them through the Bombay Provincial Co-operative Bank. Ltd., by:

   (a) Grant of cash credit limits for the purpose of seasonal agricultural operations and marketing of crops, against the security of demand promissory notes of central financing agencies or of primary societies;

   (b) widening the scope of the word "crops" in the above connection so as to include animal products like milk, butter, ghee and wool and processed crops like sugar, cotton which is ginned and pressed, groundnuts which are decorticated, vegetable oils and oil-cakes; and

(c) grant of credit facilities to apex co-operative banks against the security of paper representing medium-term advances to co-operative societies and agriculturists.

The Reserve Bank of India is requested to examine to what extent the above facilities can be made available without amendment of the Reserve Bank of India Act. To the extent to which the above facilities cannot be given under the Reserve Bank of India Act, this Conference recommends that the Reserve Bank of India should move the Government for an amendment of the Reserve Bank of India Act.

4. This Conference recommends that the Reserve Bank of India Act be amended as suggested by the Co-operative Planning Committee and the Co-operative Sub-Committee to enable the Reserve Bank of India to grant short-term credit facilities to apex banks for the purpose of financing the production and marketing of manufactures of industrial co-operative societies.

5. As recommended by the Rural Banking Enquiry Committee in paragraph 46, this Conference recommends that the following facilities to co-operative banks be granted by the Reserve Bank of India:

(a) Except for small amounts for which existing rates and the minimum may be allowed to continue, remittances allowed to co-operative banks and societies should be made available at the undermentioned rates: Upto Rs. 5,000 at 1/32 per cent minimum Re. 1-0-0. Over Rs. 5,000 at 1/64 per cent minimum Re. 1-9-0.

Further resolved that Provincial Bank, central banks and urban banks should be placed on a par with scheduled banks and permitted to remit funds at the above rates on their own account as well as on behalf of third parties and for this purpose co-operative banks (central banks and urban banks) affiliated to the Bombay Provincial Co-operative Bank, Ltd., be treated as the Branches of the Provincial Co-operative Bank, Ltd.

Remittances at the above rates should be permitted to co-operative banks from the branches of the Imperial Bank to any account with the Reserve Bank and not merely to the principal account.

(b) The Reserve Bank should see that adequate facilities through the Imperial Bank and Government Treasuries are made available to co-operative banks for the conversion and exchange of small notes and coins without delay.

(c) Co-operative Banks (Provincial, Central and Urban) should be permitted to keep iron safes and chests for safe custody in the strong rooms of the Government Treasuries and Sub-Treasuries.

(d) The rates for Postal remittances between co-operative institutions should be substantially lower than the normal rates.



6. This Conference requests Government to reconsider its decision and urges the Government of Bombay to create a Rural Stabilisation Fund as the creation of such a fund will, in the opinion of the Conference, provide sound backing to the movement during an unexpected period of agricultural depression.

7. (a) As the central financin gagencies have now undertaken to provide agricultural finance to all creditworthy agriculturists, it is essential that adequate arrangements for efficient supervision as well as timely and proper audit of primary societies are made and the supervisors' report and audit memos reach the financing agencies and the societies concerned within two months of audit or inspection.

(b) In order to ensure prompt and full recovery, it is also necessary that adequate staff of special recovery officers is maintained by Government under the control of the Registrar of Co-operative Societies.

(c) This Conference recommends that until the recommendation under clause (b) is implemented, the entire cost of Special Recovery Officers be borne by Government as recommended by the Nanavati Committee.

8. In the opinion of this Conference the Bombay Provincial Co-operative Bank, Ltd. should function as the sole Apex Bank for the co-operative movement in the Bombay State in respect of short and medium-term credit.

In case a District Central Co-operative Bank is unable to finance in the absence of adequate resources any big society or a group of societies situated in the area of its jurisdiction, with its previous approval and preferably through it wherever possible, the Bombay Provincial Co-operative Bank may directly finance such societies.

9. Resolved that Rule No. 8 of the Bombay Co-operative Societies Rules be so amended as to allow co-operative banks (central financing agencies and urban banks) to accept deposits upto 12 times of their paidup share capital and all accumulated net reserves and any excess over this limit is invested in trustee securities maturing in not more than 10 years and provided the Bank concerned maintains the prescribed fluid resources.

10. In the opinion of this Conference, there should be no difference between the Stamp Duty payable by members of central financing agencies or urban banks. The Conference, therefore, recommends that necessary amendment to the Notification be made by the Government of Bombay so as to raise the limit for exemption from Stamp Duty on documents of members of urban banks to the same level as provided in the case of central financing agencies.

11. Resolved that this Conference requests the Central and Bombay State Governments to issue instructions to all of their Departments to accept cheques tendered in payment of Government dues drawn by co-operative banks as are approved by the Bombay Co-operative Banks' Association and the Registrar, Co-operative Societies, Bombay State, and also cheques drawn on such banks if marked good for payment by them.

## XXIV MADRAS CO-OPERATIVE CENTRAL BANKS' CONFERENCE

### Held at Madras on 23rd June, 1951.

### Extracts from

### The Welcome Address by Sri T. A. Ramalingam Chettiar, President of the Madras Provincial Co-operative Bank, Ltd.

We have all met here to discuss the various problems confronting the Provincial Bank and the central banks. There has been a tremendous increase in the activities of the societies, and the question of financing these activities has become a matter of great concern to the movement, to the Government and to the Reserve Bank of India. We have to examine our present position. Some of us at Delhi have been trying to set up an organisation at the centre to look after the needs of co-operation. I met the Prime Minister in this connection. He is agreeable to set up an organisation which will be in furtherance of the settled policy of the Central Government.

We have met here to consider each other's difficulties, to point out each other's short-comings and as far as possible to come to an understanding. This year, for the first time. I have taken the liberty of requesting the Chief Minister to be present here. I could not consult you all. He has readily accepted our invitation. As you all know, he was closely connected with the movement in the past. So far as our dealings with the Government are concerned, his presence will help the Government to understand our point of view and get things done quickly and smoothly.

Coming to the movement, while we find a very appreciable improvement, there are temporary or transient difficulties, some of which are pressing ones. The question of controls has thrown out a lot of problems to be considered. The first question is whether we shall be able to continue the activities at this very high level after these controls are removed. It throws on us, as well as on the Government, a very serious responsibility of financing the needs. Our finances were so arranged that we were able to finance the needs of the movement alone. We raised money for the purpose of financing the ordinary activities of the movement. The question of financing procurement was outside its scope. So we had to ask for outside help. We have not asked for any help from the Government for our normal work. It was only with reference to procurement that we approached the Government. During the last 2½ years, they gave money directly and also their guarantee to the Imperial Bank of India to the extent of Rs. 3 crores for a year to meet our requirements. We were of the impression that this help was available with reference to procurement and for the purchase of imported articles. Wherever we had been working on behalf of Government as their agents, we had been getting these allotments for distribution. Now they tell us that this money will not be available for purchasing imported articles. This is not fair. It will



hamper the business of the societies. I hope the Government will consider the matter and attend to our needs. This is a matter which I would like the Chief Minister to take note of.

The Government have been going on changing their policy both on procurement and on other work. Four months back, the Government gave guarantee to the Imperial Bank of India for Rs. 3 crores for financing procurement. Then suddenly they said that the money should be utilised only for financing procurement in certain districts. This is a matter which requires immediate attention. I think the position has become more urgent and more difficult to finance for the reason that the allotments have already been made. I request the Chief Minister to look into the whole matter of financing procurement and imported articles and formulate some method which will be agreeable to us all. The Revenue Officers in the districts are not always sympathetic towards co-operative societies. Some reasonable time should be allowed to the co-operative societies to deposit their moneys with the District Supply Officers and I request the Government to issue instructions to the Revenue Officers in the districts in this regard. They demand money on allotment even though the stocks are not withdrawn at the time and they insist on payment at once.

I should sound a note of warning to the Registrar of Co-operative Societies. He brings matters to the notice of the Government and they in their turn say "yes" or "on" and he passes an order without realising the difficulties. I would suggest to the Registrar that until he actually received orders from the Government, he should not send circulars.

We are financing agricultural operations in the villages. We have been also financing societies for purposes of procurement, purchase of fertilisers, etc. The Reserve Bank objected to money being used for giving loans to stores and loan and sale societies which were intermediaries for the purpose of lending to village societies. We represented that the stores and loan and sale societies were purchasing for their member societies and cultivators who were their members and as such they should not be considered as ordinary intermediaries like merchants. They did not agree with us. I also find from the notes circulated to the members here by the Registaar that he takes for granted whatever the Governor or the Deputy Govornor of the Reserve Bank agrees to consider as settled: The Reserve Bank will have to consult the Government of India who have their own limitations and may over-rule it.

The structure of our movement has been very carefully worked out. The central banks were organised for the purpose of financing societies and for this purpose they receive deposits and collect as much funds as possible, and for their further requirements they apply to the Provincial Bank, which was functioning as their apex bank, coordinating the financial resources of the several central banks and granting loans wherever these were wanted. They were able to meet all the normal short-term requirements of the Province.

Now, unfortunately, I do not know at whose suggestion, the Government have issued a circular stating that each district bank should find so much money for investment in M. C. C. L. M. Bank debentures. The Minister for Co-operation is of the view that as the societies have voluntarily resolved to invest in the debentures, it could not be objected to. Now that the Chief Minister is with us, I hope he will consider our views and do justice. He had been in the movement for a long number of years before he became Minister and he will be back with us again after the elections are over.

We are in urgent need of money. We want money more and more. I requested the Government to guarantee loans for our needs. At this stage the Registrar has issued a circular that each central bank should find money to be invested in the M. C. C. L. M. Bank debentures. This is a serious deflection from the original aims of the movement. We never thought that central banks should find the money needed by the M.C.C.L.M. Bank. If there are surplus funds, I can find a justification for this circular. When every central bank was in urgent need of money, to take away 34 lakhs of rupees that was available for the movement and place them in the M. C. C. L. M. Bank debentures is a suggestion which I cannot accept as fair. The Government said that they were standing guarantee for a couple of crores for financing our needs. That is no justification for asking the banks to divert a portion of their money to other places. I will warn the Registrar and the Government and all of you here that if you follow this policy, there will be a fall of the movement. Democracy can develop only to the extent that there is responsibility to the units. There is always the seed of autocracy imbedded in democracy. If democracy is not properly worked, there will be a fall. It will be most dangerous to the full development of the Co-operative Movement. I can claim to possess some experience in the movement. So I would appeal to you all to beware of the dangers that are awaiting us. I request the Chief Minister not to treat this matter lightly.

The co-operative societies are ordered to purchase these C. L. M. B. debentures at Rs. 99-8-0 that is Rs. 2-8-0 more than what Reserve Bank fixed. Now what is the present market value of Government securities of the same term. They are quoted at Rs. 92. This means a loss of about Rs. 7-8-0 per Rs. 100.

You have to bear in mind that the Provincial Bank is not a separate bank. It is only a representative of the central banks. So whatever is decided here is decided by the representatives of the banks. There is no use of any of you saying that the rate of interest is high or something else is being done. Whenever money is available with the Provincial Bank you make use of it. Whenever the money is not available with the Provincial Bank, we have to adjust. For procurement, we had to postpone for 2 or 3 months from meeting the demands, because we did not get the necessary guarantee, the necessary arrangements with the Imperial Bank



so as to finance your requirements. The moment the negotiations were completed, the documents were executed, the money was ready. Out of the 14 members in the Executive Committee of the Madras Provincial Co-operative Bank, 13 are representatives of central banks. So you need not think that there is something done here without taking into consideration the interests of the central banks. We have advanced for cultivation expenses Rs. 288 lakhs. We are not able to reduce the rate of interest. The current account of central banks bears ½ per cent interest F. D. accounts 2¼ per cent and 2½ per cent interest is being paid on other deposits. Loans from the Reserve Bank are available at 1½ per cent. The average of all those comes to 2.24 per cent. We have lent for agricultural purposes Rs 288 lakhs at 2½ per cent. You remember how this Rs. 288 lakhs is collected. We have borrowed from the Reserve Bank only Rs. 130 lakhs, the remaining Rs. 158 lakhs is purely from the ordinary resources of the Bank. For other purposes, we have granted loans to the extent of Rs. 223 lakhs. Working on the above basis, we have earned a profit of Rs. 2,40,000 during last year. The ordinary expenses of the bank, the administration expenses etc., amount to Rs. 3,80,000. So we are losing at the rate of Rs. 40,000 per annum on the ordinary transactions. From the investments we have made from the Reserve Fund, share capital etc., we have been making up and from these resources, we have met the 9 per cent dividend that is being paid. We are paying income-tax of Rs. 1 08,000; we are paying Rs. 22,000 as bonus. There is also the building fund. On account of the depreciation of the G. P. Notes, we have sustained a loss of Rs. 7.5 lakhs. We have a depreciation reserve of Rs. 2.25 lakhs. So our net loss at present, mainly due to depreciation, is Rs. 5 lakhs. This is the present position of the Bank. We are lending a considerable part of the loans at 2½ per cent and what we borrow from the Imperial Bank is at 3 per cent. On an average we are getting only ½ per cent margin by the loan transactions. As a matter of fact the Reserve Bank says that unless we work at a margin of 2 per cent the bank will not be able to work satisfactorily.

The question of intermediary loans is a typical subject for the reason that unless there is any outside help, it will not be possible for us to meet the requirements as can be seen from the resources statement. For the purpose of financing such loans, we have asked the Reserve Bank to find some means of help. Financing of intermediate loans will involve a big change in the policy. So I think this matter will have to be kept in abeyance for some time. Unless we get some further help from the Reserve Bank or from the Government of Madras, it will not be possible for us to finance intermediary loans. The Government may give loans for Grow More Food Campaign through co-operative societies.

It only remains for me to thank the Chief Minister for the promptness with which he agreed to be present here. His position is unique. He has been connected with all the co-operative institutions in Madras. He was President of the Insurance Society for sometime; the President of the

Union and he was also in the Executive Committee of the Provincial Bank for sometime. His knowledge as I said is unique. With that knowledge and experience and with the responsibility, he now bears, I feel his advice would be of immense value and he will help us solve our difficulties.

### Extracts from the Opening Speech by The Honourable Sri P. S. Kumaraswamy Raja, Chief Minister, Madras.

The co-operative financing banks in this State are among the strongest in India and have done yeoman service not only in financing the agriculturists of this State, but also in assisting Government by providing funds for co-operatives which undertook distribution of food stuffs, cloth, yarn chemical manures and other controlled articles. It is said sometimes that co-operatives are given undue preference by Government over the ordinary channels of trade; but it should be obvious that, while Government take pains to see to it that no injustice is done to private traders, they prefer co-operatives, because a democratic Government believes in the democratic methods of co-operatives, because a self-governing State ought to promote self-help which is the basic principle of co-operation, and because the financing structure of the co-operative movement facilitates prompt financing and control of business on sound lines.

The 31 central co-operative banks of this State are firmly established institutions which command over two crores of rupees of owned capital and nearly 18 crores of rupees of working capital. During 1949-50 they disbursed loans to their affiliated societies to the extent of Rs. 43'40 crores. They were helped with funds to the extent of Rs. 8.34 crores by the Madras Provincial Co-operative Bank, whose owned capital amounted to Rs. 68'68 lakhs of which their reserve fund alone constitutes two-thirds. This is a record of which co operators may well be proud

But one should not forget that there were other institutions which helped the co-operative financing banks to attain this record. The Reserve Bank of India provided them with financial accommodation to the tune of Rs. 78 lakhs at the cheap rate of 1½ per cent interest for financing agricultural operations and the marketing of crops. The Imperial Bank of India provided 3 crores of rupees on Government guarantee for financing procurement operations and another sum of Rs. 50 lakhs also on Government guarantee, for the purchase and sale of chemical manure. The help rendered by these two great banking organisations to the co-operative movement is widely appreciated by co-operators and I should tender the thanks of the State to them for their generous support.

It is a matter for gratification that the Reserve Bank of India is examining ways and means of providing more assistance to co-operative financing banks with a view to promote rural credit. Following up the recommendations of the Rural Banking Enquiry Committee, the Reserve Bank of India convened a conference of leaders interested in co-operation at Bombay



in February last. This conference recommended, among others, that even C Class Central Banks should be sanctioned credit limits by the Reserve Bank under certain conditions. The Sub-Committee appointed at this conference, composed of the President of the Provincial Co-operative Bank at Bombay and the Registrar of Co-operative Societies, Madras, has since recommended that the credits sanctioned by the Reserve Bank of India to central co-operative banks would be most useful if they were given in the form of a single cash credit to the Provincial Co-operative Bank.

All these facilities require an amendment to the Reserve Bank of India Act, which, I hope, the Indian Parliament, of which your President is an illustrious member, will expedite passing.

The need for more help from the Reserve Bank of India is great, because agricultural co-operative credit societies have increased in number and membership, on account of the campaign for expansion carried out by the central co-operative banks so as to cater to 50 per cent of the villages in the State and 30 per cent of their population. Besides, many of them have taken to other activities than credit. More societies, with more members and with multipurpose activities increase the demand for loans. And this demand is bound to increase further when the Money-Lenders Bill, which is under the active consideration of Government, becomes law. It has been the experience in Bombay that the enactment of this measure has led to a contraction of credit in the countryside. The Government of that State were hard put to it to relieve the scarcity of rural credit and one of the measures taken in this behalf was that the Government of Bombay took shares in the Bombay Provincial Co-operative Bank and nominated a few official directors on its Board of Management. Co-operators in Madras bred in long democratic traditions will not brook official interference in their management. Personally, I am averse to the State owning any part of the share capital of the Madras Provincial Co-operative Bank or having anything to do with its internal management. It ought to continue to be owned by the Central Co-operative Banks and administered by their own representatives. It is therefore essential that the funds needed by the Provincial Bank should be provided in larger measure by the Reserve Bank of India, which is not only the central bank of India but a nationalised bank.

At the same time, it is upto the Madras Provincial Co-operative Bank and the central co-operative banks in the districts to mop up savings in the country-side so as to make them available in the from of credit to agriculturists. The Rural Banking Enquiry Committee of 1950 was of the view that although the ordinary run of ryots could not be said to have surplus cash, the richer ryots, particularly, those who raised commercial crops and those who took to business in addition, did possess a considerable volume of investible funds which did not go into the banks for lack of banking facilities in the rural parts. They were of the view that the co-operative financing banks which operated over villages through rural credit societies and bank supervisors should be able to tap these surplus funds and bring them in as bank deposits. The recent experience of some central banks which under-wrote the 46th series debentures of the Central Land Mortgage Bank, has been of some assistance in this direction. Office-bearers of central co-operative banks, bank inspectors and supervisors have got into touch with the agriculturists having spare cash which could be invested in the debentures. It would be much easier to canvass short term deposits from these individuals for the agricultural credit societies or the central co-operative banks. I need not remind co-operators that the primary function of co-operation is the promotion of thrift. We have been at it for nearly 50 years; and yet, it cannot be said we have succeeded in this line to any remarkable degree. No doubt Rs. 1.28 crores collected as share capital in agricultural credit societies represents the savings of agriculturists; but if we look at the figures of deposits in these societies, they amount to only Rs. 57 lakhs. *We want the rural credit movement to become the rural banking movement.* Credit societies should not regard money lending as their chief business, but should look upon it as a means of finding an outlet for the deposits they have raised.

This ideal can be attained only if central co-operative banks which supervise rural credit societies put forth greater efforts in this direction They need not apprehend that if rural credit societies were able to raise their own funds in the shape of deposits there would be no outlet for central banks' funds. Last year, the central co-operative banks disbursed only a little over 8 crores of rupees to agricultural credit societies. It cannot be said that this is all that agriculturists need in a year. The Madras Provincial Bankining Enquiry Committee of 1930 estimated that the annual requirements of agriculturists for current expenditure were Rs. 70 crores. The figure must be much higher now.

I observe that you have various interesting items on your agenda for discussion, in particular the increase of medium term loans to agriculturists. Government have recently amended Rule VIII-A of the Rules framed under the Co-operative Societies Act so as to *increase* loans of 3 to 5 years to rural credit societies. I hope you will be able to devise ways and means of availing yourselves of this relaxation to the fullest extent.

The following resolutions were passed at the Conference:

1. This Conference resolves to request the Reserve Bank of India not to insist on the retirement of all bills on the 30th September, but to accept payment on the respective due dates of the bills rediscounted.

2. This Conference is of the opinion that the Reserve Bank should finance the co-operative central banks through the Provincial Bank for issue of loans for a period upto 5 years.

3. Resolved that the rate of interest charged by the Madras Provincial Co-operative Bank on loans to central banks may continue as heretofore.



4. Resolved that the rates of interest be charged as under by central banks to various types of Co-operative Societies :—

   (a) rural credit societies, marketing societies and loan and sale societies. } Not exceeding $4\frac{1}{2}$ per cent p.a.

   (b) all other societies ... Not exceeding 5 per cent p.a.

The ultimate borrowers in rural areas shall receive loans from societies at not more than $6\frac{1}{4}$ per cent per annum and the ultimate borrower in urban areas shall receive money at not more than 7 per cent per annum.

5. Resolved that the rates of interest on deposits by central banks shall not exceed the maximum lending rate of the Provincial Bank to central banks, *viz.*, $3\frac{1}{4}$ per cent.

6. Resolved that the Provincial Bank be requested to set apart a sum aggregating to the reserve fund of the Bank, the reserve funds of the central banks invested in the Bank and the fixed deposits for 3 years and more in the Bank for grant of medium and long-term loans to central banks in proportion to the transactions of the respective central banks.

7. Resolved to request the Government and the Reserve Bank of India for allotting funds for the issue of medium-term and long-term loans through the Provincial Bank with a view to help the "Grow More Food Campaign".

8. This Conference agrees with the suggestion made by the Registrar that central banks might apply to him for the revision of the ratios prescribed for short-term, medium-term and long-term loans wherever necessary.

9. Resolved to apply to Government for continuing the scheme of re-organisation of rural credit societies and to apply to Government for continuance of the subsidy for the additional supervisors for a further period of 3 years.

10. (a) Resolved that supervising unions wherever they have been suspended should be revived and restored.

    (b) Wherever supervising unions are functioning and where funds permit, the number of supervising unions may be increased.

11. This Conference resolves:

    (a) that the accommodation of Rs. 3 crores arranged by the Government of Madras with the Imperial Bank of India on their guarantee may be continued to the full limit of Rs. 3 crores for the next year in view of the large import of foodgrains allotted to the State.

    (b) That the finances may be utilised for procurement and for purchase of controlled commodities for all districts.

(c) To request the Controller of Civil Supplies to release stocks of foodgrains to the co-operative institutions as early as possible, at any rate, not exceeding 2 months and where reserves have to be kept for longer time, they should be kept on Government account.

12. Resolved that the Reserve Bank of India be requested to arrange free transfer of funds from Madras to the district headquarters on behalf of the central banks so as to enable the latter banks to invest all their current account moneys within the movement.

13. Resolved to request the Madras Provincial Co-operative Bank to arrange for training in the Bank of the Secretaries and Assistant Secretaries of Central Banks and to request the respective Central Banks to depute them at the cost of the Central Banks.

14. Resolved unanimously to request the Registrar of Co-operative Societies, Madras to reduce the scale of audit fees for primary stores from Rs. 7 to 5 per day.

15. This Conference unanimously resolves to request the Registrar of Co-operative Societies, Madras to reduce the audit fees of the Co-operative Central Banks from Rs. 7 to 5-8-0 a day as was the case till recently.

16. Resolved to request the Registrar and Government to make provision under Section 40 of the Madras Co-operative Societies Act VI of 1932, for summoning the production of cash, accounts, documents, etc., as provided for under Section 38 (2) (a) as there is practical difficulty in insisting on immediate production of cash balance and consequential mishaps.

17. Resolved that, in view of the rise in prices of agricultural commodities to help societies towards quick collection from members, the provision for the levy of penal interest in the by-laws of societies, which was deleted as a measure of relief to borrowers during the period of acute economic depression be reintroduced.

18. Resolved to request the Government to exempt all Co-operative institutions from the provisions of the Madras Shops and Establishments Act (Act XXXVI of 1947) under Section 4 (c) of the Act as in the case of local bodies.

19. Resolved to request the Registrar to move the Government to arrange for the supply of oil engines to ryots through either central co-operative institutions or pump societies wherever they exist, by providing them with a direct import licence.

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**Proceedings of the Third Meeting of the Executive Committee of the Indian Co-operative Union held at the Residence of the President, Dewan Bahadur H. L. Kaji, 40-A, Ridge Road, Malabar Hill, Bombay, on the 30th June 1951 at 2.30 p.m.**

The following members were present :

1. Dewan Bahadur Prof. H. L. Kaji, M.A., J. P., President,
2. Sri S. Srinivas, F. R. H. S., Vice-President,
3. Capt. Dalip Mansingh, Vice-President,
4. Sri B. J. Patel, B.A., LL.B., General Secretary,
5. Sri Udai Singh Bisen,
6. Sri A. B. N. Sinha,
7. Sri O. S. Sinha,
8. Sri R. U. Patel,
9. Sri Satgur Prasad Choudhary,
10. Sri P. I. Belliappa.

The following were present on special invitation :

1. Sir Janardan A. Madan, Chairman, Bombay Provincial Co-operative Institute,
2. Sri P. J. Chinmulgund, I. C. S., Registrar of Co-operative Societies, Bombay,
3. Sri R. G. Saraiya, O. B. E., Chairman, Bombay Provincial Co-operative Bank, Ltd., Bombay,
4. Sri K. Sarvothama Rao, Chief Officer, Agricultural Credit Department, Reserve Bank of India,
5. Sri Ashok H. Kaji, Managing Director, Bombay Provincial Co-operative Marketing Society.

At the outset the President explained in brief the activities of the Union during the past one and a half years and informed that a detailed report on the activities would be presented by the General Secretary at the time of the next General Body meeting.

Letters received from Sri T. A. Ramalingam Chettiar, Sri Dip Narain Sinha, Sri N. Satyanarayana and other members were read.

1. The proceedings of the last two meetings of the Executive Committee, held at Delhi and Lucknow, as circulated to the members, were confirmed.

Then the letter received from the Government of India regarding the holding of the Indian Co-operative Congress was taken up for consideration. The letter was read by the President.

2. After some discussion, it was decided to accept the grant of Rs. 6,000 from the Government of India for holding the Indian Co-operative Congress. The President was requested to send a suitable reply to the Government of India.

There were two invitations, one from the Patna District Co-operative Federation Board to hold the Congress at Rajgir, Bihar, and the other from the Bombay Provincial Co-operative Institute to hold the Congress at Bombay. A suggestion was made to hold the Congress at new Delhi. The matter was discussed and it was decided to accept the invitation of the Bombay Provincial Co-operative Institute and hold the Congress at Bombay on the 3rd November 1951. The President was empowered to change the date, if necessary.

It was further discussed and decided that the Indian Co-operative Union should remain in charge of the proceedings of the Congress, including the preparation of Agenda and fixing up of programme, while the Bombay Provincial Co-operative Institute would remain in charge of all arrangements for holding the Congress.

It was decided to request the Hon'ble the Prime Minister of India to inaugurate the Congress. Sri T. A. Ramalingam Chettiar, Sri Dip Narain Sinha and Sri B.J. Patel were requested to wait in deputation on the Prime Minister and invite him to inaugurate the Congress. In case the Prime Minister was unable to accept the invitation, the deputationists were requested to wait upon the Hon'ble Minister for Agriculture, Govt. of India, and invite him to inaugurate the Congress.

3. The provisional programme appended was approved, with power to the President to make changes, if necessary.

4. It was decided to have separate Auxiliary Conferences for the following important subjects:

1. Small-scale and Cottage Industries
2. Co operative Insurance
3. Co-operative Education and Training
4. Co-operative Housing
5. Consumers' Co-operation
6. Co-operative Marketing and Trading
7. Rural and Urban Banking, and
8. Administrative Conference of Registrars.

It was decided to invite the following gentlemen to preside over the respective Conferences:

1. Seth Khatau Dharamdas, President, Provincial Industrial Co-operative Association, Bombay,
2. Hon'ble Sri P. S. Kumaraswamy Rajah, Chief Minister, Madras,
3. Sir Janardan A. Madan, Chairman, Bombay Provincial Co-operative Institute,
4. Sri T. S. Rajagopala Iyengar, M.A., LL.B., Krishna Kutir, New Sayaji Rao Road, Mysore,
5. Hon'ble Sri K. D. Malaviya, Development Minister, Uttar Pradesh,



6. Sri Shyam Nandan Sahay, M. P., Chairman, Bihar Provincial Co-operative Bank, Patna,

   or

   Sri P.L. Dhagat, President C.P. & Berar Provincial Co-operative Marketing and Supply Society, Nagpur
7. Sri R. G. Saraiya, Chairman, Bombay Provincial Co-operative Bank,
8. Sri P. J. Chinmulgund, I.C.S., Registrar, Co-operative Societies, Bombay.

The President was authorised to approach other persons also if necessary and to fix the dates for holding the Auxiliary Conferences.

At this stage the President entertained the members and other guests to tea.

On re-assembling after tea:

5. The following subjects were selected for discussion by the Congress:

1. Adoption of Co-operative Principles by the State for the establishment of a Co-operative Common-wealth.
2. State Trading to be co operatised
3. Deofficialisation of the Co-operative Movement
4. Establishment of a full-fledged Ministry of Co-operation both at the Centre and in the States
5. Principle of honorary service.

6. The following constitution was adopted for holding the Congress:

1. Delegates nominated by State Governments not exceeding FIVE from each State
2. FIVE delegates to be selected by each Provincial Co-operative Union, Institute or Federation.
3. TWO representatives from each Provincial Co-operative Society, other than the Institute, Union or Federation
4. TEN delegates to be nominated by the Government of India
5. TEN delegates nominated by the Indian Co-operative Union
6. TWO distinguished co-operators to be invited by the Central Government
7. TWO distinguished co-operators to be invited by the Executive Committee of the Indian Co-operative Union
8. ONE representative of the Reserve Bank of India.

The President of the Indian Co-operative Union shall preside over the Congress and in his absence, the Executive Committee of the Union shall elect a President.

*N.B.*—The expenses of the Official nominees shall be borne by their respective Governments and those of the other members by their respective constituencies.

7. The following budget was approved for the Congress:

| Estimated Income | Rs. | Estimated Expenses | Rs. |
|---|---|---|---|
| Government of India grant | 6,000 | Printing charges | 2,500 |
| Expected donation from Reserve Bank | 6,000 | Publicity charges | 5,000 |
| | | Postage & Telegrams | 1,500 |
| Donations from member institutions | 6,000 | Office Expenses | 5,000 |
| | | Travelling Expences | 2,500 |
| Deficit | 500 | Entertainments | 2,000 |
| Total Rs. | 18,500 | Total Rs. | 18,500 |

8. Resolved to register the Indian Co-operative Union under Multi-unit Co-operative Societies Act at Madras or at Bombay, according to the President's discretion, with change in the name from Indian Co-operative Union to *Indian Co-operative Federation*. The General Secretary is authorised to take necessary steps in this behalf.

9. Members attending the meetings of the Executive Committee of the Indian Co-operative Union should be paid their Travelling allowances by the institutions which they represent and the Registrars are requested to permit members drawing their allowances from their constituencies.

The Government of India Circular regarding Incometax levy on earnings of co-operative banks on business transactions with non-members was taken up for consideration on reference from The Indore Premier Co-operative Bank. But after some discussion it was decided to take up the matter at the next meeting.

The meeting terminated at 6-30 p.m. with a vote of thanks to the Chair.



## APPENDIX.

### Provisional Programme of the First Indian Co-operative Congress to be Held at Bombay from 3rd to 6th November 1951

**Saturday, 3rd November**

1. Morning Session (11 a.m. to 1-30 p.m.)
   - i. Co-operative Song
   - ii. Welcome address by Sir Janardan A. Madan, Chairman of the Reception Committee,
   - iii. Inaugural Address by Pandit Jawharlal Nehru, Prime Minister of India.
   - iv. Presidential Address by Dewan Bahadur Prof. Hiralal L. Kaji, President, Indian Co-operative Union,
   - v. Speeches by fraternal delegates,
   - vi. Messages.
2. Afternoon Session (2.30 p.m. to 5 p.m.)
   - A. Celebration of All India Co-operative Day
     - i. Co-operative Song
     - ii. Message by the President of the Indian Co-operative Union, Dewan Bahadur Prof. Hiralal L. Kaji.
     - iii. Adoption of the Resolution of the I.C.A.
     - iv. Speech by the Hon'ble Sri V. L. Mehta. Minister for Finance and Co-operation, Government of Bombay.
   - B. Meeting of the Executive Committee of the Indian Co-operative Union.

**Sunday, 4th November**

1. Sight seeing (11 a.m. to 1-30 p.m.)
2. Excursion to be arranged to Elephanta Caves, etc. (2-30 p.m. to 7 p.m.)

**Monday, 5th November**

1. Discussion (11 a.m. to 1-30 p.m.)
   " (2-30 p.m. to 5 p.m.)

**Tuesday, 6th November**

1. Resolutions (11 a.m. to 1-30 p.m.)
2. Annual General Body Meeting of the Indian Co-operative Union, (2-30 p.m. to 5 p.m.)

## The 29TH INTERNATIONAL CO-OPERATIVE DAY*

### Declaration of the International Co-operative Alliance.

**The International Co-operative Alliance**, in the name of its affiliated Co-operative Organisations, proclaims its belief in those co-operative principles of free, democratic, non-profit-seeking association which a century's experience has proved to be the best and securest foundation for social progress and international peace.

The I. C. A. advocates the diffusion of economic power amongst the many through the co-operative system and its rule of one member, one vote, while opposing the concentration of economic power through cartels and monopolies, in the hands of a few whose activities are not subject to control of any kind.

The I. C. A. urges its affiliated Organisations to fight for the repeal of all unfair legal and fiscal disabilites, imposed on Co-operative enterprise, which hamper the common people in safeguarding their welfare through their own voluntary democratic institutions.

The I. C. A. maintains that peace and security depend upon the subordination of national policies to world needs, so that the energies of mankind can be directed to the maximum satisfaction of consumers' wants; the full employment of human capacities in peaceful production; and the equitable use of the world's natural resources. The Alliance, therefore, re-affirms its support of the United Nations Organisation and pledges its whole-hearted collaboration in working for just and peaceful solutions of the economic, social and governmental problems of our time.

The International Co-operative Alliance declares that the conditions under which free and independent Co-operative Movements flourish and bear fruit are indispensable for the preservation of world peace. In order to maintain these conditions it calls upon all its members to—

- Exercise ceaseless vigilance in defending and extending human rights and liberties;
- Renew their efforts to educate citizens in the full and faithful performance of their democratic duties;
- Press upon their National Governments the urgency of every measure of collaboration through the United Nations Organisation designed to banish the fear of war, want and oppression;
- Mark the 29th International Co-operative Day by an impressive manifestation of their united will to create a world order in which all peoples may enjoy peace in freedom and fraternal goodwill.

* This declartion will have to be adopted on Saturday the 3rd November 1951 when the All-India Co-operative day will be celebrated.

# THE INDIAN CO-OPERATIVE REVIEW

(Quarterly Journal of the Indian Co-operative Union)

## INDEX TO VOLUME XVI—1950.

### EDITORIAL NOTES



### ARTICLES

REVIEWS



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ERRATA

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