63 XVII. No. 3. JULY—SEPTEMBER, 195

The INDIAN CO-OPERATIVE REVIEW

JOURNAL OF THE INDIAN CO-OPERATIVE UNION

PUBLISHED QUARTERLY

THIS ISSUE CONTAINS:

ARTICLES ON:

SUPERIORITY OF CO-OPERATIVE TRADING.

GOVERNMENT AND THE CO-OPERATIVE MOVEMENT.

DEOFFICIALISATION OF THE CO-OPERATIVE MOVEMENT.

PRINCIPLE OF HONORARY SERVICE.

REVIEWS OF BOOKS.

THE VIII TAMILNADU CO-OPERATIVE CONFERENCE.

THE I. C. A. IN EPITOME.

Subscription per Annum: Rs. 8. Price per Single Copy Rs. 2

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VOL. XVII JULY—SEPTEMBER, 1951 No. 3

CONTENTS

PAGE

ALL-INDIA CO-OPERATIVE DAY—1951
Message by Prof. H. L. Kaji, President, Indian Co-operative Union 205

EDITORIAL NOTES
Deofficialisation of the Co-operative Movement; Principle of Honorary Service; Superiority of Co-operative Trading; Idea of Co-operative Commonwealth; The Ministry of Co-operation 206

NEWS AND VIEWS 214

ARTICLES
Superiority of Co-operative Trading
By S. V. S. Sharma, M.A., B. Com. (Hons.) ... 217
Government and the Co-operative Movement
Policy laid down by the Government of India, 1914 ... 233
Deofficialisation of the Co-operative Movement—Some excerpts from the writings and speeches of
The late Hon'ble Mr. V. Ramadas Pantulu ... 237
Deofficialisation of the Co operative Movement—Some excerpts from the writings and speeches of
Dewan Bahadur Prof. H. L. Kaji ... 248
Deofficialisation of the Co-operative Movement
By R. Suryanarayana Rao, M.L.C. ... 258
Deofficialisation of the Co-operative Movement
By Prof. S. Kesava Iyyengar ... 261
Deofficialisation of the Co-operative Movement
By Prof. K. R. Kulkarni ... 264
Deofficialisation of the Co-operative Movement
By Sanat Kumar Chatterji ... 268
Principle of Honorary Service
By R. Suryanarayana Rao, M.L.C. ... 276
Principle of Honorary Service
By Sanat Kumar Chatterji ... 278

ERRATUM

P-241, Line 28 *For* 'hearsays' *Read* '*heresies*'

CONTENTS

PAGE

REVIEWS—

Agricultural Marketing in India (with special reference to Co-operative Marketing of Agricultural Produce in India) —By Prof. K.R. Kulkarni, M.A., F.R.E.S. (Lond.), (Co-operators' Book Depot, 9, Bakehouse Lane, Fort, Bombay) ... 281

Consolidation of Holdings—(The Reserve Bank of India, Bombay) 282

Co-operators' Year Book, 1951—(Co-operative Productive Federation Ltd., Leicester) ... 282

Statistical Statements Relating to the Co-operative Movement in India 1949-50 (Agricultural Credit Department, Reserve Bank of India, Bombay) 284

CO-OPERATIVE CONFERENCES AND MEETINGS—

The VIII Tamilnad Co-operative Conference

Extracts from the Inaugural Address by Hon'ble Sri P. S. Kumaraswamy Raja ... 286

Resolutions passed at the Conference ... 291

THE I.C.A. IN EPITOME 294

CO-OPERATIVE PRINCIPLES (A definition by I.C.A.) ... 295

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

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Subscription per annum Rs. 8.

For further particulars write to:

Manager, Indian Co-operative Review,

Farhat Bagh, Mylapore, Madras 4.

THE INDIAN CO-OPERATIVE REVIEW

VOL. XVII JULY—SEPTEMBER, 1951 No. 3

THE ALL INDIA CO-OPERATIVE DAY

3rd November, 1951.

MESSAGE OF DEWAN BAHADUR PROFESSOR H. L. KAJI, M.A., B.SC., I.E.S. (RETIRED)., J.P.

President, The Indian Co-operative Union.

Brother and Sister Co-operators,

I extend to you all cordial greetings on this the All-India Co-operative Day.

The World is in turmoil over two great ideologies—regulated capitalism and well ordered communism. Economic cleavage has led to political antagonism and we are faced with two great power *blocks*. It is very pleasant to note, that our own country is not wedded to either of these economic idealogies nor to any power *block*. It stands on a neutral plane carving its own way to safety and progress. The goal our own land has set before itself is that of a Co-operative Commonwealth and co-operation is thus the great idealogy that is behind it. The goal cannot be realised by multiplications or extensions. It is the mentality of the people that must change. Nation-wide co-operation may take a long time to be realised. But basic co-operative principles could be adopted by the State and the whole economic structure can be made essentially co-operative in character. The limitation of dividends to share holders and the right of voting conferred on individuals, not on shares, are among the basic conceptions of co-operation which could be placed on the Statute Book, to the great advantage of the economic structure of the country.

Co-operators! It is up to you to make your societies successful to extend their usefulness and scope and ensure that they really yield some tangible improvement in the condition of members. Work with zeal, do not exploit others; but do not allow yourselves to be exploited either. Let everyone concerned get adequate remuneration for the work done, which is the real basis for efficiency. With our workers imbued with the zeal and ideology of co-operation, I have no doubt, the goal of a Co-operative Commonwealth will be within sight in a short time.

Sir D. Ibbetson, in the course of his speech on the Co-operative Credit Societies Bill of 1903, justifying the provision for Government inspection and audit said: "We provide for compulsory inspection and audit by a Government officer, in order to provide against mismanagement and fraud, to give the members and public the confidence in the societies and to justify the privileges which we confer upon them . . . The Bill provides for the appointment in each province of a Registrar, to whom somewhat extensive powers have been given in order to secure that our legislation is not taken advantage of by bogus societies . . . The advantage of concentrating that duty in a single pair of hands will be, that the experience of all the societies will be placed at the disposal of each, since by watching developments under various conditions the Registrar will gain experience which will render him an invaluable adviser; he will know what has succeeded in one place or failed in another, and will be in a position to point out defects and suggest remedies and to prevent the repetition of mistakes. For the first few years at least he will constantly be going round, visiting the societies and watching their progress, criticising and assisting them but as friendly adviser rather than as an inspecting officer. As experience is accumulated and the societies gain strength and are able to stand alone, and as their numbers multiply, the "dry nurse" element will disappear from his duties, which will become more purely official." The Government of India in their resolution of 1914 which laid down the policy of the Government in respect of the Movement stated in unambiguous terms that "Not only is it the case that work done by a large centralised department tends to become mechanical and listless but the Movement must in its essence be a popular one and nothing should be done to weaken the feeling among co-operators that it is based upon self-reliance and independence. Government, therefore in the best interests of the Movement, must not allow Co-operation in this country to become an official concern managed by State establishments." Conceding that the Movement must be essentially a popular one and cautioning against excessive official

Deofficialisation of the Co-operative Movement.

supervision, the resolution laid down that "societies should be controlled and audited by a reliable staff which can keep the Registrar informed of the financial position of the societies, and it is also necessary that the agency employed should be such as will ensure the confidence of the money-lending public."

The above extracts from the speech of Sir D. Ibbetson and the resolution of the Government of India clearly demarcate the sphere in which the Registrar is expected to exercise his power of control. It is incontrovertible that the control that is at present exercised by the Registrar is far in excess of what is needed to keep him informed of the reliable financial position of societies to enable him to take action in case of need. Even the rule making power vested in the Governments under the various acts is with the express idea of limiting the regulative interference of Governments to essentials so as to leave spontaneous growth unhampered. But the powers secured by the Registrars under the rules are enormous and have successfully stifled non-official initiative, as brought out in the articles published in this issue.

Organisation is nowhere stated to be a duty of the Registrar. But the Registrar has been doing the work of organisation and a stage has been reached when non-officials ask the Registrar to make propaganda and organise co-operatives. Sri Sanat Kumar Chatterji in his article has narrated how societies organised by the Department in Bengal have come to grief. Similar experiences are not lacking in other States. It is a pity that even after nearly half a century of experience it has not been realised in our country that it is men imbued with the spirit of co-operation that make a successful co-operative. Selecting a few individuals, giving them a set of bye-laws and branding them as a co-operative society cannot make it co-operative. "For, co-operation is not a thing that men can be put to by pulling a string or drilling them into the performance of some mechanical action, but can be the product only of their own free unrestrained will. They must act for themselves, not suffer themselves to be moved like pawns on a chessboard."

As regards the contention that is often offered justifying official control when the State is giving financial and other aid, we cannot answer it better than by quoting the celebrated co-operator, Henry W. Wolff: "In the first place the paying party claims to have its say—and that say is intended to be decisive—in the management of co-operative organisations. That claim is, in the case of the State, supported by the contention that the Government, dealing with public money and being responsible to Parliament for its employment, is in justice entitled to effective safeguards against mis-employment. That is perfectly true. But it does not imply that the Government itself should direct such employment, which makes co-operation something essentially different from that which it calls itself . . . There are plenty of means available for checking the expenditure of what was not given for a Department to expend, but for the benefit of Co operation . . . All the Government's function in the matter is to see that the money is not misappropriated. That may be done without directing its expenditure. However, the Government nominee sitting at the Committee table necessarily becomes an overlord, whose opinion almost amounts to a command. And that is quite inconsistent with the idea of Co-operation." If State aid implies Government influence and Government dictation on a matter on which a Government is by no means a qualified judge, depriving Co-operation of all the freedom of independent initiative and action, such as is indispensable for its success, such aid is better not given.

Furthermore, Co-operation is not a thing invented by the Government who could lay down the law and interpret it as it liked. Co operation has grown to be a world movement with a world-wide organisation governed by well defined principles. The principles are, no doubt, elastic and permit their harnessing for the achievement of a multitude of objects. But in the race for achieving the object the principles must not be lost sight of. If, in our country, stress is often laid on the ends, but not on the means by the Departments in charge of administration of co operation, it cannot be called co-operation but anything else. The very fact that administration of co-operation by Government Departments for nearly half a century has not been able to stimulate the public to organise societies for themselves co-operatively goes to show the futility of departmental control of the Movement. What Wolff

had said forty years ago holds good even today. "State aid or patronage infallibly spoils the main material for success, which is the co-operator himself. They impart an entirely false direction to the Movement and so denaturate it. The ringing, shining golden trappings with which successful co-operation is decked are but accidents or results. It is the self-relying man, led—and it may be, compelled by necessity—to put forth the best efforts both of hand and of mind, of which he is capable, who makes sound and successful co-operation. Take that element away, and what you raise up, plentiful though it may be, will prove nothing but "Jerry" Co-operation, ephemeral, Brummagem, with no lasting good in it."

It cannot, however, be denied that party factions, inefficiency, maladministration, favouritism, etc., that have crept into at least some of the societies are responsible in no small measure for the increasing official control. If co operators in responsible positions give no room for even a semblance of inefficiency to creep into the administration, officials would not have one important plea for their interference and control. We wish co operators would realise this before it is too late and set their houses in order at the same time cutting their dependence on any outside assistance which cannot be had without outside interference. If Co operators make up their mind on this question, they can be free. Prof. Kaji's scheme of Progressive Deofficialisation can be tried forthwith.

* * *

In our country honorary service has come to be looked upon more and more as an essential feature of the Co operative Movement, to be sedulously fostered. Honorary service was indispensable in the early stages of the Movement when people had little knowledge or experience of Co-operation. But we see that this reliance of societies on honorary service is increasing instead of decreasing with the expansion of the Movement. After the first flush of enthusiasm and after the institutions were made sufficiently strong and put on rails, a spirit of complacency has crept into the fold of the non-official workers. The resultant slackness or inefficiency on the part of the management is often sought to be rectified by approaching the Department for loan of services

Principle of Honorary Service.

of its officers to man the institutions. This is a dangerous tendency which, if allowed to grow, will cut at the root of the organisation, founded and fostered by zealous co-operators in the past. The reason for such a complacency is not far to seek. To quote Dewan Bahadur Prof. H. L. Kaji, President of the Indian Co-operative Union, " Honorary workers in the past were allured to the service of Co-operation by a vision of honour, honours or honorarium Honour is however an illusion ; honours have vanished and honorariums have thinned." Any amount of dinning into the ears of all concerned that men with the spirit of service alone need come to serve the Movement will be ineffective particularly when the responsibilities involved in the direction of ever expanding institutions become arduous and require greater attention and time.

It cannot be ignored that Co operation is after all an economic Movement and the honorary workers in it too would expect to be paid as well as in any other form of economic organisation. The best people cannot always put in their full time and effort unless they are adequately remunerated. It does not mean that we underrate honorary service which is one of the greatest assets of the Movement in our country. What we plead for is adequate payment for services rendered, in case the institutions can afford to pay and the honorary workers accept such payment. In the western countries all the services—including those of directors—are paid for adequately. The measure of success achieved by the Movement in other lands is partly, if not solely, due to the principle of adequate remuneration for services rendered.

* * *

Superiority of Co-operative Trading.

We publish elsewhere in this issue of the *Review* an article contributed by Sri S. V. S. Sharma on the Superiority of Co-operative Trading. Sri Sharma has taken pains to point out the defects of other forms of trading, including State Trading, and to prove conclusively the merits of co-operative trading. State trading in our view is a dangerous experiment. Greater and greater economic control by the State might amount to a virtual State monopoly and dictation, yielding no room for the preferences of

the individual, which a democratic Government should ensure. It might carry us a step nearer to Collectivisation or Communism which we so much dread. Further, State Trading generally leads to inefficiency for the very reason that Government officers in charge of direction of business operations cannot necessarily be trained businessmen. That State Trading is a great breeding place for inefficiency and maladministration is borne out by experience. As such trading by the State directly should not be the ideal.

But the State, so long as it feels the necessity to control and regulate the imports or production and distribution of any commodities, may with advantage entrust such trade to bigger co-operative institutions. It is true that all our co-operative organisations may not be fully equipped for the task. But given the necessary time and patience, a co-operative society will, in the long run, prove to be a cheaper and more efficient agent of the Government than private firms or the individuals who work only for their personal gain. In cases where co-operatives do not have the necessary facilities for undertaking big trading operations, it is upto the Government to make suitable arrangements in that behalf by providing the required funds directly or through the Provincial Co-operative Banks or the Reserve Bank of India and utilise co-operatives as agents of the Government. This, in a small measure, is being done in Madras, where the Government is making available to the Madras State Co-operative Bank funds for being made over to co-operatives entrusted with the work of procurement of foodgrains. We wish all the State Governments make it their policy to entrust procurement (including imports) and distribution increasingly to co-operatives.

* * *

Idea of Co-operative Commonwealth.

We have set for ourselves, in our Constitution, Co-operative Commonwealth as the goal. It is incumbent on the State to formulate and work its development plans, in all spheres of economic and social activity, to bring about the establishment of the Co-operative Commonwealth wherein production and distribution will be guided by the motive of service rather than by profit motive. It is true that such a change in the present economic set up, which is ridden with fierce competition, can be brought about only when strong voluntary associations for the purposes of mutual aid, self-government and democratic freedom come into being and undertake production and distribution with a missionary zeal to maintain the highest standards of efficiency and commercial integrity. Such a manifestation of spontaneous democratic activity cannot be brought about merely by the multiplication of weak co-operative societies throughout the length and breadth of the country. It is the duty of the State and the co-operators to try by all means to improve and increase the strength and efficiency of the existing co-operative societies, and take proper precautions to see that all co-operative societies brought into existence hereafter are strong and are in a position to compete in efficiency and integrity with other forms of business organisations. Besides, for the quicker achievement of our goal, it is also necessary that the existing joint-stock business organisations are persuaded to adopt at least some of the basic and essential principles of Co-operation so that in no distant future the whole economic system of the country, which is at present moulded on diversified lines, may aim at integrating into a single pattern and thus achieve the cherished objective of the Co-operative Commonwealth. It is therefore necessary that the State should introduce some of the basic principles of Co-operation in the Indian Company Law and Partnership Law by suitable amendments thereto. For example the State may amend the Indian Company Law restricting the maximum dividend that can be declared on shares to a figure round about six per cent and thus effectively prevent payment of unjustifiably high dividends to the shareholders. In the same way another amendment can be effected giving one man one vote as under Co-operative Law instead of one share one vote. It cannot be denied that it is the individual whose opinion and ability should count in the management of affairs and not the number of shares one holds If the industrial and business institutions adopt these two basic principles of Co-operation practically the whole co-operative idealogy gets into the peoples' minds and in course of time the urge for voluntary association for the purpose of mutual aid will be felt by the people.

Though Co-operation has come to be reckoned as a potential factor in rebuilding the economic structure of the country on more equitable basis, and Co-operative Commonwealth has been accepted as the basis of all economic reconstruction, Co-operative Movement has not been given the importance it deserves at Cabinet level. Both at the Centre and in the States, Co operation is a minor subject to-day, entrusted among others of greater importance, to one of the Ministers.

The Ministry of Co-operation.

Co-operation is being tried to-day in a variety of ways in the socio-economic field in all the States. It has become a potential organisation in the life of the people throughout the country. In the course of the working of the Movement a variety of problems are cropping up requiring immediate solution. But there is no central State organisation to study the results of the working of the Movement in the several States and make them available to the other States for guidance. Even as early as in 1914, the Maclagan Committee stated in their report that "Although the subject of Co-operation is, like other branches of administration, one primarily for each local Government to deal with inside its own area, it is a question whether the Imperial and Inter-Provincial interests involved have not now grown so important as to justify its being treated on the same lines as Education and Agriculture by the appointment of a Co-operative Adviser with the Government of India. The advice and counsel of such an officer would be very valuable to Provincial Governments, Development Commissioners, or similar officers and to Registrars themselves." For the same reasons that prompted the Maclagan Committee to recommend the appointment of a Co-operative Adviser with the Government of India, the setting up of a Ministry solely in charge of Co-operation at the Centre, with a Council as recommended by the Committee appointed by the Government of India on the recommendation of the 15th Registrars' Conference, is called for.

NEWS AND VIEWS

At the inaugural meeting of the Standing Advisory Committee on Agricultural Credit, appointed by the Reserve Bank of India, which was held on 22nd August 1951 at Bombay, Mr. Benegal Rama Rau, Governor of the Reserve Bank of India and Chairman of the Committee, observed during the course of his address to the Committee that while it was possible that the inter-related items of agricultural credit and the co-operative movement would remain the two main pre-occupations of the Committee, its scope as defined was wide enough to cover "all rural finance and not merely agricultural credit and all agencies for rural finance and not merely the co-operative movement." The Governor said that broadly there were three types of questions for which answers would have to be found in due course. First, the question of long-term policy, something approaching a national plan of agricultural credit ancillary to a national plan of agricultural production. A small "Committee of Direction" had recently been appointed by the Reserve Bank and entrusted with the task of planning, directing and interpreting an all India survey of the conditions of agricultural credit. The Chairman and some members of that Committee were also members of the Standing Advisory Committee which should make in easy for the Committee of Direction to exchange ideas with the larger body.

Secondly, Mr. Rama Rau said, was the question of the various steps that could be taken by the Reserve Bank without much delay, that is, without having to await either long-term policy or far-reaching organisational development. Many of the measures recommended by the informal conference on rural finance, held in February last, were of this kind. Thirdly, there were certain other measures which, while not needing to await long-term policy, were at the same time dependent on organisational development and reforms.

One problem which, Mr. Rama Rau, said, was common to the relatively undeveloped States and those which were more developed was the absence of adequate trained personnel to man the co-operative banks or other agricultural credit organisations which would need to be expanded or newly established. "This is a serious problem and one which has to be tackled without delay in the context of a programme of development."

* * *

The Reserve Bank of India has decided to appoint a small "Committee of Direction" to plan and organise a rural credit survey on an all-India basis. Mr. A. D. Gorwala has accepted the chairmanship of the Committee and Prof. D. R. Gadgil has agreed to be one of the members. The Bank's Executive Director and its Economic Adviser are the other members of the Committee. Besides guiding the conduct of the survey and arranging for the compilation of results, the Committee will give its findings on the data collected and make any recommendations it may consider necessary.

The present enquiry is to be of a size which will adequately cover different strata of the agricultural population in representative parts of the country with reference to their credit requirements and to the agencies, existing or needed, for fulfilling those requirements. It will also deal with aspects such as the pattern of savings and deficits in agricultural economy, the trends, if any, towards shifts in income, and the problem of capital formation in rural areas.

* * *

Some more interesting facts about the Sevanagar Co-operative Society (PEPSU) are given below. The main feature of the society is a common kitchen for the whole of the village community. The object behind is to save the field workers' time to enable them to devote every minute to their work on the land. About 15 women cook for the whole village by rotation. Meals are served at fixed times. The eldest woman member of the community is in charge, in allotting various items of work for the day. During meal hours, four men as well as four women work as waiters by rotation. Usually, they take their meals first of all, and then wait till the rest finish their meals. There is an extensive garden which provides vegetables for the kitchen. The surplus vegetables are sold in the nearby town. The quality of the meal served, though simple, is quite good.

The society has laid down that in no case more than Rs. 100 should be spent at a marriage. The selection of a bride or bridegroom is left to the parents, but the marriage expenditure is the responsibility of the managing body. No dowry is allowed and the bride leaves her parents' house in just one suit of clothes. The principal relations of the bridegroom are entertained by the bride's father, but the number of guests in no case must exceed 20. They are served a simple village meal.

Gambling, drinking and smoking are strictly prohibited. Anybody indulging in these is liable to be turned out from the village. Litigation, which has bled the Indian farmer white, is also looked upon as reprehensible as drinking or gambling.

There is a junior basic school with one teacher and this institution is entirely run with the efforts of the society. All women members of the society, as are free from kitchen duties, sit together and work at their spinning wheels. At the end of the month, the yarn spun is sent to Adampur Doaba branch of the All-India Charka Sangh, which sends back pieces of hand-woven or khadi-woven cloth in return for the yarn. Certain women who have devoted themselves exclusively to spinning work act as guides to young girls of the village community.

There is a large co-operative store in which daily necessities of life are conserved. No cash transactions are made. For instance, if a member wants a stick of washing soap or a quarter pound of 'sarson' oil, his account is debited with the cost of the articles and at the end of the harvest the total debts are collected, accounts adjusted and the surplus money handed over to the members.

The managing body acts as the Panchayat of the village. It is reponsible, among other things, for the education of the children of the village community, their military training at school age, the watch and ward work of the village, the marriages of boys and girls, and above all, for ensuring a decent living by the members of the village community.

There is no beggar in this village. Work is offered to those who sometimes come to beg alms and no charity is given.

The society's assets stand at about Rs. 90,000, three pumping sets and engines, and a tractor, besides live-stock worth thousands.

* * *

In response to the public demand the Chief Commissioner of Himachal Pradesh has recently entrusted the work of distribution of controlled articles to co-operative societies. There will be one wholesale society for each district, and for retail distribution there will be other societies with their sales organisation throughout the district. There are already about 850 co-operative societies in Himachal Pradesh, and more will be formed where necessary to cover the entire ground.

* * *

The Venkatesapuram Co-operative Housing Colony at Ayanavaram near Madras was declared open by His Excellency the Governor of Madras on the 14th July. This is the second colony established by the Madras Co-operative House Construction Society, in the Madras City the first being Gandhinagar in Adyar. The colony is intended to provide 135 lower middle class houses costing Rs. 6,700 to Rs. 10,800 each. The society has provided under-ground drainage, street lighting and roads for the colony.

* * *

The scheme for the intensive development of multipurpose co-operative societies started in selected Thanas in Bihar in 1948-49 covers now 1,515 villages, having an approximate population of 7½ lakhs. So far 1,187 multipurpose societies have been organised in these villages. The scheme aims at the all-round development of the entire village by arranging for the supply of improved seeds and fertilisers, supply of necessities of life, introduction of improved agricultural methods, promotion of adult education, development of village industries, cattle welfare, extension to irrigational facilities and improvement of village communications. Compost making and planting of trees formed an essential feature of the programme.

We are asked to announce that the views expressed in the course of comments on the ***Report of the Rural Banking Enquiry Committee*** published in the January–March, 1951 issue of this *Review* (pp. 21 to 28), are the individual opinion of the person concerned and do not reflect on the policies of the Madras Government in any way. —M.Ed.

SUPERIORITY OF CO-OPERATIVE TRADING

BY

S. V. S. SHARMA, M.A., B.COM., (HONS.)

" Tell me, how will the possession of power by a handful of political socialists have so altered the mentality of the masses, so changed their ways, enlarged their capacities and set up new standards of conduct as to make possible a society of freemen and not a new society of masters and serfs ? "

Lagardelle—Socialist Congress, Nancy, 1907.

The theory and philosophy of co-operation is always conceived of as a perfect and desirable alternative to State Socialism on the one hand and Capitalism on the other. Co-operation is at the same time collectivist without being regimented and voluntary without being individualistic. Profit motive, the most detested of the evils of Capitalism, has been discarded without thwarting private initiative and enthusiasm essential for economic progress and development; inefficiency and extravagance, the chief defects of State Socialism are successfully averted without sacrificing the essential social outlook. The ultimate aim of co-operation has always been "to proceed to arrange the powers of production, distribution, education and government . . . . . . " and it has to be admitted that the first two aims, at least in some countries, have been achieved to so large an extent that a frank stock-taking is desirable both to stimulate the progress of those lagging behind and to re-enthuse those in the vanguard, in the achievement of the ideal.

Politically, Socialism has not only gained foothold but is also rapidly advancing throughout the world and collectivisation of the various aspects of economic life is rapidly proceeding apace. Co-operation and Socialism have since the beginning been moving closely together and to many both seemed to signify almost the same thing; for, " when the goal was some distance away both roads lay in the same general direction and it was only the meticulous theorist who could concern himself with what each conception really meant ". The differences between Socialism and Co-operation, once neglected, are now assuming greater and more significant importance daily and in the field of distribution and to some extent of production, a strict demarcation of spheres of activity has come to be essential, if a serious conflict is to be averted.

During the Second World War, under the stress of the circumstances, the State in many countries had to impose extensive controls over production and distribution of many commodities. The dawn of peace, however, did not permit them to relax the controls entirely and go back to the pre-war conditions. In the interests of the nation at large, the Governments of various countries have realised that at least some sort of control over distribution and production of consumers' goods is essential if not entire collectivisation of this field. But being otherwise preoccupied, they are not able to effectively practise either. Moreover, with the acceptance of economic planning as an essential element of governmental policy in many countries, it has become necessary for co-operators to point out the advantages of their type of collectivisation and claim their rightful place in national economy.

II

The great exponent of the theory of consumers' co operation, Charles Gide, envisaged the establishment of the Co-operative Republic in three stages; first, the 'distribution' or 'trading' sector of the economy has to be completely brought under the co-operative fold; next, the 'manufacturing industry' should entirely come to be run on co-operative lines; and, lastly, 'agriculture' has to be co-operatised, thus conquering all the sectors of national economy and establishing a full fledged Co-operative Republic. His disciple, Dr. Fauquet, however, recognised that neither the 'conquest' is so simple nor the steps so definite and clear-cut. Co-operators, in general, accept this thesis of Gide as the goal and ideal of their endeavours but while striving to achieve it, have had to make concessions here and there to meet historical and national circumstances peculiar to their respective countries.

In England ideas regarding State activity in the economic sector were being shaped from time to time by political exigencies and so "the resolutions of the Co operative Congress on this question (Municipal and State Trading) are often remarkably vague and the official policy of the Co-operative Party is dictated rather by political expediency than by any principles of co-operative enterprise".

In the beginning, when Municipal and State Trading did not assume as wide dimensions as to-day, it was thought that a conflict between co-operative societies and State trading agencies was unlikely, for, State trading was envisaged to include only the Post Office, local and national water, gas, electricity and transport services. Gradually, it was recognised that certain industries like coal, iron and steel and heavy engineering too will have to be taken up by the State at least to break-up capitalist monopoly easily and quickly.

Politically, the Co-operative Party being part of the Labour Party and the leaders of the Co-operative Movement being first liberals and then Labourite—Socialists, Co-operation was not against nationalisation, in general. The Movement supported the municipal milk schemes etc., even though they slightly encroached on their sphere of business. Even after the ascendency of Labour into power after the Second World War, co-operators supported nationalisation of the Bank of England, were prepared to allow nationalisation of the C.W.S. Bank, along with others, if necessary, have also supported nationalisation of social insurance even though it deprived their own insurance company a part of its business. Thus, co-operators supported with enthusiasm the first dose of nationalisation administered by the Labour Government. Prior to the 1950 election, the Manifesto issued by the Labour Party urged further extension of public ownership so as to embrace cement, sugar refining, meat wholesaling, cold storage, water supplies and industrial assurance and also some others that directly impinged upon co-operative interests. We are told by a prominent co-operator that "the Co-operative Movement did not rush with great enthusiasm to support all these further projects". Milling, meat wholesaling, sugar refining, dairies, textiles and the whole range of consumers' goods industries are now being listed as the legitimate field of co-operative activity. The Scarborough Conference in 1949 passed a resolution expressing "the emphatic opinion that the Co-operative Movement of voluntary organisation should be recognised as an integral part of the national economy and capable of expansion in meeting the increasing requirements of consumers." In his presidential address to the Conference Mr. G. L. Perkins dwelt at length on this matter and wisely pleaded for a "judicious distribution of tasks and a reciprocal collaboration between the activities of the State and those of co-operative organisations." The National Co-operative Authority too in its report defined the spheres of interest for different forms of collective control with a view to creating a well balanced collective economy on a non-profit basis.

On the Continent, Max Weber, head of the V. S. K. (Wholesale of Switzerland) desires "State interference to those spheres in which it is superior to any other form of human collaboration and is indispensable because State compulsion is necessary to achieve a certain end. State activity is suitable where a centrally conducted monopolistic organisation is needed for the country as a whole in order to fulfil an economic task in a rational manner. But where it is necessary to cope with differential individual requirements Co-operation is the superior form of collective economy. It can act more quickly and it allows greater freedom in both the spheres of consumption and production."

The influential Norwegian, Swedish and Belgian opinions also endorse this position. Ernest Poisson, a past vice-president of the International Co-operative Alliance, in his, *The Co-operative Republic* wrote that "co-operation demands that wherever monopolies are set up, capitalist profit shall be abolished and further that whenever the Co-operative Republic cannot venture to replace an existing organisation by its own machinery, free competition having been extinguished, the organised consumer shall be called upon to take part in the management of the nationalised capitalist industry. Co-operation is thus favourable to nationalisation whether of the mines or the railways but claims at the same time that these organisations shall retain the widest possible freedom of action and that generally the consumers as such shall be authorised by the law which makes them public services to assist in their management and control." All these are co-operatively well developed countries where the State has already gradually taken up certain activities in the econmic sphere which co-operators had to accept as a matter of course; moreover, the doctrine of Socialism wields a good deal of influence in these countries especially over the working class. Co-operation being especially a working class movement, its leaders are apt to be influenced by Soicalist doctrines. On the other hand, opinion on the American continent, where Socialist doctrine has not attracted so great an attention, has been more pronounced and definite. Dr. Warbasse, the oldest and most prominent leader of the Co-operative Movement in the U.S.A., was quite emphatic that "the people have succeeded in supplying by this method (the co-operative method) every useful commodity and useful service. In the field of public utilities, Co-operation has succeeded in telephone service, housing, arbitration, education and medical service. I can conceive of no public service in which the people organised co-operatively are less clever than when organised politically." The same authority was pained to note that his brother co-operators on the other side of the Atlantic were in favour of State enterprises in some fields, especially industrial assurance, medicine, banking etc., in which according to him, co-operation was equally well successful and gave vent to his agony by writing that planning for the destruction of co-operation was in progress.

This apparent difference of opinion on the part of co-operators may be attributed to the difference in the historical and economic background prevailing in the two continents. In the U.S.A. the State has not so far entered into the economic field and the prevailing type of economic organisation is capitalistic. Against it co-operators emphasise that their form of collective organisation is superior in all respects whereas co-operators on the European continent having been already acquainted with State enterprise i.e., a form of collective organisation in certain fields, feel that the two forms of collective organisation can exist side by side without having deleterious effects on each other.

The Seventeenth Congress of the I. C. A. at Prague discussed the attitude of co-operation towards nationalisation thoroughly and the Resolution passed in this respect emphasised that it "demands for co-operation the ability to function and expand thus giving to the individual the democratic right to freely accept the principle of voluntary association. Such a dynamic function on the part of the Co-operative Movement would not weaken, but on the contrary would strengthen and give the necessary flexibility to any system of collective economy in which it might operate."

Thus, co-operators all over the world are anxious to collaborate with the State in bringing the entire economy under collective control displacing capitalism. It needs hardly be pointed out that it is unnecessary and unwise for the State to think of nationalising such industries and lines of trade in which co-operation has already entrenched itself and is in a position to displace capitalism in that line, entirely, in the near future, with the help of the State. On the other hand, co-operation as a form of organisation is superior to all other types of organisation and is most suitable in certain lines especially distribution and production of consumers' goods.

III

Now we may briefly recount the superiority of co-operative form of organisation to the Capitalist and Socialist forms of organisation, with special reference to trading.

Co-operative consumers' societies are voluntary associations of the consumers themselves organised to supply the requirements of the members themselves. The State is, necessarily, for the community as a whole but is not expected to be omniscient, so far as distribution and production of consumers' goods are concerned; the voluntary yet collective type of organisation gives more scope to the consumers to freely express their desires and preferences than the compulsory, collective type of State Socialism; the former not merely respects the consumers' right of freedom of choice but also proceeds with that as the basis to build up a new socio-economic order which the latter cannot do.

The management and direction of the consumers' stores, being in the hands of the members themselves, is democratic and is carried on solely for the benefit of the members. The employees of the stores being paid servants are not interested in expoliting the consumers and even if they resort to malpractices, they can be quickly removed by the members and their representatives; this is a distinct superiority over the Capitalist form where the dealer is personally interested in exploiting the consumers. On the score of management, co-operative stores have a distinct superiority over State shops too because the former is directly and immediately under the control of the consumer-members themselves who—being a small group, associate for this purpose only—will be able to act quickly while the latter being under the control of the Government—a bigger body, interested in many and more important matters—are only remotely and ineffectively controlled even by the representatives of the consumers.

The chief defect of Capitalist form of organisation is the dominance of the profit motive over service motive and all the evils of capitalism flow from this defect; co-operation not only remedies this defect but builds up a new social and economic theory around the centre, "service motive." It also shows the one way to banish the curse of booms and depressions from national economy by always equating supply to demand by producing to meet the known demands of members only. It goes a step further, traces the origin of profit and tries to hand it back to its lawful owners, the contributors, thus promoting consumers' interest in retailing, adding up to their savings unconsciously and providing goods at the most fair price possible under any circumstances; the benefit that the member receives is direct, immediate and easily recognisable; here, co-operation is superior to nationalisation too, which, no doubt, benefits the community as a whole but not so directly, so immediately and in so easily recognisable (by the beneficiaries) a form—defects which go to reduce its benefits both psychologically and materially too, to a large extent.

In the case of State enterprises, the capital and inititative for extension or contraction is to come entirely from the State which is at the same time interested in many other equally important matters besides being always short of money for its more important needs; when expansion or contraction takes place, at all, it may be to meet the changing political circumstances whether economic factors warrant it or not. Moreover, State enterprises being under bureaucratic management without any direct control of consumers, are slow to adapt to the changing needs of consumers; the varieties of goods produced will tend to be limited and consumer preferences will receive only limited consideration. Co-operative stores, on the other hand, get their share capital from all the consumers in driblets, keep their doors always open to new entrants, treat them on an equal footing, respond quickly to changing trends of demand and give due consideration to both the needs of the community and the economic factors involved. In the matter of securing additional capital for expansion, co-operation is at a distinct advantage over both capitalism and State Socialism, for, not only can additional capital be obtained by direct, convincing appeal to the numerous members but also by accumulating a large amount of Reserve Fund from out of the 'surplus' without any inconvenience to members and by appealing to them to leave their quarterly dividend unwithdrawn, partly or entirely, thus adding to their capital—a unique factor in favour of co-operation. As a matter of experience, co-operative consumers' stores have always plenty of capital resources at their command; for example, the consumers' co-operative movement in England is utilising only 41·3 per cent of available funds. The C.W.S., the biggest single manufacturing and trading unit, is investing only 10·8 per cent of its funds in its business

To make admission to membership liberal and easy to non. members the stores in many countries allow them to buy goods at the stores and credit the 'dividend' due on their purchases, which they, being non-members, cannot claim, to a separate account in their names and admit them as members as soon as the amount accumulated enables them to take a share. This practice should be followed by our stores also instead of allowing members to get the benefits of non-members' dividends too or crediting non-members' purchases to the accounts of a few favoured members—going against the spirit of co-operation.

The Capitalist form of organisation works for the benefit and welfare of the few while the State enterprises work for the benefit and welfare of the community as a whole but in a regimented, impersonal, bureaucratic manner that goes to reduce much of its utility, at least so far as distribution and production of consumers goods are concerned. Co-operation on the other hand, works for the benefit and welfare of the consumers directly under their control, catering and caring for their preferences, coming into personal contact with them, all the while acting in a business-like manner.

Nowadays, especially in our country, the Capitalist traders are resorting to anti-social practices and the 'black market' is becoming more and more prevalent. That is why the State has begun to encourage co-operative distribution by giving preference to co-operative stores in the allocation of scarce commodities. It is true that the co-operative stores have not functioned as well as we desire; but that is mostly due to the inexperience and inefficiency of the staff, not the greed or private profit motive of the stores. The staff of our stores and the members of the Boards of Management should be given practical and theoretical training in co-operation and distribution so as to fit them to their roles as ideal public servants and this training and experience they could not get under the emergent circumstances that they were called upon to face. Capitalism as a form of organisation gives scope for malpractices, while co-operation as such does not, provided proper care is taken about the staff.

Co-operation as a form of organisation is uniquely suited for unlimited expansion. The individual unit itself is capable of expansion limited only by the population of the locality and their purchasing power, so far as distribution and some lines of production are concerned. With regard to capital the individual unit can get any amount depending again on membership and their purchasing power, since there is a definite relationship between the number of members and their demand on the one side and the requirement of capital on the other: it follows that a co-operative society, provided it is properly run, will always be adequately capitalised and need not run to banks and other financial institutions. In our country, it is true that co-operative stores depend on banks for financial assistance, but that is due to the emergency of the situation which required them to cater to non-members too with members' capital only. Co-operation permits of further expansion by the device of federation; co-operative organisations do not compete with one another as Capitalist organisations do and so there is no conflict of interest between two co-operative stores; moreover, they believe and—experience justifies it—that union is strength and do not hesitate to co-operate with each

other in any respect. Thus co-operative retail organisations can join together to form a wholesale of their own, subscribe its capital, manage it and divide its 'surplus' in proportion to the use each makes of it. Where retail organisations, individually, cannot undertake any enterprise, they can utilise this federal form of expansion and jointly undertake such large scale enterprises. Such joint undertaking may be national or international in scope and we have a number of successful enterprises carried on co-operatively on an international scale jointly by national wholesale societies. The English and Scottish Wholesales have started a Joint Wholesale Society to undertake jointly, productive activities at home and abroad. The national wholesale societies in the Scandinavian countries have jointly established a Scandinavian Wholesale Society. There are also an International Co-operative Trading Organisation, an International Petroleum Association, an International Co-operative Oil Production and Trading Organisation with a large number of national associations as their members, besides such organisations as the New Zealand Produce Association which comprises the English C.W.S. and the New Zealand Producers' Co-operative Marketing Association and the Danish Co-operative Bacon Trading Company in which the English and Scottish Wholesales and the Danish Bacon factories are the main shareholders, which are joint enterprises of two different types of national organisations. Co-operative societies will, therefore, be able to supply all the requirements of the consumers, producing them all co-operatively, completely eliminating the profit motive and wastes of competition. In this respect, Co-operation is superior to State Socialism, for the rate of expansion under co-operation is dictated always by available demand and economic factors affecting the industry, thus becoming economic, efficient and socially desirable while under the latter system expansion may take place if socially desirable whether efficiently or not, economically or not.

As capitalist organisations developed, cut throat competition between them ensued as a necessary evil and this has given rise to gigantic combination movements which are essentially monopolistic organisations, exploiting consumers internationally. The measures taken by various Governments to check their activities or to ban them altogether proved futile. To break up such monopolies and cartels, co-operative organisations proved to be the most capable. While international cartels can only produce in anticipation of demand, international co-operatives can produce to meet certain, determined demand, with a moral and social backing. Thus in Sweden the consumers' movement has successfully acted against powerful cartels in the margarine, flour milling, rubber and electric bulb industries and this has proved a great boon to consumers in general by resulting in extensive price reductions. "The increases in the purchasing power of the Swedish buying public effected by the savings in consumers' outlay on excessively high priced articles resulted almost immediately in a rapidly rising production of the formerly monopolistically priced commodities. The benefits there of also extended to the private enterprises which belonged to the cartels broken up by co-operative action in the form of larger turnover, an increasing volume of employment and the retention of normal profit opportunities. Similar results have been experienced in many other countries." In the international sphere, the successful fight of the Scandinavian Co-operative Luma Association against the international cartel of electric bulb manufacturers is an inspiring example. Concerted co-operative action on the widest possible international scale will also be to the advantage of the consumers in the field of consumption and to the manufacturers of important raw materials subjected to monopolistic price fixing by international cartels as well as to the recuperation and future healthy development of world economy in general.

The co-operative movement having achieved notable success in distribution and production of consumers' goods is now taking up other services too, so as to give scope to the consumers to spend all their income at co-operative counters only deriving the maximum satisfaction therefrom. As working class incomes rise, a smaller and smaller proportion thereof will be spent on food and other necessities of life and a larger and larger proportion on services and comforts that go to make life more and more cheerful. According to an estimate by Colin Clark, in 1936, an average working class family spent, out of its income, only 27 per cent on food, 10 per cent on clothing, 55½ per cent on all shop purchases and 44½ per cent on services, of which about 9½ per cent was for rent. Amongst the new fields into which co-operators are venturing mention may be made of cinemas, theatres, restaurants, seaside and holiday resorts etc. In these respects there is scope for unlimited expansion and extension of co-operative activities. The co-operative movement has so far fed and clothed the people "but there is a whole world of education and inspiration, of laughter and loveliness and deep emotion of social criticism and spiritual refreshment" into which the movement is gradually extending

itself. Co-operation in these fields is striving only to serve its members better but not to extract a profit at their expense, like capitalist ventures. It also gives them free and full choice in choosing the forms of services they require instead of providing stereotyped, impersonal services as State organisations do, in this respect.

Co-operation has distinct superiority over other forms of trading and producing organisations in respect of costs also. The co-operative retail stores at the bottom with provincial and national wholesales and international organisations at the top form a pyramidal structure of indepeadent yet interdependent units and achieve all the economies of giant vertical combinations without any of the attending evils. The co-operative organisations, from bottom to top, being a chain of mutually interdependent units, those at the bottom controlling and financing those at the top in their own interests, much economy can be effected in interest charges, dividends on capital, underwriting and promotional expenses, registration charges, advertising, sales and distribution expenses etc., besides effectively utilising available captial resources. Moreover, if goods are supplied or produced and supplied by the 'top' units to the 'bottom' units at an 'accounting price' which leaves a 'surplus' over the 'cost of production', the same will be proportionately returned to the 'bottom' units, thus ensuring that the goods of good quality, produced co-operatively at as low a cost as possible are passed on to the ultimate consumers at as cheap a price as possible. Such an advantage cannot be had under State Socialism for the various producing units are not directly inter-related to each other and their activities are only remotely and bureaucratically coordinated by those that are not best fitted to do the work.

After the Second World War the problem of the most effective utilisation of available manpower has assumed great importance in many countries though not in our country. In England where the problem is most serious due to the recent economic crisis, it has been said that an unnecessarily large number of persons are engaged in the distributive trade and that if efficiency in distribution can be improved by opening State shops, a large number of persons can be released for more productive work. But, there, it has been proved that co-operative retail distribution is in this respect also much more efficient than the capitalist rivals; it was estimated that in Great Britain there were 141,665 grocery shops of which 10,620 or 7.59 per cent are co-operative shops serving

26.3 per cent of the entire population. This is the experience of other countries too. It is, ofcourse, necessary that the staff of co-operative societies be thoroughly trained and fitted for their jobs and proper incentives given to them to show the best results. In India even though nothing seems to have been done so far, it is not difficult to come up to the standard, given proper zeal and enthusiasm.

The question of economy and efficiency in retail and wholesale trade and production may also be considered. Co-operators in various countries have conducted surveys from time to time to prove the superiority of their form of organisations ; but we shall quote here the results of first hand survey conducted by impartial, respected academicians. The experts that examined the working of the British Co-operative Movement in 1937, by means of an extensive first hand survey of the operating costs etc., of retail stores and comparison of the results with those published for other types of organisation by various bodies both in England and the U. S. A. came to the conclusion that "co-operative retail organisation appears to effect economies as against *all* capaitalist organisation on the score of administration and advertising; as against independent capitalist shop-keepers and department stores (but not chain stores) on the score of collection of debt and delivery and as against department stores on the score of rent". After a comparison of the costs and net margins in co-operative societies and in non-co-operative grocery and drapery chains and department stores, as collected by the Harvard Bureau of Business Research, the Federal Trade Commission, the Retail Distribution Association and students of co-operation, they thought that "it is possible to conclude, however, that co-operative societies do appear from these facts to effect a significant reduction in operating cost." The experts also recognised that there is real economy in co-operative wholesaling too because it is organised on a huge national scale, it has a beneficial monopoly so far as co-operative trade is concerned, it need not allow long period credits to retailers and it acts mainly as a broker satisfied with a small percentage of commission than as a merchant asking for a high margin of profit. With regard to efficiency in wholesale distribution the experts say that "beside their 'straddling' position as both wholesalers and producers, the co-operative wholesale societies are unique in the number of lines they distribute . . . there is no question that, in its wholesaling activities, the co-operative movement has developed a most efficient system" and add cautiously, "but in carrying out and administering this system, sources of inefficiency may be found" if specialist salesmen are not engaged to distribute the different lines efficiently. Ofcourse, such inefficiency will always be there if administrative standards are not kept up.

There is an important and very real service that co-operative production renders to the consumer, that is to serve as protection against monopolistic exploitation. The experts considered the various items of production costs and opined that co-operative production has advantages over others in matters of labour cost, raw material costs, interest charges, mechanisation (applying latest labour saving devices), transportation etc., and concluded that "in production activities, the co-operative movement has many economic advantages over alternative systems..........."

"The co-operative movement prides itself on the relatively good conditions of employment which have been secured for its workers. This pride appears to be justified by the available evidence of conditions in industries and trades comparable with co-operative enterprises." With regard to wage rates, the experts were of the opinion that "these minimum adult rates, measured by the wage standards in comparable non-co-operative employment, are fairly high." The generous attitude to labour conditions in the Co-operative Movement has given most of its workers a shorter working week than similar workers in other firms have been able to claim. "The superiority of co-operative labour conditions is more marked in matters other than wages and hours. Holidays with pay, retiring pensions, pay during sickness and opportunities for advancement and promotion have received far more attention in the Co-operative Movement than in most other spheres of commercial employment." Regarding the machinery for negotiation and conciliation, the experts said that "nowherelse in the distributive trades is there to be found machinery of this type and nowherelse are questions of wages, hours and conditions of working subject to such comprehensive machinery of negotiation." They also felt "it is certain that the movement would not consciously approve of any action likely to antagonise trade unonism or to discourage trade union activity." A Swiss authority records that "labour conflicts about wage rates are extremely unusual in the consumers' co-operative form of undertaking."

Under the system of co-operative distribution, all intermediaries are eliminated and the orgainsed body of consumers, indirectly, through organisations working for their ultimate benefit, come into contact with the producers of the goods and thus the consumer pays what all the producer receives plus only the absolutely necessary expense. Where the producers too are organised into strong co-operative wholesales of their own—as in the case of agriculturists and other artisans—the co-operative wholesales of the consumers will gladly come into touch with them and they try to help each other and circumstances favouring, they may also enter into joint trading relationships; such organisations may be national or international in scope, as already stated.

Under the co-operative fold the interests of producers and consumers are reconciled and a perfectly harmonious economic system is established. Even under the system of nationalisation, producers and consumers wrangle in the political field to benefit at each others' expense and this often leads to inter-industry feuds even though, outwardly, the State reconciles the interests of both the sections. The reconciliation in the one case is genuine, for economic reasons, with sympathy, out of conviction while in the other case it is artificial, for political reasons, with indifference, as a measure of expediency.

In the under-developed countries which are just planning full economic development, the State will be preoccupied with more important tasks like planning, finding the finance, establishing public utilities, key industries etc., and so the field of distribution and production of consumers' goods connot simultaneously be taken up by it. But if the entire national economy is to be collectivised, it is essential that those too be removed from the capitalist fold; at the same time, a rapid development of the consumers' goods industries is also essential to absorb the additional purchasing power pumped into the market by the State establishing new key industries etc. Therefore, the co-operatives may be told off to occupy this field for which they are most fitted and the State may concentrate on other aspects of the economy, for the greatest advantage of the community.

Co-operation is essentially a movement of the lower classes that form naturally the most dissatisfied section of the people of the country. It tries to alleviate their distress by mutual help and efforts, inculcating habits of thrift and discipline in them and making them business minded; it slowly but steadily contributes to their material and social welfare and reduces their dissatisfaction to a large extent and imparts a sense of pride in being the owners of a gigantic, strong movement. It provides scope for

giving training to working class people in business management, constructive activities and democratic management, and thus harnesses and properly canalises working class energy and enthusiam which would otherwise be most probably exploited by selfish politicians believing in destructive and anti-social methods. It is essential therefore that in every democratic country co-operation should be fostered by all well wishers of the country.

The superiority of the co-operative form of organisation over State Socialism on the one hand and Capitalism on the other has been recognised and appreciated in many countries. Co-operators in many countries, have been invited to take an active part in various economic matters as advisers regarding price regulation, rationing, credit, marketing etc. Besides, the co-operative sector and the public sector always collaborate with each other, mainly in four ways, viz., 1. in the form of a simple mandate conferred by public authorities on a co-operative or a group of co-operatives, 2. in the form of delegation, which establishes a real mutual collaboration when the public authority fosters a co-operative to undertake a particular interest, 3. in the form of association of public bodies and co-operatives in semi-public, semi-co-operative undertakings, and 4. in the form of integration of co-operatives in public administration or joint service undertakings.*

In our country too, the importance and potentiality of the co-operative movement—both agricultural and consumers'—came to be recognised during the Second World War and the State gladly gave special powers and facilities to the co-operatives in matters of procurement and distribution of scarce commodities and co-operatives, in general, could render the service expected of them. It is true that there were many defects in their working but they were all due to the lack of experience and training on the part of the employees and lack of understanding of co-operative principles on the part of the Boards of Management—defects which can easily be removed. The State in our country is busily engaged in planning and establishment of key industries etc., and is not in a position to waste much of its time in rigidly enforcing controls of prices and production on the normal trade channels which are displaying anti-social tendencies. It will therefore, be proper for the State to hand over distribution entirely to co-operatives, taking necessary precautions to see that such a privilege is not abused by inexperienced people and concentrate on more important matters.

*For a detailed treatment of the subject see *The Co-operative Movement and Present Day Problems*, I.L.O., pp, 203-221.

The co operative consumers' movement of India is not a great success so far and even the few stores working are not above ciriticism either from the theoretical or from the pracitical standpoint. It is true that in the rapidly developing economy of India, co-operation has a wide field of activity and can claim a rightful place but co-operators should so equip themselves as to deserve it, before they claim anything; proper atmosphere for the development of co-operation will have to be created by extensive and intensive propaganda, co-operative officials and Directors should be properly trained and equipped for their work, co-operative principles and honest business practices will have to be strictly followed and co-operators will have to plan the proper development of the movement and execute it briskly. Co-operative trading has succeeded remarkably well in other countries; if it does not, in our country, it can only be due to the mistake of our co-operators.

As a first step, we may suggest the State may handover by stages to the co-operatives in the various provinces the wholesale and retail distribution of all the controlled articles. Co-operatives in many States are already taking an active part in retail and wholesale distribution of such commodities as rationed food-grains, sugar, cloth, iron, steel etc. In all the States the co-operative wholesales have acquired sufficient experience in wholesale procurement, wholesale distribution, marketing, processing and production of certain consumers' articles. They have been able, during the war time, to organise retail distribution units rapidly to supply essential articles to the public and the army. With such a fund of experience and goodwill to their credit and vast organisations at their disposal, there is no doubt that given proper enthusiasm, planning and encouragement, they are capable of extending their organisations and cover the entire field in these lines as early as possible. If these activities are handed over to the co-operatives, the State can more effectively enforce controls and will also be in a position to reduce the official staff now employed for enforcement of controls; further more the 'black market' can be considerably checked and the charge that favouritism is shown to followers of a particular political party will be met. Also people can be organised and trained to help themselves instead of looking to the State for their needs and the economy of the country will be placed on a sound and stable footing thereby making the realisation of 'co-operative commonwealth' which we have pledged to endow ourselves with, possible.

GOVERNMENT AND THE CO-OPERATIVE MOVEMENT

POLICY LAID DOWN BY THE GOVERNMENT OF INDIA, 1914.

The relations of Government to the co-operative movement have been criticised from opposite points of view.

On the one hand, there are some who contend that the movement, beneficent as it is, is essentially one for the people to work out on their own lines and that Government interference at any stage is uncalled for. Whatever limitations, however, may be suitable as regards the assistance of Government in European countries (and in no country is the movement entirely independent of Government aid), it is certain that in India without initiative and help from Government co-operation would still be unknown. Government alone was in a position to supply the knowledge and organisation necessary to start the work and Government alone is able by its association with the movement to create the outside confidence necessary to give it stability. Registrars are not, and are not intended to be, merely registering officers; they are also expected to provide supervision, assistance, council, and control. It is not to be imagined that societies will become perfect models of co-operation on formation; Government should continue their co-operative education long after they are registered. Unless a society is co-operative in fact as well as in name—and it can only be so if all its members understand the main principles—it is a fraud on its members and on the public. The fact, too, that societies, though primarily self-contained and self-governed, are subject to supervision by Government officers, has an important effect in attracting public confidence, and the benefits thus accruing to the country at large fully justify the expenditure of public money on official supervision. Lastly, the co operative movement by bringing the officers of Government into close touch with the people in economic matters, provides opportunities for developing those closer relations in other respects which it is so desirable to foster.

But just as there are some critics who deprecate Government assistance, so too there are others, both non-official and official, who plead for a far greater degree of Government intervention than has hitherto been permitted. They urge that in order to touch more than the fringe of the population, a far more rapid rate of progress is called for, and that unless the Government staff be largely increased and unless active measures be taken by

Government to propagate the movement, its effect must be small and its progress slow. This too represents a policy which Government has not felt itself at liberty to adopt. Not only is it the case that work done by a large centralised department tends to become mechanical and listless, but the movement must in its essence be a popular one and nothing should be done to weaken the feeling among co-operators that it is based upon self-reliance and independence. Government, therefore, in the best interests of the movement, must not allow co-operation in this country to become an official concern managed by State establishments.

The result is that Government has to steer a middle course, and this has been the policy adopted both as regards supervision and financial aid. . . .

As regards the difficult question of control and audit, it is recognised that these duties cannot be left entirely to private agency of unions and central banks. It is desirable that this non-official agency should be utilised as much as possible and that purely departmental routine in the work of audit and control should be avoided, but the success of the movement would be endangered if this principle were carried out to an extreme. Without some degree of Government supervision Registrars would lose touch with the societies; and the outside public, who depend largely on the information possessed by Registrars, and who value the scrutiny carried out by those on whom they rely, would lose that confidence in the financial position of the societies which it is so essential to maintain. Had this safeguard been neglected, it is doubtful whether societies would have escaped—as fortunately they have almost every where escaped—the evil effects of the recent banking crisis in India, and the circumstances attending that crisis indicate that any arrangement which would dispense altogether with Government supervision is impracticable. The audit, moreover, of a group of societies by a central society, whose own credit is bound up with that of the societies dependent on it, will not be accepted by the public as equivalent in value to an audit by an outside agency. It is necessary, therefore, that societies should be controlled and audited by a reliable staff which can keep the Registrar informed of the financial position of the societies, and it is also necessary that the agency employed should be such as will ensure the confidence of the money-lending public. The staff need not be paid by Government, and it is indeed as a rule better that societies should themselves be responsible for the payment of the

controlling and auditing staff than that they should be indebted to Government for its services, but whether the staff is paid by the societies or not, it is ordinarily advisable that it should be appointed subject to the approval of the Registrars, and that it should remain under their general control. If by this or any other means the two main conditions above noted are satisfied—first, that Registrars should possess reliable information regarding the financial position of societies, and secondly, that the outside public should have confidence in the control and audit—it is an advantage that the number of Government officials employed should be as small as possible, and every effort has been made to reduce to the lowest figure the agency directly employed by Government.

But while the movement must be essentially a popular one and while excessive official supervision must be avoided, it by no means follows that Government officials outside the circle of those directly connected with co-operation should hold aloof. If it is true that the details of initiation and inspection should be left to the expert agency provided for the purpose, and it is no part of the duty of the district officer to intervene in the internal administration of societies. But as co-operative societies are no longer isolated experiments outside the sphere of district work, and as, beyond the material benefits which they offer, they represent an influence closely connected with the welfare of the people and powerful, now and in the future, for good or evil, the district officer cannot dissociate himself from the movement. On the contrary, a knowledge of co-operative principles and practice has now become as essential as a knowledge of revenue law and it is his duty to maintain the closest touch with societies, not allowing them to languish through want of sympathy or to develop on undesirable lines through want of vigilance. Without in any way becoming an active propagandist he should, personally and not through his subordinates, make himself acquainted with the progress of the movement in his district, encouraging and helping those who have formed themselves into societies, enlisting the interest and support of men of influence and wealth, and assisting with his advice those who seek to avail themselves of the benefits of co-operation. This in no way involves the officialising of co-operation, nor does it trench upon the essential principle that the movement, if it is to succeed, must be a popular one. Rather will it gain in strength by such encouragement and guidance while the more closely the district officer is in touch with societies the more surely will he find to his hand new and valuable agencies to help him in his daily work.

It is for Local Governments to consider to what extent and in what manner use can be made of societies in each province in district administration—how far they can afford a means of ascertaining the real public feeling of the district—how far they can by rendering voluntary aid assist in promoting primary education, rural sanitation, and medical relief—in what manner they can be used in times of scarcity and famine or during the prevalence of epidemics, or whether the training afforded by them will lead to the development of a true system of village government.

In these and other ways it may be found possible to utilise the co-operative organisation, and the movement should, if wisely directed, exercise an important influence in promoting the welfare of the people. But although it is still uncertain to what extent, and in what manner, societies may assist in the work of the district, there can be no doubt that a new factor in administration, which cannot be disregarded has come into being, and that new duties and responsibilities have been thrown upon the district officer.

—*Resolution of the Government of India*, No. 12-287-1 dated Simla the 17th June 1914.

DEOFFICIALISATION OF THE CO-OPERATIVE MOVEMENT

SOME EXCERPTS FROM THE WRITINGS AND SPEECHES OF THE LATE HON'BLE MR. V. RAMADAS PANTULU

As I have often said the ideals with which the framers of the Co-operative Societies Acts of 1904 and 1912 started, viz., progressive democratisation of the movement so as to make co-operative institutions popular in the sense of their being institutions of the people, for the people and run by the people, has been receding, particularly after the inauguration of Diarchy and Provincial Autonomy under the constitutional reforms of 1919 and 1935. The Provincial Co-operative Societies Acts which replaced the All-India Act of 1912 have vied with each other in strengthening official control over and stifling the growth of the movement and each Act which followed the other improved upon its predecessor in this respect. Please make a comparative study of the Provincial Acts of Bombay (1925), Burma (1927), Madras (1932), Bihar (1935) and Bengal (1940) to find out whether what I have said is correct or not. The Madras Committee on Co-operation devoted a special chapter to the statutory powers of the Registrar. Besides recommending the differentiation of the audit branch and administratative branch and freeing the former from the control of the latter, the Committee made some recommendation which, if given effect to, may mitigate the rigour of the official control. In dealing with the amendments to the Act, some detailed recommendations are made to minimise the chances of the very wide powers vested in the Registrar and provide for appeals to the Government against the orders of the Registrar on important matters, where there are no appeals now. It remains to be seen how far these recommendations will be accepted. The running of the movement under practically official aegis has practically robbed it of its popular character and killed initiative and sense of responsibility among those for whose benefit the movement is intended. If people who are inspired with true nationalist ideals and non-official workers who cherish ideals of freedom and self-respect do not take enthusiastically to the co-operative movement, this increasing official control is partly responsible for it. The statutory functions of the Registrar of registration, inspection, audit and liquidation, if they are exercised in accordance with the intentions of the framers of the Co-operative Societies Acts, are not only unexceptionable but also helpful. But I feel that in the exercise of each of these functions the department starts with a mistrust of non-official initiative and enterprise and a belief in its own omniscience. The pathetic faith of the department in the efficacy of continued spoon-feeding is ever-growing. On the whole, under the present system, the Registrar has shed his original role of friend, philosopher and guide of friendly societies and has assumed the role of the Inspector General of Co-operative Police in charge of erring and suspect bands of non-official co-operators. If this is the outcome of our efforts after a lapse of nearly 35 years of the inauguration of the movement in this country, it must indeed be a very distressing development to the minds of true students of co-operation in this country.

What is the remedy? What is it that we should do to arrest this process of ever-expanding departmental stranglehold on the movement? In the first place co-operators must be vigilant and enter a strong and emphatic protest whenever the legitimate exercise of statutory power vested in the Registrar degenerates into irritating and wholly uncalled for interference in the internal affairs of societies. I hope the Registrar will not deny to responsible non-official co-operators and co-operative institutions opportunities to draw his attention to the idiosyncrasies and uncivilities of his subordinate officials who mainly control the movement. Co-operators must make up their minds not to permit such interference, and each such interference must be met with necessary opposition. Secondly, we must ourselves do everything possible to get rid of our dependence on Government. One of the deplorable weaknesses of the co-operative movement is the tendency of co-operators to ask for more and more favours and concessions from the Government. So long as we cannot stand on our own legs imposition of outside control is inevitable. So, my advise is that from now we should reduce to the utmost extent possible our dependence on the Government for financial assistance.

Recently the Reserve Bank have withdrawn the facilities which co-operative institutions have so far enjoyed for free remittance of funds for genuine co-operative purpose ....It is true that we had a claim for such preferencial treatment...... ..Nevertheless, I think it is desirable for co-operators not to beg the Reserve Bank or the Government for the continuance of the free remittance facilities but to so reorganise our business and to so readjust our borrowing and lending rates as to meet the cost of these remittances. There are some other facilities and concessions

which we still enjoy, and the Government which is entirely capitalistic in its outlook and temperament may in due course withdraw them also. Let us be prepared for such an eventuality and begin to put our house in order so that we may no longer depend upon the Government for the successful working of our concerns.

Let me make it clear to my fellow co-operators that my aversion to departmental control of the movement has not the slightest connection with the colour or political complexion of the Government in power for the time being. Government control of co-operation is equally undesirable in the case of so called popular Governments as in the case of unpopular Governments. Even in countries which enjoy full measure of self-government, as England and America, co-operators never reconciled themselves to any undue measure of State control. This is not fully realised in this country. Even the erudite Committee on Co-operation was unable to appreciate my view point. Referring to my objection to Government controlled education, the Committee remarked, "but the majority of us think that he over-stresses the danger of government's, *particularly popularly elected government's*, restriction on free thought and enthusiasm." This in my opinion, shows the lack of appreciation of the implications of Government control over spheres of co-operative enterprise, which ought to be entirely left to the movement itself. Any belief that popular governments can be trusted to be effective guardians of popular rights, where the exercise of such rights is controlled by a bureaucratic executive, is an illusion. The fear of executive encroachment on people's rights and freedom is no less real in the co-operative department than in others. In support of my view I cannot do better than quote an illuminating passage from a broadcast speech on 'Citizenship' delivered the other day by the Rt. Hon. V. S. Srinivasa Sastriar. He said: "Self-righteousness is a besetting sin of popular governments all the world over, the more dangerous when it rests on a large majority. From the dawn of society, power over men and things has been a notoriously corrupting influence. Human ingenuity has been taxed to the limit of its resources to devise checks on its exercise". The danger pointed out by Mr. Sastriar is all the greater in a country like India, where the executive still enjoys a very large measure of autonomy and in fact exercises certain amount of control even over the socalled popular governments themselves. As Mr. Sastriar points out, "the distilled wisdom of ages of bitter experience is enshrined in the saying,

" Eternal vigilance is the price of liberty." It must of course be enlightened vigilance.

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While we do not believe and never believed in State-dominated and State-regimented co-operation, we have all along realised and advocated the need for and the value of well defined statutory powers vested in the Registrar and the department. We hold that while legitimate statutory control supplemented by constructive advice and guidance is to be readily welcomed, unjustifiable and stifling interference is to be emphatically deprecated. It is not difficult to draw a line between the two. It must at the same time be remembered that control involves a large amount of discretion and the public and the Government cannot be too watchful in preventing legitimate control degenerating into an arbitrary exercise of power bringing into play the idiosyncrasies and likes and dislikes of the controlling authority. To contend that direction and control of the movement must continue to remain in the department until 'right men' come up to take up the responsibility is to argue in a vicious circle. If the forty years of experiment with control and direction in official hands has not created such men it is hardly likely that they will spring up into existence in the near future.

The immediate problem confronting the movement (in Madras) to-day is not so much the drawing of a precise line of demarcation between the relative spheres of official and non-official actions as the ending of internecine strife among the non-official co-operators themselves. Unfortunately, a spirit of intolerance on the part of groups and individual co-operators is becoming increasingly manifest towards those who differ from them or whose actions they disapprove. The existence of mutual distrust and suspicion resulting in conflict among non-officials themselves will indeed itself furnish a handle for official intervention in matters which are purely concerns of the non-officials themselves. Human nature being what it is, it will be surprising if such differences are not exploited to the disadvantage of both parties to the quarrel.

No movement much less the co-operative movement can thrive in such an atmosphere. Many who are outside the fray ask the question: What next? We can perhaps only answer it by repeating Mathew Arnold's aphorism " Things are as they are and their consequences will be what they will be ". But we cannot look on silently in a spirit of stoicism. Our earnest appeal therefore

to our fellow co-operators in Madras is " Pray; do not quarrel over the bedside of the sick mother; compose your differences and unite in the cause of the movement, for the service of the poor which you owe them ".

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I am oppressed by a feeling that the movement has no genuine future before it and that its contribution to our national life will be little if it has to be carried on within the limits set to it by the Co-operative Societies Acts in force in the various provinces and States and under the daily increasing control of the Departments of Co operation as at present constituted. The modern conception of Co-operation........................and its potentialities as a factor in the reconstruction of the economic life of the people have not so far penetrated the theory and practice of Co-operation as understood and administered by the State Departments of Co-operation in India. In the new world order that is contemplated in India, as elsewhere, stress is laid on a more equitable distribution of wealth and better and equal opportunities of life for the rich and the poor. This is the gospel of Mahatma Gandhi. This is not a mere dream but the immediate objective of Mahatma Gandhi's constructive programme. To express it in his own words as nearly as possible, " Swaraj does not mean mere transference of power; it should mean complete deliverance of toiling yet starving millions from the dreadful evil of economic serfdom ".

What is the contribution which Co-operation has made for the propagation of this message or for the attainment of this aim? Changes in economic conceptions and adjustments in social order all the world over are taking place with bewildering rapidity and opinions of to day are hearsays of to morrow. But Co-operation in India takes little or no notice of these new currents of national life in the spheres of production and distribution and in the field of industry, commerce, trade and finance all over the civilised world. Nor does our State controlled and State-administered Movement take note of the fact that old forms of administrative machinery in all progressive countries are crumbling and are replaced by those which are better suited to the changing conditions of the people's life. Many departments of the State even in India are also being re-organised or remodelled so as to make them serve the people more effectively and in accordance with modern requirements. Nevertheless, the Co-operative Departments in the Provinces and States still remain steeped in old and out of date traditions, and their activities have not kept pace with the developing needs of the people. Officers of the Co-operative Department still hug to their bosom theories and practices of foreign origin, some of which have become obsolete even in the countries of their birth. They have not yet established real contacts with the people and deal more with files and papers than with men and women. They rely more on their statutory powers of control than on the efficacy of their ministrant services.

A perusal of the annual administration reports published by Registrars makes very painful reading. They invariably unfold a tale of woe and attribute the failure of the Movement to want of character and capacity in our rural and urban folk from whom we draw our members and who look for guidance and help to the officers of the departments. It is neither a fair nor a true picture in my opinion. The patent remedy of the department of co-operative ills is the broadening, deepening and lengthening of those powers of statutory control. Such tightening up of the law has nowhere led to an improvement in the Movement. The Movement is indeed faring better in areas where official control is lighter.

I have many friends among the Registrars, past and present. Some of them have genuine sympathy for the people and are men with vision and some have a flare for work among the people. But they are merely the instruments of a wooden and anti-deluvian system which allows them little scope for exercise of their talents and faculties to render real and effective service to the people in accordance with the present day trends of national life. I feel that unless and until we build anew the whole structure of the Co-operative Movement and transform the Registrars into real "friends, philosophers and guides" of the people, we shall not be able to achieve the aims and objects with which the Movement was started. Nor will the Movement show any more progress or confer any larger benefits on the people than it has done in these four decades.

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In Madras a Committee on Co-operation was appointed in 1939 by the late Congress Government. The Committee submitted its report..............in the middle of 1940, some months after the Congres Government went out of office. ...Beyond stating that the recommendations of the Committee on various vital matters have been rejected or not accepted, no attempt has

been made to explain why the recommendations of the Committee have been dealt with in this manner or to justify the action of the Government... While rejecting almost all vital recommendations of the committee, the Government made a number of additions to or modifications of, the rules framed under the Madras Co-operative Societies' Act, which not only make radical departure in the policy hitherto pursued by the Government in that Province but also provide for much larger scope for official control and interference. So, the method adopted in dealing with the Committee's Report is mainly one of executive legislation under rule-making power at a time when the legislature did not function and even normal facilities for interpellating the Government on the issues involved were non-existent. I feel that the rule making powers under Co-operative Societies' Acts in force in various Provinces should be more precisely defined and provision made to give the legislature an opportunity to examine the rules framed by the executive with power to veto or modify them whenever the legislature feels it necessary or expedient to do so.

The net result of the action of the Madras Government on the report is to considerably enlarge the official control over the movement and make departmental interference with the working and internal management of co-operative law and order in Madras.

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I have always felt that the Co-operative Societies Acts in force in British India and Indian States were framed with the Registrar as centre of the picture and not the society. They should be redrafted on an entirely different basis. The society has to be made the centre of the picture. The Registrar's powers should be closely defined so as to preserve the essentially democratic and popular character of the management of the movement. As matters stand at present, the responsibility for the management of the co-operative institutions and the conduct of the movement is on non-official shoulders. The power of control and direction is, however, in official hands. As has been observed in regard to several spheres of administration, it is our common experience that in any department of administration, power without responsibility has a way of growing till the line of demarcation between use and abuse becomes almost obliterated. This state of things must be ended in respect of the co-operative movement and the sooner it is done the better. If the provincial governments are really anxious to allow the co-operative movement to play its proper role in the economic organisation of the rural and urban classes, they have a special responsibility in regard to the reform of the legislative and administrative machinery which now imposes heavy shackles on the movement.

The advocacy for more and more spoon feeding and larger and larger doses of official control is based on the plea that the members of our societies are lacking in character and capacity to manage their own affairs. I repudiate this charge as utterly baseless without at the same time, attempting to minimise the failings or hesitating to own up the faults of non-official co-operators. No Registrar can play the role of a philosopher, friend and guide of the movement without having faith in human nature and belief in the character of the average co-operator and his capacity to manage the affairs of his society. So much depends upon the proper choice of the Registrars also to administer the Acts.

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I am of opinion that the Co-operative Societies Acts in force in India should be completely re-written. They are archaic and have outgrown their usefulness. The movement has been worked in accordance with the provisions of these Acts for the last thirty five years and we are perhaps worse off to-day than when we started with the Act of 1904. The preambles to these Acts set out their aim as measures to facilitate the formation of societies for the promotion of thrift and self-help among agriculturists, artisans and persons of limited means, with common economic needs and so on and so forth. But provisions for implementing these aims and sentiments occur nowhere in the body of these measures which are mainly intended to provide for registration, audit, inspection and liquidation of co-operative societies of all kinds and to define the extent and nature of the several forms of official control over them partly by express enumeration in the statute and partly by the rule-making power to be exercised by the executive Governments. They are more processional than substantive measures as we lawyers call it. The powers of the Registrar are the same in regard to all the societies without any differentiation between them, whatever may be their nature and functions—be it an apex bank, an urban bank, a primary society, a land mortgage bank, a propaganda institute, a training school, a production society, a marketing society, a consolidation society, a consumer store or a better-living society. The societies are officially known by their number in the Registrar's roll just as convicts in a prison or units in a police force; for what matters for the purpose of co-operative law is their subjection to

common discipline and drill. In other words, the Co operative Societies Acts are all drawn up with the Registrar as the centre of the picture and not the society. This idea naturally dominates all proposals for the curing of the defects in the working of the societies or reforming the movement and the annual reports on the working of co-operative societies in almost all provinces therefore show a family likeness in this respect. Wherever a Registrar finds that the institutions in his charge failed to function properly, he asks for more powers to deal with them and for an increase of his staff to cope with his additional work resulting from such enlarged conrol. It is somewhat paradoxical that the movement should have degenerated to a larger extent in provinces where the Acts are more drastic than elsewhere. For instance, the Bihar Co-operative Societies Act is perhaps the most reactionary piece of legislation in Co-operative Law in India and yet it has not served to save the movement in that province from virtual collapse. I therefore hope that the Government of Madras who propose to revise their co-operative law will not make the mistake of thinking that a tightening of official control over the movement and subjecting the co-operative institutions to tutelage and spoon-feeding in a larger measure will improve the movement in this province. Such action will in fact have the contrary effect, for self-respecting and independent co operators will no longer look at the movement; non-official initiative and enterprise will be discouraged if not killed, and sense of responsibility will be destroyed among those to whose care the institutions should normally be committed. I give this warning betimes. If, on the other hand, our Co-operative Acts are framed on the basis that "co-operation" is a movement of the people and not merely a department of administration, they will help to promote the initiative of those for whose benefit the movement is intended and tend to strengthen the institutions in diverse ways. I therefore feel that the Co-operative Societies Acts in India should be made to approximate more nearly to the Friendly Societies Act in England and the Registrars should be left with the statutory powers of registration, liquidation and perhaps audit for some time. Audit should, in due course, be wholly dissociated from the department which is itself responsible for the administration of co operative societies.

In regard to registration of bylaws and their amendments, I feel that the spirit of the provisions of sections 10 and 12 of the Act has not been correctly understood. These provisions are not intended to give the Registrar power to substitute his own judgment and discretion for those of co-operators who organise the society. Where the provisions of the Act are complied with and the bylaws or amendments conform to the Statute and the rules thereunder, normally the Registrar should not force his own views on the societies. It will result in the substitution of the judgment of one man for the considered opinion of those who desire to organise, promote and work a society.

There has of late been a tendency to make a serious departure from the well settled policy so far observed in this Province (Madras) namely, of not including in the committees of the co-operative institutions nominees of the Government or of the Registrar —either officials or non-officials. We in Madras have always been of opinion that the statutory control vested in the Registrar under the Act and the rules and the conventions that have grown up in regard to the exercise of these powers are ample to keep the Registrar and the Government in touch with the actual working of the societies and his direct participation in or interference with the management through his nominees is both uncalled for and undesirble. Except in extraordinary cases, for instance, where the normal machinery has broken down or where the Government has large and direct financial interests in any society, nomination to committees of societies should be prohibited by suitable amendment of the Act.

Beyond rigidly defined and greatly restricted statutory powers, there should be no departmental interference with and control over co-operative institutions. Such interference and control are, in my opinion, in the least degree conducive to develop co-operation as a factor in the reconstruction of our rural and urban economy. I reiterate my firm conviction that if co-operation is to occupy its legitimate place in our nation-building activities, the co-operative law of the country has to be entirely re-written from an angle of vision and standpoint radically different from that on which it now rests.

It may be said that the plea for de-officialisation of the movement loses its force with the installing in power in the provinces of popular and responsible Governments. I do not accept this view. It is not the Ministers who actually guide and control the movement but the permanent officials. Ministers only lay down general policies. Again whatever may be the political complexion of the Provincial Governments under whom they work, the permanent officials cannot, I think, bring to bear on their task that social vision and touch so essential to organise the peasants and workers for a new order, which involves a radical change in the outlook on life.

I must not be understood as saying that some measure of team-work has not been possible in the past between the non-official and the official agencies. But such adjustment has been possible in spite of the Acts and not with their aid. A good Registrar may make a bad Act work well but a bad Registrar may work a good law bad. The future of the movement should not be left to the chances of the play of such personal factors.

No State, however democratic it may be in theory, is wholly free from the influence of anti-social and vested interests, while the co-operative movement is essentially socialistic in its outlook and implications and in fact seeks to develop among its members a spirit of economic revolt against capitalism, landlordism and the like which operate as serious obstacles to the emancipation of the worker and the peasant.

Let me give two small quotations from eminent co-operators belonging to two of the countries enjoying a republican form of Government. Dr. James Warbasse dealing with co-operation in America says " there can be no such thing as State-controlled and administered co-operation. It is an impossibility . . . It is hypocracy for a Government to represent that it is doing co-operatives a kindness to take them under the limb of the State. It is the sort of protection that smothers". Sir Horace Plunkett said much the same thing. A.E., the great Irish co-operator, preached that the " problem of creating an organic life in Ireland, a harmony of their people, a union of their effort for the common good and for the manifestation of whatever beauty, majesty and spirituality is in them must be one which they themselves must solve for themselves". Such a consummation is unthinkable so long as the reigns of the co-operative movement are held tight by men who are steeped in bureaucratic traditions and methods.

DEOFFICIALISATION OF THE CO-OPERATIVE MOVEMENT

SOME EXCERPTS FROM THE WRITINGS AND SPEECHES OF

DEWAN BAHADUR PROF. H. L. KAJI.

President, Indian Co-operative Union.

The State in India has been very closely associated with the co-operative movement from its very start forty years ago; and has now practically taken charge of the movement through increasing officialisation and greater control. The Registrar of Co-operative Societies, far from being merely the registering officer as in the case of joint stock companies, was to be the friend, philosopher and guide and soon constituted himself into a trustee of the societies. From him, came the drive for a rapid multiplication of societies in the earlier years of the movement; with him, rested directly or indirectly the extent and availability of finance for the primaries from the central and provincial banks; with him rested supervision, inspection and audit; from him came continual streams of circulars giving advice and guidance which soon acquired the force of law; with him remained the power to interfere with the day-to-day working of societies through the discretion vested in him by-law about the registration of societies and the registration of amendments of by laws; and with him rested to a certain extent the power of regulating investments of the surplus funds of societies. And yet, despite this complete control, on him rested not the responsibility. If a society failed, it was the members' sins of commission and omission that were responsible; Government and its officials remained immune from all liability and blame; the sense of security that the public had, because of the State control, turned out to be more a fancy than a reality. Forty years of this controlled regime of an essentially democratic and popular movement and the failure to achieve the economic regeneration of the masses to any appreciable extent or in any one direction should be enough to suggest that the solution lies, not in the further tightening of the control, and in the appointment of ever more and more officials, but in the decontrolling of the movement, so that, with the absence of unnecessary and, perhaps vexatious, interference, a greater sense of responsibility would be evoked amongst the members who by co-ordinated efforts and guidance from their own federations, would secure better results. The great transformation that attends the cessation of cramping controls and accession to power and responsibility is often not fully realised. The time has now come for relaxation and withdrawal of official control and to allow the

movement to be run ever more and more by the people themselves, for whose benefit, after all, the societies exist.

It may perhaps be argued that, with popular ministries now functioning in the provinces and with a national interim Government at the Centre in the offing, the objection to this official control should disappear; for the Registrars are officials controlled by the Minister-in-charge, who is an elected representative of the people. But the objection does remain even then. Co-operation is a democratic movement and should be governed and supervised from within. The Minister like the Registrar is not a co operator as such and even if he is, he is not elected by the Movement to represent co-operation and, at any rate, lacks the experience and knowledge of the various co operative organisations.

In connection with our demand for the deofficialisation of the Movement, the question is not of increasing participation of 'non-officials' but the withdrawal, gradually and wisely, of outside control from co-operative organisations. Trusteeship of beginners one can justify; but perpetual tutelage is entirely foreign to co-operative ideology and to co operative practice throughout the world. Trustees and guardians usually take shelter under the belief that their wards are not yet fit enough. But surely, so far as the Co-operative Movement is concerned, such a plea connot be endorsed. Forty years are sufficiently long period to discover at least a few out of a lakh and odd co-operative societies in India, which have an efficient and trained body of members, which have achieved success and which, therefore, while remaining within the co operative fold, could be freed from restraint and control, and left to look after themselves.

I recommend that Registrars be instructed to select co operative societies under them, which have been conspicuously successful for a fairly long period whether in rural or in urban areas and to exempt them from various provisions of the Co-operative Act so as to secure to them unrestrained freedom to manage their own affairs, the Registrar retaining the power of occasional audits and inspections so as to satisfy himself about their continued efficiency. Such lists of societies might, of course, be revised, enlarged or curtailed from time to time according to the rules framed in that behalf. Where such societies can form a convenient group, I recommend that they be welded into a federation, to which could very well be entrusted the duties of supervision and control, thus substituting a system of internal in place of external control. In urban areas, numerous societies will be found to deserve this treatment. Large urban co-operative banks, more particularly in Bombay, and large employees' or salary earners' societies, such as those of the Railways or the Post Office, can thus be exempted and permitted to be self-governing, the control being vested in their own federations. I recommend that a fuller and more generous measure of freedom be accorded by the State in the case of such urban co-operative organisations which have usually an efficient and trained staff and competent directorate. Large commercial and industrial joint stock companies are being successfully managed by the urban population and there is no reason whatever to doubt their ability to achieve similar success in the smaller co-operative organisations, preserving their essential co-operative character by strict adherence to distributive justice and the eschewing of all exploitation and capitalistic trends.

Progressive deofficialisation is all the more necessary at the present juncture, when the Co-operative Movement is on the threshold of vast expansion and diversification. Popular inititative, popular management, internal control are but the necessary requisites of co operation and will have to be sedulously harnessed to the cause, for the success of the vast programme of expansion and diversification.

The Registrar under the Co-operative Law is charged with certain duties. These are in connection with registration, audit and cancellation. These statutory functions should continue to be performed by the Registrar and his staff for all societies registered under the Co-operative Societies Act. It is the gradual encroachment by the Registrar in other matters, it is the non-statutory functions, taken up by him which constitute what is popularly regarded as vexatious interference and demands attention. There is organisation, supervision and periodical inspection. Nowhere does the Co-operative Societies Act of 1912 confer these powers on the Registrar and yet he performs these functions and exercises, if he chooses, a great measure of control even over the day-to-day management. At the time of registration, the by-laws of societies are pressed into conformity with a standard pattern; the registration of amendments of by-laws gives a further occasion for changes; and often the words "with the approval of the Registrar" are added to some of the proposed amendments so that the Registrar secures power, not conferred on him by statute and prescribes, regulates supervises and inspects the affairs of co-operative societies. This state of affairs is a great impediment to the healthy growth of the

Movement and fosters a sense of irresponsibility among the members of societies. Control without responsibility by officers who have no stake in the societies should not be allowed to continue.

* *

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

The Report views with favour 'the increasing participation of non-officials'. This phraseology presents, however, a wrong conception of the movement. There are no officials and non-officials in the Co-operative Movement; there are only the co-operators—the members of societies and the officials of the Co-operative Department. The former are more or less permanent and believe in the principles and ideology of Co-operation as a basis of national economy; the latter have no stake in the organisations they seek to supervise, guide and control, and merely administer the laws in that behalf. The members are shareholders, owners, proprietors of their organisations; they do participate. The officials are outsiders and have no place within the movement. There can be therefore no question of the increasing participation of non-officials in the movement; the only question is of the withdrawal, gradually and wisely, of outside control from co-operative organisations. If the co-operating members be not competent in the earlier stages the State owes it to itself to assist and guide them through special officers so as to train them for their work. Having done this, the officers should withdraw and allow them to carry on their business themselves. If, in some cases, the degree of ignorance and incompetence is so great as to make it impossible to train them to the necessary level of efficiency, the societies should either be liquidated or should cease to be co-operative societies and be run as State organisation for the benefit of such ignorant and helpless people. . . .

It has been contended that State assistance on the large scale recommended by us in the Report for the far-reaching development of the Co-operative Movement demands and justifies greater and stricter control over co-operative organisations. Really however, there is no inconsistency between co operative autonomy and State assistance. The State is certainly justified in seeing that the facilities it provides and the grant it makes are properly utilised. But the control should go no further, nor should it be imposed as a permanent feature of such aid. The State makes large grants to private educational institutions and to local self-government organisations. It has besides a programme of subsidies and tariff protection for the development and fostering of large scale industries. And yet no claim has been made for control over these institutions, organisations, and industries which continue to enjoy autonomy in their internal affairs. The grant of ample State assistance, to which agricultural and small scale industries have as great a claim as any other sector of national economy cannot, therefore, be urged as a justification for greater and permanent control which would deny to the Co operative Movement its autonomy and freedom and rob it of the moral influence which it is expected to exercise over the people.

Apart from this, the Registrar however competent he may be, however well assisted by a large number of joint and deputy Registrars, with a host of subordinate officers, assistants, auditors, inspectors, and so forth, will soon find the movement too widespread to be easily manageable and controlled. In the earlier stages of this new development, one can readily concede the need for strict and careful supervision by State officials; but unless such control over the new organisations is accompanied by a withdrawal or relaxation of control from groups of the older organisations, particularly in the urban areas, the movement would get out of hand and the consequences would be disastrous. State sponsoring and control are but meant for training and not for perpetual tutelage. Students entering the University do not remain there permanently; they graduate and leave. New entrants come in, get trained and go out. So also, societies are registered,

expert supervisors and guides train the members and march on to undertake the education of fresh lots of members of new societies. The whole point of view in connection with the Co-operative Movement needs revision. It can never possibly be concieved as necessary that co-operative societies should grow in number, membership and capital and cover, in course of time, the entire or at any rate a large part of the population of the country and yet remain all the time under the full control of the State and its officials. This cannot be. New societies come in, older societies pass out from the orbit of State control. This only would enable concentration of efforts on the few and spell increased efficiency. . .

Organisation of co-operative societies should not be left to the Registrar and his staff as seems to be sanctified by usage and practice in most provinces. Organisation has to be preceded by considerable propaganda and this can best be done by a non-official agency. In every province in British India and in most of the leading Indian States a non official body has already been promoted and has been working more or less successfully and propaganda is one of its principal functions. It is known as the Institute, Union, Federation or Organisation Society in the various provinces and States, and all the societies of the area under its jurisdiction are directly or indirectly its members. The Institute or Federation is financed by contributions from the societies and by grants from Government.

In the early days of the movement, a large number of honorary organisers was maintained to help the Department in the work of organisation and to some small extent in supervision. This system of appointing honorary organisers, whose spirit of service was encouraged and stimulated by hopes of honour, honours, or honoraria, has now fallen into disrepute. But it is very imperative that some such system will have to be revived and linked up with the Institute, so that local leadership and initiative may be harnessed to the service of the movement in order to maintain its essentially voluntary and popular character. The Institute or Federation is now the proper agency for the work of organisation through its branches or district and divisional units and the honorary organisers should be absorbed in this institution. The finances of the Institute should be improved by adequate grants from Government and the larger provincial co-operative organisations so as to enable it to perform this function properly.

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

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

Reference has been made above to the unjustifiable use of the discretionary powers vested in the Registrar in the matter of registration of the by-laws and of the subsequent amendments of these by-laws. This discretionary power is expressly conferred on him by the 1912 Act and is conferred by implication by the Bombay and other provincial Acts and has been utilised very often by the Registrar to make the societies conform to a standard type and to increase his control by making the approval of the Registrar necessary in matters relating to their internal working. It is manifestly wrong to secure, in this indirect way, powers of control which are not vested in him by the Statute. It is this vexatious

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

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

Education is another and perhaps the most important function which must be efficiently performed if the movement is to bear fruits its sponsors expect . . . . . . I cannot agree to the proposed officialisation of co-operative education in the provinces. It is proposed that there should be in each province, a Provincial Co-operative College, and that it should be placed under a governing body composed of the Registrar and two nominees of Government, two Professors to be nominated by the local University, the Chairman of the Provincial Co operative Bank and the Chairman of the Provincial Co operative Institute.

I am definitely of opinion that with the exception of the proposed All India Co operative Institute for Advanced Studies and Research, all work in connection with co-operative training and education for all types of workers, departmental or otherwise should be entrusted to the Provincial Co-operative Institute. There would be no ojection to the setting up of a governing body such as is contemplated above, but it is the Institute which should be made responsible for the Provincial College and training institutions or classes. Of all functions necessary for the healthy growth of the Co operative Movement, like propaganda, organisation supervision and focussing of co-operative opinion, co-operative education and training is the least debatable as being most suitable for being undertaken by the co-operators themselves, through their Federation, Union or Institute.

* * *

Further the Registrar's control and increasing officialisation constitute a very serious danger which has, to my mind, been one of the basic reasons for the want of success that has dogged our footsteps in the co-operative field. There is a great sense of irresponsibility among the members of the Board of Directors or of the Committee of Management. They do not develop initiative; they do not feel the urge; with the lack of a financial stake, they have not the spur and an identification of interests which could lead to the intense pursuit of success of the institution. In a proprietory concern, the proprietor sinks or swims with it; in a joint

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

DEOFFICIALISATION OF THE CO-OPERATIVE MOVEMENT

By

R. SURYANARAYANA RAO, M.L.C., MADRAS.

The cry for deofficialisation seems to have been born with the signs of growth in the Movement. In the beginning it is true those who partook in the Movement were content to be guided and supervised by the officials who undertook the responsibility for organisation, supervision and audit of all societies. It could not but be at that stage a State-sponsored Movement. But even then it was clearly and distinctly understood that the Co-operative Movement was essentially a people's Movement and except for the fact that the State had to perform certain duties imposed by the Statute, its organisation, conduct and supervision must ultimately be the responsibility of non-official co-operators. Though it is more than four decades since the Movement began and its stature has become sufficiently big, how then does the cry of 'deofficialisation' persist? What prevents the State from withdrawing from this field which legitimately belongs to non-officials? Could it be that the officials of the State are anxious to continue to play their old role lest once the Movement is out of their grip they cannot be certain of its moorings? But the point is now that the foundations of the Movement have been well laid and its safe course is ensured, it is but right the hold of the officials should be relaxed and they should be content to look on and allow it to grow facing its trials and tribulations, interfering only when the need for their intervention arises. Is it not possible to keep the co-operatives on the path of rectitude if the officials only discharge their statutory functions efficiently? What is the need for interference in day to day administration and expect the co-operatives to conduct themselves in the manner laid down in the numerous circulars issued? Does not such interference militate against the growth of a sense of responsibility in those in charge of the conduct of affairs of co-operatives? It is said sometimes the interference also goes to the extent of imposing the official will in regard to amendments to by-laws even when they do not offend the Act or the Rules made under it. There is no denying this is needless interference. If in the interests of the Movement, co-operatives are required to follow a certain line of action, it is the art of persuasion and not the method of coercion that should be used. Instances are not wanting when an over-zealous official, too conscious of the powers vested in him has even resorted to threats, even the grim prospect of supersession, to pass certain resolutions or even choosing certain nominees of his as members of the Board or the Executive Committee. One instance comes vividly before my mind in which a co-operative official threatened the supersession of a District Wholesale Stores, because it would not toe the line drawn by him and it was the kind and timely intervention of a higher official with tact in handling the situation that saved that institution from its ignominious fate. Now that store is one of the premier stores in Madras State with a great deal of useful work to its credit and its prosperity can be gauged by the fact that it has planned to have its own buildings worth some lakhs of rupees to house its office and godowns. It is instances such as these which lend support to the cry for deofficialisation.

However it is also necessay to note, be it to our regret, that the non-officials themselves seek official interference. Hardly a day passes when frantic appeals are not received from some aggrieved party or the other seeking the interference of the Registrar of Co-operative Societies to undo some injustice or settle some dispute. Could the Registrar sit with folded hands and allow the institution to go to rack and ruin, torn by dissensions? It is indeed difficult to say what constitutes official interference, as it depends on the circumstances of each case. To those who have anxiously and carefully watched the progress of the Movement and have contributed their humble share to its growth, official interference, where it is absolutely necessary to ward off the collapse of an institution, patiently built up by the hard and sustained labours of genuine co-operators, should be welcome. But even they cannot but object to the greater officialisation and greater control envisaged by the majority recommendations of the Planning Committee. Even Prof. Kaji, I am sure, does not rule out State control altogether if its object is to result in training co-operators to address themselves to the new and growing responsibilities the growth of the Movement imposes on them. What he rightly takes exception to is the sort of control which results in perpetual tutelage. According to him, "Expansion and diversification would need greater control but unless this greater control is associated with a definite policy of progressive deofficialisation, success seems to be extremely doubtful". It is necessary that the tendency to tighten the grip, instead of relaxing the hold, should be checked.

While eminent co-operators are pleading for greater and steady relaxation of official control, it is unfortunate that the demand for lending the services of co-operative officials to run co-operative institutions is growing. It does not redound to the credit of non-official organisations that they themselves, or in co-operation with

Government, cannot make arrangements to recruit and train personnel required for the conduct of their institutions. Of what value is the cry for deofficialisation when even to conduct day-to-day administration of the co-operative institutions official aid is sought? According to the Report on the Working of Co-operative Societies in the State of Madras for the co-operative year ended with June, 1950, as many as 327 departmental officers were deputed to work in co-operative societies, of whom the services of 207 were lent on foreign service terms. "Twenty officers are in central banks, 100 in consumers' co-operative societies, 51 in weavers' societies, 17 in credit societies and 86 in other types of societies". This is a clear indication that non-official co-operators have not given much thought to the training of the personnel required for their work. Until satisfactory arrangements are made, it is far better to indent on the trained officials of the Department to secure efficiency in service instead of entrusting them into the hands of the ignorant. That the Department is not anxious to impose its officers on the institutions is evident from the following observations of the Registrar. "Departmental officers are deputed only where it is absolutely necessary. I have been advising the co-operators that they should get their own men trained and put them in charge of the societies and that it is not a sound policy to go on asking for the loan of services of departmental men. I am hoping they will act up to my advice".

Therefore, it will be seen that those who cry for deofficialisation have not always been consistent. Efficient service demands trained personnel and it is up to co-operators to devise ways and means to meet their growing demands. Meanwhile it is not fair to the Department to accuse them of the tendency for officialisation. It is also hoped that when the time is ripe for deofficialisation, the officials will reconcile themselves to their new role, stop needless interference and avoid using such statutory powers as they may possess from becoming an obsession with them, leading to perpetual tutelage, but so exercise them as to enable the non-officials to become real leaders of the Movement. Their legitimate role must ultimately be to act as friends, philosophers and guides of the non-officials in the conduct of the Movement.

DEOFFICIALISATION OF THE CO-OPERATIVE MOVEMENT

BY

PROF. S. KESAVA IYENGAR.

In one of his contributions to the *Indian Co-operative Review*, the late Sri V. Ramadas Pantulu said that even at the time of his writing, the centre of the picture was the Registrar and not the village society; and so long as that continued, no improvement could be expected in the benefits of the Co-operative Movement. Of course, the peasants have derived a good deal of benefit from this Movement, specially in the lower rates of interest charged even by private moneylenders on account of the competition by the co-operative societies. But the plea of this note is that the Co-operative Movement should have done much better after so many decades of Government and private effort. I had a great deal to do with village life and problems in two rural economic enquiries in the Hyderabad State, once in 1928–30, and again in 1949–51. I conducted certain rural economic investigations in the Mysore State in 1925. In addition, I actually worked in the Co-operative Department of the Hyderabad for six years and was in charge of the Gulbarga Division. I speak with the experience of over three decades of theoretical background and *intra mural* study.

The Co-operative Movement in India should be *deofficialised here and now one hundred per cent.* Otherwise, for hundred years to come, no mentionable improvement can be expected. The time has come when there should be plain speaking and the inflated and unreal figures supplied by the Co-operative Department should be done away with. In a case like this, the only way in which the urgency for thorough-going and immediate deofficialisation can be illustrated is by giving actual instances, of course without mentioning particular names.

Even to-day, the Registrar of Co-operative Societies in the Hyderabad State is known as the "*Nazim*", i.e., the Director of the Co-operative Department. The functions of the Registrar are quite different from the functions of the Director. But as a matter of fact, the responsibilities of the Registrar in the Hyderabad State take much more after a Director's ambit than of a Registrar pure and simple. The history of more than three decades has been responsible for bringing about this anamolous change: the first one or two heads of the Department were actually designated as 'Registrar.'

For long, the Co-operative Department has been victimised by serving as the dumping ground for numerous men who did not do well in other Departments. This happened not only in past years : it is happening even now. The result is that the key officers of the Department lack an adequate background and technical knowledge. Further, civilian officers are sent into the Department and out of it according to exigencies of seniority etc., and all the cumulative effects of personal knowledge go to waste. Perhaps, the worst instance of this nature relates to the district which Mr. F.L. Brayne served so effectively for so many years, but the picture there is quite different to-day after he left the district.

Unfortunately, State borders and linguistic borders do not tally. It happens frequently that the official language is one, and the language of the villagers is another. In Hyderabad, Urdu, the language of the rulers, was imposed. Audit notes have been written in Urdu for decades, but most of the villagers do not know that language. What is the result? In a village three miles from Raichur town, the Secretary of the unlimited liability society did not know the rate of interest he paid on his dues to the co-operative society and the rate of interest his village society paid to the Raichur Co-operative Central Bank. The man was literate and well-to-do. When he was asked to explain his ignorance, he coolly replied: "The Inspector and the Supervisor make up the accounts which are checked by auditors. There is no need for us to bother about all that."

Before a Co-operative Committee, the then Registrar seriously maintained that the Assistant Registras need not know the local language. I knew the local languages, and refused to undergo an examination in Urdu. This was the cause for my reversion from the Co-operative Department.

Similarly, I know many Inspectors who know the local language but invariably they write their remarks in the visitors' book in Urdu. I scolded several of them and asked them why they did not write in the local language and explain what they had written to the members. They justified their procedure by pointing out that the Registrar did not know the local language, but it was very necessary that the Registrar should know what kind of inspection the concerned Inspector had made in the society concerned.

Every village society has got a *panchayat* or a Managing Committee. But there is no *panchayat* spirit. Mysteriously, the responsibility for collection of dues was taken over by the Department. In numerous cases, small officials like Sub-Inspectors and Supervisors certified that seasonal conditions were very bad and that the *raiyats* were miserable. No collections could be made. The members of the village society liked this because they could postpone the problem of payment by one year this way, of course after paying a small commission to the certifying Sub-Inspector or Supervisor. If only the responsibility for distribution of loans and collection of dues had been really entrusted to the managing committee of the co-operative society from the very beginning, the problem of collection should not have loomed so large.

In red tape, there is over-centralisation of power. Arbitration proceedings were taken up against one civilian officer who was a member of an unlimited liability society, as also against a clerk of the Co operative Department who coached up the children of the Registrar at home. Representations were made by the civilian officer and the clerk-tutor to the Registrar and a strange order was issued by the latter, to the effect that even though the concerned societies had unlimited liability, collections could be made only from the lands registered in the society and not from the salaries of the members.

Another incident of over-centralisation may be given. Quite recently, I got from the local co-operative official approved balance-sheets of one district and one central bank. This was seriously objected to by the Registrar who clamied that all such information should have been got from the head office and not from any local society or official. In another case in which a co-operative central bank had large funds at its disposal and decided to purchase yarn and dyestuff for supply on a cash basis to the local weavers' co-operative society, on a profit-sharing basis, the excellent prospects of investment to the co-operative central bank, and of earnings to the weavers were marred by the Registrar ordaining that permission was given for three months for the arrangement. The Board of Directors of the co operative central bank had common sense enough to see that any such arrangement could not possibly be limited to three months. The idea was given up.

To conclude, exercise of power, not offer of services, has been the ideal in the minds of most of the co-operative officials. This is bound to continue so long as the officials belong to a Government Department. Now that the Indian Co-operative Union has begun to function, this basic problem should be tackled root and branch. Administrative difficulties there are bound to be in the transitional stage, but the sooner the change-over is made the better.

proper role in the economic development of the country an increasing amount of participation of non-officials in its control and direction is called for and the time has certainly arrived for the initiation of measures likely to promote that progress atleast in the co-operatively developed States. Reference may be made in this connection to the note of dissent by Diwan Bahadur H. L. Kaji accompanying the Report of the All-India Co-operative Planning Committee and to the subsequent resolutions passed at the Seventh All-India Co-operative Conference held at Madras in the year 1947. These resolutions call upon the Registrars to cease performing non-statutory functions and request the States to implement the policy of de-officialisation of the Movement.

While agreeing with the view that an earnest beginning must be made to restore to the Movement popular character, which it lacks today in most of the States, it might be pointed out that the question of de-officialisation is closely linked up with the building up of an organic Federal Structure of the Movement in different sectors, like housing, marketing, stores and associating with the officials a small expert advisory body to help them in coming to right decisions and in seeing whether the programmes of work and policies laid down by the non-officials in their gatherings are faithfully carried out; unless such bodies come into existence to assume control and responsibility the cry of deofficialisation would certainly be futile. On whom does this responsibility fall? Certainly on non-officials working in the Movement. It will not be out of place to make mention of the steps taken in this context in the Bombay State for translating the policy of de-officialisation into practice without making much fuss about it. The Bombay State can legitimately claim as being the only State where the policy of de-officialisation is in process of implementation; the various measures adopted in that behalf may be mentioned below.

In pursuance of the recommendations of the Co-operative Planning Committee a co-operative council has been set up consisting of officials and non-officials for the formulation of co-operative policies and programmes from time to time and for the co-ordination of their efforts. This body is a link between Government Officers in the nation building departments, co-operative workers and leading non-officials. It has already done much useful work.

In the sphere of co-operative banking the Co-operative Banks' Association under the leadership of the Bombay Provincial Co-operative Bank frames important policies and programmes. It has already been in the field for the past ten years. Thus the initiative

for tackling major issues in regard to co-operative finance lies with this body. The question of investing it with some of the statutory powers of the Registrar is under consideration.

The audit of important classes of societies and banks is being done by the certified professional auditors on the approved panel of the Registrar, and about 900 societies and banks are in this way transferred to the jurisdiction of the professional auditors.

A non-official co-operative tribunal has been set up in order to hear the appeals against the orders and decisions of arbitrators and it has assumed powers which once vested in the Registrar under Section 56 of the Bombay Co-operative Societies Act.

The Provincial Co-operative Institute has been recognised as the only body competent to handle education. A full-fledged co-operative training college—the only one of its kind—is being run under its auspices. It imparts education to both the officials and non-official workers in the Movement.

The Provincial Co-operative Institute has also been invested with the power of sanctioning payments for charities proposed to be spent by societies from out of their profits.

The President of the Co-operative Institute has been empowered to hear an appeal under rule 45 (A) against the decision of a consumers' society refusing admission to membership without sufficient cause if it is not affiliated to a federal body; like-wise under rule 47 (A) a member of a consumers' society not affiliated to a federal body is ineligible to become a member of the Committee of Management without the permission of the President of the Institute if he carries on business of the kind carried on by such society.

The Bombay Government has taken powers under Section 37 of the Bombay Co-operative Societies Act to enable it to permit any bank or society to invest its funds in non-trustee securities.

In order to stabilise the finances of the Provincial Co-operative Institute it is permitted to levy a rate of contribution under rule 26(A) according to a graduated scale dependent on the rate of dividend declared by the society towards the educational fund of the Institute provided the profit made by such society is Rs. 200 or more.

The question of further liberalising the provisions of the Bombay Co-operative Societies Act is under active consideration of the Co-operative Department. It will be seen from the foregoing paragraphs that Bombay has been well set on the road to de-officialisation of the Movement and other States may well emulate its example.

DE-OFFICIALISATION OF THE CO-OPERATIVE MOVEMENT

By

Sanat Kumar Chatterji,

Professor, University Law College, Calcutta.

Even before the creation of our independent India it was felt that the Co-operative Movement stood for a real cult which served to elevate the individual citizen in all spheres, mental, moral, economic and in some cases even religious. The Co-operative Department was recognised as a *Nation Building Department.*

To understand the full purport of the above one has got to appreciate the real meaning of the term "Co-operation" and the ideal it stands for. Co-operation is the association of the sentient independent units banded together for the fulfilment of a common object, that essential trait which distinguishes a man from a beast of the jungle. It cements the very foundation of society, of the tribe, of the village and the urban units and lastly of the nation.

No nation can be built—no nation can maintain its existence—unless its individual units have the opportunity and do attempt to elevate themselves in all spheres and make systematic and joint, I should say co-operative, efforts to better themselves.

Man is essentially a creature of association and it is the fundamental co-operation of the human beings that has given them the mastery of the universe.

The object of all laws—inclusive of co-operative law in the technical sense—the object of all systems, whether political, economic, social or religious should be in the ultimate analysis to develop the "man" or the individual unit—the aggregate of which constitutes the nation or the species. It is this failure to perceive this essential fundamental basis or object that is the cause of the failure of the Movement in various parts and the trouble, between which we find, the official and the non-official control of the Movement—that trend which is visible in all States to officialise the Movement through laws, and what is still worse through "rules" which, as some jurists term it, are "Neo-laws" a new threat to the nation when power is concentred in the hands of a few persons new to their offices, who being themselves unaccustomed to the wielding of the same, had to depend upon their permanent officials, who in the name of framing of rules try to appropriate the maximum power with the minimum responsibility to themselves.

The propositions I am setting forth above I shall try to maintain by reference to a few provisions of the Bengal Co-operative Societies Act and Rules which are typical in the sense—as coming in the wake of the Acts and Rules of the sister States it has incorporated all the objectionable features which are found in some one of them or the other.

Objections were filed to the Government Bill as well as the Rules from various quarters even on behalf of the Bengal Provincial Co-operative Bank Ltd., but they were mostly over ruled when opposed by the official cadre.

The result of this is that the Movement is getting itself divorsed from its natural leaders, the real manly independent co-operators, who had toiled for years for the good of the Movement with an altruistic motive for the betterment of their kind.

On the other hand it has been argued on behalf of this officialisation that the old honorary workers had signally failed—that the Movement was on the verge of liquidation that this handling of the reins by the officials has really saved the Movement from complete annihilation and hence the tightening of official control was absolutely necessary for maintaining its very existence.

I am perfectly cognisant of these reproaches which are repeated by the officials who possessed and do possess the ears of the executive. Even our "popular" ministers have ordinarily the opportunity of meeting only those non-officials who are selected by the permanent officials or who generally seek favour from them in one way or the other. Our conferences are organised by them and invitations are issued to those who will think and act in their own line and the voice of their non-favourites is hushed in silence under the pageant and pomp attendant on a ministerial conference.

It is indeed true that many of the earlier co-operative organisations have failed. But why? The disease has got to be diagnosed first and the remedy is to be applied thereafter. Was it due to non-official inefficiency or was it due to the failure of the officials' normal duties? In the other article which I propose to write viz., Principle of Honorary Service I shall deal with the natural limitation of unpaid work, very valuable in itself, but which can in these days cater only to a limited extent. The error was not in the failure of honorary work but in the organisation and defect of the composition of the co-operative units which were made so weak that they could hardly meet their own normal expenditure and the heavy audit fees imposed in this state—the audit fees were calculated not on the quantity of work as in Madras but on the quantum of working capital at a very high rate. *Vide* Bengal Government Rule No. 114 (3). I believe all practical co-operators do know the fact that the earlier co-operative institutions predominantly credit—which have failed—were mostly the creation of the officials—they were not the *free voluntary association* of sentient human beings associated together with a common, let us say, economic objective, but artificially brought together and made into a society by the executive officers or their nominees. The Movement had been in most cases inaugurated from above, the officials had been already appointed, they must show their activities to justify their existence, they (in the majority of instances the circle officers or executive officers) must go out and organise co-operative societies, consisting of persons who were mostly economically of the lowest stratum, banded together in a co-operative society whence they could get easy finance and they were financed by the central banks, who in their turn on the recommendation of the selfsame or brother Government officials received large advances from the Provincial Bank. That was the position at the inception. It was thought that the unlimited liability of the village societies was a sure panacea of all resultant evils and it was openly declared that the money then advanced was absolutely safe and the investments were all sound. It was repeatedly asserted that no money was ever lost nor could be lost in any individual society and moneys flowed freely into the central banks and the Provincial Bank mostly from the small local depositors. At the initial stage, indeed, it was so in fact—as the societies had within their ambit *some* solvent units who, attracted by the prospect of easy money at a much lower rate of interest than the prevailing rate in the country, joined the societies but the majority specially in the rural organisations were of the weaker and economically unsound element. At the initial stage, therefore, by the application or rather by the threat of enforcement of unlimited liability moneys advanced to the societies could be and were realised. As years rolled on, the solvent units gradually realised their own danger and began to fall off or to cease to be members. By ravages of time, whether by death or migration or economic deterioration, the old solvent members disappeared and new solvent members seldom joined in these societies with the attendant risk of enforcement of unlimited liability against them for default of other members. The residue was a set of uneconomic negative units and the sum total of a large number of negative units can never make a positive figure. This was the cause of the large

number of failures in these primary societies after a few years of work. Who was at fault? Certainly those who created those unsound units, those who sanctioned these organisations, those who, to create a name and reputation for themselves, registered hundreds and thousands of societies without any common bond or basis. These organisations were not the effect of conscious evolution—not the result of an urge from within, as it should have been—not the co-ordination of self-sufficient sound economic units banded together for the common object of mutual uplift—but a super-imposed something coming from outside with the purely egregious motive of enriching oneself temporarily with cheap finances from outside *viz.*, from the innocent comparatively weak investors who lured by the prospect of higher returns (without any incometax deduction at the source) invested in a Movement which they believed as it was sponsored and backed by the then Government. The next stage (after a few years) was the widespread failure of payment in the primary societies mostly by the uneconomic members who constituted the vast majority. The fact that they were in the majority prevented the societies from taking prompt and effective steps against the defaulters, specially as they had been taught, that they were autonomous independent units—free to decide their own course of conduct, good or bad. The collective majority of the defaulters prevented the more solvent from taking quick and effective steps. With the accumulation of these defaults—a stage came when the financing banks began to take the power of filing the dispute cases on behalf of the constituent societies. The then Registrar agreed with these principles and issued circulars accordingly, which were acted upon by many central banks.

Then came another tale viz., the tremendous delay in the matter of disposal of dispute cases. Years rolled on before the same were dealt with by the officials and months passed by before the awards reached the financing bank even after the hearing had been concluded and in the meanwhile the solvent borroweres or sureties, if any, had disposed of their assets either *benami* or got them sold under a rent sale by leaving the zamindar's rent unpaid and thereafter got it resettled or purchased in another name and thus the same was not available to the financing bank. In some cases insolvency proceedings were resorted to. Coupled with these, there were the political troubles—the elections—specially in those days when the debtors were, as in Bengal, predominantly of one community who controlled the then Government and the financiers—comparatively few in number—were mostly members of another give their all for their bretheren, with whom they are prepared to share weal and woe. Mistakes there may be, but these mistakes are but the pillars of future success. The Government and the Department should content themselves to be their guide, philosopher and friend but certainly not their masters. Their principal duties should be confined to registration and performance of their statutory duties effectively and promptly. They should have no hand in the working and functioning of the co-operative institutions—the system of appointment of Directors by the Registrar which has been abolished in the Local Self-Government Department, but which has been intensified in the co operative institutions as shown above, must cease. If the Co-operative Department thinks that to safeguard Government moneys, which are being advanced to these institutions for financing crop loans or small industries, they must have representatives in these institutions, in that event in those institutions, where they participate in the executive bodies directly by appointment of Directors, there must be a free and independent audit not connected with the Co-operative Department. The audit should in all such cases, be under the hands of the Accountant General's Department. Next the departmental officers must be made liable under the ordinary laws like any other officer. The following section of the Bengal Co-operative Act, (Act XXI of 1940) is interesting. *Sec. 132* viz. "No suit, prosecution or legal proceedings whatever shall be against the Registrar or any person subordinate to him or acting on his authority or against a Trustee in respect of anything done in good faith or purporting to be done under the Act." This needs be contrasted with the previous Section 127 providing for charge and Sur-charge by the Registrar against the non-official workers. The Co-operative Act and Rules must be so framed as to make the Government Officials are amenable to ordinary laws. The officials should not be a sacrosanct body irresponsible to every body except themselves but capable of interfering with the detailed working of our co-operative institutions. Irresponsible work has such a deleterious influence that it requires no elucidation. The non-official workers must be classified under the heads—the honorary worker and the permanent paid staff. The former has his duties and his responsibilities—he is to function according to the Act and the Rules and for a flagrant violation of the same, when brought to his individual notice, he may be and should be made responsible under the ordinary law, which should apply to non official and official alike. His duty is mostly to elevate and educate weaker brother co-operators to make them think for

themselves—to postulate the policy and to see that the work is conducted on proper lines—details of working must be left to the paid staff, who must be adequately remunerated, commensurate with their responsibilities.

The societies and the central banks must be made strong, economically sound, consisting of sufficiently large units to be able to maintain a fairly efficient permanent staff if they are to survive the stress and strain of modern business organisations. It is the innate strength of the district central banks and the Provincial Bank that has contributed largely to the present position of the Co-operative Movement in Madras. Our co-operative societies are essentially business organisations. It is a misnomer to consider them as philanthropic institutions. Education and independence—go hand in hand. The spoon-feeding system by the officials—the soul crushing load of official pressure and interference must be eradicated once and for ever by a clear-cut legislation superseding the present system if co-operation in the true sense is to flourish. Otherwise in the name of co-operation we shall get the worst form of official tyranny and the Movement will never attain the real objective for which it has been advocated and backed in all countries. India is on the threshold of a new era—the elections are coming on—those, who have passed their lives in the service of co-operation as a creed and as an ideal, should now come forward with the election motto of liberation of co-operation from all outside central, official or otherwise, in other words, as aptly put " complete cessation of all official control and full democracy in the societies organised only on a mutual voluntary basis." It should be one of the first duties of our new sets of legislators to frame all laws on the basis of the principle that it is the development of " man " which is the basis of all legislation. The co-operative laws and rules of all States should be reframed on one simple basis—allowing the individuals the fullest scope of self-development and growth—assisted and advised indeed by the permanent officials, who must learn to work in a spirit of service to their mother country and fellow countrymen, and never be permitted to travel beyond their normal bounds and assume an air of superiority to these self developing autonomous institutions which are being created by an evolutionary process from within, mostly by those unsophisticated selfless bands of workers, who have faith in this great Movement, who believe that this is the simplest, the most peaceful and the most effective mode of solving most of our political, economic and social problems—the ultimate goal to which the world is slowly but surely moving on.

PRINCIPLE OF HONORARY SERVICE

By

R. SURYANARAYANA RAO, M.L.C., MADRAS

For some reason, honorary service in our country has always been accorded an exalted place. When the system of bestowing honours in recognition of public service rendered was in vogue, many of us have vied with one another in rendering honorary service in many cases in the fond hope that it would be accorded public recognition some day or other. But I must say service in the co-operative field has been an exception to this rule of conduct. Many a village Hampden has laboured hard in this field with a view to be of service to his fellowmen. That has been so and continues to be so in the case of many co-operative honorary workers. But a stage has been reached in the co operative field when the time given and the energy spent on co-operative work have become more exacting, demanding unremitting and continous attention. Persons following other avocations are finding it increasingly difficult to spare the time and energy necessary for the purpose. Even if they can afford to spare them, it is necessary to provide the necessary incentive to ensure efficiency, to promote greater sense of responsibility and thereby secure steady progress and achieve solid results. It is by no means derogatory to the sense of self-respect of a worker to receive remuneration for the services rendered. In the West the system of payment for services rendered has long been recognised and unprejudiced observers are of the view that such success as has been achieved in various fields of social and humanitarian service is due to payment for work done. However much one may be imbued with the ideal of service, he should be enabled to serve free from want. Payment often proves a real incentive to better work and greater devotion to the cause undisturbed by the feeling of insecurity and want. While in the initial stages the work of an institution may lend itself to honorary service, increasing responsibilities which its growth imposes, must of necessity demand wholetime attention and whole hearted devotion. It is not possible to secure this from all workers unless adequate payment for services rendered is provided.

Our co-operatives did demand and obtain voluntary honorary service in the beginning and began to thrive and succeeded in inculcating the service motive among their members. But the number and the nature of institutions, duties performed by them, varieties

of services rendered have all grown, demanding much more time and attention which honorary workers cannot afford to give. The bounds of the Co-operative Movement have been enlarged and it is now considered to be one of the most effective instruments for the improvement of social and economic condition of the people. If the Movement is to prove effective in fulfilling this great purpose, it must maintain its orderly progress and render efficient service. While those who guide them may render honorary service, those who carry on day to day administration must be paid. To swear by honorary service and even tolerate the resulting inefficiency and indiscipline is fraught with grave consequences. Not only progress may be retarded but also much of what has been patiently and steadfastly built up by the devotion of those who believed in the cause and worked with zeal and determination without any idea of return may even be weakened, who knows may even ultimately lead to its liquidation leaving behind a trail of wasted effort, unfulfilled promises and above all demoralisation which will continue to prove a damper to all self effort. This will prove a death blow to all peoples' aspirations and the urge for a more satisfying life. It is best to avoid such disappointment by having paid *personnel*, possibly imbued with service ideal as well, to look after the proper and efficient conduct of co-operative institutions as co-operation is also business and not charity and co-operative institutions should possess all the attributes of a business enterprise if they have to succeed and survive in this age of competition.

PRINCIPLE OF HONORARY SERVICE

By

SANAT KUMAR CHATTERJI,
Professor University Law College, Calcutta.

The very term "honorary" means that which is conferred as an honour—from which it follows that it means a service for which no payment is made nor demanded. Legally the term *honorary obligations* means those which are dependent on honour and as such are those which you cannot enforce in a court of law.

This does not mean that *honorary service* is less important or less cared for than paid service—on the other hand to the really noble—the really good—a man's honour and a man's reputation is far more precious than life even. I have heard eminent men say that no gentleman ever pleads limitation. It is well-known that a debt of honour gets precedence over all other obligations.

Every kind of honorary service which a gentleman undertakes is thus far more sacrosanct than the duties for which he is renumerated and which in most cases are superintended by some superior or other. In the vast majority of cases our honorary workers do feel their responsibilities and do try their *level best* to perform their duties in the best possible manner according to their own lights and leisure.

If they fail, in any instance, on ultimate analysis it will be found that the failure was due mostly because the proper facts were not before them. From the very nature of their duties they are not expected, nor in most cases it is possible for them to look to the detail of day to day working of any institution—these only the permanent paid staff can tackle. Our honorary workers, who have got to earn their own living for themselves and their family must need work—sometimes very hard—to make their two ends meet. It is only in the small surplus time at their disposal—as a creed on account of their love for this great Movement—that they attend to their honorary duties with a clear unsophisticated mind and tackle the business propositions as ordinary prudent men. This system has been found from experience to be possibly the best medium of finding the truth and coming to a correct decision on facts. The proverbial "Twelve Shop-keepers of England" who constitute the English jury, do honorary work and tackle the most complicated murder cases with such ability and integrity as to become models to all legal systems of the world.

Our honorary workers—our selfless unpaid directors—do in a similar fashion perform and have done yeoman service in the cause of co-operation both in the past and at present. They, in many cases, come from the mofussil—can attend the office only occasionally and deal with those problems alone which are placed before them either by the non-official permanent staff or such reports of the officials as are available to them.

They formulate the policies—give directions regarding the *modus operandi* but the actual execution must necessarily be entrusted to the permanent staff, non-official or official.

If there be any relaxation in the execution, if there be any slackness on the part of the permanent staff, certainly the honorary workers cannot be made in any way responsible. If any specific instance of non-compliance of the law be brought to their notice whether by the permanent staff or the officials of the Co-operative Department, it is their duty to try their best to rectify the same. But so long as they perform their duties *bona fide* and do not violate the provisions of law—for any *bona fide* mistake of policy the honorary workers cannot be made responsible.

The responsibility of the day to day working must rest with the paid permanent staff—the responsibility for general policy and conformance to the law of the country should rest with the honorary heads. It is the failure to perceive the essential distinction between the two classes of service that has led to laying the blame on selfless honorary workers and which is the basis of the tightening of official control on the co-operative institutions in most of the States.

These honorary workers may be periodically changed in order to afford chances to a fresh band of workers to come into touch with the master minds and imbibe their traditions and sturdy independence. For honorary service to be properly discharged, it is absolutely necessary that the audit should be punctually made—is done so that effective rectification be possible as early as possible. As these persons are not in touch with the everyday working of the respective institutions, the permanent staff as well as the officials of the Department should serve as their eyes and ears and the system should be so organised that all errors or defects should be promptly reported to those honorary Directors at the earliest possible opportunity.

A practice is growing up in most of our co-operative laws of the imposition of surcharge on these honorary workers by the Registrar on the report of the audit or inspecting officers. The sooner this practice is abolished—this part of the law is amended — the better it is for our Movement. It has made these persons the targets of attack by every myrmidon of the Co-operative Department. It has led to the going out of the co-operative fold the best, the most selfless and the most solvent of our workers. It is the reputation of the persons at the helm that keeps alive the credit of an institution. If the best men feel, that no matter how they work, may be attacked by every subordinate officer and that he would be judged by the head of their Department or his assistants who are not expected to have the necessary legal or judicial training, naturally they forbear to associate themselves with such an institution and our Movement will be poorer or less efficient in the absence of those workers. I do not advocate the proposition that simply because a person has taken honorary responsibility he must be irresponsible—but what I lay stress on is that he should be liable under the ordinary general law of the country triable only by the normal tribunals on proper legal evidence and should not be made to feel a sort of inferiority complex before the head of a Government Department or his subordinate, who neither possesses nor can possibly acquire the necessary equipment which only years of hard training can bestow on our judiciary.

An honorary worker, as such, who works for his country and his fellowmen, of whatever stratum of society he may be, must be considered as equal to any citizen of the highest rank and position. That is the foundation of true democracy. If these questions be approached in their proper perspective, then and only then we may expect that this Movement will be replenished by proper workers, and as years roll on, it will acquire strength and momentum at a rate which our social thinkers and political philosophers can hardly dream of.

REVIEWS

AGRICULTURAL MARKETING IN INDIA (WITH SPECIAL REFERENCE TO CO-OPERATIVE MARKETING OF AGRICULTURAL PRODUCE IN INDIA) *by Prof. K. R. Kulkarni*, (*Co-operators' Book Depot*, 9, Bakehouse Lane, Fort, Bombay; *1951*: pp. 511; Rs. 20.)

The aim of the author was to bring out a book which would cover the entire syllabus on agricultural marketing of the higher diploma courses in Co-operation. The book has actually covered a much wider field and contains matter not only for advanced students, but also for workers engaged in the development of co-operation and marketing.

The book is in two parts, the first part devoted to principles and functions of agricultural marketing and the second part to the marketing of some agricultural produce in India. The fundamental aspects of marketing are treated in a clear and comprehensive manner, and there are very instructive chapters devoted to the important items as market research, market organisation, selling, transportation and futures markets. The importance of price stabilisation is stressed in the chapter on agricultural prices and although the detailed working out of parity price is stated to be outside the scope of the book, much material is presented which will be useful to framers of policy for the economic development of the State.

According to the author the essentials of successful marketing are the regulation of markets and the organisation of co-operative marketing societies. The linking of producer societies to consumer ones is suggested as a very desirable step. A whole chapter is devoted to defects in the existing system of marketing in India and helpful suggestions are made for their removal. Very handy is the summary of the valuable recommendations of the Vijayaraghavachari Committee on marketing and those of the Saraiya Committee on Co-operative Planning.

A large section of the book is devoted to co-operative marketing. Special features are given of the working of important types of co-operative societies in different States, e.g., the cotton sale societies in Bombay, the milk supply unions in Madras, the sugar-cane societies in Uttar Pradesh and Bihar and the Provincial Marketing Organisations in certain States. Their difficulties as well as failures are brought out.

A special chapter is assigned for the State in relation to marketing in India. The responsibility of the State in marketing the produce of the country and promoting the socio-economic conditions of the farmer are likely to receive greater attention from the State in future and the book provides many useful hints for the performance of such functions. There is an instructive summary of the marketing work done in other countries, particularly United States of America and Denmark.

The book is a valuable addition to the literature on agricultural marketing. The presentation of the material is done with a wide outlook and a wealth of knowledge. It is bound to be useful for advanced students of marketing as well as for practical workers.

S.N.V.

CONSOLIDATION OF HOLDINGS—(*Reserve Bank of India*, Bombay; *1951*; pp. 35; As. 8.)

This bulletin is divided into five chapters. The first indicates the growing need for evolving a pattern of agriculture in which the unit of cultivation is sufficiently large and compact. The second chapter gives in some detail the various causes and effects of fragmentation of holdings and some remedies for the same, of which, consolidation of holdings is the most important. The third chapter deals with the progress of consolidation in various States in India. The steps taken by the States like Baroda, Punjab, Madhya Pradesh and Bombay are recounted. The author has taken care to give a chapter dealing with the consolidation of holdings in foreign countries. Denmark, France and Switzerland are some of the important countries where consolidation has made considerable progress. The bulletin gives interesting statistical and other details of the measures taken in those countries. In the last chapter some broad suggestions are made on the basis of the studies carried out in the country: the consolidation of the existing holdings, the improvement of the consolidated holdings, the prevention of further subdivision and the development of small and medium scale industries in rural areas as alternative sources of employment.

While the bulletin is interesting and useful, it does not give one the views of the Reserve Bank of India on the subject. The publisher's note cautions us that the views expressed in this bulletin are not necessarily those of the Reserve Bank. Naturally the reader would like to know from a bulletin published by the Reserve Bank the views of the Reserve Bank themselves on a vital matter like consolidation of holdings. It is hoped therefore that the Reserve Bank would not shrik to express their views on the various subjects on which they issue bulletins from time to time.

V.N.T.

CO-OPERATORS' YEAR BOOK, 1951 (*Co-operative Productive Federation Ltd.*, Leicester; pp. 112; Sh. 1/3.)

This yearbook brought out by the Federation of industrial producers' societies in Great Britain contains a series of articles on the subject of industrial relations written by co-operators of eminence. The main point discussed is whether the workers get a better incentive for work and do their work with greater enthusiasm if given a greater measure of freedom and participation in the ownership and management of the industry. The affirmative arguments advanced and opinions expressed deserve careful study by all those who have anything to do with an industrial enterprise, whether co-operative or otherwise.

"Since the first world war, societies which embrace about two-thirds of the Movement's membership and trade (in England) have conceded membership rights to employees... Judged by any valid criteria—membership, sales, trading results, progressive policies—those co-operative societies will compare favourably with any in the Movement!" writes

Mr. Walter Padley, M.P. in his article 'The Status of the Worker in the Retail Societies.' He contends that "it is useless for co-operators to emphasise the *special duties and responsibilities* of co-operative employees if they are to be denied *equal rights*." Mr. Frank Jones, Labour Adviser, Co-operative Union, in his article 'Joint Consultation in the Co-operative Movement' informs us further that "Right or wrong, good or bad, the policy of direct representation of the employees on management boards triumphed therefore over that of the Joint Advisory Councils and that is the position to-day in most of the large town societies." He, however, concedes that in the smaller and medium-sized societies the policy has not met with the same success. What a contrast to conditions obtaining in India where co-operative employees, perhaps with the exception of the executive heads of a few larger societies, do not get a bare subsistence wage to enable them to give their undivided attention to the discharge of their duties! In fact in Madras co-operative societies are forbidden to retain as their members any of their paid employees or any paid employees of their financing banks or of the societies for which they are the financing banks, by a new rule published recently under the Madras Co-operative Societies Act. The only exception are Co-operative Motor Transport Societies and Co-operative Workshops of Ex-Servicemen. This rule comes on the top of the existing rules which prevent employee-members from becoming directors and directors' relatives from becoming employees. Evidently what is found to be a healthy principle for adoption in Great Britain after a century of experience is unwholesome here.

The articles on Motion Study, Public Ownership and the Co-operative Movement, and the Statistical Review of Co-operative Co-partnership Productive Societies, 1949, are all interésting and well worth a close study.

STATISTICAL STATEMENTS RELATING TO THE CO-OPERATIVE MOVEMENT IN INDIA, 1949-50 (*Agricultural Credit Department, Reserve Bank of India, Bombay;* pp. 77; Rs. 2)

The data in this publication are given in the revised forms devised by the Sub-Committee appointed by the Government of India on the recommendation of the Fifteenth Registrars' Conference. Whether "the presentation of data in these revised forms will help to convey to the reader a clear and comprehensive picture of the Co-operative Movement in the Indian Union" is doubtful, as the reader gets no idea of the system of classification adopted of societies. For example it is not clear to which class (Purchase and Sale, Production and Sale, Production, Social Services, the following societies belong: consumers' stores, weavers' societies) printing societies, labour contract societies, farming societies, multipurpose societies. In fact there is no understanding as regards the use of terms with reference to societies. Data would be better appreciated if presented in relation to the few wellknown types of societies.

Among the improvements made in this year's publication are :

1. Separate statements showing the operations of each of the following categories of primary societies : agricultural credit, agricultural non-credit, non-agricultural credit and non-agricultural non-credit.

2. New Statements : one showing figures of loan transactions of primary societies, State-war, and another showing the progress of loan transactions of primary societies since 1915-16.

3. New Statements showing the figures of transactions of Provincial non-credit societies and the figures of transactions of central non-credit societies.

4. Several new pictorial and graphical illustrations in addition to the usual 'Co-operative Clock'.

The Statement showing figures relating to the operations of Provincial Non-Credit Societies (General Statement A-1) does not appear to present a complete picture. There are at least two provincial societies in Madras viz. The Central Co-operative Printing Works, Ltd., and the Madras State Indian Medical Practitioners Co-operative Pharmacy and Stores, Ltd. the transactions of which ought to have been included in this statement. We believe that the operations of these two *Provincial Societies* have been included in Statement C-1, which readers would expect to be confined to the operations of *primary* non-agricultural non-credit societies.

In Statement C which shows the number and transactions of non-agricultural credit societies, it would be instructive to have an idea of the number and main transactions of the big urban banks, employees' societies and other urban credit societies, with the basis of their liability (limited or unlimited).

Statement D-1, which is also a new introduction, contains an entry that the number of Provincial Unions in Madras is 10, with certain membership, transactions etc. It is not clear what this refers to. But, from a glance at the Administration Report of the Madras Registrar for the year 1949-50, we are led to guess that the number and transactions given in this statement against Madras are very likely those of three language federations two audit unions and four training institutes—a rather indiscriminate use of one term.

An additional Statement giving the number and grade of training institutes in each State, the number of refresher courses held, the number of trainees served etc., would be pertinent.

C. D. P.

CO-OPERATIVE CONFERENCES AND MEETINGS

THE VIII TAMILNAD CO-OPERATIVE CONFERENCE

Held at Madras on the 29th and 30th September 1951.

The Eighth Tamilnad Co-operative Conference was held in Madras on the 29th and 30th of September, 1951 and was attended by nearly four hundred delegates and visitors. In the course of his welcome address, Dr. P. Natesan, Chairman of the Reception Committee, said : "Though Co-operation is a voluntary, independent Movement of the public, Government by means of the Co-operative Societies Act has taken over certain statutory duties like audit, inspection, supersession etc., to itself. It has been argued in some quarters that the Registrar is made a kind of heavy father for the Co operative Movement. The question arises whether, in the present stage of *infancy* of the Co-operative Movement, Government should give up its statutory functions and leave the institutions to themselves as in the case of joint stock companies. It will of course be the ideal if the members and their elected comrades rise to the occasion and show a sense of duty. Government will also save to the extent of Rs. 50 lakhs per year, which is spent for the organisation and inspection of co-operative societies. Co-operative institutions, the democratic type of elections, the free financing of financing institutions are all on a different footing from the organisation of joint stock companies. As it stands at present I feel that the statutory functions of the Government should continue until the general level rises to an appreciable extent." Continuing he said : "Though it is a fact that co-operation (in Madras) has progressed far in advance of other countries and other States (in Asia) and though many countries in the Far East look forward to Madras for guidance it is very definite that we have not reached the pinnacle......Party politics, petty factions, communalistic attitudes sometimes play a predominant part in our institutions. These should be nipped in the bud, if the institutions are to be of real service. Elections to the management of co-operative institutions should not be made the chief activity in an institution. Persons who have devoted their time and energy in an unselfish manner must be esteemed and given the longest tenure of office. Election once in three years is provided for in the Act only with a view to remove the lethargic and the undesirables, but never contemplated to replace efficient and honest men."

The Conference was inaugurated by the Hon'ble Sri P. S. Kumaraswamy Raja, the Chief Minister, Madras and presided over by Sri A. Ramachandram Pillai, President of the Ramnad Co-operative Central Bank. A Cottage Industries Exhibition was arranged as an adjunct to the Conference. The Exhibition was opened by Sri T. A. Ramalingam Chettiar, M. P.

There were also held, as parts of the Conference, two sectional conferences—the Urban Banks' Conference which was inaugurated by Sri M. S. Seshachalam Iyer of Tiruvannamalai and the Central Banks'

Secretaries' Conference presided over by Sri C. R. K. Chetty, Secretary of the Madras Provincial Co-operative Bank.

The following are the extracts from the inaugural address by Hon'ble Sri P. S. Kumaraswamy Raja, Chief Minister, Government of Madras;

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

Co-operators in the Tamilnadu can congratulate themselves on their yet another year of sustained and all-round progress. The target of increasing the number of rural credit co operatives so as to cover 50 per cent of the villages has been reached in the Tamilnadu for there are now 7,838 agricultural credit societies covering 65 per cent of the villages. I do not think that efforts should be made hereafter to register more societies. Societies already registered should be strengthened. Membership in the rural societies should however be increased as only 17 per cent of the rural population is served by them at present and the target of bringing 30 per cent of the population within the Co-operative fold reached quickly. I am confident that efforts will not be wanting to increase the membership of the rural credit societies and to reach the target before long. It is gratifying that loans to agriculturists increased to Rs. 3.12 crores and the extra credit business done by the rural credit societies amounted to Rs. 1.7 crores. In the sphere of long-term credit also, there has been good progress, the loans issued by the 66 land mortgage banks being Rs. 39.52 lakhs during the year 1949—50. Co-operative wholesale stores and primary stores procured food grains to the extent of nearly Rs. 13 crores and distributed food grains and other articles to the value of Rs. 22 crores during the year 1949—50. The number of looms within the co-operative fold has increased to nearly sixty thousand and the production in the weavers' societies amounted to nearly Rs. 1·5 crores. Loans to the building societies marked an increase and 17 rural housing societies have been organised. Ex-servicemen societies are being placed on a better footing. Jaggery manufacturing societies formed for ex-tappers increased in number and 1,319 societies produced jaggery worth Rs. 87·5 lakhs during the present season. The scheme for the development of palmgur industry is worked with particular success in the Tamilnadu and the ex-tappers have shown a keen appreciation of the training given to them in the improved method of production of jaggery.

I wish to refer to the imperative need for increasing the financial resources of Central Co-operative Banks in order that they may shoulder the additional responsibilities and obligations which they are being called upon to perform on account of the expanding and varied activities of the co-operatives. As you are aware, Government are assisting the Madras Provincial Co-operative Bank to raise funds on their guarantee from the Imperial Bank of India. A sum of Rs. 3 crores has been given on Government guarantee to the Madras Provincial Co-operative Bank for financing procurement of food grains in the Madras State and a sum of Rs. 50 lakhs for distribution of chemical, fertilisers and iron and steel. While I recognise that Government should assist the Co-operative organisations in securing the funds required for working the schemes of food procurement and distribution etc. entrusted to them by Government, I would like to emphasise that it is time that the central banks are alive to the necessity of themselves increasing and strengthening their resources so as to meet the growing demands made on them. They should be able to collect more funds locally and should not depend on the Madras Provincial Co operative Bank for their normal business which is expanding. It is necessary to examine the whole problem now thoroughly so that ways and means of increasing the resources of the Central Banks may be devised. Effective steps are essential to secure local deposits. Recently the Village Panchayat Boards have been permitted to invest their funds in the Central Banks. I suggest that this Conference may review the question of the terms and conditions under which deposits should be accepted by the financing banks in the present conditions of the money market and advise suitable measures so as to make co-operative banking organisations an attractive source of investment.

In this connection, I would like to pay a tribute of thanks to the Reserve Bank of India on behalf of the Co-operative Banks for the sympathy with which it has been viewing the problems of the co-operative banks. In Tamilnadu, 10 Central Banks have been sanctioned credit limits to the extent of Rs. 125 lakhs by the Reserve Bank of India and the loans are passed on through the Madras Provincial Co-operative Bank. These loans are given at a concessional rate of interest and the Central Banks pass on the benefit of low rate of interest to financing cultivation and marketing of crops. The Reserve Bank has been doing its best to assist the Co-operative Movement to the extent possible within the frame work of the Reserve Bank of India Act and a number of problems relating to rural finance are under its consideration. It has set up a Standing Advisory Committee of Experts to advise it on matters relating to the Co-operative Movement and it is taking steps to conduct a rural credit survey. I welcome the amendment of the Reserve Bank of India Act recently passed which extends the period of accommodation from the Reserve Bank of India for the purpose of financing seasonal agricultural operations and marketing of crops from 9 to 15 months. The increasing activities undertaken by the Co-operative banks and the difficulties experienced by them in securing the required accommodation from the Reserve Bank necessitates further liberalisation of assistance by the Reserve Bank. The Reserve Bank does not give accommodation to the Central Banks against the security of any paper representing medium-term advances, and its assistance in this direction is very essential. Another direction in which the Reserve Bank Act needs to be amended is to permit the Reserve Bank to provide finance to industrial co-operatives and for purposes allied to agriculture like dairying and processing of agricultural products. Of course, these and other matters are already under the consideration of the Reserve Bank of India and I hope it will soon come to suitable decisions so as to actively assist the Co-operative Central Banks in the State with funds needed by them.

What I have said in respect of tapping local deposits in respect of funds required by the Central Banks for normal agricultural operations applies with equal force in respect of funds required by the Land Mortgage Banks in the State. The Madras Central Land Mortgage Bank has for a long time depended on the out side public for investment in its debentures. In a recent flotation of Rs. 30 lakhs debentures by the Central Land Mortgage Bank, the Central Banks underwrote the series to the extent of Rs. 24 lakhs. They canvassed for investment in debentures from individuals and institutions other than the co-operatives to the extent of Rs. 10.75 lakhs. But for their efforts, this amount and Rs. 6 lakhs from the Reserve Bank would not have been subscribed to the debentures. This reveals that the Central Banks are a potent force to tap savings in the rural areas. I sincerely hope that the Central Banks and Co-operators in the Tamilnadu will continue to popularise investment in the Central Land Mortgage Bank debentures and thus provide the agriculturists the long-term money needed by them at a reasonable rate of interest.

Another matter of importance on which I would like the co-operators to bestow their special attention is their participation in schemes of food production. It is not enough if funds alone are provided by co-operatives for agricultural operations. They should actively interest themselves directly in schemes of food production particularly at the present moment when the country is faced with food shortage. Government have entrusted the work of distribution of chemical fertilisers and iron and steel to the co-operatives. And last year societies in Tamilnadu distributed chemical manure to the value of Rs. 74.5 lakhs and iron and steel to the extent of Rs. 4 lakhs. Government have also entrusted the scheme of intensive food cultivation to village co-operatives in 7 select districts and it is proposed to extend the scheme to 8 more districts of which three, viz., South Arcot, Tanjore and Tiruchirapalli will be in Tamilnadu. Under this scheme village co-operatives are to bring fallow lands under cultivation, to undertake distribution of manure and to construct manure pits and do propaganda for the food production measures launched by Government. While appreciable progress has been made by the co-operatives in the distribution of chemical manure and iron and steel, much remains to be done by way of bringing more land under cultivation and intensifying production methods. No doubt, there are difficulties in getting the land required and in bringing such land under cultivation. Government have recently instructed the officers that land should be made available to the societies quickly and have also extended to the members of rural credit societies the same concessions as are available for members of land colonisation societies to bring fallow lands under cultivation. Grants and loans have been provided to enable them to take up cultivation for which a sum of Rs. 12.8 lakhs has been

provided. I sincerely trust that workers at the village level will be forthcoming in large numbers to work up the scheme enthusiastically and see that production is appreciably increased in each of the villages.

Co-operatives can aid food production in several other directions. They can do much to improve irrigation facilities by arranging to instal pump sets. Loans are given by rural credit societies upto a maximum of Rs. 3,500 to an individual ryot for the installation of pump sets to improve well-irrigation and that several ryots have availed themselves of this concession. Co-operative organisations have also purchased tractors and other agricultural machinery and hired them out to members for their agricultural operations. Co-operative marketing organisations and village multipurpose societies can thus function as effective centres of food production and I will greatly appreciate if the Conference will consider in detail measures that may have to be adopted to accelerate food production through co-operative agencies.

A subject allied to food production is co-operative farming. The Planning Commission of the Government of India have stressed the importance of Co-operative Farming Societies in their immediate programme of rural development. There are different types of co-operative farming beginning from a simple association for certain agricultural operations to highly developed associations under which either land is cultivated on a joint basis or where ownership of land itself disappears and cultivation is undertaken on a collective basis. Of all these, it is the Tenant farming type that has proved popular and offers possibilities of success in the Tamilnadu. Land colonisation societies in Tamilnadu formed for the civilians and for ex-servicemen are working on this model and there are at present 25 land colonisation societies, which have brought nearly 7,120 acres under cultivation mainly with food crops. If immediate and satisfactory results by way of increasing food production are to be achieved, we should proceed with this type of societies instead of making large scale experiments in collective or joint farming, the results of which may be uncertain or slow. Co-operative farming, which respects the individual's right to ownership and to the fruit of his toil and promotes joint action only in respect of certain specific agricultural operations, offers a most practical line of approach in the present time. I trust the co-operators will explore the possibilities of bringing under the plough large blocks of land through the agency of separate land colonisation societies or big co-operative institutions like Co-operative Wholesale Stores and thus make a substantial contribution to increase food production.

As I said earlier, cottage industries occupy a very important place in our rural economy. Of all the cottage industries, handloom weaving has succeeded best on a co-operative basis. I understand that Tamilnadu has a proposal to instal a co-operative spinning mill and I hope that it will be carefully considered by the Madras Handloom Weavers' Provincial Co-operative Society. In this connection I must mention that the allotment and distribution of yarn to the various States is made by the Central Government from a common pool and it is necessary that before the proposed spinning mill is installed, the Provincial Handloom Weavers' Co-operative Society gets an assurance from the Central Government that the yarn produced by the Mill will be made available to the member societies by special arrangement. Government are providing assistance by way of subsidy and staff to cottage industries societies formed for different types of industries and the Registrar has a sum of Rs. 45,600 at his disposal to be given as subsidy to them. Under the Rural Welfare Scheme, 12 Firkas in the Tamilnadu have been selected for the promotion and revival of village industries. Government have been distributing tools free of cost to select artisans and co-operative organisations have taken up the question of distribution of raw materials in these firkas. The work has just commenced and I hope that the co-operative agencies concerned will do their best to help the artisans in the firkas to pursue their industries profitably.

The Government of India as well as the Madras Government are determined to revive and develop the cottage industries and to give them the necessary financial and other aids. It is proposed to bring all the agencies concerned in the development of cottage industries under unified control and management and for this purpose the question of appointing an Additional Director of Industries to be in exclusive charge of Cottage Industries is under the consideration of Government. To support village industries and through them to maintain a given level of employment in the villages, the Planning Commission constituted by the Government of India has suggested in its 5-year plan the establishment of industrial co-operatives. I sincerely hope that the Madras Provincial Co-operative Bank and the District Central Banks will take a keen interest in encouraging the various cottage industries co-operative societies in their areas and I earnestly request the Conference to go into the question in detail and consider as to how best the cottage industries could be helped by the Co-operative Central Banks as well as by Government.

It should be remembered that Co-operation cannot be handed to people ready made. It must come from the people themselves and from their own desires and understandings. For this, education and propaganda are necessary. Co-operation has two sides—the business administration and idealistic reorganisation of the people. The Movement therefore requires men who will not only make business succeed but who are inspired by high ideals of the Movement. The men in charge of the affairs of the co-operatives should be sincere and honest workers imbued with the true co-operative spirit and animated by a zeal to work for the benefit of the others. Next to the honorary workers, the stability of co-operative institutions depends on the efficiency, honesty and loyalty of their paid employees. In the many spheres of specialised activities now brought under the ambit of co-operation, the need for fully qualified and trained employees to attend to the day-to-day administration of the societies is

quite obvious. Government have permitted the Central Co-operative Institute to conduct a course of training for the Secretaries and Managers of Co-operative Institutions. This should be a welcome opportunity for the co-operative organisations to get their employees in the higher posts trained. There is a tendency in certain institutions to prop up inefficient and dishonest employees and to fail to take stern action against them. Several institutions have come to grief for want of timely action against the employees and I would urge on the management of the institutions to maintain the necessary discipline and enforce strictly the service rules and conditions laid down for them. While honorary directors can lay down the policy, its execution has necessarily to be left to the paid employees and the ultimate success of any programme worked by the societies will largely depend on the zeal, enthusiasm and loyalty with which the employees discharge their functions.

Lastly let me say a few words about the conference itself. A conference of this kind serves as an occasion for renewing old ties and establishing new ones. It provides an opportunity for the workers to compare notes, pool their experiences and discuss common difficulties. I consider that the Conference should go further and give a lead on outstanding co-operative matters. For this purpose, co-operators may be invited to prepare papers on special subjects and formulate plans for new lines of activity sufficiently in advance for being considered at the Conference. The papers will provide the necessary intellectual stimulus and out of the discussions on these papers may be born new ideals and new lines of activity. I request the Conference to consider this suggestion so that in future the conferences may partake the nature of a Co-operative Seminar.

Resolutions passed at the Conference

The following were among the resolutions passed at the Conference :

1. This conference requests the Government to permit the investing of the security deposits of Local Board contractors in Co-operative Urban Banks. It is further resolved that the deposits so received by the Urban Banks be invested in the Central Co-operative Banks retaining a margin of ½ per cent interest per annum.

2. This conference resolves to request the Government to exempt all Co-operative Institutions from the operations of the Madras Shops and Establishments Act.

3. It is hereby resolved to request the Government to permit the investment of the funds of Trusts, Religious Endowments, Village Panchayats and other Local Boards in Co-operative Urban Banks and that these institutions be also permitted to open current accounts in the Urban Banks.

4. Though the Co-operative Societies are exempt from payment of Income Tax, on certain items such as interest or other income derived on business arising out of the subsidiary rules of the societies Government assess income tax as they treat such income as not part of their regular income. This conference requests the Government to modify such a procedure in the matter of co-operative institutions.

5. It is resolved to request the Government to permit the appointment of private auditors from the panel of auditors approved by the Registrar for Urban Banks and Central Banks, and as for the other societies it is resolved that the Departmental Audit may continue, but, that the scale of audit fees be reduced by 25 per cent from the existing fees.

6. It is resolved to request the Government to remove the restriction of the maximum limit for the obtaining of drafts on the Reserve Bank or Imperial Bank through Taluk Sub-Treasuries by co-operative institutions and that the Co-operative Institutions be permitted to obtain drafts according to their requirements from time to time.

7. Resolved to request Government to adopt the same procedure as in joint stock banks in the matter of issue of drafts to co-operative societies upon Government treasuries so that the present practice of Treasuries refusing payment for such drafts if they contain more than one endorsement or have allonges to them with endorsements, may be avoided.

8. This conference resolves to request the Registrar to frame rules for prohibiting defaulters from obtaining new loans in societies or taking part in General Body meetings.

9. Resolved to request the concerned officers to withhold moneys from salaries of their staff members in the matter of their debts to Co-operative societies as per the undertakings given by them, when obtaining loans from the societies.

10. This conference requests Government to amend Rule 27 of the Rules framed under the Co-operative Societies Act to prohibit persons who carry on business on their own which is in competition with the objects and business of societies from being office bearers of such societies.

11. Resolved to request the Registrar to permit Central Banks themselves to sanction the Pumpset loans to agriculturists as in the case of other loans, as the procedure now laid down in bylaw No. 42 of primary credit societies that such loans be approved and recommended by Deputy Registrar causes much delay.

12. This Conference resolves to request the Registrar and the Madras Handloom Weavers' State Co-operative Society to take steps to start a Co-operative Spinning Mill in Tamil Nad at an early date.

13. This conference resolves to request Central Stores and Marketing societies to purchase buldozers and boring sets for lease on hire to the agriculturists, and it is further resolved that Government be requested to sanction financial subsidies to the societies undertaking such work.

14. This conference impresses upon Government the urgency of of the separation of Audit from Administration and request that the separation be given effect to immediately.

15. This conference calls upon all the co-operative societies to collect local deposits at the rate of at least Rs. 1,000 each and deposit the same in Central Co-operative Banks before the end of January 1952, and it is resolved to request the Central Bank to award shields to the best of such societies in their respective areas which have taken efforts in the matter, such prizes being arranged to be distributed at the next conference.

16. Resolved to request the Government to appoint all the co-operative institutions as agents of Government in the matter of procurement and sale of foodstuffs.

17. This conference resolves to request the Government to amend Section 40 of the Co-operative Societies Act so as to grant similar powers as in Section 38 A to Secretaries of Central Banks for the inspection of cash balance in societies.

18. Resolved to request the Registrar to start separate building societies for the poor especially the scheduled class people, and for grant of long term loans for construction of houses.

19. Resolved to request the Central Land Mortgage Bank and the Registrar that the Rs. 15,000 limit which is the maximum limit which an individual can borrow from the Land Mortgage Banks should not be reduced and that the share capital of the borrower be fixed at not exeeding 5 per cent of the loan from the Land Mortgage Bank.

20. This Conference resolves to request the Government to pass orders that Railway refreshment rooms, jails and institutions suc has Government Hospitals should obtain their milk requirements through milk supply societies only without insisting on tenders.

21. Resolved to request Government to allow adequate margin to Co-operative Wholesale Stores to cover shortage and other incidental charges and it is further resolved, that in case Government are not pleased to give any such allowance, the passing on of the value of such things to consumers may be permitted.

22. This conference resolves to request the Central Banks to grant pay, Dearness allowance, Travelling allowance and House rent allowance to their Supervisors and other employees as per Government scale.

THE I.C.A. IN EPITOME

The International Co-operative Alliance now includes 53 directly affiliated Organisations in 30 countries, 100 Million Co-operators and their Families grouped in 362,100 Affiliated Societies, as follows :—

Consumers' Societies	...	59,848,000
Productive and Artisanal Societies	...	749,000
Building and Miscellaneous	...	1,944,000
Agricultural Societies	...	17,801,000
Credit Societies	...	18,838,000

Total Annual Trade amounts to £ 3,950 million Sterling and own Production to £ 785 million Sterling.

Analysis of I.C.A. Membership.

	Consumers' Societies	Wholesale Societies	Productive Societies	Agricultural Societies
No. of Societies...	52,990	40	11,560	70,580
Membership ...	59,848,000	...	749,000	17,801,000
	£	£	£	£
Annual Trade ..	1,829,885,000	699,813,000	142,115,000	1,202,930,000
Own Production.	145,279,000	186,728,000	103,510,000	302,042,000

		Co-operative Banks.	Credit Societies.
No. of Societies	...	16	225,500
		£	£
Share Capital and Reserves	...	50,748,000	10,845,000
Savings' Deposits	...	300,982,000	145,829,000
Turnover	..	8,157,046,000	316,914,000

Insurance Societies.

No. of Societies	...	42
Insured Persons	...	36,880,000
		£
Premium Income in 1949	...	86,498,000
Claims Paid in 1949	...	80,755,000
Amount insured	...	5,307,947,000

Note:—No trade figures available for U.S.S.R.

CO-OPERATIVE PRINCIPLES

(A Definition by I.C.A.)

The Executive Committee of the International Co-operative Alliance had called for the strict observance by all affiliated organisations of the following principles :

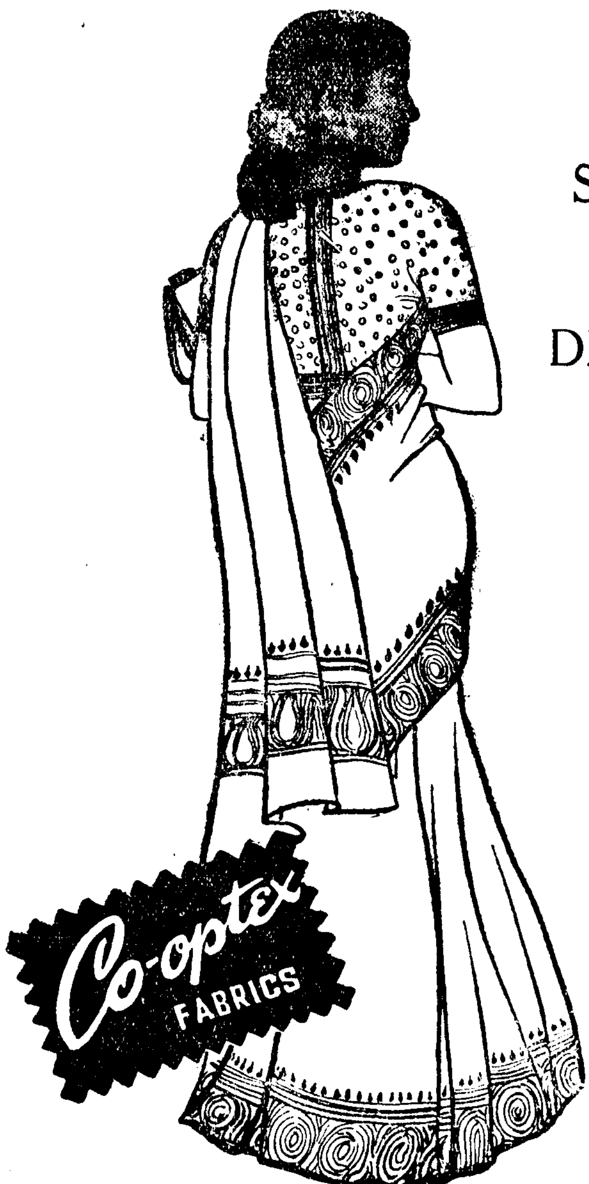
"(1) co-operative organisations must be open to everybody who desires and is able to employ their services, without any discrimination on political, religious or racial grounds ;

"(2) the organisation of co-operatives must be democratic at all levels ; that is to say, they must have the right to elect their committees or other governing bodies without any intervention or pressure from outside, and all members of co-operatives must have the same rights and be able to form and express their opinions freely ;

"(3) co-operative organisations must be completely free and independent and must be able to take up a position with regard to all the problems which affect their own interests, independent of the State and public authorities generally, as well as of private organisations (political parties)."

The Executive Committee added that "it is only in this way that the co-operative movement can be in a position to fight against oppression in all its forms and for the liberation of all social groups, and thus contribute to ensuring peace ; in this way only will a real co-operative system based upon mutual self-help materialise."

Co-operative Information, (I.L.O.), No. 1 of 1951.



FOR
STYLE
&
DESIGN

M.2.

THE MADRAS STATE HANDLOOM WEAVERS' CO-OPERATIVE SOCIETY LIMITED.

EGMORE : : MADRAS

The Madras Provincial Co-operative Bank, Ltd.

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

Balance Sheet as on 30th June, 1950.

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

Analysis of Working.

Year ending 30th June

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

BANKING BUSINESS OF EVERY DESCRIPTION UNDERTAKEN.

For Rules, etc., apply to:—

C. RADHAKRISHNA CHETTY,
Secretary.

Printed by Sri S. Sundaresan, L. P. T., at The Central Co-operative Printing Works, Ltd. 1/17, Mount Road, Madras,
and Published by Sri Ch. D. Prasada Rao, Farhat Bagh, Mylapore, Madras—11-51.