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Indian

Co-operative

Review

1952 - April - June

Vol. 13. No - 2

230 VIII. No. 2. APRIL—JUNE, 1952

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The INDIAN CO-OPERATIVE REVIEW

JOURNAL OF THE INDIAN CO-OPERATIVE UNION

PUBLISHED QUARTERLY

THIS ISSUE CONTAINS :

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

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THE INDIAN CO-OPERATIVE REVIEW

VOL. XVIII **APRIL—JUNE, 1952** **No. 2**

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THE INDIAN CO-OPERATIVE REVIEW

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For further particulars write to:
Manager, Indian Co-operative Review,
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THE INDIAN CO-OPERATIVE REVIEW

VOL. XVIII APRIL—JUNE, 1952 No. 2

ALL INDIA CO-OPERATIVE DAY

1st November 1952

Message of Sri R. G. Saraiya, O.B.E J. P.,
President, Indian Co-operative Union

Brother and Sister Co-operators,

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

It is indeed no mean achievement since independence, that the Government of India under the leadership of Pandit Jawaharlal Nehru has been able to hold its own in the midst of conflicting political and economic ideologies. In my opinion, India is evolving an economic and social structure suited to her own genius. The blue prints of this structure are being prepared by the Planning Commission under the Chairmanship of the Prime Minister. From the rough outline of this blue print released in the draft outline plan, it is clear that in this structure Co-operative organisation and Co-operative method of working will find an honourable place. It is, therefore, necessary for co-operative workers in all the States and in all fields of activity to put their shoulders to the wheel and help in laying a solid foundation for the prosperity and happiness of the country. Let the co-operative institutions and Institutes in each State have their own plans of development and let them be dovetailed into the All-India plan so as to ensure that the Co-operative Movement plays its worthy part in the development of the country.

It is indeed desirable that the Co-operative Movement should speak with one voice and work as one team. May I take this opportunity to appeal to all co-operative workers to organise State Co-operative Unions where there are none, and to join through their societies the State Co-operative Unions where they already exist. Let all such Co-operative Unions, in their turn, affiliate themselves to the Indian Co-operative Union, in order that the Co-operative Movement can function as one whole. In this way, the Co-operative Movement in the country will be able to play its proper role not only in the uplift of the country but also in the international sphere for the promotion of peace and goodwill.

One final word of advice. We are all impatient, since the achievement of independence, for the economic betterment of the citizens of India. But the path towards this goal is long and arduous; the difficulties in the way arising from national and international factors are many and varied. Let not a feeling of frustration and disappointment overcome us; let us rather think of the achievements of the people of India during the last five years; and let each one of us concentrate on the job of work we have in hand, for no honest job of work is too humble and no honest piece of work done too small for the Motherland. In this way, with the Co-operative endeavour of us all, the very vastness of our numbers, which is considered to be our great weakness, will be converted into a source of strength.

The late Prof. H. L. Kaji.

It is with profound sorrow and deep regret that we record the sad news of the demise at Bombay of Prof. H. L. Kaji, on the 24th September 1952 at 4 p.m. He had been ailing from a heart trouble for over three years. Fellow co-operators who had assembled at Bangalore in May 1949 were distressed to note visible signs of his suffering. He resigned his presidentship of the Indian Co operative Union in February last, at the time of the First Indian Co-operative Congress. But he was persuaded to accept an honoary membershiy of the Union and continue as Chairman of the Editorial Committee of this *Review*. He was looking through some editorial notes, particularly with reference to the Congress. He was jovial by disposition, cheerful by temperament and optimistic by nature. There was a strain of spiritualism in his make-up, which tempted him to make light of troubles. He quietly submitted to his end.

May his soul rest in Peace!

Prof. H. L. KAJI, M.A., B.Sc., I.E.S. (Retd.)

Prof. H. L. Kaji—A Life Sketch.

Born at Surat in April 1886. Educated at Gujarat College, Ahmedabad. Passed B. A., in Mathematics, with high distinction, at the age of 17. Passed M. A. with History & Economics at the age of 18, securing Telang Gold Medal. Passed B. Sc. in Theology and Chemistry, at the age of 19.

Was Professor at Gujarat College, Ahmedabad in Mathematics and English at the age of 18. Transferred to Rajkumar College, Rajkot and taught Sciences. Transferred to Sydenham College of Commerce & Economics in 1916 as Professor of Geography, Trade and Statistics. Taught a variety of subjects during his tenure of 23 years, from 1916 to 1939, at the Sydenham College of Commerce & Economics, Bombay, ranging from Geography, Trade, Statistics, Economics, and Cotton Industry. Appointed Principal of Gujarat College, Ahmedabad in 1939, and was Professor of Economics. Retired in 1941.

Vice-Chancellor, Indian Women's University, Bombay 1944-46, and Dean of the Faculty of Arts. Chairman, Faculty of Commerce, Andhra University, Waltair. Presided over several Provincial and State Economics Conferences. President, Surat Mahila Vidyalay.

Chairman, Bombay Provincial Co-operative Institute (1926-30). President Bombay Provincial Co-operative Marketing Society (1943-51) and Vasant Purnima Co-operative Housing Society. Founder-Chairman, Bombay Co-operative Insurance Society (1930-35) and the All-India Co-operative Fire and General Insurance Society. Director, Bombay Provincial Co-operative Bank and Bombay Provincial Co-operative Land Mortgage Bank. Honorary Fellow, Bombay Provincial Co-operative Institute and Indian Co-operative Union. President, The All-India Co-operative Institutes' Association and The Indian Provincial Co-operative Banks' Association (1944-1949).

President, Indian Co-operative Union (1949 1952). Specially invited by the International Co-operative Alliance to deliver a lecture to the International Summer School held at Prague, on 17th September 1948. Led the Indian Delegation to the 17th International Co-operative Congress held at Prague in 1948. Leader of the Indian Delegation to the F. A. O. S. E. Asian Co-operative Conference held at Lucknow on 24th October, 1949 Presided over the Sixth, Seventh and Eighth All-India Co-operative Conferences and the First Indian Co-operative Congress.

Member, Co-operative Planning Committee appointed by the Government of India in 1946. Presided over several Provincial and State Co-operative Conferences.

Started the Vasant Insurance Co., Ltd, in 1941 and was its Chairman. Vice-President, All-India Manufacturers' Organisation, (1944-46.) Member on several Committees of the Indian Merchants Chamber.

President, Bombay Geographical Association for several years. Member, Bombay Board of Film Censors. Chairman of the Editorial Committee of the *Indian Co-operative Review*. Member, Editorial Board of the *Bombay Co-operative Quarterly*. Author of a *Primer on Co-operation* translated in all Indian Languages. Author of *Co-operation in India, Co-operation in Bombay, Principles of General Geography, Land Beyond the Border, Great Mystery of Life Beyond Death, Life & Speeches of Sir Vithaldas Thackersey, Gujarati-Ni-Ranj Bhoomi*. Planning to publish *My Own Humourous Anecdotes* and *Gujarat Samaj*.

(Letter from the Director and Secretary, I.C.A. to the President, Indian Co-op. Union on Prof. H. L. Kaji.)

INTERNATIONAL CO-OPERATIVE ALLIANCE

11, UPPER GROSVENOR STREET
LONDON W.1.
4th October, 1952.

Dear Mr. Saraiya,

In the name of the International Co-operative Alliance we desire to express to you, as President of the Indian Co-operative Union, and to the whole Co-operative Movement of India the deepest sympathy in the irreparable loss you have sustained through the death of Dewan Bahadur H. L. Kaji.

For many years Professor Kaji, as we were accustomed to call him, was not only pre-eminent as a co-operative leader in India, he was also the Indian co operator most widely known and respected in other countries. Since 1948 he had served on the Central Committee of the International Co-operative Alliance, but even before this he had become the chief personal link binding the Indian co-operative movement to the Alliance. The force of his personality and co-operative convictions made themselves felt in unmistakable fashion when he attended and spoke at the International Co operative Congress at Prague in 1948.

The vast and many-sided contribution which Professor Kaji made to co-operative development in India, as thinker and teacher, as business administrator, originator and organiser of co-operative enterprises of different types, is best known to and will never be forgotten by Indian co-operators. The formation of the Indian Co-operative Union and the success of the first Indian Co-operative Congress, held in Bombay last February, crowned his work. The very fact that the congress was held at all is proof at once of his authority amongst co operators and of the respect in which he was held by the Indian Government.

It is a source of satisfaction, greater now than before that the International Co-operative Alliance was represented at this Congress and that one of us was privileged to see Professor Kaji amongst his own people and to witness their admiration of his work, their veneration of his character, and the sincere and spontaneous affection with which they took leave of him after he had announced his resignation.

Notwithstanding his suffering and severe physical disabilities, his mind and will were as powerful as ever, and it was our hope that he might have been spared a little longer, not merely to advise his successor and his former colleagues, but also to give the International Co-operative Alliance the benefit of his counsel and knowledge of Indian co-operative affairs. Professor Kaji's influence, teaching and example still remain, however, and the memory of his personality will endure as an inspiration for more extensive and effective collaboration in the future between Indian co-operators and their colleagues of the I.C.A. who share their loss to-day.

Yours sincerely,

Sd. (Miss) G. F. PEOLLY, *General Secretary.*

Sd. W. P. WATKINS, *Director.*

Mr. R. G. Saraiya, O.B.E.,
President,
The Indian Co-operative Union,
Navsari Chambers,
Outram Road, Fort,
Bombay 1.

EDITORIAL NOTE

Among the many important recommendations made by the Saraiya Committee on Planning, one relates to the establishment of Provincial Co-operative Councils in every province to provide the much needed live link between the State and the non-officials with a view to ensure continued progress of the movement. "The Council would continuously prepare projects of economic development and devise co-operative methods for their implementation." The Seventh All-India Co-operative Conference and the Sixteenth Registrars' Conference recommended that the State Co-operative Councils should be established. Thanks to the Governments of Bombay and Madras, State Co-operative Councils have been established in these two States and have been functioning for sometime now. There is no evidence of such a Council established in any other State. And the official and non-official co-operators assembled at the First Indian Co-operative Congress, held at Bombay in February last, unanimously asked for their creation in all States, where they have not been established.

State Co-operative Councils.

The need of a State Co-operative Council, particularly when the principles of planned economy are accepted, and the Co-operative Movement is assigned a significant place in the plan, cannot be stated better than what was done by Sri R. G. Saraiya, in his inaugural address to the 38th Mysore Provincial Co-operative Conference. "In a democratic State, where all planning and its execution have to be influenced by the will of the people, frequent interchange of opinion and greater contacts between the State authorities and the Co-operative Organisations are a vital necessity, so that Co-operative Organisations may not feel that they are being dictated to . authoritarian plans from the top, in which they have no say. Such frequent interchange of opinion,……crtricism, action and reaction between the Planning body and the parts of the economy affected by the plans are absolutely necessary, in order to secure the willing and enthusiastic support of the people in the implementation of the plans." That Co-operative Councils would provide the place of contact between the State and the non-official co-operators for interchange of opinion is incontrovertible.

Co operators of both Mysore and Orissa asked their respective Governments for the creation of State Co-operative Councils. We earnestly hope that not only the Governments of Mysore and Orissa but also of the other States in which there are no Co-operative Councils would recognise the necessity of creating Co-operative Councils and give effect to the recommendation of the Co-operative Planning Committee at an early date.

CO-OPERATIVE CREDIT MOVEMENT IN WEST BENGAL

BY

KALIPADA BHATTACHARJEE

Secretary, West Bengal Provincial Co-operative Union, Ltd.

The Co-operative Credit Movement in West Bengal has not yet regained a sound position since the days of the Depression of the thirties. The first consequence of the Depression was to freeze almost all the assets of the societies and central banks and automatically to convert all intermediate term loans into long term loans for an indefinite time. A good proportion of the frozen assets was irrecoverable as the debtors were not in a position to pay. The remaining portion of the loans issued was also made actually irrecoverable due to the operation of the Bengal Agricultural Debtors Act, under which even debtors who were in a position to pay, got instalments spreading over a long period. The position turned worse in 1945 and the Government was compelled by the circumstances to appoint a banking expert to advise the Co-operative Directorate and to find ways and means for total rehabilitation of the agricultural credit movement of the State.

In an agricultural country like ours, the problem of rural credit must be considered to be of vital importance and agricultural co-operative economy must occupy the supreme place in the development of the Co-operative Movement in national life. Before the passing of Co-operative Societies Act of 1904 and even before the Act of 1912 came into operation, the village money-lenders were the only agency for supply of rural credit in this province. They charged a usurious rate of interest varying from 37 to 75 *per cent* and exploited the cultivators in various other ways. The introduction of co-operative system provided supply of rural credit at a lower rate of interest. A large number of credit societies were organised, but the progress was not quite satisfactory. The general illiteracy of the agricultural masses and the absence of facilities for training them in co-operative principles and practices, the inadequacy of the supervising staff to cope with the work, to check the abuses and correct the erring societies made it extremely hazardous to speed up the pace of the movement. The economic Depression which commenced in 1924 continued to worsen gradually and seriously disturbed the economic equillibrium of the people in all walks of life.

Reviewing the co operative credit structure, we find in this State the agricultural co-operative credit movement has developed largely on Raiffeisen model; there are to-day as many as 9,523 village co-operative societies organised on unlimited basis. The management of a village co-operative society is vested in an elected committee, which is known as 'Panchayat', and the administration is generally conducted by honorary workers. A number of these societies has federated themselves into a central organisation which is called the central bank. These banks are located in the district and sub-divisional headquarters and at convenient centres throughout the State and their number is 40 at present. They supply necessary credit to the village societies on the security of the unlimited liability of the members of the societies. The central banks raise the requisite capital from the paid-up shares of its constituents, from non-members' deposits and borrowings from the Apex Co-operative Bank which is known as the Provincial Bank or Federation of all central banks of the State. The legitimate function of the Provincial Bank is to serve as a balancing centre between the central banks or in other words to take in the surplus capital of different central banks and invest them in others which are not in a position to raise sufficient local capital for their activities and development in their respective areas. It also raises capital independently on its own account. This side of agricultural credit movement is meant to supply short term credit facilities to the members of village societies for their seasonal agricultural operations. There is, however, another side of the agricultural credit movement, viz., supply of long term loans to the agriculturists mainly for redemption of their old debts, purchase of lands and major improvements of their holdings. Loans are issued by these banks for a maximum period of 20 years on the first mortgage of occupancy holdings. Long term finance required for these banks can only be raised by debentures with a currency of over 20 years and such debentures to be made marketable must be guaranteed by the Government. Such banks enjoy several privileges from Government generally in the form of grant of special powers for recovery of defaulted loans and exemption from taxes.

The working of the Provincial Bank of West Bengal after the partition was directly affected. The following remarks were made by the Reserve Bank of India in the *Review of the Co-operative Movement in India, 1948–50*:—

"The partition disrupted the structure of the Movement and created difficulties of an unprecedented nature. The area of West Bengal was reduced roughly to one third of the undivided province and comprised the Presidency Town of Calcutta and two revenue divisions having altogether 13 districts. Out of the total number of 42,000 co-operative societies, only about 13,000 came under the new State. Owing to this fact as well as the migration of a large number of urban and employees' credit societies, a huge capital amounting to Rs. 2.69 crores, as shown below, was locked up in East Bengal, with adverse effects of a very serious nature on the financial strength of the movement.

		Rs. lakhs:
1.	Investment of West Bengal Provincial Bank in East Bengal co-operative banks and societies	205.00
2.	Investment of West Bengal central banks in East Bengal central banks	4.65
3.	Investment of West Bengal central banks in societies seceding to East Bengal	4.50
4.	Investment of urban employees' credit societies with members opting or migrating to East Bengal	55.00
	Total ...	269.15

The figures would reveal that the West Bengal Provincial Bank was most seriously affected. But a crisis in its career was averted by the timely intervention of the State Government which guaranteed the collection of Rs. 1·25 crores representing the good investments of the bank in East Bengal, the total guarantee being split up into 12 annual instalments. The State Government also assumed control over the management of the bank through a Managing Director appointed by it in 1948. Despite these efforts no settlement appears to have been arrived at regarding the realisation of the debts due to the bank from the societies in East Bengal. Out of the total outstanding of Rs. 156·02 lakhs in 1949–50, Rs. 154·71 lakhs have fallen overdue. The deposits' position has also deteriorated, the amount having declined from Rs. 252·44 lakhs in 1947–48 to Rs. 158·84 lakhs in 1949–50. The decline in deposits has probably been due to the repercussions of the recent failure of a large number of joint stock banks in West Bengal as well as the withdrawal of surplus funds by central banks, for financing cloth distribution The bank also received liberal assistance from the State Government against its general assets as well as by way of the annual instalments of the guarantee for the collection of the investments in East Bengal. After the close of the year 1949–50, a loan of Rs. 50 lakhs was granted by the Reserve Bank of India to the Provincial Bank on the guarantee of the State Government for financing seasonal agricultural operations and marketing of crops. It is expected that these efforts would go a long way in rehabilitating the bank and placing it on a sound footing."

The average peasant is in need of some capital for agricultural operations. Partly because such operations are risky and partly because the peasant is ignorant, he cannot normally obtain such loans except under very onerous terms. The co-operative movement owes its origin to the desire to give the peasants credit on fair terms so that their economic condition might improve. Although the movement has entered other fields of activity it should not be forgotten that the agricultural credit co-operative activities undoubtedly form the most important part of the service the co-operative movement is giving to the country at large. The success or failure of the movement in any particular State has to be measured by the extent to which the movement has succeeded in meeting this most elementary need of the villager.

The following are the figures based on the figures supplied by the Reserve Bank for the year 1949–50. The object of showing them here is just to analyse them and give a statement of the work done by the co-operative movement in West Bengal where it has achieved very indifferent results, in comparison with the admirable work done in Madras and Bombay. The statement below will also give an idea of the financial condition of the agricultural credit side of the movement in the three States.

STATEMENT I.

State.		No of socie-ties.	No of Members	Owned Capital Rs. in lakhs.	Deposits Rs. in lakhs.	Borrow-ing Rs. in lakhs	Working Capital Rs. in lakhs.
Madras	...	12,056	8,43,680	281·9	45·4	445·8	722·6
Bombay	...	5,764	3,20,997	216·7	45·1	156·3	418·1
West Bengal	...	9,591	2,18,033	54·14	6·6	43·5	104·3

STATEMENT II.

(Work of an average society.)

State		Members.	Owned Capital. Rs.	Working Capital. Rs.	Per capita Working Capital. Rs.
Madras	...	70	1,925	6,021	86
Bombay		57	3,767	7,340	128
West Bengal	..	23	570	1,098	47

It will appear from these figures that the quantity of work done by the movement in West Bengal is much smaller although the membership of the co-operative societies is quite comparable with that in the other two States. The average society in West Bengal has got 23 members and has owned capital of Rs. 570 and a working capital of Rs. 47 *per capita*. The second statement would therefore give an impression that the movement in West Bengal has achieved results quite comparable with the other States although on a much smaller scale. This impression unfortunately does not stand close scrutiny.

The figures given below will show the amount actually advanced and recovered as well as the overdues.

STATEMENT III.

State.		Advances. (Rs. in lakhs)	Recoveries. (Rs. in lakhs)	Outstandings (Rs. in lakhs)	Overdues. (Rs. in lakhs)
Madras	...	440·0	313·6	355·9	98·9
Bombay		222	183·4	239·3	77·8
West Bengal		22·5	21·4	59·4	37·8

STATEMENT IV.

State.		Per capita advance. Rs.
Madras	...	52
Bombay	...	69
West Bengal	...	10

The first striking feature is that the amount of loan advanced in West Bengal is only Rs. 22 lakhs while Bombay and Madras have made advances on a much larger scale. Out of this small amount of Rs. 22 lakhs, Rs. 8 lakhs are funds supplied by the State Government for crop loans. As stated in the beginning, the movement has to be judged on the success it has achieved in supplying credit to the members. While Madras has supplied a credit of Rs. 52 for each member of a society and Bombay has supplied a credit to the extent of Rs. 69, West Bengal has been able to give only Rs. 10 for each member. The amount of agricultural credit which an average cultivator requires is a matter of guess and has been variously estimated at Rs. 100 to Rs. 200.

The credit required by a cultivator is of three types; firstly, there are the seasonal crop loans which are issued just before the time of sowing and are repaid soon after harvest. Generally speaking, the term of the loan should be about 9 months and the amount has to be fully realised within a period of 12 months after issue. The second type of loan is the intermediate loan issued for a period of two or three years and is repaid in instalments. The third type of loan is repaid over a longer term of years. The third type of loan normally does not come within the sphere of the activities of agricultural credit societies but is dealt with solely by Land Mortgage Banks.

The second feature of the above figures is the enormous proportion that overdues bear to the recovery. In Madras and Bombay there is a certain amount of activity by the societies in the field of supplying intermediate loans. But in West Bengal due to the serious set-back to the movement caused by the operation of the Agricultural Debtors Act, the societies have not ventured even in the field of intermediate credit during recent years. Thus the figures show that a good proportion of loans given in Madras and Bombay and considered outstanding are not overdue because they are instalments on intermediate loans. But in West Bengal the total advances were Rs. 22·5 lakhs, which are solely crop loans and the total recoveries are Rs. 21.4 lakhs. The outstandings are, therefore, mainly made up of overdues, viz. Rs. 37.8 lakhs. These overdues are either usually irrecoverable or recoverable only after the lapse of a very long period, as recoveries are governed by the awards of the Debt Settlement Boards. It will thus be reasonable to assume that the societies are not going to get a large part of these overdues, if not full, in the near future.

So the figures show that although there are nearly 9,500 co-operative societies operating with a membership of 2,18,000 and a working capital of Rs. 104 lakhs, the only work they have been

able to do during the year 1948–49 was to advance crop loans of Rs. 22.5 lakhs and recover it. The position is, therefore, extremely unsatisfactory because the credit which is supplied is only Rs. 10 *per capita* whereas it ought to be 10 times as high.

The reasons for this state of affairs are obvious. Most of the co-operative societies started before 1935 were seriously affected by the operations of the Bengal Agricultural Debtors Act with the result that all the limited resourses they had, including the amounts borrowed from the central banks and from the depositors were tied up in irrecoverable loans. The loans were issued originally as intermediate loans, but they had really become long-term loans with very little prospect of recovery. So most of the societies are out of action and there was no means of reviving them. An attempt has been made to convert some of them to crop loan societies and a few have availed of this scheme but not very many. The result is that more than 50 per cent of our credit societies are defunct, existing only on paper with no prospect of immediate revival. The second reason is that the same is the condition of most of the central banks. Although the Provincial Bank has been supplied with some limited funds it does not issue any part of these funds as loans to a good many central banks because of the financial condition of these central banks. The result is that the money supplied by the State Government is really allotted to about 14 or 15 central banks and only the areas covered by these banks get any benefit. It is true that some of the banks which are in a better condition supply out of their own funds a good proportion of the crop loan.

One Provincial Co-operative Bank, 40 central banks, 2 land mortgage banks and 9,598 primary agricultural credit societies comprise the entire agricultural credit structure of the State as on the 30th June, 1950. A general view of their working can be obtained from the table below :—

	No. of Societies.	Number of members.		Paid-up Share Capital (Rs. In lakhs.)	Reserve and other funds (Rs. In lakhs.)	Working Capital (Rs. In lakhs.)
		Societies.	Individuals			
Provincial Bank...	1	82	...	23·25	68·90	343·50
Central Banks ...	40	9,875	1,786	15·32	33·89	191·29
Land Mortgage Banks ...	2	...	1,457	·60	·14	8·07
Primary, Agricultural Credit Societies ...	9,598	...	220,058	14·67	40·98	105·89

The present activities of these rural credit societies are restricted to the issue of crop loans only which amounted to Rs. 24 lakhs last year and is expected to go up to Rs. 50 lakhs in 1949-50. This supply of credit is being financed by the Provincial and the central banks.

Besides this the land mortgage banks have maintained a steady progress since their start. These banks supplied agricultural credit to the extent of Rs. 2.34 lakhs, the total loan outstanding being Rs. 7.56 lakhs in 1949-50.

Need for Plan of Expansion

It is for the State Government and Reserve Bank of India to devise some effective measures to improve the agricultural credit condition, which is needed to carry on the agricultural industry. For the revitalisation of the rural economy and the co-operative movement in the State, there is a great deal that the co-operative societies can do in this matter with a comprehensive scheme of credit to deal with the agricultural population of over 16,582,594 (1941) living in about 34,249 villages of the State. An attempt should be made to bring 50 per cent of villagers and 30 per cent of rural population within the orbit of co-operative movement within 5 years. There are 9,523 rural credit societies in approximately 10,000 villages with a membership of about 2,26,374 and there are also over 24,000 villages, not touched by co-operative credit agencies. No serious thought has yet been given to this problem. It has been found that the volume of credit disbursed through the rural co-operative credit societies including land mortgage banks, is inadequate to meet the requirements of the rural community in general.

In a planned way, effort should be made to cover the whole State with co-operative credit-cum-marketing institutions. In the case of credit societies which now exist, about 75 per cent require to be rehabilitated. It is overlooked that starving the agriculturist in regard to productive credit, which is needed to carry on the agricultural industry, is far more prejudicial to our rural economy than some improvident borrowing by people. As far as possible, there should be no village which is not within the area of operation of a co-operative credit society. The idea of one co-operative society for one village is no doubt theoretically sound but in the present circumstances, it may be more advantageous to form a society for a group of villages as to not to leave any area without a co-operative agency to cater for its credit needs. Wherever

convenient and expedient, some of the existing societies may be reconstructed by enlarging their area of operations, by extending them to the neighbouring villages within a radius of three to five miles. In the same time, new societies may be formed for uncovered areas with a view to supply the much-needed credit to rural people. Such new co-operatives should be of limited liability type and larger area of operations will be a suitable medium to make credit and in the same time marketing of produce. This scheme must be worked out on a five year plan and this new type of societies should also act as agents of the apex bank for raising funds from the savings of the people by way of selling cash certificates. The apex bank should issue such long term cash certificates without much difficulty. All success depends upon the ability to organise the primary organisations on a sound and safe basis and to help them to absorb and distribute necessary financial assistance for their members.

(I am indebted to the Registar of Co-operative Societies, West Bengal, for extending to us full co-operation and supplying us information that we required.

—KALIPADA BHATTACHARJEE.)

SOUND SYSTEM OF AGRICULTURAL CREDIT

BY

G. D. AGRAWAL, M.A., PH. D.,

Govt. Agricultural College, Kanpur, Uttar Pradesh.

'Agriculturists must borrow':– In the context of the changed circumstances of prevailing high agricultural prices, to many this might appear to be inapplicable and an adage of spent force. Some five years back, when I developed the thesis that making our agriculture progressive and intensive depended on the availability of finance to the Indian farmer, through a system of supervised and controlled credit, many expressed their disagreement. They thought thatthe question of agricultural credit had receded completely into the background; on the other hand the immediate problem was to mop up the surplus money from the rural areas. The subsequent course of events and the studies published by the U.N. O. regarding the economic rehabilitation of under developed countries bear ample testimony to the fact that agriculture in the under-developed countries could be developed and intensified through a liberal provision of credit, and the credit systems of these countries have to be completely overhauled and reorganised to meet the special needs of agriculture, particularly those of low income farmers. The saying—agriculturists must borrow—holds true for all time, whether in prosperity or in depression.

What sort of credit organisation would suit best the Indian agriculturist? This is the crucial question of the day. An attempt to provide an answer to it has been made in this paper.

Classification of Agriculturists:—For purposes of credit we may classify the Indian agriculturists into three groups.

(i) Patently credit-worthy.

(ii) Potentially credit-worthy.

(iii) Under-employed and unemployed.

The first group consists of those farmers who own sufficient tangible assets to satisfy the postulates of credit-worthiness under strict banking rules. On the basis of my extensive surveys of agriculturists' income, operating expenses and cost of living, as a rough estimate, the farmers in this group may be only between 20 and 30 per cent of total agriculturists in the country; although they cultivate more than 50 to 60 per cent of the total cultivated area.

The second group includes all those farmers who do not possess sufficient tangible assets to qualify themselves for the financial accommodation which they justly need for meeting their requirements. But their repaying capacity is either quite good or is capable of improvement with adequate credit support. The grant of financial accommodation to them may be considered quite safe in terms of their repaying capacity. The group may claim to be 40 to 60 per cent of the total agriculturists.

The third group consists of persons who are mostly landless, without any regular source of income, or small-holders who do not have sufficient source of income to make their both ends meet. Their number may be estimated at 10 to 20 per cent of the total. It may, however, be stated that the economic rehabilitation of the third group is not really a problem of credit and, therefore, does not come within the purview of this paper.

Here we are concerned with the question: How best to meet the credit needs of the farmers of the first and second categories?

The Co-operatives: It does not seem possible for the co-operatives alone to serve the credit needs of both the groups. No doubt the early history of their formation in India shows that their underlying philosophy was rather to finance the second and third categories of agriculturists, who were the poorest, the humblest and the lowest of the lot, through the magic of unlimited liability. For reasons well-known, the magic did not work in this country and unlimited liability which formed the cardinal principle of Raiffeisen model agricultural co-operatives has either been abandoned or is in the process of being given up. The present working of the co-operatives is to conform more and more to business rules. It is, therefore, quite logical that the co-operatives should confine their loans to the first group of the agriculturists The public will also feel more confident in making their deposits with the co-operatives, when they know that co-operatives are following business rules and they advance loans only to persons considered safe under banking rules.

The State:—The credit needs of the second category of farmers should be met by the State. This recommendation does not involve any conflict of interest or any sort of competition between the co-operative and the State agency. The two have to play the role of supplementing each other's activities. The State loans to potentially credit worthy farmers should be at a somewhat slightly higher rate of interest than the co-operative loans to the first group of farmers. These loans should be granted only to those whose cases have been recommended by the co-operative and who are considered deserving and fit by the State credit official.

The reason for advocating a little higher rate of interest is that really credit-worthy farmers entitled to co operative loans will not rush for State loans and those among the potentially credit-worthy farmers who are able, through improvement of their financial position with the support of State loans, to qualify themselves for co-operative loans, would always strive for being placed in the first group.

The Moneylender: In over-painting the evils of moneylending system, very often its good points have been obscured. It cannot be denied that the moneylenders have been performing a very useful service in the field of agricultural credit in this country and still theirs is the major role. Therefore, the right policy will be to encourage the moneylenders in their healthy activity of moneylending. If they are to be driven out of the field of money-lending, that should be through fair competition with the co operative and State credit institutional set-up. This institutional set-up should be made to serve the agriculturists in regard to their credit better and more efficiently than the moneylender. The moneylender class to the agriculturists of this country, is composed of such a wide and varied group of persons—professional moneylenders, merchant moneylenders, agriculturist moneylenders, relations and friends–that any licensing legislation for them is likely to result in greater disadvantage than advantages to the agriculturists, by unnecessary restrictions on non-professional moneylenders and thereby on agricultural credit and by an increase in the cost of moneylending.

The Administrative Set-up :—At the village level, the primary co-operative alone should deal with both the categories of agriculturist borrowers and in respect of all types of loans—short, intermediate and long-term. The co-operative and State funds and their accounts will be maintained separately. The village co-operative will undertake the recovery of State loans also. The State should pay some commission to the co-operatives as remuneration for their work in regard to the administration of the State loans.

Due to limitation of space, the reorganisation of village co-operatives is not discussed here but the underlying presumption is that the working efficiency of the co-operetives in their recently expanded sphere of work, will be far superior to what has been

the case so far. But for the areas where the co-operatives have developed to such an extent as to be able to manage their affairs efficiently without official help, in other places they will have to be provided official help, some supervision and guidance in the management of the societies. Howsoever unpleasant and bitter this suggestion may be to our co operators, there is no escaping from the logical conclusion of the fact that it is in the interest of co-operatives that they must be operated efficiently. It is also presumed that in connection with agricultural extension work there will develop a net work of responsible village officials in groups of every 10 to 15 villages. These officials will be of sound integrity and will possess proper training, experience and status. Thus, without any extra burden on the State exchequer, the services of the extension staff can be made use of in extending official help to the co operatives in their management.

The merit of this proposal is that the farmer borrower will have to deal with only one agency. The cost of administering the State loans will be nominal and the amount earned as commission by the co-operatives will help them in bringing down their expenses of management. Through the village co-operatives the State official will have full information about the borrowers belonging to the potentially credit-worthy group. I do not favour the placing of State funds entirely at the disposal of co operatives, as recommended by some co-operators, because that will necessitate much stricter official control over the co operatives than that envisaged in the scheme outlined in this paper. Such a control, as far as possible, has to be avoided in the interest of the development of co-operative institutions which, in the long run, with improvement in their working efficiency, have to be independent of the State control to the largest possible extent.

Except at district and provincial level, a separate staff of credit officials at the level of village groups is not recommended. The extension activities should be combined with credit, and the extension official placed in group of 10 to 15 villages should function as the credit official also. In fact, this is the most essential part of the scheme outlined in this paper. As all the activities of agricultural development centre round the Machinery Tractor Stations (M.T.S.) in the U.S.S.R., so the agricultural extension activities in this country should centre round the Agricultural Credit Stations (A.C.S), which should be established in groups of every 10 to 15 villages. An effective development and intensification of Indian agriculture, as already emphasised, is possible only when advice is combined with provision of necessary material resources and technical guidance.

At the district and provincial levels the organisation of State credit agency should be very similar to that advocated by the Agricultural Finance Sub Committee under the Chairmanship of Prof. D. R. Gadgil. The funds for State loans should be obtained from direct appropriations from the State revenues and in the form of shares of commercial banks and other institutional investors. The public sector should be left free for being tapped by the co-operatives for raising finance.

The Land Mortgage Bank :—Except in areas, where independent land mortgage banks are able to function efficiently and economically, the general policy should favour their being merged with the co-operatives. In the interest of proper co-ordination between loans for different periods, economical working and better control, the long-term loan activities should be undertaken by one and the same co-operative agency, which is dealing with short and intermediate term loans. Of course, the funds for long term loans which are derived from different sources, on different conditions, will have to be maintained separately and so the accounts.

Agricultural Economic Research :—There should be provision for an adequate and proper research in agricultural economic problems. For the classification of agriculturists of different regions into credit-worthy, potentially credit-worthy and unemployed, data regarding the size of cultivating unit, farm costs and incomes, living expenses and possibilities of improvement in the balance sheet of agricultrists, after the reorganisation and intensification of their farming under expert guidance, are essential. An objective measurement of improvement in farming returns through credit support is also necessary for the assessment of benefits accruing from credit and agricultural extension activities. In order to determine the repaying capacity, it is necessary to know the margin of savings on holdings of different sizes and also to know to what uses the savings are put. Unfortunately little has been done so far in these directions. Few of the State Co-operative and Agriculture Departments have any research staff for this purpose.

To conclude, the full benefits of any institutional credit set-up can only be realised, when it forms part of the over-all economic planning. Nonetheless agricultural credit has to play a very effective role in rehabilitating Indian agriculture and therefore, the need for the reorganisation of agricultural credit in the country cannot be over emphasised.

STATE TRADING AND CO-OPERATION*

BY

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The End of the Era of Free Markets.

Capitalism was doomed, in the very hour of its brith, to die ultimately of cancer—the cancer of Depression. No fact in the economic life of man has stood out more indisputably definite than this. We are living to-day in a world of scarcity and relative over-population, scarcity in spite of increasing material wealth and over population in spite of two great wars. The second world war was due to drastic political upheavals but all these upheavals were themselves the effects of Depression and unemployment. Mussolini in 1922 was the product of mass unemployment and other wretched conditions, proved by grass growing actually in the streets of Rome. Hitler came to power in 1933, but in 1932 we had eight million unemployed and 250,000 suicides in Germany. Let us remember there has been so far no cure for this cancer. Capitalism was based on free enterprise and free markets but both of these have naturally disappeared with the dying breath of the system as a whole. The last stroke came in the thirties, when even in the headquarters of Capitalism, the United States, there were nearly nine million jobless people in 1939. If free markets dependent on supply and demand were good for anybody, they were certainly not good for the agriculturist at any time. As Prof. Ashby has told us, "For my part, I would say that in this century market mechanism has *not* given the agricultural communities of the world anything like social equity or social justice." This injustice became unberable with the Depression. The low industrial production and low urban incomes immediately led to low farm prices in both England and the United States. This was the beginning of the end of free markets almost everywhere.

The Need to Protect Agriculture Against the Free market.

International and internal economic conditions have changed so rapidly during the last few years, as a result of the capitalist cancer of Depression, that the State has been called upon to interfere with the working of free markets everywhere. The "free market" died earlier than free production. The working classes and the

*Paper submitted to the First Indian Co-operative Congress held at Bombay in February, 1952.

agriculturists in general never accepted it even in advanced countries like Great Britain. Everywhere markets have come to be regulated and are not free, and this is particularly true so far as agriculture is concerned. Agriculture has had to be protected against the free market by means of tariffs, quotas, subsidies, price regulations etc. We are living in a world where things like wages of workers, prices, imports and exports, etc. are no longer left to the decisions of the free market.

The Most Active Trader is the State To-day.

Whether we like it or not, the situation in nearly all countries of the world is such that the needs of the consumer can no longer be left to be met through the ordinary market mechanism of capitalism, where the means of distribution are privately owned and the channels of import and export managed by private individuals. It would be suicidal for our State to remain inactive and allow our private traders to manage our imports and exports, and that too at a time when in most countries the most active trader is the State itself. Besides foreign trade in some States is carried on through purely State monopolies and has necessitated barter agreements of the type concluded some time ago between India and Soviet Russia and India and Argentine.

The Importance of State Trading in Economic Planning.

We are involved in economic planning in this country. Such planning inevitably necessitates a reorganisation not only of the production but also of the distributive system. Distribution is after all simply a phase of production—the last link in the chain of production which reaches out to the consumer. A reorganisation of distribution can help us not only to cheapen it but also to save capital and man-power for more production. A proper reorganisation of distribution can also help in increasing efficiency in manufacturing activities. Economic planning means using our resources to the best advantage to meet consumers' needs as much as the needs of anyone else. In a way it can be said that State trading in the modern world is even more important than nationalisation of industries or in any case it is more widespread. Whilst planning of production necessarily requires some State-trading, we can and do have State trading in one form or another even when the general economic policy of a State is not necessarily that of nationalisation, but is intended to foster private enterprise. State trading can be used for helping private enterprise as well as State production schemes.

The Problem of Balance of Payments.

Apart from our needs of internal economic planning, we have also to face the world situation as other countries are facing. In this situation nothing perhaps is so serious as the difficulties of balance of payments. Our imports of "Grain, pluses and flour" rose from Rs. 13 crores in 1938-39 to Rs. 131 crores in 1948–49. Similarly whilst in 1938 we had monopoly of jute, in 1948 we had to import jute worth Rs. 71 crores. Likewise in ten years the value of our imports of raw cotton increased from Rs. 8 crores to Rs. 64 crores. A favourable balance of about Rs. 14 crores in 1938–39 changed to an unfavourable balance of Rs. 214 crores in 1948–49. Our objective has been to maintain equilibrium both in the over-all balance and in balance of payments with other currency areas. We have to divert imports from soft-currency sources and take all possible steps to increase our exports. It is impossible to finance always our adverse balance of trade from the annual releases of the sterling balances. Besides the sterling balances have often been interpreted as representing our capital assets and therefore to be used only for the purposes of capital equipment of the country. This necessitates very careful regulation of current consumption of commodities.

No one of course can claim that State trading in itself will enable us to remove all the causes of India's adverse balance of payments, causes such as the tragic and unfortunate Partition of the country or the growth of its population. But if we are to set matters right we cannot allow them to become worse by private action. The Exports Promotion Committee and others, who have considered this question, have told us how private exporters have harmed our national interests by their failure to maintain quality standards and by their resorting to various malpractices and speculation and profiteering in export commodities. We have to increase exports and this necessitates action which private trade cannot take.

Import Prices and the State.

Careful regulation of imports, as distinguished from exports, is an important part of our economic planning. It is required for the conservation of our national resources and it cannot be achieved without even more State help than in case of our exports. The State has to encourage the import of essential commodities and discourage that of non-essentials. It has, besides, to get this done at the lowest possible prices from other States. Due to exchange difficulties, we have to encourge imports from certain specific directions. The Committee on State Trading which discussed the question of imports specifically has rightly pointed out that all this cannot be left to private hands. "Private importers, if left entirely to themselves, tend to concentrate on the traditional sources of supply, or sources which to them offer the maximum profit."

Problem of Internal Distribution and Economies Required in it.

State trading in exports and imports also implies regulation of internal distribution. So long as we cannot increase our exports substantially to meet our adverse balance of trade, we will have to limit our imports. Private traders selling commodities whose supply is limited are bound to make large profits at the expense of the consumer. The only way to stop this is through the setting up of organisations that do not thrive on private profits.

One of our objectives in reorganising internal distribution is to reduce the costs of distribution. It is actually costlier today to market a thing than to produce it. Even in an advanced country like Britain ten shillings out of every pound sterling are spent by the consumer as distribution costs. Likewise in the United States in 1933 the farmers' share of the consumer's food dollar was only 33 cents.* We are told by another authority that in 1940 the farmer's share was only 42 cents, the remaining 58 cents representing the cost of marketing. The Indian farmer roughly gets only about 28 per cent to 50 per cent of the consumer's rupee in the case of most commodities.

Reforms in trade distribution will help us also to save capital and man-power. Britain, for example, is a typical nation of shopkeepers and about 1939 there was one retail shop to every 60 persons or about 15 families. This meant that salespeople were standing idle during much of the working day, when there was actually need to save man-power. It was estimated that by merely increasing "out-put per head" in distribution by only 10 per cent they could save man-power to the extent of halt a million workers.†

A lesson from Complaints of British Co-operators.

There is a tendency among Socialists throughout the world to assume that there is no need for Co-operation in matters of trade distribution. A note of warning may be sounded here on this; because we have been told that the Labour Government in Great Britain itself fell into this trap. At least, for reasons best known

*United States Department of Agricultue Bulletin No. 123

†Margaret Hall, *Distributive Trading*: page 29 etc.

to it only, it showed for some time a clear tendency to ignore the consumers' movement in several matters. Not only was there a curious reluctance on the part of the Labour Government to make full use of the available knowledge and skill of the co-operatives concerned, but a desire to consult sometimes private trading interests instead of the co-operatives. There were serious complaints on this score in the past in British Co-operative Congresses. Some even believed that there was a clash of interests between the objectives of the Trade Union movement and the Consumers' Co-operative movement. We who are meeting in the Indian Co-operative Congress for the first time may do well to benefit from mistakes elsewhere and act in time.

Lenin's Correct Attitude to Co-operatives.

Let us remember that Socialists have something to learn in this matter from Lenin. Lenin has been regarded as a genius. He had the genius to see that there can be no Socialism without true co-operation. He strongly urged its use, particularly in matters of distribution. Unlike the Nazis of Germany, who wanted to help the private trader against the co-operatives, the aim of Lenin and his collaborators was to help the masses against the private trader. We are often inclined to forget the essential difference in the Nazi attitude to co-operation as compared with Lenin's attitude. I have explained this at some length elsewhere in my book.* I am mentioning it here just because we are in danger of forgetting the importance of co-operation, when we hitch our wagon to the star of Socialism. Let us not forget Lenin's belief "When the population is organised in co-operative societies to the utmost, Socialism . . . automatically achieves its aim."

Duty of Indian Co-operative Congress.

The duty of the Indian co-operator today is to make up his mind as to what are the branches of economic life and distribution in which he wants the co-operative movement to spread. Having decided this he must start to build up the requisite machinery and organisation required. This I believe should be the main work of this Co-operative Congress. We must show that we are serious about our demands and that we have a programme. If we fail to do this we may be ignored completely. We have to develop the co-operative movement so vigorously as to make it clear to all doubting Thomases that it can function as an effective third group, mid-way between private enterprise and completely

*See *Problems of Zamindari and Land Tenure Reconstruction* (New Book Coy.) Page 300/301.

controlled State action. Its independent and distinct role as a useful liaison between the above two sectors has to be established beyond doubt.

Even in an advanced country like Great Britain, there has been a tendency to regard co-operation equally with private enterprise only. Our own Planning Commission too has bracketed co-operation with the private sector of economy. We have to see that this is changed, that its independent role is recognised and that the State helps it in a special measure to develop. If we want the State to help us we must not talk of relying entirely on voluntary co-operative progress. This talk is leading us nowhere. I do not believe personally in voluntary co-operative progress in countries such as ours. No doubt it is our duty to acquire sufficient vitality to make others realise why we should not be ignored, but the State must also play its part in giving us some of this vitality.

Why Co-operation in State Trading is Indispensable.

It should not be difficult for any one to see why help of co-operative trade in schemes of State trading is of fundamental importance. In distributive reforms the State faces a dilemma. Distribution is essentially and inherently imperfectly competitive and oligopolistic. Laissez-faire and private trade can never give us maximum satisfaction.* Some State planning of distribution is therefore very essential. Unfortunately, of all economic activities distribution is one of the most difficult to plan or control through the State. It takes much longer to increase the standard of efficiency here than in production.† Besides, when the State attempts to nationalize distribution through thousands of its own retail shops it is bound to lead not only to inefficiency but also to bureaucratic management and to neglect of the consumer. Co-operation helps to have decentralised distribution as a corrective to centralised production. The work of retail trading seems to be reserved by nature herself for co-operation.

Co-operative Help for Solving Problems of Supervision and Responsibility.

Co-operation is of great help to State planning in also solving the problems of supervision and local responsibility and is

*If anybody has any doubts, let him note that modern free trade is based on advertisements and the cost of these advertisements comes to about 2.2 per cent of the national income of U. K. and 3 per cent of the national income of U S. A. This advertisement itself is a system of monopoly. There would be no advertising in a completely competitive market

†For reasons why, see pages 305-307 of Sidney and Beatrice Webb's *Soviet Communism, A New Civilisation.* Vol. I. (Second edition).

particularly fitted for certain well defined fields of action. Big institutions or organisations set up by the State often fail, because it is difficult to fix responsibility. Because they are big institutions very few people show readiness to take risks involving large consequences. The problem of the fixation of responsibility can be solved if for the working of any broad programme we devolve this responsibility on the shoulders of small co-operatives working in dispersed areas.

Consumers' Choice is Foundation of Planned Production.

Let us hope those responsible for economic planning will not forget one basic fact. Production should not be planned according to the desire of any one section of the community, even if this be either all the trade unions or a few rich industrailists or even the manual workers. No planning of production can be successful in the sense of benefitting the entire nation, unless it is based basically on the desires of the consumer or the community in general. Sidney Webb has pointed out that Lenin had the genius to see that the control of planning should be placed in the hands not of any organisation of producers but of organisations representing the consumers. This is the only way to ensure that out-put will be continuously increased and production will really be for use and not for profits.

It is always easier for producers anywhere to organise themselves, whereas the consumers being practically the entire nation cannot be organised nationally very easily. Under laissez-faire the unorganised consumers have always been at the mercy of the producers. The Socialist State on the other hand should be an organisation of consumers. A strong consumers' movement can ultimately develop the strength necessary to influence decisions regarding production. Both agriculture and the general problem of determining consumer choice are difficult to plan by the State, or when planned are difficult to supervise without excessive wastage of man-power and money. They offer, therefore, great scope for co-operative developments.

Consumers' Co-operatives.

Distribution requires a successful handling of the problem of the diversity in the demands of the consumer. Men considered collectively as consumers are known to think and act differently from what they do either as citizens or as producers.* The diversity of demand in a country like ours is very great. The State

*See, Sidney Webb : *Soviet Communism*: Vol. I, page 304.

has to allow considerable voice to the consumer in the selection of the goods, instead of merely relying on the caprice of any central organisation, quite out-of-touch with the millions of villagers spread all over this sub-continent. Centralised planning cannot plan distribution even in advanced countries in two important details—adequate supply to retail organisations, and proper selection of assortment of goods.

Local organisations of the people are definitely required, therefore, to estimate the tastes and preferences of local population in respect of quality of goods as distinguished from quantity. We do not expect also all classes of men in this country to have the same quality of demands. The demands of different classes will have to be catered for. All this work of local adaptation and quality distribution of goods can be done only through a net work of rural consumers' societies. As we have seen above in planned production, consumer needs are to guide the efforts of the producers and this can best be done—when free markets and profit-making are not permitted to exist—through consumer organisations.

Consumers' Co-operation as Aid to Production.

If we set up strong consumer co-operatives, the State can be helped considerably also in its agricultural production drive. These societies can be induced to aid distribution of rationed goods by supplementary agricultural production of their own. State supplies of rationed goods are often inadequate and the consumer who relies to-day on the State for everything can be made more self-reliant if he is induced to produce at least fresh vegetables, fruits, etc. through his co-operative society. In a poor country like ours everyone should produce something of this sort. This can best be done through co-operative inspiration, provided of course we re-organise our movement and infuse in it the life that is required. This is not an unusual suggestion. It is based on what was actually achieved in Russia during the years 1932–35.†

Industrial Co-operation as Aid to Distribution.

Just as consumers' co-operation can aid production the industrial co-operatives engaged in production can aid distribution. We have not reached this stage at the present moment, but in an advanced stage of our development it will be very necessary for industrial co-operatives to arrange for sale of their articles, either wholesale or retail, by themselves as well as through other special retail shops.

†For details see *Review of International Co-operation*, October 1933, page 375.

The Importance of the State to Co-operatives.

The possibilities of expansion of consumers' co-operation should not blind us to the other fact that the State is as necessary to co-operative trade, as co-operation is necessary to the State. Co-operators should not exaggerate the possibilities of the movement. We have to remember two things. The field for expansion of co-operative trading is not unlimited and, secondly, even the limited expansion I am visualising is not possible without extensive State planning and help, and a radical change in the middle class mentality among co-operators, which became in England the despair of great intellectuals like Graham Wallas and Bernard Shaw.

Division of Trade between State and Co-operatives will depend on Type of Trade and Nature of Commodity.

Our co-operative institutions should immediately work out a detailed plan for setting up a powerful consumers' movement for retail trade in consumer goods such as food, etc. So long as rationing continues, the distribution of rationed goods may be largely left by the State to the co-operatives and I may suggest that these may be allowed only to sell to members. This Congress must consider whether (apart from retail trade in consumer goods such as food, where co operation has great scope), the movement is likely to develop in other wider spheres such as those of whole-sale trade, services, transport, etc. We have of course to limit ourselves here only to considerations of trade for the purposes of this paper. Personally I feel that not only should we not be too over-optimistic, but it would be actually safer to begin somewhat cautiously. For example even retail trade in non-foodstuffs is an open question for careful consideration. I would suggest that the actual division of work between co-operative trade and the State should be considered as far as possible separately in relation to each commodity and each new type of trade contemplated.

Difficulties as Seen from British Consumers' Movement

It is worth noticing that even after the experience of a hundred years, the British co operative consumers' movement has not expanded to the same extent in all fields and in relation to all commodities. It has shown only a limited development. It has succeeded most in the foodstuffs line and there too mostly in commodities which are more or less standardised—milk, sugar, butter, margarine, cheese and so on. With the exception of coal, the movement has not been able to transact any appreciable proportion of the national retail trade in the main classes of non-foodstuffs. This requires careful examination.

The consumers' movement is the right arm of co-operation and represents its best achievements. Its progress in Great Britain and Soviet Russia is very great, but only in the relative sense. The British consumers' movement covers over one-fifth of the population and its retail trade was £ 402.5 millions about 1947-48. This, however, must be considered along with the other fact that about 6 million families of wage-earners are not even touched by the movement, the range of the commodities entering the trade is very narrow, and only a few of the consumers' needs are met by the stores. We find that though the total turnover of co-operative trade is very high, its importance in the economy of the country as a whole is very limited. We have it on the authority of Mr. J. A Hough, Research Officer of the Co-operative Union, that the coal, bread and tea sold by the co-operatives (the most important commodities to enter into this trade) do not exceed 20 per cent each of the total distributed throughout the nation.

Limited developments in marketing or trade in other countries also ought to save us from over-optimism. In the United States, for example, there were in 1944 more than 19,000 farmers' co-operatives, of which approximately 10,000 were of the marketing type. Their volume of business exceeded 5 billion dollars. In spite of all this the agricultural products sold through these co-operatives did not exceed 20 per cent of the national total. No country, much less we in India, can expect more development in this line than in Denmark and yet the total agricultural production marketed there has not exceeded just half of the national total.

Limitations of space prevent a full discussion of the reasons for the limited expansion of the movement, but it is our duty as co-operators to study these reasons carefully before expecting a miracle in India.

Difficulties in the Way of Expansion of Co-operative Trading.

(a) *The State itself as a rival.*

Expansion of co-operative trading under circumstances, as they are both in India and outside, is being hampered by various difficulties. *The consumers' movement originally developed as a remedy against the capitalist economic system both of production and distribution, whereas it has now to continue to exist under the socialist or State system of production and distribution.* The back-ground against which it arose has changed rapidly. To expect it therefore

to continue on the old presumptions is like continuing to take medicine meant for a particular disease, when actually the disease has disappeared and there is a new problem to be faced. Co-operative trading developed originally from 1844 onwards, as the one supreme bulwark of the small man against his exploitation by the individual producer and trader. *When the producer now is society itself and the trader is the State, the "small man" concerned has to carefully reorientate his position.* The State is now freely encroaching on the consumers' movement and is developing its own trade on monopoly lines, to the complete exclusion of all other non-State trading.

(b) *The rivalry of the private trader under controls etc.*

There is also the difficulty that often the State permits the functioning of, or is powerless to remove, the traditional enemy of co-operative trade, the private trader. Co-operative trade by itself cannot eradicate the private trader any more than co-operative credit in India has been able to oust the *sowcar*. In fact British experience shows that co-operative traders have lagged far behind their private capitalist competitors and have actually left the field quite open to them in cinemas, bazzars, restaurants, mail-order business etc. Large-scale private enterprise in wholesaling, in vertical combines for production, and also in retailing are formidable rivals of the co-operatives. Further the establishment of price controls which would apply of course to both private trade and co-operatives equally, results in practice in certain disadvantages to the co-operatives. They help the black-marketer more than the co operator. In England, for example, the price control of poultry is said to have driven the trade from the co-operatives to the unscrupulous trader.

(c) *The denial of an independent third position.*

Thirdly there is a tendency to regard co-operative trade as a form of private enterprise. Whilst the State leaves it unprotected against private enterprise, the manufacturers' Trading Associations, representing private enterprise, have tried to crush the trade co operatives in countries like Britain through their policy of resale price maintenance. The manufacturers fix the retail price and refuse to supply goods to any shop which cuts this price. The payment of dividend on sale by co-operatives is considered as a reduction in price and therefore supplies are refused to the co-operatives.

5

State Help Required by Co-operative Trade.

It should be clear from our general experience and from difficulties of the type noted above that co-operative trade requires for its development systematic planning by the State. State encroachment on spheres of work specially meant for Co-operation and opposition of private trade as a whole cannot be prevented without this systematic planning. It is certainly wrong to presume that voluntary co-operattve consumers' movement will develop enough to change society as we want. Great changes of this kind cannot be achieved without systematic planning and State help. Almost the first thing necessary is that the State must have a regular policy regarding Distribution and Co-operation must be given a prominent place in this Policy.

We have discussed fully how and why consumer co-operation must necessarily play an important part in future. This has not, of course, escaped the attention of all. The Committee on State Trading in India has recommened development of co-operative consumers' societies to make State trading feasible. It has recommended a State Trading Corporation and also a net work of consumers' stores with an apex store in each State, directly linked with the State Trading Corporation.

The Horace Pluukett Foundation has suggested that the State should leave certain fields of economy deliberately untouched, in order that the co-operative movement may have scope for expansion. If this is applied to trade, we can say that trade in certain fields, where mistakes will not be fatal to national interests, may be left open deliberately for co-operation.

Policy of aid to Co-operatives Against Private Trade is Essential: Some Suggestions.

The State can help co-operative stores very appreciably, if it reduces the dependence of these stores on private manufacturers or traders we have complained about above. Most co-operators will agree that co-operative retailing of goods produced and supplied by State or Municipal enterprise would be better than such retailing of goods produced and supplied by private enterprise. It appears that for some time we should have State operation of wholesale trade, if necessary through public utility bodies. The question, however, requires more study and statistics before an opinion can be given.

It is also worth investigating as to how far the State can stop black-marketing and other unfair practices of private traders by

fixing the turnover of these private shops and through well regulated sales tax on these total turnovers.

We must not forget that in a truly Socialist society consumption may have to keep in step with production and that no consumption goods should be permitted to be hoarded. This problem can be solved partly by fixing a turnover period for retail trading in some suspected shops and goods may be classified according to this turnover period. Different consumer commodities may have different fixed turnover periods. Kerosene, for example, may have one month compared to shoes or sugar with a turnover period of 2 months and so on. No shop can thus be allowed to hold any stock that cannot be sold during such a period. It is true, of course, that this may necessitate very strict supervision and auditing but the acceptance of the principle itself can be of great use.

In this matter it is worth investigating how far State control should be directed more against the big trader rather than the small retailer through such means of course as taxation, fixing the number and nature of goods to be sold, and the prices they could charge. I am not sure whether this will be possible, but the proof of the success of this policy if accepted by us and found feasible will consist in the turn-over of private trade progressively deceasing not only in terms of percentage of the whole trade turnover but much more specifically in proportion to the number of enterprises concerned. We require in this matter accurate statistics of registered private traders. One may also suggest that the State control of railways may be used in favour of rural co-operatives. Private trade and transport to rural centres may be controlled through this means and co-operative trade encourged.

State help to Co-operatives Involves State Control and Re-organisation of Co-operative Movement.

If we expect that State to have a policy for development of co-operative trade, we must also expect two other things—control of co operatives within certain limits by the State and, secondly, a reorganisation of our co operative movement in general.

Conflict of Loyalties.

We have to reconcile ourselves to the fact that full freedom for co-operators without State interference is an impossibility in these days of planned economy. Let us remember that co-operative officials may have two loyalties, one to their members and the other to the State and where these interests conflict loyalty to the State must come first. Thus local conditions may sometimes make it possible to reduce prices of certain commodities below the official fixed price. This would benefit consumers but would be in direct conflict with Government's price policy. It is to be hoped, however, that there will be no real conflict of this sort and secondly there will be absolutely no necessity of the State interfering with the appointment of co-operative officials.

Need to Check Thirst for Profits.

Under well regulated planning, distriburion of consumer goods through the co-operatives is a social service rather than a profit-making enterprise. It would be good if in the beginning the State encourages the principle of exempting co-operative dividends of stores from the income-tax. This may give a certain encouragement to the movement, but in the long run we have to adjust ourselves to the new needs of a check on profits and the dividend. There will be the necessity to adjust trade according to margins of profits and prices fixed by the State and even to accept more taxation which may increase prices and lower domestic turnover in the national interests. In any case the social service referred to does not mean also that there should be no supervision by the State. We have to prevent fraud and the public has to be protected against the dishonesty of co-operative managers. Supervision of prices charged in relation to different quality goods is necessary, and shops also cannot be allowed to sell goods below a certain standard.

The Will to Live With Other State Institutions.

We have also to reconcile ourselves to the fact that a large number of State organisations will function side by side with co-operatives to cope with the different problems of supplying different classes of consumers—factory workers, civil servants, transport workers etc. Consumer organisations on co-operative lines have a limit beyond which they cannot go. We cannot organise on co-operative lines consumers of certain commodities—of the products of railways or posts and telegraphs and the like. Those engaged in many services have interests which are different from the interests of the users of these services. The State must necessarily play a large part in such matters and there should be no clash between co operators and the State.

The Need to Shed Fear of the Collectivist State.

I do not think in the ultimate analysis we can ever establish a purely co-operative society where the State will disappear. The co-operators' fear of Socialism has little meaning for those who

realise that co-operation cannot succeed without Socialism nor Socialism without co-operation. It is necessary to remember that the co-operative movement in England had a socialistic origin. Its founder was Robert Owen and his real objective was "community in land".

It is not proper to believe that the Collectivist State will destroy co-operation. It can be shown that co-operation is likely to be supported more by such a State than by the laissez-faire individualist liberal State of yesterday. There is evidence to believe that the more Collectivist a State becomes the more it is likely to support co-operation, whilst it is only in the earlier stages of the welfare State that co-operation may be hampered. It is significant that this line of thinking has been accepted by some of the English liberal economists and co-operators, whilst most Americans normally are unable to understand the needs both of the Old world and of Asia in particular. The necessity of the atom bomb and of bread itself are often hopelessly mixed up in the minds of some men in the New World. We must avoid this confusion.

The Need to Adhere to the Original Ideal of the Founders of Co-operation.

The best way for Indian Co operators to avoid being confused is to understand the original idealism of the founders of co-operation like Robert Owen and study them carefully. A study of early Christian Socialism and of men like Kingsley and others will also be of great benefit. If we do this our future is safe. But if we forget the original meaning of the movement and allow co-operatives to be Joint-stock profit seeking enterprises in disguise we will have no future. If we really want to develop co-operation we must see why intellectuals like Graham Wallas and Shaw ultimately lost faith in the movement as it developed in the Britain of their times. May I refer to just one point here? It was the belief of Graham Wallas that the proposal that any voluntary association of citizens should hold absolute and prepetual property rights in the means of production is not a step towards Social Democracy but a negation of the idea. Do we accept this? Points like these and their meaning have to be seriously considered by co-operators if they want the State to take them seriously.

Re-Organisation of Co-operative Education for Trade and Other Purposes.

In the ultimate analysis we can have neither good State-trading nor co-operative trade unless both the State and our co-operative movement seek to avoid the formidable lions in our path today. So far as co-operation is concerned, we require a sound investigation into its present position, which is not at all satisfactory. An all-India committee of expert economists, who are not the vested interests in the movement, should be appointed for this purpose and sufficient time must be given to the committee to explore the problem of its present defects in quality very thoroughly.

Apart from this general committee we should also set-up from time to time Special Committees to go into the various technical problems that will arise in co-operative trade of to-morrow. I would suggest a thorough reorganisation, particularly of the educative and field-propaganda machinery. We require proper training in co-operation in the real sense. This is altogether absent to-day. Co-operative trade requires first the conservation of the private trading talent available and then its use in co-operative trade. It is also necessary to establish proper training institutions. The progress of co-operation in Russia can be explained by the fact that the system of co-operative education there is the most extensive in the world. Our co-operative commercial training will have to be slightly different from our commercial education. Less emphasis on some subjects and more on others will be required. Our new co-operative trade training should produce neither a bureaucrat nor a black-marketer but a true social servant brought up in traditions of new incentives suited to the new society.

Reorganisation will require consideration also of new basic principles of remuneration etc. of the co-operative shop managers. The inefficiency and corruption of to-day must go. Perhaps it is worth investigating how far we should first have a basic wage requiring a certain turnover norm and then permit a percentage addition to this basic wage when the norm is exceeded. Other alternatives to this may be tried of course. The creating of day to day interest among the members in the working of the trade co-operatives is perhaps the most difficult problem of all but much will depend here on the increase in education and the decrease in the number of private retailers.

Conclusion.

Just as co-operative trade cannot develop on a nation-wide basis without a thorouh reorganisation, State-trading too will be unable to achieve its objectives unless we have far-reaching

reforms to set right the defects noticed to-day. I may mention just one or two. Government machinery in trade matters must learn to act with efficiency and speed. The State must also stop the private merchants who corner markets and indulge in speculation in certain commodities even to-day. Nobody should be allowed to hold back any commodity from the market with a view to future sale except the State itself. *Last but not least all State action must be geared to socially desired ends rather than the ends of any particular group in society.* This applies to all controls and prices particularly. The process of price fixing should also be highly efficient. The future of the world depends on the ability of the State everywhere to do this. Will the State in India rise up to this expectation or shall we go down—co-operator and bureaucrat together—in the abyss of the storm that is gathering strength but which can be prevented? It cannot, however, be prevented if we do not have the modicum of patriotism, honesty, and human wisdom required in the situation facing us immediately to-day.

CO-OPERATION AND ECONOMIC PLANNING

BY

PROFESSOR M. S. NIGAM

In the context of the present-day enthusiasm for economic planning all the world over, it may sometimes be asked as to what is the place of co-operative institutions and what can be the role of the co operative method in a planned economy. Such an enquiry deserves attention not merely because both Co operation and economic planning are as yet comparatively nascent concepts awaiting further development and a fuller experimentation and collaboration, but because they are sometimes viewed as inconsistent and mutually repugnant in their basic ideologies. The truth is, really, far from it. Hence the need at once for a clear understanding of their fundamental principles and basic implications and of determining how Co operation is not only not a negation of economic planning but that it bears to it a high degree of positive consistency and can greatly facilitate and hasten the pace of economic progress.

The chief inconsistency between Co-operation and economic planning is said to lie in that the former is a voluntary organisation of joint action on the part of some individuals, similarly conditioned and circumstanced, for the attainment of a common economic end; while the latter postulates a certain amount of authoritative central direction, and even regimentation of economic life. Co–operation is a purely voluntary affair. It is the expression of a voluntary urge, on the part, usually, of the poor and the weak in society to act together in a spirit of self-help and mutual help in order to improve their economic lot which, acting singly, they will not be able to do easily and sufficiently. There is thus a moral fervour and an ennobling spirit running through Co-operation. It infuses a new life and action in what are otherwise the downtrodden and the frustrated by inculcating in them the virtues of self-help, self-effort, mutual help and goodwill, honesty and industry, patience and courage. Co operative activity is thus the manifestation of spontaneity and the creative spirit in man.

Economic planning, on the other hand, is a collective effort of the whole community to organise and utilize its resources in such a manner as to achieve maximum advantage in terms of a well-defined system of social ends to be pursued over a certain period of time. This is to be achieved through an optimum allocation of these resources as between these ends, to be directed

and controlled by a powerful Central Planning Authority. "Planning is thus purposive adaptation of resources to social ends" for an ordered all-round progress, and it involves the execution of several concrete programmes of action in various fields in terms of the overall plan for the whole country.

Now if this is the underlying implication of planning, regimented action dictated and controlled by an external authority, is not the contradiction, then, between planning and Co-operation so obvious? Can it be imagined, then, that under a planned economy, co-operatives of all kinds, consumers' stores, marketing societies, farming societies etc., will be able to play a free democratic role representing in their programmes of action the voluntary urge of the co-operators themselves? Obviously not. In a planned economy, there can exist only planned co-operatives whose programmes of action are properly regulated and co ordinated and geared up to the overall plan. This does not preclude the possibility that a co-operative may be allowed to prepare its own plan; what matters is that such a plan would be subject to the scrutiny and control of the Planning Authority. And according to some, this is more than sufficient to justify the obvious contradiction, for without that freedom of choosing its own course of action, the co-operative society becomes soulless and un-co operative.

There is no doubt that in a totalitarian State where planning is in the hands of an all-powerful central authority, the co-operatives cannot but have an un-co-operative existence. In such a State all the material instruments of production are nationalised and directly controlled by the State. Freedom of thought and action is severely limited. The individual's interests are subordinated to those of the community and the State as a whole and sometimes, as it was done in the once Fascist States of Germany and Italy, to the interests of the party in power. In such conditions a high degree of direction and control and severe regimentation are inevitable. In the U.S.S.R., for example, although the co-operatives exist even to this day, they are according to many thinkers, soulless institutions shaping their policies and dancing execution on the commands of the Soviet Central Planning Authority. Such a psychological obsesession may be truly irresistable for some, especially when the totalitarian economy in point is of the Fascist variety and not aiming at collective welfare of the people. But otherwise it is only a case of the want of psychological adjustment. There is no reason why if the ultimate objective is clear and is sought to be realised to the benefit of the people through a well planned and co-ordinated system, of co-operatives operating in the defferent sectors of economy, such co-operatives be regardad as un-co-operative. After all, the co-operatives can also grow and develop in a haphazard and conflicting way. Mutual rivalry and competition or jealousy among them is quite a possibility. The central or federal organistions of co-operatives, e.g., a Central Bank or a Marketing Federation is formed partly in order to regulate and co-ordinate the operations of member societies. Without such co-ordination, there is bound to be confusion even among the ranks of the co-operative societies and the evils of unhealthy competition and unbridled expansion, so characteristic of indivdualistic competitive economy, will appear. This will be not less maddening and ruinous and will indeed play foul of the whole idea of co-operation. It is sometimes said that co-operation is not a negation of competition but it only means that co-operative societies can function in a competitive order. However, the aim of co-operation ought to be to temper the harshness or excesses of the capitalistic system and unrestricted competition which goes with it. It may be distinctly understood that the ideals of economic equality and social justice which are so hotly professed by morden democracies cannot be realised in practice expect when the present wild competition in the economic field is brought under control and replaced by well-regulated and co-ordinated action. Democracy in practice should not imply a wild freedom of action but rather socially conscious action. Essentially, therefore, the democratic way is no defferent from the social way or else it is only a democracy of conflict and ruin. Now a co-operative society is regarded as a democratic institution and Prof. Fay very well elucidates the point when he says " Co-operation is organised liberty". But just as the liberty of the members of a co-operative is organised for the common benfit, so is the liberty of the several co-operatives organised for the benefit of the economic system of which they are a part; and at no stage is any regimentation complained of. In other words, it is a co-ordinated development of co-operatives or a well-planned system of co-operatives which should be aimed at. If this co-ordination can be further extended broadly or even in details to the general or over-all plan of economic uplift in a country, there is no reason why it should then be regarded or even suspected as un-co-operative. And this is what, more or less, economic planning through the co-operative method would imply and there ought to be, obviously, no contradiction between these two.

Even in the U. S. S. R., which has a rigidly planned or regimented economy, the co-operative societies do exist and play a very helpful role. Some critics, no doubt, regard these societies as soulless but, as has been said earlier, it is only a case of the want of psychological adjustment and of difference of outlook. Dr. N. Barou concludes from his observation of the working of the Soviet economic system that " In a planned economy, co-operation is one of the best safeguards against inefficiency and bureaucracy.' [1]In relation to the work on the collective farm, he observes. [2]"individual and collective incentives are brought into play and controlled, not as contradictory, but as complementary forces." This is also just true of planning on co-operative lines. It is not contradiction of terms, except when thought of in a vague philosophical way. On the other hand, a careful analysis would establish beyond doubt that co-operation and planning are strongly complementary and that the former can serve as an effective instrument to achieve the latter.

It is very gratifying to note that our First Five Year Plan has very well recognized the importance of the role, which co-operative societies can play in economic planning in India, specially in the agricultural sector and in the field of cottage industries. The Reserve Bank of India have already very ably summed up the Indian problem thus: "Problems of great urgency such as the shortages of food, cloth, and other essentials, as well as problems of a long range character such as the raising of the standard of living of the masses, await solution and would require country-wide effort on an organised basis. The villages and towns in the land will have to pulsate with new life and activity and every citizen has to play his due role in the great task of economic expansion, in attaining high levels of production and prosperity through schemes for harnessing the vast human and natural resources of the country. For this purpose, the co-operative form of organisation will be found highly appropriate as an instrument of democratic planning; no other type of organisation could hope to provide scope for and utilize fully the efforts of the millions of farmers and workers as more democratic and popular socio-economic organisation cannot be thought of."[3] Two things are very clearly emphasised. The first is democratic planning, for, in India, we do not contemplate a totaliatarian type of planning. This would

[1] See *Year Book of Agricultural Co-operation* 1947. p. 252

[2] *Ibid* p. 253

[3] *Review of the Co-operative Movement in India, 1946-48* P. 126

mean that the people should develop a mass enthusiasm for planning or that they should imbibe the planning consciousness. In other words, democratic planning does not place its whole reliance on regimentation. It is rather based on planning of right incentives conducive to the furthering of the planning objective. Democratic planning is not the killing of voluntary self-effort but rather of putting it on a planned basis through the instrumentality of the voluntarily changed consciousness of the good implied in a planning objective. It is thus a kind of planning in liberty and no other organisation can, obviously, help to do it better than a co-operative institution. The second emphasis is on the word popular. It is only through the medium of co-operative society that in a vast country like India with huge population and a variety of local conditions, a popular socio-economic drive in which every citizen could play his due part, could be launched upon. Economic planning in India could help adopt no other way than this to achieve a wide and popular measure of success.

CO-OPERATIVE COMMONWEALTH—OUR AIM

BY

P. C. SEKHRI,

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"I shall work for an India in which the poorest shall feel that it is their country in whose making they have an effective voice; an India in which there shall be no High Class or Low Class of people; an India in which all communities shall live in perfect harmony."—*M. K. Gandhi.*

"Our aim is the well being and advancement of the people of India and the establishment in India by peaceful and legitimate means of a 'Co-operative Commonwealth' based on equality of opportunity and of political, economic and social rights and aiming at world peace and fellowship."*

The father of our Nation, Mahatma Gandhi, said, "An economics that inculcates mammon worship and enables the strong to amass wealth at the expense of the weak is a false and dismal science. It spells death. Sound economics, on the other hand, should stand for social justice; and promote the good of all equally including the weakest and serve for all what is indispensable for decent life."

"Mahatma Gandhi had a great ideal of reconstructing the economic structure of the nation on the foundation of Co-operation" said Jai Ramdas Daulatram, ex-Minister for Agriculture, Government of India at the meeting of the Executive Committee of the Indian Co-operative Union held at Delhi in August 1949.

'It is the Co-operative method of distribution of wealth which comes true to the ideal of the father of our nation.'

Co-operative societies have been defined as, "Voluntary associations of individuals combined to achieve an improvement in their social and economic condition, through the common ownership and democratic management of the instruments of wealth." It is a form of organisation wherein persons associate together as human beings on a basis of equality for the promotion of their own economic interest. The theory underlying Co-operation is that weak individuals associate themselves together to improve their productive capacity and economic condition. Its basic principle is "One for all and all for one."

It is a system of the distribution of wealth in which the control of production, as well as the distribution of wealth, vests in the

* Article 1, object of the Indian National Congress.

hands of the consumer himself. He will then naturally have little or no interest in cheating, black-marketing, hoarding or in any mal-practices, when he is both the seller and the buyer himself. The economic ideal of our country (Co-operative Commonwealth) has been laid on the principles of Co-operation and the Co-operative Commonwealth is that in which non-profit enterprise will have gradually supplanted private business at every stage, from the raw material to the sale of finished goods. In such a State, the motivation of economic activity will be shifted from the quest for profit-making to the satisfaction of needs. Co-operative Commonwealth stands for ending all exploitation, vested interests and unearned profits, and getting each what he or she deserves and allowing no one to suffer from want or misery created by the Capitalist. In a Co-operative Commonwealth only one class, one community, one nation or one race of consumers will exist and each will stand for all and all for each and nobody will dare to snatch the fruits of another's labour. Whereas industry is at present carried on by private capitalists served by wage earners, it must in future be conducted by associated or Co-operative workmen, jointly owning the means of production. We believe that on grounds both of theory and of history, this is the cardinal principle of societies.* There is no reason why co-operative movement and Socialism should not travel side by side. "Co-operation is a limb of Socialism" said Louis Wasserman; †"Co-operative Commonwealth means to destroy private monopoly along with Capitalism. I would like to say that our aim is the creation of Co-operative Commonwealth by liquidating Capitalism and the misery of the poor."

The period of the 18th century was an era of rapidly increasing population and wide spread poverty. During the second half of the 18th century various efforts were made in Europe to improve the condition of the working classes. The efforts were embodied in the form of Poor Laws, Trade Unionism, Limited hours of work, especially for women and children and certain amenities.

After the end of the Seven Years' War in 1763, a number of loosely knit co-operative societies were formed in an attempt to lower the cost of living. Indeed as early as 1760, a co-operative flour mill had been established as a practical protest against the high prices of flour charged by the Corn Mills. In 1769, a sort of Co-operative Buying Club was formed in Ayrshire. A co-operative society of tailors was formed in 1777.

* *Modern Political Philosophies* by Louis Wasserman.

† *An enquiry into Socialism* by T. Kirkup p. 105.

These efforts, however, failed, due to certain reasons. Robert Owen, the 'Father of Co-operation' contemplated the establishment of communities consisting of producers and consumers of different commodities, who could own the means of production in common. Owen's exposition of his wider views had begun earlier with the publication of his essays on the "Formation of Character" and "A New View of Society". He gave his plan for the employment of the poor in "Villages of Co-operation" and intended his views to provide a new model for the organisation of society and the production of wealth. The decade in which the Pioneers of Rochdale founded their co-operative store is known to the historians as "The Hungry Forties". In August 1844, unemployed workers of different trades determined to form a society in Rochdale for the pecuniary benefit and improvement of the social and domestic conditions of their members. The Rochdale Pioneers themselves set out originally to create, not a mere shop for mutual trading, but a "Co-operative Utopia"—

The progress of the Rochdale Pioneers Store may be seen in the following table :—

Year	Membership	Capital £	Sale £	Profits* £
1844	28	28	..	...
1845	74	181	710	...
1850	600	2,300	13,180	890
1860	3,450	37,710	1,52,063	15,906
1870	5,560	80,291	2,23,021	25,209
1880	10,613	2,92,570	2,83,655	48,545

The first separate co operative colony was established by Owen and Ripley in 1841 in U. S. A. Dr. Sem started a society in China in 1918 and similarly the Russian masses founded a co-operative in 1864. Rev. Soune was the pioneer in Denmark in 1861 and Luma Lamp Factory set up in Sweden in 1860 was the first co-operative venture in that country. Switzerland organised its first store in 1847. But unlike in other countries, in India the movement took its birth by the passing of the Co-operative Act in 1904.

In 1869, the first Co-operative Congress was held in London and it was decided to form a co-operative union to formulate national co-operative policy and decide disputes, if any, between the societies. In 1918 co-operative members were returned to the British Parliament.

Consumers' Co-operation in Great Britain

The Consumers' Co-operative Movement had its birth in Great Britain and is very popular there. At the end of 1948, 1,030

**A Century of Co-operation* by G.D.H. Cole p. 81.

co-operative societies in Britain had a membership of 10 millions, roughly 25 per cent of the total population of the country is served by the co operative stores. The progress made since 1871 up to 1948 in Great Britain will be evident from the following table.

The Growth of Consumers' Co-operation in Great Britain 1873.1948.

Year.	No. of Societies.	No. of members in thousands.	Average* per society. £
1873	...	350	
1881	971	547	564
1891	1,307	1,015	799
1901	1,438	1,793	1,247
1911	1,403	2,640	1,882
1921	1,352	4,549	3,364
1931	1,188	6,590	5,547
1941	1,059	8,773	8,284
1945	1,050	9,404	8,957
1948	1,030	10,162	9,866

Now let us see the trade done by these stores and how much average per member comes to:

Year.	Direct Sale in£	Indirect Sale in£	Total. £	Average per member £
1947	440,866,924	2,842,428	443,709,352	44.47
1948	449,289,939	3,326,593	502,616,532	49.46

By seeing the above table of the consumers' co-operatives it would not be an exaggeration to say that Great Britain is the home of consumers' co-operatives, setting up an example worthy of being copied by other countries in the world and specially Bharat, (the Co-operative Commonwealth).

Co operation in Asia

The following table shows the development of the movement in Asian countries :—

Country.	Year.	No of Societies.	No. of members.	Approximate † Average membership per Society.
Burma	1948 Dec.	10,066	3,500,000	350
Ceylon	1948 April	6,567	1,157,202	193
China	1948 Aug.	167,340	23,695,000	141
United India	1946	170,170	8,935,450	52
Japan	1947 June	38,800	9,230,000	243
Philippine	1946 Dec.	1,065	256,988	256
Thailand	1948 April	5,574	93,600	18
Singapore and Malayan Federation	1947	878	102,289	116

* *A Review of 1948 Co-operative Statistics* of Co-operative Union, Manchester.
† International Labour Office, *The Development of the Co-operative Movement in Asia* 1949.

It was at first the credit movement that expanded everywhere but now the general trend of the people has changed, and they are now developing other forms of co-operatives, like consumers' stores, with the active assistance of the Government. In the years 1941–1942 and 1945–1946 the number of non-credit co-operative societies increased by more than 35 per cent, whereas the number of credit co-operatives increased by 13 per cent. In Ceylon between 1938–39 and 1946–47 the credit movement increased by 48 per cent and others by 1,900 per cent. In 1947, consumers' co-operatives increased from 0.4 per cent to 14 per cent. Development of the consumers' co-operatives has taken place with the same speed. For instance Burma showed 7,000 of these co-operatives serving about 3 million consumers at the end of 1948.

In the same manner, Ceylon had 3,885 consumers' co-operatives in April 1948, serving two-thirds of the population of the island. In China the number of such co-operatives was 55,000 at the end of 1948.*

Co-operation in India

A bird's eye view of the movement in India since 1904, is given below :—

Year.	No. of Societies.	No. of Members.	Working † Capital. Rs. (1,000)
1904–1910	1,926	1,61,910	68,12
1910–1915	11,786	5,48,253	5,48,42
1915–1920	28,477	11,28,961	15,18,47
1920–1925	57,707	21,54,607	36,36,26
1925–1930	93,936	36,88,841	74,89,13
1930–1935	1,05,714	43,22,269	94,61,06
1935–1940	1,16,960	50,76,742	1,04,67,73
1940–1945	1,49,888	72,17,805	1,24,34,74
1945–1946	1,72,168	91,63,344	1,64,00,09
1946–1947	1,39,136	91,00,907	1,56,00,57
1947–1948	1,49,768	1,01,17,120	1,71,06,09
1948–1949	1,63,875	1,27,07,073	2,19,49,16

No doubt, India is reaching its goal rather expeditiously; the progress from 1948–1949 and 1949–1950 is remarkable. The total number of the societies has increased from 1,63,875 in 1948–1949 to 1,73,094 in 1949–50. Taking the average size of an Indian family as five, it may be very roughly estimated that 62.9 million people, or 18.2 per cent of the population, is being served by the

* International Labour Office, *The Development of the Co-operative Movement in Asia,* 1949.
† *Statistical Statements Relating to the Co-operative Movement in India* (Reserve Bank of India).

co-operative movement, whereas roughly 30 per cent of the population in Great Britain is served by the co-operative movement.

The position of the co-operative movement in India in 1949-50 is as follows:—*

Number of Societies	1,73,094
Membership	1,25,61,016
Working Capital	Rs. 2,33,10,28,870
Profit earned	Rs. 4,04,54,307

The following statement shows the progress made State-wise in India:—

Name of the State.	No of Societies.	No. of Members.	Working Capital in crores. Rs.	Population* in Lakhs.
Madras	22,784	30,62,918	71.11	54.29
Bombay	14,774	20,02,609	68.76	32.68
West Bengal	15,539	8,96,130	17.15	24.32
Uttar Pradesh	35,427	16,76,160	17.91	61.62
Madhya Pradesh	9,305	3,64,038	8.15	20.92
Punjab	13,251	6,76,766	11.94	12.61
Bihar	11,847	3,96,372	4.19	39.42
Orissa	4,738	2,56,981	3.68	14.41
Assam	2,941	3,44,197	1.94	8.51
Part B, C & D States	42,488	28,84,845	28.22	77.339
Grand Total	1,73,094	1,25,61,016	233.10	346.119

The following suggestions are put forth for the further expansion of the co-operative commonwealth.

1. State control, in the form of law, should be removed gradually. There should be free will to organise and co-operate. There should not be any kind of compulsion. The wall between the officials and non-officials should be removed. The Registrar should not act a cog in the wheel of administration, he should function as a Leader of the peoples' movements.

2. Co-operative education should be imparted from the primary classes and it should go up to University classes. There should also be a separate All-India Co-operative College and a Research Department. Public opinion should be kept informed through the Press, the Radio, the Cinema and by other mass publicity means. Non-official co-operators should be encouraged to have advanced co-operative education. Propagandists,

* *Statistical Statements relating to Co-operative Movement in India*, published by the Reserve Bank of India.

teachers, organisers and administrators should be given facilities for its development.

3. A place should be provided in the administrative, political and advisory mechanism of the State in co-operative and economic planning.

4. For the exchange of goods and services it needs, for the general practical information which it seeks, and for the collaboration which it needs, it should as soon as possible establish direct and permanent relations with the great central co-operative organiations in other parts of the world. A number of co-operatives should seek affiliation to the International Co-operative Alliance and the Indian Co-operative Union. Our movement should seek help and guidance from the U.N.O., U.N.E.S.C.O., R.A.O., and I.L.O., Organisations for its development.

5. In elaborating this scheme, we envisage a new organisation of society and a new type of Governmental structure.

6. Goods meant for domestic use should be produced and distributed through consumers' co-operatives in each area in India. Rural banking and co-operatives should look after agricultural and cottage industries and rural social welfare.

7. The co-operatives should be given their due place in the short and long term Planning of the Government. The co-operative organisation may be relied upon for a change in the basic economy.

WHITHER DRIFTING CO-OPERATION?

BY

A. B. N. SINHA.

A renowned co-operator once observed that the Bihar Co-operative Societies Act was the most reactionary piece of legislation in Co-operative Law in India. The ideal with which the framers of the Co-operative Societies Acts of 1904 and 1912 started, namely the progressive democratisation of the movement, has been receding, particularly after the inauguration of Diarchy and provincial autonomy. The Provincial Acts which replaced the Act of 1912 vied with each other in strengthening official control and stifling the growth of the movement; and of these the Bihar Act, in several respects, is the worst. This strengthening of official control has practically robbed the movement of its popular character, killing initiative and sense of responsibility among those whom it professes to serve. Partly as a result of the recent enactment and partly because of the growing indifference of non-official workers, the Registrar seems to have shed his original role of friend, philosopher and guide of societies, and has, according to the late Mr. Ramadas Pantulu, assumed the role of the Inspector General of Co-operative Police in charge of erring and suspect bands of honorary co-operators.

But worse than the mere application of the Bihar Co-operative Societies Act—itself a most reactionary piece of legislation—have been the series of acts of omission and commission that the State Government have been perpetrating in regard to its administration. The enforcement of joint liability against the most popular and the more wealthy members in itself was enough to shake the confidence of the masses in its unlimited liability clause. Rural societies can thrive best on unlimited liability and the short sighted policy that was adopted may have secured a few thousands in money but definitely scared away many thousands of members. It was a blunder, which has evidently not been appreciated.

Equally wrong was the policy adopted for removing directors of central banks and societies. An honorary worker who dared to offend the susceptibilities of the lowest fry in the official hierarchy was at once black balled. Lack of attempt by the officials to keep up the spirit of improvement and weeding out at times meant stagnation. The institution suffered, though the

official caprice remained satisfied. Those in charge of furthering the interests of the co-operative movement helped, out of sheer perversity, to set back the hands of the clock of progress. The old days when an Assistant Registrar used to be judged by the progress of co-operation in his area has given place to one when personal criticism, destructive suggestions and irresponsible notes hold sway and determine the worth of the officer. The obvious deterioration is due to the fact that co-operation is not being given the importance it deserves both in the matter of selection of personnel and in the scale of pay and allowances allowed to the officers, as also in the encouragement given to non-officials to serve the movement.

Though trading has been allowed for co-operative societies, the kind of control is at times galling. If a central bank or society applies for fifty bales of cloth, the Assistant Registrar can and does cut it down, to say, 40 bales without assigning any reason. Next to this high officer is a higher one who in his turn can increase or decrease the quota and the central bank or society concerned has to content itself with their decision. If after forty years of the existence of co-operation, the honorary directors are to be treated in this way by officers, younger and much less experienced, surely democracy, in so far as the movement is concerned, has been an utter failure. The truth is that power cannot justify a behaviour which smacks of autocracy. Similarly, in the matter of salt supply. If the department feels that the honorary workers have not the capacity to run the cloth or salt trade and that it is for the department to determine what the needs are, it would be well to close the show altogether. Even if mistakes are likely and if some one is to profit by mistakes, it is surely the people, the members of societies, and not the paid officers of the department. The way the department has tried to interfere in the trading activities of the societies and the erratic way in which it is exercising control can but lead to the closing of these activities altogether. Thus while on the one hand Government is anxious that co-operative societies should take up as much of trade as they can manage, the department is eagerly inventing obstacles to retard the sound development of trade.

But possibly the most reactionary act in the chapter of reactionaryism, so far as the co-operative movement is concerned, has been foisting of the Additional Registrar of Co-operative Societies in the chair of the Managing Director of the Bihar State Co-operative Bank. There is nothing to be said about the person himself; he is competent, hard-working and conscientious and, above all, he is possesed of charming manners that eminently fit him for the department to which he has been assigned. But his appointment as Managing Director is likely to create the impression that the State Co-operative Bank is but a mere apanage of the Co-operative Department. It was the biggest blunder that could have been committed by a popular Government. The appointment of a banker, an economist or a non-official co-operative worker was desirable, and surely there is no dearth of these. If an I.A.S. was necessary, and it is hoped the sacredness attached to the heaven borne service does no longer exit, it would have looked decent if some one outside the department had been chosen. The tutelage involved in having the Additional Registrar of the department as head of the State Bank cannot be too strongly condemned and is certainly never desirable.

But more objectionable than the appointment itself has been the manner in which it has been done. The Managing Director is supposed to work under the Board of Directors, but never was the Board or even its Chairman consulted. As a matter of fact, the Chairman's request to have the taking over of charge postponed till his return to Patna was not complied with and the Directors were given no alternative but to accept this decision of some one in the Government. This is not co-operation; this is not democracy; this is pure autocracy, and it is a pity what a foreign Government never dared to do has been made a *fait accompli* by the present Government, swearing loudly by democracy. This shows, in which direction co-operative movement in this State is drifting and I would appeal for a saner and more sober consideration of the subject in order that Bihar may develop into a Co-operative Commonwealth, so much to be desired.

The modern conception of co-operation as a factor in the reconstruction of the economic life of the people seems not to have so far penetrated the administrative life of many States, the least so in Bihar. 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 was the gospel of Mahatma Gandhi, who declared :—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. It was to this that President Dr. Rajendra Prasad referred in the phrase Co-operative Commonwealth.

To bring about this State of affairs three things are necessary. Co-operative distribution, co-operative production and co-operative agriculture. In the matter of distribution and supply of consumers' goods co-operation could be more fully utilized. That should not be difficult, if only the departmental brakes be less frequently used. Co-operative agriculture has wide fields before it so far as reclaiming of waste lands is concerned. Co-operative production specially on a large scale may wait, but cottage Industries could easily flourish on co-operative basis. But to make all these possible the Bihar Co-operative Societies' Act will have to be recast, removing the Registrar from being its central figure and providing for expansion and very little for control. The Act, specially the Bihar brand, is a real handicap to the development of the movement on sound and economic lines.

CO-OPERATIVE PICTURE PRODUCTION

CONTRIBUTED BY

The Joint Registrar of Co-operative Societies, Bombay.

Prakash Picture Kamgar Audyogik Sahakari Mandali. Ltd., Bombay.

In the Film world, as it exists today, technicians and other workers who really count and form the main backbone of the industry are neither well-paid nor well-looked after. This Prakash Studio found it difficult to work with profits since the actual workers were not satisfied with their prospects and were not working wholeheartedly. Under these circumstances, the owners of the studio were about to dismiss all the technicians and workers engaged in the studio and there was the impending threat of unemployment to these workers. At the time of this crisis, these technicians and workers approached me when I was Deputy Registrar of Co-operative Socteties, Nasik to register a suitable co-operative organisation for them. After mature thought and discussion, there came into being this peculiar co-operative institution, perhaps the first of its kind in India, and it was registered on the 24th December 1949 with 15 promoters and with the following objects:—

1. to hire shooting shifts,
2. to do song recording and re-recording,
3. to hire out theatre for exhibition and background music,
4. to hire dresses, property and machinery,
5. to do outside moulding, decoration, and painting work,
6. to do processing work,
7. to produce motion pictures,
8. any other work within the limits of these aims and objects to increase the income of the society.

The membership of the society is kept open to only employees of Prakash Pictures, Limited, Bombay, and to such other persons who have sympathy towards the aims and objects of the society.

The total number of members on roll to date is 107. Out of them, one is a cameraman, two sound engineers, nine assistant sound-engineers, one operator, one moulder, seven painters, six electricians, one selling master, fourteen carpenters, two unit managers and other labourers.

The society has entered into a contract with the Prakash Pictures, Limited, Bombay, and agreed to pay Rs. 150 to the Prakash Pictures, Limited, per shift of 8 hours and in turn the society is renting out the same for Rs. 650 per shift to outside producers.

All the workers are paid on monthly basis. Their salaries per month amount to Rs. 16,000. The minimum salary paid to a worker is Rs. 87 p. m. while the maximum is Rs. 1,100.

The share capital of the society as on the 30th June 1951 stands at Rs. 1,400. The society during the co-operative year, ending 30th June 1951, transacted business of Rs. 2,45,669 and earned a net profit of Rs. 18,060. To increase the share capital of the society and thereby induce the members towards compulsory savings half an anna per rupee is deducted from the salary of the working member. The reserve fund of the society stands at Rs. 36,219.

The total investment in the studio by the owners of the studio is about Rs. 6 lakhs in which the society is not at all concerned. It is noteworthy that with only a share capital of Rs. 1,400, this society is carrying on its activities as it has done so far. With a view to increase its prospects, it would be necessary to make available necessary finance from the financing agencies. It is the ambition of the office-bearers of this society to undertake production of films in due course.

The BombayTalkies Workers' Industrial Co op. Society, Ltd., Bombay.

Looking to the success of the Prakash Pictures Kamgar Audyogik Sahakari Mandali, Limited, Bombay, the workers and technicians of the Bombay Talkies, Limited, Bombay decided to form a co-operative society on the same lines. Accordingly, the Bombay Talkies Workers' Industrial Co-operative Society, Ltd., Bombay, was registered on the 25th May 1951, with the following aims and objects.

1. to hire shooting shifts.
2. ,, do song recording and re-recording.
3. ,, hire out theatre for exhibition and background music.
4. ,, hire dresses, property and machinery.
5. ,, do outside moulding, decoration and painting work.
6. ,, do processing work.
7. ,, produce motion pictures.
8. any other work within the limits of these aims and objects to increase the income of the society.

The membership of the society is kept open to the employees of the Bombay Talkies, Limited, Bombay, and to such other persons who have sympathies towards the aims and objects of the society.

The total number of members on the roll to-day is 217. Out of them, one is a cameraman, one art director, two sound engineers, five electricians, fourteen laboratory assistants, and technicians, seventeen carpenters, seven painters, six decorators, five assistant cameramen, six assistant sound engineers, seven assistant carpenters, fifteen other technicians, three clerks, and 121 other workers.

The society has taken over the studio of the Bombay Talkies, Limited, Bombay which is built at a cost of roughly Rs. 26,00,000 on payment of Rs. 150 to the owners of the studio per shift of 8 hours and in turn the society is renting out the same for Rs. 750 per shift to the outside producers.

All the member-workers are paid on monthly basis. Their salaries amount to Rs. 26,000 p.m. The minimum salary paid to the worker is Rs. 70 while the maximum is Rs. 700.

The share capital of the society as on 30th June 1951 stood at only Rs. 1,760. The society during the co-operative year ending 30th June 1951 transacted the business of Rs. 83,834 and earned a net profit of Rs. 10,341-15-3. To increase the share capital of the society and thereby induce the members to compulsory savings half-anna-per rupee is deducted from the salary of the working member.

It may be stated here that the society now contemplates producing pictures on its own and necessary arrangements are already afoot.

Even in the case of this society, it will be noticed that only with a share capital of Rs. 1,760, it is progressing very rapidly undertaking very profitable work. It may be noted that both the studios are running double shift and are having a daily income of Rs. 1,300 and Rs. 1,500, *i.e.*, an annual income of Rs. 4 to 5 lakhs and both the studios, under the Prakash Pictures and the Bombay Talkies, are in demand. There is ample scope for development of both these societies not only in the film world, but also outside through public and Government patronage for production of social, educational film reels and other short-films wherein richer class of people can have their own recording of films of picnics, marriages and other functions and ceremonials. It is hoped that this enterprise will be properly supported by Government at the State and at the Central Government levels after the needs of the workers and members of these societies are fully looked into and their future properly chalked out on the lines of the suggestions made in this note.

REVIEWS

1. READINGS IN AGRICULTURAL ECONOMICS—Nature and Scope (Pp. 160; Rs. 5).
2. READINGS IN AGRICULTURAL ECONOMICS—Rehabilitation of Low Income Groups in Agriculture (Pp. 228; Rs 9).

(*The Indian Society of Agricultural Economics, Bombay.*)

The Indian Society of Agricultural Economics is to be congratulated on bringing out these two volumes in its Readings in Agricultural Economics series. Though agriculture is the most important industry in India, Agricultural Economics has remained the Cindrella of the College curricula and has received cavalier treatment at the hands of the authorities. Research courses in these subjects are hardly pursued and a vast unexplored field remains for its votaries to follow.

The first volume enables the future research students to appreciate the importance of agriculture in the national economy and the research which can be taken up to solve particular problems as well as serve as a guide to future policy.

But the research students should beware of an unhesitating acceptance of the conclusions arrived at by the authors with reference to conditions materially different from ours. The problems of the East lie in an increasing net reproduction rate—a " tide of babies ", to put it crudely—encouraged by improvements in environmental hygiene and ante-natal care, whereas in the west the net reproduction rate is either stable or declining. This neo-malthusian manifestation encroaches steadily on standards of living, leading to land hunger and under-employment to a degree unthought of in the U.S.A. The three main problems of Asia in future are education, family planning and industrialisation. Naturally these excerpts fail to do justice to these problems, with the possible exception of Frank M. Tamagna's article on Modern Capitalism. This is no reproach on the able and judicious selection of articles pertaining to various subjects, since the problems of monoculture and export economies of dependencies are hardly dealt with by many authors.

The unstable economy referred to by Schultz is of peculiar interest to primary countries like the Gold Coast, Ceylon or Malaya than to the U.S.A. An externally imported Depression is a bugbear now and it is hoped that the theme of Prof. Schultz's article will be analysed in future volumes.

The articles on Agriculture in modern life suffer from the defects that they are chosen from the pre-war period or receive biassed treatment at the hands of an agricultural anti-fundamentalist as Davis. The anti-fundamentalist attitude hardly represents the present day opinion regarding agriculture, except perhaps within the U.S.A. The cold war and reasons of military expediency have led to a revision of the attitude to agricutture even in laissez faire Britain. Apart from practical considerations the thousand millions of Asia, most of Africa, Latin America and Oceania look to agriculture as a means of livelihood and modern nutritional concepts, if adopted by Governments can get rid of burdensome surpluses and give increasing importance to agriculture. The farmer's block, pressure groups and constant concern with parity concepts show that even in the U. S. A. agriculture is not relegated so much to the background as assumed by Davis. Hence it is refreshing to find Wilcox taking up the cudgels on behalf of agriculture.

Section B is the most valuable in the first volume since it disperses the woolly notions concerning Agricultaral Economics held in India. The excerpts from Miss Cohen's book shows why Agricultural Economics deserves a separate study, while Prof. Hibbard makes a valient effort to define Agricultural Economics. One important point has been stressed by Signor Guiseppe Medici on page 72, which deserves careful reflection in India viz. his warning against "technisising economy". Owing to the stunted growth of Agricultural Economics in India it is common to find in most agricultural colleges Agriculturists holding posts as Agricultural Economics lecturers or professors with only a smattering and perfunctory knowledge of the subject. The danger of this is stressed by C. L. Alsberg, who pleads for the setting up of a Department of General Economics in Agricultural Colleges. The diversity of subjects to be studied by undergraduates specialising in Agriculture mentioned by Dowell and Alsberg should serve as an eye-opener to University authorities here pursuing divergent curricula and jealous of admitting interlopers from other universities, however gifted they may be. We also need a "union card for our students which will be honoured at every local".

Professors Wehrwein and Salter show the vast amount of research which could be done even in a limited field as Land Economics or Land Tenure. The fields of research pursued by the Bureau of Agricultural Economics of the U. S. Department of Agriculture reveals the gap existing in India in the fields of research. Except for a few monographs by the Agricultural Credit Department of the Reserve Bank of India, nothing has been done to explore this field.

The "Domesday" book of the 1940s carried out in England and Wales shows the backwardness and the distance we have to travel from the beginnings of the Village Surveys of Prof. Thomas and K. C. Ramakrishnan.

This volume should be studied by all students of Agricultural Economics with a view to systematising the study of the subject, hitherto neglected in our curricula, and up-grading research into various branches of the subject. If it fulfills this purpose the Indian Society of Agricultural Economics would have earned the gratitude of the Indian peasantry and student body alike.

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2. The second volume in the series pertains to the rehabilitation of low income groups, in Agriculture. It maintains the high standard of the first volume and consists of a judicious selection of excerpts from sources as far away as Japan and Australia. Both the volumes contain an able introduction by the Assistant Secretary, explaining the principles underlying the selection of excerpts and a succinct summary of the view points of the authors.

This volume will be a very useful addition to the armoury of agricultural economists in crossing words with the familiar dragons of indebtedness and farm adjustment. Especially, the third excerpt on the Southern States of the U.S.A. reminds one of the backward regions of India, as the Ceded Districts of Madras State or the hilly tracts of Assam, which have peculiar problems of their own requiring special attention.

In recommending the book a note of caution should be struck against unhesitating acceptance of the remedies adopted in the U.S. or Australia, as a solution to India's ills. Indian agriculture bears no comparison in methods adopted, cultivation practices, etc. with American or even British agriculture. In America, with plenty of resources a relatively smaller population was suddenly confronted with the Depression and had to take emergency measures the offshoots of which are the F.S.A., Rehabilitation Administration, R.F.C. etc. But in India the agriculturist has very little resources and leads a marginal existence in perpetual gamble with the monsoons. The tiny scale of operation bears no resemblance to western problems. Hence it is a pity that no excerpts have been included in the volume on measures taken in countries with agricultural problems resembling our own. Peasant economy and absentee landlordism is a curse of Poland, Hungary, Rumania and China. Probably owing to lack of information caused by the statistical black out in the Iron Curtain, no excerpts of the extremely interesting and revolutionary measures taken in Poland, Hungary etc. to redistribute the holdings of the dispossessed landlords as Prince Radzivill, have been included instead of excerpts actually included in Agrarian Reforms. According to Koumintang figures before the war, landlords and rich farmers representing 10 per cent of the Rural house-holds owned 51 per cent of the land, while poor peasants and laboures representing 68 per cent of the house-holders owned 22 per cent. The "Common Programme" of the Chinese Communist Government was issued in 1949 and article 27 states" Agrarian Reforms is the necessary condition for the development of the nation's productive power and for its industrialisation. This was followed by the Agrarian Reform Law of June 30, 1950 to implement Article 3 of the Common Programme. Local Peasant Committees (Panchayats) carry out the reform aided by travelling "peoples tribunals".

Another country with a high fertility and land hunger is Italy. The 1947 constitution has laid down the obligation to carry out land reform "in order to promote regional exploitation of the soil relations". The special "Sila Law" and its extension to other areas through the "Sample Law" of late 1950 has provoked a controversy which is highly typical. There is a danger in agrarian reforms which applies to India also besides Southern Italy "for the most sweeping reforms tend to end in a re-establishment of powers which they purported to dethrone" (*London Economist* June 9, 1951, page 1382). This tendency has to be guarded against in India too. Ideologies apart these experiments should find a place in any volume dealing with Agrarian Reforms and rural rehabilitation since they resemble Indian problems and will be of use to future research scholars. Material could easily have been obtained by correspondence with respective Ministries. It is to be hoped that future volumes will rectify this tendency to follow the beaten path and to quote everything American as par excellence.

A general criticism of the volume may be in the fact that it smacks of a depression mentality. Rural debts are no longer the topical problem since parity income of the farmer improved. The war and the post-war phase, especially the Korean War boom, has altered the structure of the saving classes. Whether there will be an American imported depression or recession is a remote problem in the context of a stock piling and re-armament boom. Most countries are prepared under a full employment policy and social security measures for the onslaught of the swing in the trade cycle while others argue of an era of rising prices. In India the Planning Commission's proposals, if implemented, will generate employment, income and demand for agricultural products. In such a context to deal with rural indebtedness and what happened in 1930 seems a bit unrealistic.

"The Agricultural Ladder" theory on which so much store is set by American authorities is not applicable to India. But some attempts have been made by State Government through Land Colonisation Societies *e.g.* in Tanjore delta, to resettle landless agricultural labourers, ex-servicemen and Harijans. Though the upgrading of the depressed does not seem to be at work due to forced sales, the land colonisation societies can glean much useful information from these excerpts.

The excerpts on land values and their control is peculiarly relevant to India where wet and garden lands have appreciated in value as compared to pre-war. Inflated land values generally lead to accentuation of unprofitable returns. The provocative article by C. H. Hammar makes interesting reading followed by the balanced judgement on land value problems by the Rural Reconstruction Commission of Australia.

The last section on rehabilitation of the individual is particularly useful at present when the problem of resettling millions of refugees has risen in an acute form. Some attempts have been made in India on these lines e.g. the justly famous Etawah experiment in U.P. and the townships of Nilokheri and Faridabad. There is much that can be learnt from the excerpts chosen by the experimenters in India though the personal details worked out by the supervisor in rehabilitation may not be feasible in India.

Both the volumes fill a long standing gap in Indian Agricultural Economic knowledge and can be studied by the research student and the practical administrator alike.

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FRUIT MARKETING CO-OPERATIVES: With a preface *by K. Sarvothama Rao* (A Reserve Bank of India Publication 1951. **pp. 70. Price As. 8.**)

This publication by the Reserve Bank of India gives a summary of Fruit Marketing Co-operative Societies in Foreign countries in Chapter II, and a summary of such societies in India in Chapter III. The importance of development of fruits is clearly brought out in the introduction. The main lines of improvement are stated to be scientific methods in (1) improvement of quality and (2) technique of storage and marketing to help the production. Many useful data are presented regarding foreign countries, the outstanding instance, being the Californian Fruit Growers' Exchange in the United States of America and other Co-operatives which handled products worth 742 million dollars in 1947-48. Of other co-operatives mentioned in the book are those in Canada, Jamaica, Holland, England, Norway, Italy, Switzerland, Greece, Malta, Bulgaria, Hungary, Israel, New Zealand, South Africa and Ceylon. As will be seen from the book, the methods adopted by different societies varied. Societies were of the local type, or federated type where power was exercised from the district branches or the centralised type composed of individual grower, operating on a wide range through a central body. The success of these societies depended largely on the performance of marketing functions as assembling, packing, grading, storage, transport and sale. Many of these successful societies owned their own cold storage plants, and some had their own selling agencies. An important feature was the conduct of co-operative auctions. Many societies got out of their difficulties by "Pooling" i.e, by identifying their individuality in a common sale, each grower getting the same price for the same grade for the particular pool. Some societies were 'non stock,' some declared no dividend, while some were only corporations but acting in a co-operative manner. There were many difficulties and failures as in the Jamaica Banana Producers' Association and also in England where co-operative fruit marketing is yet on a small scale.

The Chapter on marketing co-operatives in India—Bombay, Coorg, Madras, Orissa, Madhya Pradesh and other States—shows that there is much scope for expansion as well as improvement. Fruit production in India is scattered on a wide area with a number of small producers. The handling of fruits also requires technical knowledge as well as improved methods. There is absolute lack of cold storage in producing areas. Gluts often occur in seasons of short and high production. There is, therefore, much scope for improvement and co-operative societies can perform useful functions. This book by the Reserve Bank of India is very useful in indicating the important lines in which co-operative societies can successfully perform useful functions to develop fruit marketing and thereby help the producers.

S.N.V.

ACKNOWLEDGEMENTS

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CO-OPERATIVE CONFERENCES AND MEETINGS

THE FIRST ALL-ORISSA CO-OPERATIVE CONFERENCE

Berhampore, 26th & 27th April, 1952

Speech delivered by Sri Narasimhadevara Satyanarayana on the occasion of Flag Hoisting

Brother Co-operators,

Let me thank first the Reception Committee for giving me an opportunity to hoist the International Co-operative flag on the occasion of the First Orissa State Co-operative Conference. Hoisting of Co-operative Flag, on ceremonial occasions like this is like the performance of 'Vinayaka Puja' or Ankurarpana an ancient custom on auspicious occasions.

The Rainbow is the emblem of our Co-operative Internattonal Flag. It signifies Liberty, Equality and Fraternity to all nations. It denotes Peace, Prosperity and Brotherhood. The seven colours in the rainbow of our Co-operative Flag have their significance and each colour denotes the diverse activities of life. Co-operation stands for first, economic Equality second, Social Equality third, Moral Equality fourth, Political Equality fifth, Agricultural Self-sufficiency and Industrial Independence sixth and finally comes Cultural Emancipation. The seven colours give Liberty or Emanicipation in the seven walks of life and make the nations self dependent with mutual help and brotherhood. Under the Co-operative Flag there is no distinction of caste, creed or colour, rich or poor, high or low, educated or uneducated. Under this flag, there is no competition or profiteering. The flag stands for service and sacrifice. Hence, Co-operation stands for peace, prosperity and brotherhood as the rainbow is the harbinger for rain on good earth.

I appeal to all the Co-operators assembled here to zealously safeguard the interests of the Co-operative Movement, its rights, duties and privileges by honouring the Flag which stands for Universal peace and prosperity

'Sarve Jana Sukhino Bhavanthu'

Welcome Address by Sri N. Ramakrishna Rao, President, Berhampore Co-operative Central Bank Limited, Chairman, Reception Committee.

Brother Co-operators,

On behalf of the Reception Committee of the First All Orissa Co-operative Conference, I offer you a hearty welcome. There may be many shortcomings in the arrangements made for the reception and housing of our guests. I request them to forgive us such shortcomings and accept such hospitality as it is in our power to give and to feel quite at home in our midst. A Conference of this kind was contemplated two years ago but it did not materialise due to causes beyond our control. We are grateful to the Orissa Co-operative Union Ltd., for sponsoring this Conference and although various co-operators and co-operative Institutions have offered to hold the conference in other areas, they were kind enough to accept our invitation.

It may not be out of place here to give a short resume of the Co-operative Movement in this State. Soon after the formation of the Orissa Province, the Government were faced with the tremendous problem of rehabilitating the co-operative central banks in North Orissa which were practically in a moribund condition due to the complete collapse of their ability to meet their financial obligations. It was at such a time that the Government invited Sri K. Daivasikhamani Mudaliyar, Retired Registrar of Co-operative Societies, Madras State to investigate into the causes of the failure of the Co-operative Movement-which resulted in the famous Mudaliyar's Report which formed the basis for the rehabilitation of the central banks and their affiliated societies. So far as the central banks in South Orissa—Berhampore Co-operative Central Bank and Aska Co-operative Central Bank—are concerned, they have been working on the lines laid down and guidance given by the Madras Co-operative Societies Act and the Madras Provincial Co-operative Bank Ltd., Madras, which continued to finance the South Orissa banks till 1948, when the Orissa Provincial Co-operative Bank was organised and started functioning with the backing of the Government of Orissa and the Reserve Bank of India. We are grateful to the late Sri V. Ramadas Pantulu who got the byelaws of the Madras Provincial Co-operative Bank amended in such a way so as to enable it to continue to finance the South Orissa Banks, as otherwise these two banks would have faced a critical situation in catering to the needs of their primaries, when the prospect of an Apex Bank for this State coming into existence was still remote.

Urban Banking on Co-operative lines in North Orissa is of recent growth, while such institutions have made much headway in the southern part. Here, they are able to tap local deposits for financing their members without much dependence on the central co-operative banks. This type of banking can be developed in North Orissa, where public sympathy and co-operation at the moment are lacking for their growth. It requires hard work, enthusiasm and public spirit on the part of co-operators to infuse confidence for obtaining deposits to run these institutions.

Due to the pressure of events and the clamour for organising a Land Mortgage Bank, the Government passed the Land Mortgage Bank Act in the year 1938 and started it to function with a nominated Board of Directors, the Government being the largest of the shareholders in this institution. Since the expiry of the term of the nominated board, it has been functioning with elected boards, Government having the right to nominate two members. It is now working fairly satisfactorily though it is unable to extend its area of operations due to financial stringency. Unless the Government allocates sufficient funds by way of loans in each financial yrae, the prospects for its expansion are not bright. Up-to-date the Land Mortgage Bank has had the benefit of Government loan to the tune of Rs. 10 lakhs during the last 8 years, which has been fully repaid to the Government by the issue of debentures to that extent. The interest on and principal of the debentures issued are guaranteed by the Government of Orissa. We are grateful to the Government for their financial assistance during the past and hope for continued assistance in a larger measure in the future. We are also grateful to the various individuals, co-operative institutions and insurance companies and the Reserve Bank who have generously subscribed to the debentures issued.

But the Orissa Provincial Land Mortgage Bank, as at present constituted, is functioning on unitary basis, having branches at various centres with the possibility that any lapses in the working of any one branch would affect the whole. It is a matter for this conference to consider whether it would not be more desirable to remodel the Provincial Land Mortgage Bank in such a manner as to make it function on a federal basis with a number of primaries affiliated to it. The Madras Central Land Mortgage Bank has been functioning on these lines successfully.

Ever since the formation of the Orissa Province, a number of futile attempts were made to form a Provincial Co-operative Bank to finance the central banks in the whole of Orissa. Once, in the early days of the first Congress Ministry headed by Sri Biswanath Das, Mr. V. Ramadas Pantulu, the then President of the Madras Provincial Co-operative Bank, was invited to Cuttack and negotiations were made for a loan from the Madras Provincial Co-operative Bank. In fact, the Madras Provincial Co-operative Bank offered a loan of Rs. 20 lakhs at 3 per cent for the inauguration of the Orissa Provincial Co-operative Bank. But this scheme some how fell through. Later attempts were not more successful.

It was only in the year 1947 that another strenuous effort was made to inaugurate an Apex Bank. The byelaws were drafted and the first Board of Directors of the Orissa Provincial Co-operative Bank were nominated. The Government invested pretty big sums in the Bank to help the Apex Bank to function. Now on the guarantee of the Government, the Reserve Bank is lending short term loans to the tune of Rs. 50 lakhs to the Orissa Provincial Co-operative Bank, repayable within one year. It is likely, the facility of short-term credit by the Reserve Bank may be extended to 15 months' duration. As a result of this arrangement with the Apex Bank, the needy Central Banks are now in a position to secure reasonable financial assistance from the Orissa Provincial Co-operative Bank.

We have also a Central Marketing Society which serves as a nucleus for marketing the produce of the agriculturists. But it has not made much headway. We now have an Orissa Co-operative Union which is subsidised by the Government to enable it to run two magazines—one in English and the Other in Oriya—which are serving as media for marshalling the non-official co-operative opinion in this State.

We are still in the state of infancy in the matter of organising Co operative Housing Societies, Milk Supply Unions, Cattle Breeding Farm and Lift Irrigation Societies on a co-operative basis. A Handloom Co-operative Society has got to be organised on a provincial scale. In the neighbouring State of Madras, Housing Societies—both rural and urban—are organised and financed in a big way. The Madras Government have invested nearly Rs. 7½ crores in Housing Co-operative Societies and have even encouraged housing schemes for members of weavers' co-operative societies. In the matter of Cottage Industries, a substantial sum is placed at the disposal of the Registrar of Co-operative Societies by the Government of Madras every year. In order to protect the handloom industry from the periodical scarcity of yarn, a spinning mill on co-operative basis has been organised and another mill is in the process of formation in the Madras State. So far, we have no Land Colonisation Scheme for the employment of ex-servicemen nor do we have any Farming Co-operative Societies worth mention. For marketing of agricultural produce and the products of cottage industries, we have no suitable ware-houses either in the rural or in urban areas. In the Madras State if the rural societies desire to have godown facilities, the Government are giving 50 per cent value of the godown by way of subsidy and the balance as a loan at a nominal rate of interest. We commend this proposition of subsidising ware-houses to the Government of Orissa for early consideration.

There is now a race for organising Multipurpose Societies, or converting the existing rural credit societies into Multipurpose Societies extending their area of operations where credit societies already exist and function. Care must be taken to see that there is no overlapping of functions or double-lending to one and the same member. Further, the working of the Multipurpose Societies requires men of ability and leisure and inclination and adequate knowledge in account-keeping and methods of business organisation. Above all these societies must be managed by men of integrity who are able to infuse confidence into the depositing public and attract deposits. They should be encouraged to limit their operations to the amount of local money they can raise by their own exertions.

The consumers' movement has flourished for a time in war time economy and during the period of controls. If there is decontrol of essential commodities, the store societies that we know of will come to grief as they will not be able to compete with private trade. But in the West the Consumers' Movement has developed remarkably as in the case of English Co-operative Wholesale Society, whose total turnover is said to be of the order of £1000 millions per year.

Then we have the problem of the organisation of the societies on limited or unlimited liability basis. There are strong and divergent opinions and eminent co-operators rallied on either side for sponsoring their opinions. While the organisation of a society on the unlimited liability basis is the keystone for obtaining finances of the central banks, sponsors of limited liability argue the former is antiquated and must be scrapped altogether as unlimited liability is not normally enforced.

There is the question of deofficialisation of the Co-operative Movement. In the present democratic set up how far this step is necessary remains to be solved. If the co-operators run the societies or institutions with honesty and integrity, they need not bother about the official supervision which in most cases leaves much to be desired. It would indeed be a happy angury if it is made to run on more constructive lines. Public opinion has not veered round so far to the non-official audit being accepted as proof positive of the soundness of an institution.

No adequate place has been given to representatives of the great Co-operative Movement as such, on the Planning Commission though it is acclaimed on all hands that the Movement is destined to play a very vital part in the reconstruction of the village economy.

During the prebifurcation period, and for a few years after the bifurcation, the services of honorary arbitrators were utilised for the disposal of co-operative disputes ; but as to why that practice has come to be given up is not known. This has resulted in heavy accumulation of files with the Assistant Registrar, who is unable to cope up with the limited staff at his disposal.

With the object of having a common Co-operative Law for the whole of Orissa, the Government have published a bill during the last week of September '51 and passed the same during the first week of October '51. The non-official co-operators have had absolutely no time to study various provisions and give their opinions. The Provincial Co-operative Union, however, met for a few hours and made such study of the provisions as time permitted and formulated their views. What weight was given to these views is not known. There is also a large body of co-operators outside the Co-operative Union whose opinions might also be helpful. It is up to this Conference to consider whether the Government may not be requested to publish de novo another bill or at least remodel the existing one and circulate the same for eliciting public opinion.

Honorary workers are getting fewer and fewer as the struggle for existence is becoming keener from day to day. There is also the tendency to dispossess the "Haves" by legislative action and the attempt to level down, instead of levelling up others has deprived the movement of men who are normally well-placed in life to devote a part of their time and labour in honorary services. In future, it may be found necessary to grant honorarium for such services rendered by honorary workers, as provided in the Act. The personnel of the panchayat of a village credit society must be such that they should be able to maintain their books instead of depending too much on the bank's supervisor.

If Co-operation is to be reckoned as a potential factor in rebuilding the economic structure of our country on a more rational and equitable basis and if you are out to build a Co-operative Commonwealth which alone can lay the foundation of economic reconstruction, a Ministry of

Co-operation at the Centre and in the States should be created. Each State should have a Co-operative Council composed of eminent co-operators in the State with the Registrar of Co-operative Societies as its Secretary and a Co-operative Tribunal which should at least relieve the Regisirar of his judicial functions. Bombay has already taken a lead in the matter in both these directions while Madras has a Co.operative Council. It is up to the other States of the Indian Union to copy the model set up by the two premier and advanced States in the field of Co-operation.

It is indeed fortunate to secure Mr. Nityananda Kanungo who was for a long time the Minister for Co-operation under the Orissa Government to inaugurate the Conference and I request him to inaugurate the same. It is equally fortunate to secure the services of Sri V. V. Giri, whose association with the Co-operative Movement dates back to the period when he was the Minister for Co-operation under the First Congress Ministry in Madras. Incidentally, it may be mentioned in passing that his father the late Sri V. V. Jogiah Pantulu, was the President of the B. C. C. Bank before bifurcation and a veteran Congress leader. Thus he hails from a family not only of Congressites but also of veteran Co-operators. I request him to preside and conduct the deliberations of the Conference.

JAI HIND.

Summary of the remarks of Sri Nityananda Kanungo, M.P., ex-Minister of Co-operation, Orissa in inaugurating the Conference.

Inaugurating the Conference Mr. Nityananda Kanungo, ex-Minister of Co-operation, Orissa said the Co-operative Movement in Orissa had passed through many vicissitudes and to-day, in this first meeting of a State-wide Conference, it saw the materialisation of a great urge for social service through co-operation which had been passing over the whole country.

The five-year plan had envisaged a total expenditure of nearly Rs 2,000 crores, out of which an amount of Rs. 192 crores was to be spent on agriculture alone. This money was expected to be utilised for rural uplift through the co-operative movement as there was no other alternative.

Mr. Kanungo said that unless the co-operative movement was prepared to meet this expenditure, it would fail the hopes of the country. He believed this challenge could be met as enough faith had been generated in the movement and it was now required to set up the organisation as this faith could be *canalised instead of being dissipated*.

In conclusion, Mr. Kanungo said that the Co-operative Union should mind three basic things, namely, raising of finance as far as possible from the rural areas themselves, instead of looking up to a central authority or source, training of personnel who would run the institutions and education and research in its widest sense.

Presidential Address By Sri V. V. Giri

I consider it a proud privilege and honour to have been asked to preside over the Provincial Co-operative Conference. I claim that I belong to Orissa having been born and bred up here. My intimate association with the Co-operative Movement dates down to the time when I was Minister for Co-operation in Madras, first between 1937-39 and again in 1946 and I still continue to take the same interest in the Movement because the future of the world's happiness depends on this Movement which believes in the great maxim "*each for all and all for each*".

During the last war, many Governments turned with confidence to the co-operative organisations for the solution of the distribution problems occasioned by the shortage of supplies, the rise in prices, and sometimes by the failure of private enterprises or by the exigencies created by the black-market. The Governments were subsequently led to invest the co-operative organisations with economic functions which they had themselves assumed under the pressure of urgent necessity. Thus over a period of seven years, the number of co-operative societies increased by 40 per cent in India and Pakistan, by 66 per cent in the Philippines and five-fold in Burma and Ceylon and it had quadrupled in China. The Rural Credit Co-operatives, which represent the most ancient and the most widespread form of co-operation in Asia, have continued to multiply.

It is also to the co-operative organisations that many Governments have turned for the settlement of landless workers and for a solution of certain social problems arising out of the war such as the reabsorption of demobilised soldiers (co op. colonies, labourers' co-operatives etc.). In India and Pakistan, co-operative societies for cottage industries and handicrafts have been created in order to give employment to persons who have been uprooted by the separation of the two countries. Hitherto co-operation has been taken as an isolated and disintegrated step towards the improvement of the lot of the agriculturist. Now co-operative development must be a part of the National Economic Planning. In a resolution approved by the Constituent Assembly on 7th April, 1948, the Government of India announced its intention at finding means, through the medium of co-operative organisations, to co-ordinate home industries and small-scale industries and to integrate them with large-scale industries. It has been indicated that this doctrine should be the main-spring of the newly created *All India Cottage Industries Board*. The Government desires to take advantage of this Movement to increase production with special regard to immediate requirements and the requirements of the population which is continually on the increase and further to promote a rise in the standard of living of agricultural producers towards the same level as obtained in other occupations. The Government regard this policy as one of the keystones of the economic and social structure.

It is a matter of profound regret that till a few years ago the activities of the Co-operative Department have become synonymous with the application credit is by no means the only cause of their plight. The essential national virtues of thrift, foresight and self-help must be developed through institutions organised for these ends. Sir Frederic Nicholson states the following as the advantages of village banks :—

(1) " their absolute proximity to the borrower ;

(2) their ability to excite local confidence and consequently to draw in local capital;

(3) their exact knowledge of their clients and their influence over them as co-villagers ; their consequent ability to prevent fraud and to dispense with searches in registration offices ;

(4) their power of making the smallest loans and of undertaking operations, however petty, in consonance with village customs and individual needs; in fact, of giving preference to small business ;

(5) their ability to dispense with any prior general liquidation of debts such as has been demanded as a preliminary to the establishment even of taluk banks ; they would ascertain in each case the borrower's prior debts, arbitrate with the creditor for a favourable settlement for cash down, pay down the sum settled, and accept the debt as due to themselves ;

(6) their ability to work cheaply, almost gratuitously and thus to provide cheap credits ;

(7) their retention of local capital and of all profits thereon within the village and in the case of co-operative societies, their retention of all profits for the members and borrowers ;

(8) their ability to act as agents and brokers for their members in the sale of produce and purchase of necessaries ;

(9) their capacity of acting as village granaries, lending grain for maintenance and seed in ordinary years from their own resources, supplemented by State or other grants ;

(10) their ability to act as intermediaries between the State and the individual, whether in matters of loans for land improvements, cattle etc., or in other agricultural or industrial developments, or in times of seasonal stress ;

(11) their power of influencing borrowers towards the true use of credit and of watching the utilization of loans in accordance with contract ;

(12) their ability to prevent fraudulent defaults and collusive sales of property, and, in cases of default, to utilise advantageously the small properties accepted as securities for loans ;

(13) their tendency to group themselves into unions for mutual development, instruction, inspection and audit ;

(14) their steady educative influence in matters of thrift, association and self-help, by their continuous presence in the village, by their continuous object lessons and by their frequent, though small, calls upon the activity, thought and service of their members ;

(15) their tendency to develop high forms both of individual capacity, of public life and of national character."

Unless these high ideals are kept up before our mind's eye, the standard of village life shall not improve. To achieve an improvement in village life, the present mode of work must be modified in five directions:—

(1) The bank must take up the whole of the village life within its ambit ;

(2) it should aim at including every one in the village ;

(3) there must be a greater adherence to essential co-operative principles ;

(4) there must be constant dealings and continuous touch with the members

and

(5) concentration on a few selected areas should be aimed at rather than wide multiplicity and diffusion.

There should be less necessity to hand over actual cash to the members and this will lessen the chances of loans being misapplied or used for extravagant or unnecessary expenditure. A similar control over the cash earned by the members can be exercised if the crops and products of industry are sold through the bank and the proceeds credited to the members' accounts. If members can be trained to have all their dealings through the bank and draw the money as needed, habits of thrift and prudence will be automatically inculcated. Besides being a thrift and credit society, it should also conduct a Co-operative Shop which should stock all the goods generally required by the members like rice and grains, fuel and charcoal, cloth and other sundry articles of daily use. Members should purchase all their requirements from the society. The rule should be that all sales are to be made on a cash basis but where a member requires credit for purchases, he can get it from the credit section. In order to prevent members from habitually living beyond their means, each member's credit for the purpose of purchase of current needs should be limited to a certain portion of his monthly income.

In other words, *the village bank must be a multipurpose society and should be the foundation of the co-operative banking structure.*

When I was High Commissioner for India in Ceylon, I had the privilege of opening several co-operative conferences. This great co-operative movement has made rapid strides. There are 6,683 societies and the Co-operative Federal Bank guides and directs the activities of the movement. The co-operative institutions are serving nearly four million persons *i.e.*, two-thirds of the population in Ceylon. I was struck to witness the honest endeavours made by the people of Jaffna who have established a Co-operative Union Hospital in the short space of 5 years. This institution has enabled its members to receive real and effective medical attention at times of ill-health at nominal rates. Last year 3,000 indoor patients and 30,000 out-door patients were treated. The latest appliances and methods are at the disposal of the patients. I wish in our country we can have a net-work of such institutions which depend for their success on the spirit of co-operation of our people.

It is highly necessary that the youth who are the present and the future hope of our country should be well versed in the principles of the Co-operative Movement. They must be taught in both their schools and universities on the theory and practice of Co-operation so that the Co-operative Movement may rest upon broad based and solid foundations.

It is, however, gratifying to note that in Orissa over 5,000 co-operative societies engaged in various forms of social service are functioning besides the provincial organisations such as the Orissa Provincial Co-operative Bank, the Orissa Provincial Co-operative Land Mortgage Bank, the Orissa Provincial Marketing Co-operative Society with a total working capital of over Rs. 425 lakhs and a membership of nearly 3 lakhs. Considering the fact that Co-operation in Orissa has just emerged from the process of rehabilitation, this growth may be said to be phenomenal. I further understand that of late the central banks in North Orissa and the Provincial Bank at Cuttack have been able to attract deposits which itself speaks of the confidence that these institutions are steadily infusing into the minds of depositing public. But more has yet to be done and Orissa, I am sure, will not lag behind other provinces in achieving the desired results. We should not rest content till we establish co-operative movement which should ultimately include every family in Orissa getting the benefit of this great movement. We can only be satisfied when through this movement every man, woman and child has attained his or her fundamental rights, the right to work, right to live, food, housing and clothing and all other social benefits which will make life happier. Just now Orissa is organising its cottage industries and there is hope of greater progress with the construction of the Hirakud Dam.

But mere production is not enough. The question is finding markets for these goods. This can be done by the establishment of a museum-cum emporium in every town and taluk centres thus getting the producer and the consumer in contact without the intervention of the middle-man. There must be a Central Emporium at the capital where any body from any part of the world may know what could be obtained in Orissa without a middleman. It is the Co-operative Movement alone that can be the trustee of these small producers and help in the regeneration of cottage industries. What is wanted is practical men and women with vision and foresight who believe in Sarvodaya principles and who have honesty and integrity and are prepared to put their shoulders to the wheel. In it lies the future success

of the Co-operative Movement. I commend my brother co-operators to this aspect of matters. We have to build not only our individual characte but our national character. Then alone there is hope. Otherwise, we will go down to our disadvantage.

I will conclude with the words of Sir Frederick Nicholson :—

"It is not in great schemes or institutions, not even in specially granted privileges that success lies, but in the unassuming labours which starting with simple ideas, simple aims and simple facts overcome each difficulty as it arises and perfects the systems which shall be found suitable to the needs of the country. Success can only arise from the long continued practical efforts of zealous men who, while informed in the details of every method, yet tried, can yet live among the people vivified them with their own spirit and intelligence, energised them with some of their own enthusiasm and with them work out in actual fact even though on the humblest lines."

The Co-operative Movement, therefore, is bound to have a great future before it and is sure to play an increasingly important part in the development of the resources of the country. This movement of co-operation alone has great potentialities of bringing peace, harmony and contentment to this warring world.

Resolutions Passed

1. It is with deep sorrow that we refresh our memory of the late Dewan Bahadur Sri T. Venkatakrishnayya, whose passing away from our midst, has taken away from us a veteran Co-operator of Orissa. His services in the capacity as President of the Orissa Provincial Co-operative Land Mortgage Bank Ltd., the Berhampore Co-operative Central Bank Ltd., the Chatrapore Co-operative Bank Ltd., and the Humma Salt Production & Sale Co-operative Society Ltd., will long be remembered with gratitude. In him, Orissa lost a Co-operator difficult to replace.

2. This Conference expresses its sorrow at the sad demise of Sri T. A. Ramalingam Chettiar of Coimbatore, a veteran Co-operator of All India repute.

3. This Conference offers its respectful congratulations to the Hon'ble Sri Radhanath Rath, a director of the Orissa Provincial Co-operative Bank, and the Hon'ble Sri Deenabandhu Sahu, Director of the Orissa Provincial Co-operative Bank and of the Orisss Provincial Co-operative Land Mortgage Bank on their appointments as Ministers of the Government of Orissa.

4. This Conference requests the State Government to declare the International Co-operative Day (First Saturday of November in India) as a public holiday under the Negotiable Instruments Act.

5. This Conference expresses its gratitude to the State Government for arranging financial accommodation from the Reserve Bank of India, on

their own guarantee to the Co-operative Movement in the State through the Orissa Provincial Co-operative Bank.

6. (i) As the agriculturist to-day requires finance for many medium term purposes, this Conference requests the Reserve Bank of India to take steps to provide medium term finance for three to five years, to the Co-operative Movement through the Provincial Co-operative Bank.

(ii) This Conference appeals to all Co-operators to deposit their savings regularly in co-operative institutions so as to make the Movement strong and self-supporting. It also fixes the target of deposit of rupees ten lakhs which should be collected by the next International Co-operative Day. The rate of interest offered on these deposits should not exceed the rate at which the concerned bank or society borrows. Each society should collect at least Rs. 100 by the target date.

7. In order to enable the co-operative institutions to augment their working funds, this Conference requests the Government to issue necessary orders to all the departments of Government and Semi-Government and Local Bodies to deposit their funds, securities, provident funds etc., in the Orissa Provincial Co-operative Bank and such other institutions as are approved for this purpose by the Registrar, as is generally being done in other States.

8. This Conference urges on the Government to give preference to the co-operative societies to act as agents for the distribution of loans and aid under *Grow More Food* Scheme and State-aid to Cottage Industries to make the campaign more effective.

9. Inasmuch as the wages of agricultural labour and the prices of bullocks and implements have gone up considerably and also simultaneously the prices of agricultural produce have gone up, the Conference is of opinion that the present maximum borrowing power of societies of Rs. 4,000 is inadequate, and requests the Registrar to increase the maximum borrowing power up to ten times the paid up share capital plus the Reserve Fund where such limit is imposed.

10. This Conference requests the Provincial Co-operative Bank not to charge penal interest on overdue loans from central banks and societies but if it feels necessary to retain the penal interest as a check on overdues, the rate of such interest be reduced to ½ per cent over the contracted rate of interest. The Provincial Co-operative Bank is also requested to waive supervision cost or T. A. charged at present on borrowing societies.

11. This Conference resolves to request the Government to issue suitable instructions to all heads of Departments of Government to withhold from salaries of their staff members in the matter of their debts to the co-operative societies as per the undertakings given by them when obtaining loans from the societies.

12. This Conference resolves to request the Government to grant adequate annual subsidy to the Orissa Co-operative Union to enable it to carry out its functions more efficiently.

13. The Conference requests all co-operative societies earning a net profit of more than Rs. 1,000 per year to contribute one and half per cent of such profits to the Orissa Co-operative Union for education and propaganda, subject to a maximum of Rs. 500.

14. In as much as the Co-operative Movement in Orissa is not thriving on correct lines owing to want of knowledge of co-operative principles and practice among the directors and *punches* of societies, the Conference requests the State Government to provide fnnds and staff for their peripatetic training.

15. As Inspectors who are appointed first prior to their undergoing training do not pay adequate attention to their studies due to the fact that a long period of six years is allowed for passing the test, which has resulted in the inefficiency of the Department, this Conference requests the Government to amend the rules of recruiting by giving stipends to Inspector trainees instead of appointing them forthwith as Inspectors and to appoint them on their success in the examination.

16. Resolved that the supervisors and bank clerks should be given practical training for three months after their theoretical training in the Institute and the Government be requested to come to the help of the weaker banks to maintain supervisors during their training.

17. With a view to improve the standard of training in the Co operative Training Institute, the Conference is of the opinion that the Lecturers in the Co-opeaative Training Institute should not be of lower grade than that of the Sub-Assistant Registrars.

18. This Conference requests the Government to make necessary provisions in the Co-operative Societies Act for starting primary land mortgage banks as in Madras, Bombay etc., and convert the Orissa Provincial Co-operative Land Mortgage Bank into one of a federal type.

19. As the loan transactions of the Provincial Co-operative Land Mortgage Bank are being limited to the budgetary allotment of funds by the Government which are likely to be varied, the Bank is unable to extend its activities intensively to the existing areas and expand to new areas and adopt new schemes. Therefore, it requests the Government to finance to the extent of all its loan requirements between one series and another series of debentures. The Government may also consider the feasibility ot allowing revoling capital of rupees ten lakhs so that the Bank may meet its demands without the least inconvenience to its members.

20. This Conference urges on the Government to provide at least ten lakhs of rupees in this year's budget as also in all successive budgets for lending the same as long term loans to co-operative building societies repayable in twenty equated annual instalments, as the housing problem is acute in the urban and semi-urban places of Orissa and as the co-operative housing schemes cannot be postponed or deferred and as most

of the States are making it a point to provide adequate funds specially for the finance of building societies in every annual budget.

21. Resolved to request the Government that co-operative building societies and labour co-operatives be given Government building and construction work by the Public Works Department as the Government can confidently rely and obtain tangible work for the amounts spent by the Government on any such work.

22. The Government of India through the State Government be requested to grant quotas of export permit in respect of indegenous Orissa Products and import permits for consumer goods required for Orissa, even though they may not have export and import business in the basic years.

23. This Conference resolves to request the Government to sanction 50 per cent subsidy and 50 per cent loan for construction of godowns by the co-operative institutions.

24. This Conference requests the State Government and the Government of India to give fishery leases only to Fishermen Co-operative Societies on ten years lease instead of three years as at present and fix the rental on a ten years average instead of on three years average. This Conference also requests the Government to retransfer the administration of Fishermen Co-operative Societies to the Co-operative Department.

25. This Conference resolves that a village or a group of villages in each district be selected for all round devlopment as suggested by the Planning Commission so that they may serve as models to other villages in the district. The Conference requests Government to direct its Nation Building Departments to co-ordination and concentration of their activities in the village or group of villages under the management of Multipurpose Co-operative Society.

26. This Conference is of opinion that the promotion of the Industrial Co-operative Finance Corporation which has already been registered is a move in the right direction. Resolved that a Sub-committee be formed with the following gentlemen to examine the scheme and take such measures as are found necessary.

1. Sri B. K. Rath.	4. Sri R. Panigrahi.
2. Sri. M, V. Suryanarayana.	5. Sri L. N. Sahu.
3. Pandit W. V. V. B. Ramalingam.	6. Sri Bijayananda Patnaik.

27. While taking notice of the Co-operative Societies Bill which was passed by the Legislative Assembly, this Conference is of opinion that it is defective in certain respects and therefore requests the Government to bring forward an amending bill rectifying the defects in the Act. This Conference, however, appoints a Sub-committee to suggest suitable amendments and present a draft amending bill to the Provincial Co-operative Union which will place the same before the Government for consideration.

Sub-Committee

1. Sri N. Ramakrishna Rao	9. Sri S. C. Roy
2. „ Y. R. Bali	10. „ Srinibas Kaviratna
3. „ M. Sitaramyya	11. Rai Saheb Madan Mohan Mishra
4. „ V. Sitaramyya	
5. „ Raghunath Panda	12. Sri L. N. Sahu
6. „ Ramachandra Das	13. „ B. K. Rath
7. „ R. N. Panigrahi	14. „ Akul Mishra
8. „ M. V. Suryanarayana	15. „ N. Venkateswarulu

28. In order to create the permanent interest of the departmental officers in the Co-operative Movement, this Conference requests the Government to recognise and to implement the principles of closed service in the Co-operative Department as was done in Madras and some other States.

It also requests the Government to put the existing nine Co-operative circles on a permanent basis so that the officers and staff working in them may feel security of service and may show greater interest in the Movement.

29. This Conference is of opinion that loans delayed are loans denied and requests the Provincial Bank to sanction loans more expeditiously.

30. This Conference is of opinion that a Co-operative Central Workshop be organised in each central place and also to organise a net-work of Industrial Co-operatives in the State of Orissa.

31. The Conference is of opinion that for sound development of Cottage Industries a separate department of Cottage Industries should be placed under the Registrar of Co-operative Societies just on lines of Bombay and in pursurance of the Planning Commision's Report.

32. As the Constitution of the Union of India accepts Co-operative Commonwealth as our ideal, this Conference urges on the Government of Orissa to take all possible steps for implementing the scheme of Co-operation in all walks of life and as such the Government should recognise Co-operative Insurance Societies of the State as Official Insurers for the insurable goods of the Government, Semi-Government, Local Bodies and co-operative organisations etc., as integral and important part of the Co-operative Movement to make it a success and self-supporting.

33. This Conference requests the Government in general and Co-operators in particular to render all possible help for organisation of a Co-operative Life Insurance Society proposed to be sponsored by the Orissa Co-operative Insurance Society Ltd.

34. This Conference requests the Government to lease out inland fisheries to fishermen co-operative societies and in their absence to other co-operative societies which intend to take up pisiculture. The lease should be for ten years and the rent fixed on average rental for the last ten years.

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XXXVIII MYSORE STATE CO-OPERATIVE CONFERENCE

Held at Hassan on 3rd and 4th May 1952

Inaugural Address by Sri R. G. Saraiya, O.B.E., President, Indian Co-operative Union.

Brother and sister co-operators and friends—

I consider it a great privilege to have been called upon to inaugurate the 38th Mysore Provincial Co-operative Conference. I am all the more gratified that the Conference is being held in a District town like Hassan, set in the midst of rich natural beauty and in the vicinity of Belur and Halebid, treasure houses of Indian art and architecture. Your beautiful State of Mysore is distinguished by its traditions of ancient Indian culture, art and religion. It has had the benefit of a series of distinguished and enlightened rulers like the present *Raj Pramukh* H. H. the Maharaja Sri Jayachamarajendra Wadiyar Bahadur and his illustrious uncle, the late Sri Krishnarajendra Wadiyar Bahadur. It has also had the benefit of capable and far-sighted Dewans and administrators like Sir M. Visveswaraiya and Sir Mirza Ismail. In many respects, therefore, the State of Mysore has been a model State, and the rest of India has something to learn from the architectural beauty of its cities and the enlightened programmes of village reconstruction and industrialisation. Apart from these general aspects, the State of Mysore has also the distinction of the Co-operative Movement having been started as far back as 1905. For a progressive State like Mysore this was in the fitness of things, and I am sure that in the modern democratic regime in Independent India, the State of Mysore will continue this distinction and add to its glories by a rapid and democratic development of the State both in the rural and urban areas through the Co-operative Movement. The Co-operative Movement in Mysore has had the benefit of being reviewed from time to time; the last such review was conducted in 1935, under the distinguished Chairmanship of Rajadharma Pravina Dewan Bahadur K. S. Chandrasekhara Aiyar. It has also had the benefit of active assistance and sympathetic guidance from the Hon'ble Sri K. Chengalaraya Reddy, the former Chief Minister and the Honble Sri T. Mariappa, former Minister for Co-operation. I am sure it will have the advantage of active interest and support from the present Ministry headed by the Hon'ble Sri K. Hanumanthaiya, and from Hon'ble Sri H. Siddaveerappa, Minister for Co-operation. Mention should also be made of the distinguished services of Co-operators like Sri. S. Srinivas, Sri N. S. Hirannayya, Lokasevasakta Sri Kuppuswamy Iyengar, Rajadharmaprasakta A. R. Nageswara Iyer, Justice Sri B. Vasudeva Murthy, Sri P. Gopala krishna Setty, Rajasevasakta Sri S. Venkateshaiya, Sri T. S. Rajagopala Iyengar, Dr. K. R. Srikanteswar, Sri A. N. Rama Rao, Sri S. Srinivasa Iyengar, Sri R. K. Jayathirthachar, Sri C. S. Krishnappa and a host of others who have in no small measure contributed to the success of the Co-operative Movement in the State. It is therefore, a great privilege to have been called upon to inaugurate the Co-operative Conference in a State which has so much distinguished co-operative talent.

Recent Progress:—Your enthusiasm for the Co-operative Movement has been aptly illustrated by the initiative which you took in calling a Seminar on Co-operation in 1950. I have read with considerable interest the Report of the Mysore State Seminar on Co-operation and the papers which were put before the Seminar by the various learned co-operators.

The progress of the Co-operative Movement in Mysore since Independence can be guaged from the fact that, whereas there were 2,545 societies with a membership of 2,34,711 on 30th June 1957, the latest figures for the year ending 30th June 1951, reveal that there are 5,190 societies in the State with a membership of 5,01,232. With a population of about 90 lakhs, a membership of 5 lakhs indicates that nearly 30 per cent of the population has been reached by the Co-operative Movement in one form or other, on the assumption that one member represents a family of 5. While these figures indicate the rate of progress achieved in the past, especially since Independence, there can be no doubt that there is vast scope for increassing both the number and membership of societies and also their activities in the direction of reconstructing the rural life of the State.

Problems peculiar to the Co-operative Movement in Mysore State:—I will now turn to some of the local problems of Co-operative Movement in Mysore as I see them, especially as Mr. Srinivas was good enough to supply me with the literature on the subject. As these remarks are based only on a general knowledge of the subject, there may be some shortcomings in the same which, I am sure, you will overlook and try to remedy in the course of the discussion in the Conference.

(*a*) **Multipurpose Societies**: In order that the Co-operative Movement in the State of Mysore, or indeed anywhere, can function properly, it is necessary that it should be strengthened from the bottom. I have noted with great interest the rapid development of Multipurpose Co-operative Societies all over the State, the idea being that for every group of 20/25 villages there should be at least one Co-operative; and that these Multipurpose Co-operatives should deal in all commodities and engage themselves in all activities necessary for the welfare of the ryot. According to the Report for the year ending 30th June, 1951, 828 Multipurpose Co-operative Societies have been organised in the State with a membership of 1,83,229 and a share capital of over 27 lakhs rupees. While welcoming this development of Multipurpose Co-operative Socieies, I would like to sound a note of warning to the Co-operators in the State not to mix up the trading activities of the Multipurpose Co-operative Societies with the banking activities, for that way lies danger to the solvency of the movement as a whole. It has been one of the tenets of sound finance that a banking institution should not indulge in trading, as trading activities are likely to endanger, inspite of the best possible care that may be taken, the financial stability of the Institution. Further the qualities and the training required for banking activities are different from those required for trading activities. In fact, you may be aware that the Reserve Bank of

India insists that the indigenous money-lenders or Shroffs should separate their banking and trading activities in order to be eligible for assistance. I understand that at present the Multipurpose Co-operative Societies are being conducted by Secretaries, who are Inspectors of the Co-operative Department, and the Tehsildars are invariably their Vice-Presidents. In this connection, I would urge upon the Co-operators to ensure that. before long, the working of these Societies will be in the hands of non-officials. It is essential that proper training facilities are made available to the Movement under the auspices of the Mysore Provincial Co-operative Institute, so that the personnel for the working of these societies becomes readily available and the dependence on official agency is reduced.

(*b*) **Land Mortgage Banking** :—It is indeed gratifying to note that land mortgage banking in Mysore has already considerable achievement to its credit. The Mysore Provincial Land Mortgage Bank, Ltd., with the 79 Primary Land Mortgage Banks, is already playing a significant part in providing a part of the long-term needs of the agriculturists. I would, however, add that, apart from the redemption of old debts, stress should be laid on providing loans for the improvement of agriculture, provision of irrigation facilities, wells etc. and for the improvement of land. I am quite sure that this aspect of the function of land mortgage banking will not be neglected by the Mysore Provincial Land Mortgage Bank, Ltd., and its primary units.

(*c*) **Apex Bank**:—I notice that the Seminar on Co-operation has recommended that the Apex Bank should be the real apex of the financial structure of the Co-operative Movement in the State. This is all the more necessary, as all the assistance to the Co-operative Movement from the Reserve Bank of India can only be channelled through the State Co-operative Bank. The Seminar in 1950 made some recommendations in connection with the reorganisation of the Apex Bank and the necessity of strengthening its capital and organisational structure. ***The Review of the Co-operative Movement in India 1948-50*** by the Reserve Bank of India mentions the following :—

> "In Mysore, following the recommendations of the Chandrasekhara Aiyar Committee for liquidation of the existing Central Banks the Provincial Bank is dealing directly with primaries. However, the major portion of the outstandings are either frozen or of a long-term nature. The bad debts amounted to Rs. 8.01 lakhs against which a provision of Rs. 0.24 lakhs is meagre. The absence of an intermediary link between the Provincial Bank and the village primaries would, however, appear to have a large bearing on this aspect, as there might have been some slackening of supervision and control."

This again stresses the need for strengthening the Movement from the bottom, *i.e.*, from the primary societies onwards, to ensure proper non-official interest and zeal in the working of the Movement and, above all, to

ensure proper supervision and direction. The reorganisation of the Apex Bank should be done in consultation with the Reserve Bank of India, who are actively interested in the formation of proper State Co-operative Banks so as to ensure that it is accepted as the agency for channelling the Reserve Bank's assistance for agricultural production and marketing. It is also necessary that the Apex Bank remains representative of non-official co-operative opinion and interest. State participation both in capital and in organisation should be welcome at this stage, but the preponderating voice should be that of the Co-operative Movement.

I notice that one of the recommendations made by the Seminar is that the Mysore Provincial Co-operative Apex Bank should be able to get credit facilities from the Reserve Bank of India not only for agricultural purposes but also for commercial and trade purposes in the same way as Scheduled Banks. In this connection, you are perhaps aware that section 17 (2) of the Reserve Bank of India Act has been recently amended so as to include State Co-operative Banks in the facilities given under that section. The Reserve Bank of India can now re-discount or give advances to State Co-operative Banks on the security of promissory notes with a fixed maturity not exceeding 90 days and arising out of bonafide commercial or trade transactions and bearing two or more good signatures one of which is that of a State Co-operative Bank.

Among the bills which the Reserve Bank of India would consider acceptable are bills drawn upon a co-operative institution by a Producers' Organisation and arising from the sale of its products, and upon Consumers' Organisations engaged in the distribution of consumers' goods, raw materials, agricultural implements, fertilsers etc. The detailed procedure in this connection has been given in a recent circular from the Reserve Bank of India, and I trust that the Co-operative Apex in Bank in Mysore will be able to take advantage of this facility.

Role of Co-operation in the Draft Plan of the Planning Commission:—I would now like to refer to the Draft Outline Plan of the Planning Commission, and the place of co-operation in the same. Such a reference at this stage is most important because the progress of the country during the next five or six years and the economic destiny of the various parts of the country will be largely governed by the recommendations of the Planning Commission, which will shortly be finalised. It is, therefore, necessary for the Co-operative Movement and the co-operators in general to take serious notice of the draft outline report of the Planning Commission and to see how the Co-operative Movement in each State can play a significant part in working out the plans of the Planning Commission. In this connection, I cannot do better than quote the resolution passed by the First Indian Co-operative Congress, which gives in broad outline the reaction of the Co-operative Movement to the draft outline report of the Planning Commission.

Resolution No. II—

PLACE OF CO-OPERATION IN THE 'FIRST FIVE YEAR PLAN.'

"(1) While appreciating the fact that the use of the Co-operative Movement has been advocated by the Planning Commission in connection with a number of economic activities, particularly those relating to agriculture and rural development, the Congress regrets to find that the Commission has not specifically adopted the principle of giving first preference to Co-operative Institutions in formulating and implementing its programme of reorganisation and development. Co-operation has a very much wider role to play in the working of the Plan than has been specified in the Commission's draft outline.

"(2) State assistance to individuals should be made available through Co-operative agencies only. The draft outline, while enunciating this principle appears to make this a function of the Village Production Councils also of which the panchayat executives, where they exist, will be the nucleus. In the opinion of the Congress, wherever co-operative societies exist, these should be the exclusive channels of economic contact between the State and the people. It is all the more necessary specifically to emphasise this aspect, as in the past Government have been neglectful in favouring co-operative channels even to the extent to which governmental declarations of policy have seemed to favour them.

"(3) Marketing and Trading as far as possible at all stages should be organised on a co-operative basis.

"(4) The Consumers' Co-operative Movement should form an important part of a Scheme of Planned Distribution.

"(5) The proposal of the Planning Commission to recognise registered farms without limit of size, opens out a prospect of subsidised capitalistic farming which will prove inimical not only to the progress of co-operative farming, but also to the realisation of the social objectives of the Plan. While for increasing the size of the holding, the co-operative method should be energetically pursued, the immediate need to help the small holder to the maximum possible extent to improve his production should not be overlooked. In any case, nothing should be done to favour, or even to acknowledge capitalistic farming as an instrument of agricultural planning.

"(6) The prospect of organising processing industries using raw materials locally produced on a co-operative basis should be fully explored.

"(7) Cottage and small-scale industries must be fitted into the overall plan of industrialisation by creating a defined field for their operation.

"(8) An estimate of financial needs of schemes of co-operative expansion and an indication of the resources–private and public from which they are to be met should form a necessary part of the Plan. Unless the entire system of credit operating in the country, including the State, the Reserve Bank, the Imperial Bank and the Co-operative Banks, is treated on an integrated basis for meeting the requirements of the national plan, both planning and execution are bound to become diffused, risky and ineffective.

"(9) The agency of co-operative institutions should be used on the widest possible scale for the construction and maintenance of public works, especially those of local use.

"(10) The Congress welcomes the idea of selecting for intensive development along co-operative lines suitable areas in several States and urges that in all these areas co-operative methods of organisation should be used. In areas thus selected for intensive development all legitimate governmental assistance should be made available for the working of the plans of development, and the local bodies and institutions concerned should be given powers to direct the employment of land and labour into defined channels, provided they take this decision by a very large majority. In the permissive legislation that will have to be passed for this purpose, suitable safeguards against arbitrary use of this power should be provided.

"(11) The Congress requests the Executive Committee, if necessary through a Sub-Committee with co-opted members, to keep the progress of planning under continuous observation and study, and to convey to the Planning Commission both general and detailed suggestions as occasions may arise."

The above Resolution has been conveyed to the members of the Planning Commission and I have been assured that the recommendations contained therein and in resolutions passed by other co-operative institutions are receiving the serious consideration of the Planning Commission. I am indeed hopeful that the draft outline report of the Planning Commission will, to some extent, be modified in the light of criticism brought to bear upon it by the Co-operative Movement. Now that the Report of the Planning Commission will soon be published, it would be necessary for the co-operators in each State to be equipped to carry out the plans. Indeed this has been recommended by the Indian Co-operative Congress in Resolution No. III, which is reproduced hereunder.—

ADOPTION OF CO-OPERATIVE MOVEMENT TO BE THE DECLARED STATE POLICY FOR DEVELOPMENT AND CONSIDERING HOW FAR AND TO WHAT EXTENT CO-OPERATIVE MOVEMENT CAN HELP IN IMPLEMENTING IT.

"This Congress urges upon the State and the Central Governments the necessity of carefully considering the suggestions and views of organised co-operative opinion before finally deciding policies in regard to economic development.

"Co-operators and the Co-operative Movement will fully co-operate with the State in conformity with co-operative principles in the implementation of the economic and development policies that may be finally decided upon by the State.

"The co-operators in each State are requested to prepare a co-operative plan (within the frame work of the overall State or National plan) taking into consideration the State of development, resources and the strength of the Co-operative Movement and the State assistance required in their States, fixing as far as possible priorities for different schemes and items of work so that the Co-operative Movement can play its appropriate part in the economic development of the nation adequately, efficiently and without loss of time."

Necessity of an integrated programme of credit, crop production and marketing being prepared and worked by the Co-operative Movement:—You will notice, taking both the resolutions together, that stress is laid on the one hand on the desirability of government utilising to the utmost co-operative organisation for the execution of their plans, and on the other on the necessity for the Co-operative Movement to be equipped to carry out the plans of development of the State by preparing their own plans within the frame work of the national plans and by expressing the readiness to carry them out. For example, the most vital and pressing problem before the country now is the problem of increasing food supply. You are aware that the problem is all the more acute in the State of Mysore which, unfortunately like Bombay, is a deficit State. It will, therefore, be necessary for the co-operative societies in rural areas to take considerable interest in the promotion of Grow More Food activities. Co-operative Societies which finance agriculture and are organised for the supply of credit as well as for the mobilisation of rural savings should play an increasingly important part in promoting agricultural production. If the co-operative society in each village is utilized by the State as the proper channel for passing on Government assistance in respect of supply of credit, seed, cattle feed, fertilisers, technical advice etc., it can serve as a centre of all economic development in the village and direct food production drive, improvement in methods of cultivation, crop planning, land improvement and irrigation programmes, so as to ensure increased production. It was said of the Co-operative Movement in the past that it mainly concentrated on credit. Later on, the necessity of expanding the number of activities of the Co-operative Movement was stressed and it was considered essential that credit should be linked with marketing. The time has now come to go one stage further to link production with credit and marketing. I would urge that efficiently managed co-operative societies should, in consultation with the Agricultural Department, be prepared to draw up programmes of crop planning and food production for the village community as a whole

and for working out these programmes. They should be prepared, with the assistance of Agricultural Officers to see to the execution of these programmes by providing finance, wherever necessary, supervise the actual execution of these programmes at different stages and arrange for better marketing facilities. This very important work cannot be done without considerable State help and it is our claim on behalf of the Co-operative Movement that all such State aid should be channelled through the Co-operative Movement. But the Co-operative Movement, on its part should be prepared to carry out its own obligations of seeing to the implementation of the Plans of the State, so that an integral programme of crop planning, food production, credit and marketing can be worked by it. I would, therefore, urge upon the leaders of the Co-operative Movement to consider this aspect of the problem and to see whether they can so direct and expand the Co-operative Movement as to secure this most desirable objective.

In this connection, it will also be necessary for the Co-operative Movement in Mysore State to establish a chain of marketing societies, and to link them up with the Multipurpose Co-operative Societies referred to above. Indeed a promising start has been made in this direction, and I am referring to the question again in order that there should be a complete co-operative plan for the State of Mysore in which credit, production and marketing are linked.

A Co-operative Plan for Mysore State: Before leaving the subject of Planning, I would like to suggest that, in addition to the initiation and execution of plans of agricultural development so as to link production, credit and marketing, the co-operators of the State of Mysore should be able to suggest lines of development for such other activities as industrial co-operation, co-operative housing, consumers' co-operation. etc. Next to agriculture, the greatest extent of employment can only be provided by a well developed system of cottage and small-scale industries. In fact, the greater the development and rationalisation of agriculture, the greater will be the importance of small-scale and cottage industries both for providing subsidiary employment to the agriculturist in his spare time and for providing employment to the population found surplus to the needs of agriculture. To enlightened co-operators like those in Mysore, I need hardly say more than stress the need for more industrial co-operation and its development. Nor do I purpose to dwell on the importance of developing co-operative housing, as a beginning has already been made and the Government of Mysore recognised the important role the co-operatives can play in the solution of the housing problem. Further there is considerable scope for the development of Consumers' Co-operative Societies, which can not only supply the daily needs of urban and rural population but also provide a market for the products of agricultural and industrial co-operatives. In order to cover comprehensively the various aspects of co-operative development, it will therefore be desirable for the co-operators in the State of Mysore to prepare a comprehensive Co-operative Plan as soon as the final recommendations of the Planning Commission are known. This will enable the Plan for the Mysore State to be dovetailed into the all-India plan, and enable the Co-operative Movement to play its proper part no only in the planning of the development of Mysore, but also in the whole of India.

Formation of a Co-operative Council for Mysore State : In a democratic State, where all planning and its execution have to be influenced by the will of the people, frequent inter-change of opinion and greater contacts between the State authorities and the co-operative organisations is a vital necessity, so that the co-operative organisations may not feel that they are being dictated to or submitted to authoritarian plans from the top in which they have no say. The State as represented by the executive and legislative bodies should also be prepared to listen with an open mind to the various parts of the economic structure and to modify its plans in the light of their criticism. Such frequent inter-change of opinion, criticism, action and reaction between the Planning Body and the parts of the economy affected by the Plans are absolutely necessary, in order to secure the willing and enthusiastic support of the people in the implementation of the plans, and working arrangements for such inter-change of opinion must be evolved in order to make Planning in a democratic State effective and successful. I would, therefore, urge upon the State authorities and the co-operators of Mysore to establish a State Co-operative Council consisting of both officials and non-official workers in the Co-operative Movement, members of legislature, leading economists, Ministers and officers of Government Departments concerned like Finance, Agriculture, Co-operation, Civil Supplies etc.

Is some change in Co-operative outlook necessary in view of modern developments of Planning and a 'Welfare State'?:—I would here like to urge upon the co-operators to consider, rather carefully, the impact of planning in a democratic State and then ask themselves the question as to whether any modification in their outlook in regard to the methods of co-operation is necessary. This is a very important and far-reaching question and I would not, at this stage, lay down any *obiter dicta* in the matter beyond indicating that this is a serious problem which has to be considered. For example, in the context of State-wide planning and the part which co-operators are expected to play in carrying out the plans of development prepared either by the Central or State Governments, the question may be asked as to what extent the principle of "Voluntary" Co-operation can be reconciled with the needs of planning. The principles of were laid down in the 19th century when the English economy was one of Laissez Faire in the midst of a capitalist society. The social and economic framework, in which these principles were enunciated, has undergone substantial modification and to-day there has been increasing State interference and participation in all economic matters. If the principles of planned economy are accepted—the country has already done it—the question arises as to what extent the acceptance of a planned

economy can be reconciled with complete independence of action on the part the various sectors comprising the planned economy. Even in regard to the 'private sector', the draft outline of the Planning Commission lays down that it would be free to pursue its normal activity, "subject to the overall objectives of the plan and the controls necessary for their achievement." In a recent speech at the Fedration of Indian Chambers of Commerce and Industry, the Hon'ble Prime Minister observed that private enterprise can function only so long as it serves the public purpose, and so long as it falls within the pattern set up for the country as a whole. The same considerations are bound to apply to the co-operative movement. Co-operative organisations should, therefore, be prepared to conform to the plans of the State and at the same time maintain their internal independence. Where co-operative organisations undertake certain functions on behalf of the State, naturally they are entitled to State assistance and must be prepared for some kind of State partnership or association and even to some kind of adaptation of the "Voluntary" principle. So long as State assistance and State association do not impair the intrinsic independence of the co-operative organisation and its capacity to function as such, such assistance and association should be welcome. Indeed there is a precedent in the State of Bombay, where the Co-operative Movement has undertaken the work of supplying credit to all credit-worthy agriculturists in all parts of the State, except those which are either economically or co-operatively backward.

The Government of Bombay have provided assistance to the capital structure of the Apex Bank and have also secured representation on the Board of the Bank to the extent of three Directors out of a total strength of 32. In this connection, I can do no better than quote the opinion of the well-known Economist, Mr. G. D. H. Cole, who in his recent publication, *The British Co-oprative Movement in a Socialist Society*, says:

> "I do not see why co-operative societies need hesitate, when opportunity offers, to act as agents of the State, for example, in supplying all the inhabitants of a particular area with milk or coal—even if this involves some departure from the voluntary principle. Nor do I see why co-operative bodies, in order to extend their range of services, should not be prepared to borrow capital from the State or again, to enter into partnership with the State for the conduct of some branch of production of consumers' goods. Yet again, I see every reason for the producers' societies, which have been always held back by want of adequate capital, to accept State aid in establishing new factories in which to try out, under more favourable conditions than in the past, the virtues of their form of workers' democracy."

This was written in England, where the principal from of co-operation is Consumers' Co-operation. But its recommendations could easily be applied to agricultural co-operation for production, credit and marketing.

Conclusion : Before concluding, I would like to thank once more Sri S. Srinivas and the members of the Committee of the Mysore Provincial Co-operative Institute for inviting me to inaugurate this august gathering. Although I have referred to the necessity of a certain change in the outlook for the co-operative movement, I need hardly say that the ultimate principle of Co-operation is eternal, *viz.*, "Each for all and all for each." Co-operation is both a system and a spirit; It is both a method of working and a moral force; it is a form of organisation with legislative sanction and at the same time a method of economic working which enables small units to pool their resources together for their common good. In the modern context of a Welfare State, the principle of co-operation is, really being extended to the working of the whole State. While the modern State is taking an increasing part in the economic working and development of the country, it may be necessary to alter some of the forms of organisation and the legal apparatus behind the Co-operative Movement. But I must repeat that the fundamental principle of co-operation must remain unchanged. The association and working together of human beings for the common end gives it a moral value above and beyond purely economic considerations of individual gain and it is for this reason that it has found universal acceptance. The following quotation from the Rig-Veda may indeed be taken as the motto of the Co-operative Movement :—

"May you all have a common purpose ;
May your hearts be in unison ;
May you all be of the same mind ;
So that you can do your work efficiently and well."

Presidential Address
Delivered by Sri S. Srinivas F.R.H.S.,
President of the Mysore Provincial Co-operative Institute.

Rajasevasaktha Sri S. Venkateshaiya, Fellow Co-operators, Ladies and Gentlemen.

I have great pleasure in being in your midst to-day to preside over the 38th Mysore Provincial Co-operative Conference. I sincerely thank the members of the Provincial Co-operative Council of the Institute for doing this honour to me. I am all the more happy because our distinguished guest Sri R. G. Saraiya, has been kind enough to give his consent to inaugurate the 38th Mysore Provincial Co-operative Conference. His name has become a house-hold word.

The report of the Planning Commission for work to be done in the first five years has attracted keen interest among Co-operators. But I regret to mention here in the Report that "Co-operation" has not been given its due place and recognition. The First Indian Co-operative Congress which was held just recently at Bombay is also of the same opinion and has further pointed out that Co-operation has a very much wider role to play in the working of the plan than has been specified in the Commission's Draft

outline. The private Sector and the private initiative are recommended for playing a more predominant role than Co-operation. Expansion of Industrial production is regarded as the responsibility of the Private Sector. Though mention has been made of the scarcity of houses, there are no definite proposals regarding development of Co-operative Housing. Nothing is said about Co-operative Marketing, and Consumers' Co-operatives. Co-operators expected that in the Commission's examinations and conclusions on the subject of rural development, both of agriculturists and cottage workers, the Co-operative organisations would be given a prominent part.

Agriculture has been specifically mentioned in the Report. It is expected of every Indian to do his best to solve the food problem that is now facing the country. With this object in view the Commission has earmarked a sum of Rs. 191·70 Crores for Agriculture and its development. Further, to enable the country to achieve self-sufficiency in food by developing agriculture, a scheme which can be immediately undertaken has been prepared. This consists of three parts, starting of agricultural co-operative societies to provide the farmer short-term and long-term loans at the right time when needed, supplying of agricultural implements, seeds and manures, to provide godown facilities, to market the products of the farmer at fair and reasonable rates, poultry farming, bee-keeping, development of cottage industries, supplying of raw materials etc.

The societies by doing such development works can do a lot in increasing the national production. It is with this object in view that multipurpose co-operative societies have been started throughout the State. These societies in addition to catering of the above objects must bestow attention towards the moral upliftment of the people. It is only the Co-operative Movement which alone, of all organisations known to mankind so far, can operate in a cosmopolitan plan regardless of caste, class, creed or colour and afford an effective answer to Godless Communism in India. In this direction, if we are to speak about the success or failure of the Co-operative movement, if at all that movement fails, it fails because of the dearth of honest and efficient leaders in the societies. What is required in our societies today is harmonious combination of honesty and efficiency in leadership. Mahatma Gandhi has also said "the co-operative movement will be a blessing to India only to the extent that it is a moral movement, strictly directed by men fired with religious fervour... We will not measure the success of the movement by the number of co-operative societies formed, but by the moral condition of Co-operators".

It is well known that the Co-operative movement is a peoples movement and not of the Government. Hitherto the Government was only a Police State. But today's State is a Welfare State. Today's State is in a smaller or greater degree, a Socialistic State. Agriculture, Trade, Industry, Education, Sanitation etc., all these can be undertaken on the principles of Co-operation. So it is but right that Government should have some control over co-operation. But with increased departmental control and decreased responsibility of the management the result is not going to be any better. If co-operation is to succeed, in must not be tied to the apron strings of the Registrar. If the Government were to assume responsibility for particularly important and big societies, there shall remain nothing to say. 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 responsibility for result. People will only recognise the Co-operatives as mere Government institutions. It is high time that the State shook off this half hearted policy and either assumed entire control or gradually restored to the movement the popular character it lacks.

That the Co-operative Movement in Mysore is progressing every year can be seen from the following figures :—

	June 1947.	June 1951.
No. of Co-operative Societies	2,545	5,190
No. of Members	2,84,711	5,91,282
	Rs.	Rs.
Paid up Capital	79,90,682	1,38,74,272
Deposits	1,78,20,606	2,14,98,148
Reserve Fund	46,14,845	56,53,198
Working Capital	4,04,21,819	6 90,90,904
Net Profit	7,77,018	18,54,857
Total turnover	28,48,86,820	More than 45 crores.

Greater progress has been achieved in respect of membership of societies, share capital, working capital, reserve fund etc. Since 1949, 878 Multipurpose Co-operative Societies have been started throughout the State at the rate of one society for each Revenue Circle of 20 to 25 villages to cater practically to all the needs of the peasantry. The Membership and Working Capital of these societies are 1,83,229 and Rs. 32,12,769 respectively. Further, since last 5 years six Government sponsored Co-operative Farms and six Government aided Co-operative Farms have been working. Sufficient progress is being achieved regarding Co-operative Propaganda and Education in the State. Ladies' Co-operatives, Milk Societies and other types of societies are also progressing well.

I need not dwell at length regarding the Myosre Central Co-operative Land Mortgage Bank and the Apex Bank as Mr. Saraiya has already spoken about them in his inaugural address. The time is approaching when the Apex Bank after getting financial aid from the Reserve Bank should lend to primary societies at a low rate of interest not directly but through the medium of Central Co-operative Banks and work for the interest of the agriculturist. The Apex Bank must serve as a balancing centre of the Central Financing Agencies. Government also should discard the principle of financing primary societies directly and lend it only through the Apex Bank.

Although the Consumers' Co-operative Societies are working well, the work of increasing their membership and making them more stabilised

organisations should be undertaken immediately. The consumers' movement should not be centralised in towns only. Non-members should not be prevented from making purchases in the societies. But instead, they should be induced to become members. This movement should apply to industrial workers too.

The Marketing Co-operatives in the State have not made sufficient progress. Their functions include buying, selling, transportation, storage, standardisation and grading, financing, risk bearing and dissemination of market intelligence. The Seminar on Co-operation is of the opinion that none of the marketing societies has yet been able to take up all these functions in an efficient manner. I am of the opinion that if the recommendations of the Seminar in this respect are implemented there would be organised a really well-knit and efficient system of Marketing in the State.

The problem of housing has been engaging the attention of both the Government and the people since some years past. "A e shelter" is one of the essential primary needs of human life. In the work of providing houses to the poor and the middle class people, the role of the Government, Municipality, Trust Board, Mill owners and co-operative societies, is very great indeed. So far it is seen neither the Central Government nor the State Governments have bestowed their serious attention to this problem of Housing. Some years ago a Sub-Committee of the Standing Labour Committee of the Government of India had placed some definite proposals on housing before the Government of India for consideration. They are, I think, still on paper. In England, today, the Barlow and Scot report on Housing is being given effect to. In many of the Western countries the Government have enforced on the insurance companies to invest a portion of their capital atleast for house-building purposes. In Canada, all the Insurance companies have joined together and started an organisation called "the Housing Enterprises of Canada, Ltd.," the object of which is to construct houses for being let out at reasonable rent. In this way our Government Insurance Department too can help the people and thus solve the problem of housing. Municipalities, Trust Boards, and Village Panchayats too should undertake such works. It is unfair to dispose of sites or buildings at auctions. The Committee on Co-operation for which Sri R. G. Saraiya was the Chairman, opined that "wherever the Government, Municipalities, Improvement Trusts, and similar bodies have at their disposal lands to sell or lease for long terms, for the construction of houses they should give them preferably to co-operative housing societies at favourable rates. The present policy of selling the lands by auction to the highest bidder forces up prices and contributes to high rates to the detriment of the poor and the middle class". The house-building societies should not function merely as financing institutions. They should undertake the work of construction of houses and letting them to members on hire purchase system. They should arrange to supply to members building materials like iron, cement, timber, etc.

It is needless for me to dwell at length on the place and importance of cottage industries in the nation's economic policy. In the Five Year Plan mention has been made of running cottage industries on the basis of co-operative principles. The Planners are forced to realise the impossibility of organising cottage industries without Co-operation.

Co-operation has a vast field. The time has come when Co-operation as the basis of the economic policy of the Nation should be definitely accepted by Government as a major department and that for this there should be a separate Ministry of Co-operation both at the centre and in the provinces. If the people were to become more co-operative minded and thus pave the way for the establishment of the Co-operative Commonwealth there should be a change in the outlook on the part of the Government towards Co-operation. Further, the co-operative department must be transferred from the State List to the concurrent list.

Some Resolutions Passed

1. This Conference urges on the Government of Mysore to see that Co-operative organisations play an integral part in the working of "Community Development Projects and Training Schemes" sponsored by the Government with American assistance under the Point Four Plan.

2. As it is necessary to consult non-official co-operative public opinion before any decision is taken by the Government regarding co-operative matters, this conference urges on the Government of Mysore the necessity of the formation of a Co-operative Advisory Council for the Mysore State under the Presidentship of the Hon'ble Minister for Co-operation and comprising both official and non-official workers in the co operative movement, members of the Legislature, officials of the departments concerned, viz., Finance, Co-operation, Agriculture, Civil Supplies and Economics.

3. This Conference is of the opinion that it is necessary for the Apex Bank to open Branches or agencies at District Headquarters and if possible Taluk Headquarters too, to ensure proper financing, supervision and guidance of primary societies and to associate representatives of primary societies in the working of the Branches in an advisory capacity in the form of Branch Committees so as to ensure proper rural interests of the primary societies in the Apex Bank. The question of organising District Central Banks to take over the work of these Branches of the Apex Bank may be considered when the development of primary societies permits such a change.

4. It was the practice for the Co-operative Department to hold the Officers' meeting along with the Co-operative Conference and this gave an opportunity for officials and non-officials to meet together and discuss things of co-operative importance and come to a decision. This year that time-honoured system is discontinued.

This Conference is of opinion that the object of the Conference would be better fulfilled if officials of the Department and non-official delegates

meet together under the auspices of the Co-operative Conference and discuss things. Wherefore, it resolves to request the Government to send henceforward official delegates of the Co-operative and other axis departments to participate in the deliberations of the Conference and in arriving at conclusions, on the model of the All-India Co-operative Congress.

5. That it be a recommendation to the Government to appoint a Co-operative Planning Committee for Mysore, consisting of both officials and non-officials, to examine the final report of the Planning Commission and to recommend how far it could be implemented in Mysore, taking local conditions.

6. That the Mysore Provincial Co-operative Apex Bank be requested to reduce the rate of interest that is now being charged to the co-operative societies.

7. That the Mysore Central Co-operative Land Mortgage Bank be requested to reduce the rate of interest from 6½ per cent to 6 per cent.

8. That Government be requested to grant to the Mysore Central Co-operative Land Mortgage Bank a subvention of Rs. 10,000 for a period of five years.

9. That Government be requested to consider the Mysore Provincial Co-operative Marketing society as the "Sole Distributor" for marketing the products of all Government Controlled and Government aided factories in the State.

10. That Government be requested to arrange for the appointment of elected Presidents, Vice-presidents and Hon. Secretaries in all the Multi-purpose Co-operative Societies.

11. That Government be requested to exempt co-operative institutions from payment of the Municipal Surcharge on Stamp Duty in respect of documents executed by or in favour of co-operative institutions.

EXTRACTS

THE ROLE OF THE RESERVE BANK OF INDIA IN THE SCHEME OF AGRICULTURAL CREDIT

By
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The role of the Reserve Bank of India in the sphere of agricultural credit has grown significantly, particularly in the years following the nationalisation of the Reserve Bank. From a relatively passive role, the Reserve Bank has come to play an increasingly important part in the matter of providing financial accommodation to co-operative banks as well as in tendering expert advice on matters relating to agricultural credit. Though the magnitude of the financial accommodation given by the Reserve Bank might be only a small fraction of the hundreds of crores required, its importance lies in the nature of the Bank's approach to the problems. The Central Bank of a country cannot be expected to supply all the financial requirements of the various sectors in the economy, particularly when they are unorganised, as is the case with the agricultural sector in India. What could be done is to take steps to create a suitable environment and relieve the financing institutions in times of stringency.

Agricultural credit has three aspects, namely, short-term, medium-term and long-term finance. The financing of medium-term and long-term loans is not permissible under the Reserve Bank of India Act. Even in the matter of short-term credit, the Reserve Bank can finance agriculture only through the apex co-operative banks and the scheduled banks (the latter have not yet made use of the facility). Thus, while there is no provision (and, for obvious reasons, there cannot be any provision) to reach the agriculturists direct, the Reserve Bank of India, within the limitations imposed by the Act, made various attempts to reach the agriculturists through 'for instance' the provincial co-operative banks and central banks working in the States. But these attempts were not wholly successful for reasons which were thoroughly examined by the Agricultural Credit Department in 1947 and published in the form of an article in the August 1947 issue of *the Reserve Bank of India Bulletin* under the heading "The Role of the Reserve Bank of India in the scheme of Agricultural Credit.' In that article it was clarified that the Reserve Bank would give sympathetic consideration to applications for loans, provided the applicant institutions were sound and provided also the purposes for which finance was required were those specified in the Act. The present article attempts to bring out the several steps taken by the Reserve Bank subsequently.

Short-Term Credit

The Reserve Bank can provide clean or unsecured advances to the co-operative movement through the apex institutions for financing seasonal

agricultural operations or the marketing of crops under Sections 17 (2) (*b*)* and 17 (4) (*c*)† and secured advances against Government securities and land mortgage bank debentures under Section 17 (4) (*a*)†. Section 17 (4)(*d*)† which provides for advances against documents of title to goods has so far remained inoperative owing to the absence of licensed warehouses in the country. Within the scope of the three sub-sections referred to above, the Bank has been considerably liberal in its lending policies, particularly from 1947-48 onwards. This liberalisation, coupled with the simplification of the procedure and assisted partly by the exceptionally favourable conditions obtaining in the money market, enabled the movement to take advantage of the facilities offered by the Reserve Bank, with the result that the total outstandings of advances have increased at a rapid pace from 1946-47 onwards, touching the high level of Rs. 9.0 crores on February 15, 1952, as the following table will show :—

Advances Granted to Provincial Co-operative Banks

(Rs. in lakhs)

Name of the bank	1946-47	1947-48	1948-49	1949-50	1950-51	1-7-51 to 15-2-52
Madras ...	...	15.0	91.8	156.0	224.5	290.6
Bombay ...	1.0	...	6.5	66.0	216.0	535.5
Uttar Pradesh ...	0.5	1.8	4.4	0.7	2.5	12.2
Madhya Pradesh ..	...	...	...	34.6	53.1	20.5
Orissa ...	...	...	...	13.4	26.7	15.0
West Bengal ...	...	...	...	...	15 0	25.0
Total ...	1.5	16.8	102.7	270.7	537.8	898.8

*17 (2)(*b*)—the purchase, sale and rediscount of bills of exchange and promissory notes, drawn and payable in India and bearing two or more good signatures, one of which shall be that of a scheduled bank or a state co-operative bank, and drawn or issued for the purpose of financing seasonal agricultural operations or the marketing of crops, and maturing within fifteen months from the date of such purchase or rediscount, exclusive of days of grace ;

†17 (4)—the making to local authorities, scheduled banks, state co-operative banks, and the principal currency authority of Ceylon, of loans and advances, repayable on demand or on the expiry of fixed periods not exceeding ninety days, against the security of—

(*a*) stocks, funds and securities (other than immovable property) in which a trustee is authorised to invest trust money by any Act of Parliament of the United Kingdom or by any law for the time being in force in India ;

(*c*) such bills of exchange and promissory notes as are eligible for purchase or rediscount by the Bank ;

(*d*) promissory notes of any scheduled bank or state co-operative bank, supported by documents of title to goods, such documents having been transferred, assigned, or pledged to any such bank as security for a cash credit or overdraft granted for bona-fide commercial or trade transactions, or for the purpose of financing seasonal agricultural operations or the marketing of crops.

From the above statement it will also be seen that the facilities offered by the Reserve Bank have been availed of mostly by two States, *viz.*, Madras and Bombay, where the movement is so developed that on the strength of the applicant institutions themselves the Reserve Bank could make advances available to agriculture. The two good signatures prescribed in the Act were there in the shape of central co-operative banks and the apex institutions. In the case of certain other States like Madhya Pradesh Orissa and West Bengal, the movement could be accommodated only on the strength of the State Governments' guarantee owing to the fact that the central financing agencies there have not come up to the standards obtaining in Madras and Bombay. It is the lack of even development of the movement that is responsible for the concentration of the Reserve Bank's finance in two States.

At this stage it would be worthwhile to review the changes that have taken place in regard to the relation of the Reserve Bank with agricultural credit in particular and the co-operative movement in general after the achievement of Independence in August 1947. Incidentally, this will also provide an account of the changes brought about since the last article on the subject was published in 1947. The main changes are dealt with below:

Amendments to Section 17 of the Reserve Bank of India Act.—The period for which accommodation has so far been made available to the co-operative movement for seasonal agricultural operations or marketing of crops was 9 months at the outer limit, in terms of Section 17 (2) (*b*)* of the Act. This limit has now been statutorily extended to 15 months. As a matter of practice, however, the normal period for which accommodation is granted now is 12 months, though for special crops, like sugarcane, the period can be extended to 15 months (*vide* Appendix I). It may be added that, as a matter of practice again, even loans taken under Section 17 (4) (*a*)† or 17 (4) (*c*)† by co operative apex banks are allowed to run for this length of time and at concessional rates, provided the finance is used for seasonal agricultural operations or marketing of crops.

Section 17 (2) (*a*)* of the Reserve Bank of India Act relating to the discounting of bills arising out of bonafide commercial or trade transactions which has so far been confined to scheduled banks only, has now been made applicable by an amendment of the statute, to co-operative banks also.

Relaxation of conditions regarding ' C ' class societies:—The practice hitherto was that the accommodation made available by the Reserve Bank could be used by the apex banks to finance only 'A' and 'B'[1] class societies the idea being that the institutions applying for accommodation should have a minimum of soundness and financial stability it being generally assumed

*17 (2) (*a*)—the purchase, sale and rediscount of bills of exchange and promissory notes, drawn on and payable in India and arising out of bona-fide commercial or trade transactions bearing two or more good signatures, one of which shall be that of a scheduled bank or a state co-operative bank and maturing within ninety days from the date of such purchase or rediscount, exclusive of days of grace.

that the above societies satisfied these requirements. However, in some States, owing to the method of classification followed, which involved not merely qualitative but quantitative (turnover of business) estimates also, some really good or average institutions had to be placed under class 'C' on technical grounds. The Reserve Bank, therefore, has now decided that where the Registrar is satisfied with the financial soundness of any 'C' class institution or institutions, he might make his recommendations accordingly when the Bank would grant accommodation to them also. It may be added that, in order to enable all the States to follow a uniform policy regarding classification of societies, the Reserve Bank submitted certain proposals to various Registrars in a recent Conference at Bombay, and these have been accepted by them. This may be expected to mitigate the difficulties arising out of the present lack of uniformity in classification.

Repayment of loans taken from Reserve Bank.—Till recently, all accommodation obtained from the Reserve Bank by co-operative banks had to be repaid by a fixed date, instructions in this regard having been last conveyed in the bank's circular No. ACD. 1059/AC. 144 (*a*)-44 dated 20th December 1948 fixing the date as 30th September. This caused a certain amount of difficulty to co-operative banks and consequently, the Bank has decided to allow all loans taken by co-operative banks to run for their full periods (formerly 9 months and now 12 months), though the total outstanding at any time should not exceed the credit limit fixed for any year for the institutions concerned. Another great improvement in regard to credit limit that has now been brought about is that co-operative banks can treat the limit fixed by the Reserve Bank in as flexble a manner as possible, by drawing on the same and repaying as and when convenient, provided the outstandings of the institution at any one time do not exceed the credit limit fixed. In effect, the limits can be operated upon as a kind of cash credit account. The position formerly was that limits once utilised could not be re-utilised after repayment, even within the year to which the sanction related, without fresh approach to the Reserve Bank.

Standardization of data to be supplied.—The Agricultural Credit Department has indicated the exact items on which the applicant

1" The classification of societies in India is generally guided by the standards laid down by the Registrars' Conference, 1926, though modifications therein have been made by some provinces in view of their experience. In general a society is classed as 'A' if it is really good, works on co-operative lines, is sound financially and otherwise requires no help from outside other than the annual audit and may serve as a model to other co operative societies ; a society is placed in class 'B' if it is generally, in a sound and healthy condition and manages its own affairs ; it may however, have a certain number of defaulters and may be short of perfection in co-operative spirit and education. A. 'D' class society is a bad society which will be cancelled if it does not improve in classification within two years and it is ineligible for receiving any kind of loan from the financing institution. All other societies are grouped under 'C' class. Some provinces have further classified 'C' societies into 'C(i)' and 'C(ii)' the latter being a little better than societies in class 'D ; a few provinces have further introduced a new classification 'E' to apply to societies which are definitely condemned to liquidation, with no possibility of revival."—*Review of the Co-operative Movement in India* 1939-40' (Appendix 'A' Page 89).

co-operative banks will have to furnish data, so that when the applications are received by the Bank, with the recommendations of the Registrars as well as those of the apex banks, credit limits could be readily and promptly fixed. In fact, if all the details asked for are received correctly, it does not generally take more than a week for the Department to sanction loans. It should, however, be noted that delay is inevitable if the instructions conveyed by the Agricultural Credit Department to the Registrars regarding the manner in which applications are to be made are not observed carefully.

Increase in concession.—It was in 1942 that the Reserve Bank first introduced the scheme of concessional finance in terms of which accommodation was made available to the movement at 1 per cent below the Bank Rate for marketing of crops only, on the condition that the benefit of the low rate was passed on to the ultimate borrower. In 1944 the scheme was extended to cover seasonal agricultural operations also and in 1946 the rebate was raised from 1 per cent to 1½ per cent. The present position is that even though the Bank Rate was raised to 3½ per cent with effect from 15th November 1951, the Reserve Bank of India decided that finance for agricultural purposes should not be made costlier and that this should be made available at *2 per cent below the Bank Rate.* Thus, despite the hardening of interest rates throught the country, the Reserve Bank's accommodation for agricultural purposes continues to be given at the rate of 1½ per cent per annum.

Liberalisation of Remittance Facilities.—In addition to the facilities enjoyed by provincial co-operative banks which have joined the Reserve Bank's scheme of ' Extension of Remittance Facilities to Provincial Co-operarive Banks', the rates on remittances have been otherwise reduced also in accordance with the recommendations of the Rural Banking Enquiry Committee from 1/16 per cent and 1/32 per cent on remittances upto Rs. 5,000 and over Rs. 5,000 to 1/32 per cent and 1/64 per cent respectively. Further, in the case of provincial co-operative banks joining the Reserve Bank scheme, some of the restrictions which were formerly operative have now been removed as indicated below :—

(*a*) The condition regarding maintenance of an account with an agency of the Reserve Bank has been waived.

(*a*) The requirement that the remittances between offices of the Reserve Bank should be in multiples of Rs. 10,000 as laid down in paragraph 4 (*i*) of the Seheme has also been waived. Remittances can now be made in multiples of Rs, 1,000, subject to a minimum of Rs. 10,000.

(*c*) The restriction that remittances should be to the principal account as also the condition regarding the maintenance of an office or branch of co-operative bank or society at the place at which the agency of the Reserve Bank is situated, as laid down in paragraph 4 (*ii*) of the Scheme, have been removed. Remittances can now be made by an office or branch of a

co-operative bank from any place where the Reserve Bank has an agency to any account which it maintains with the Reserve Bank.

(*d*) The condition that remittances should be to the principal account as laid down in paragraph 4 (*iii*) of the Scheme has been removed.

Inclusion of Part 'B' States within the scope of Section 17 of the Reserve Bank of India Act.—Prior to the merger and integration which have now brought all the former ' Indian States' under the unified control of the Government of India, the co-operative movement in these States could not be ordinarily reached or helped by the Bank as these States fell outside the scope of the Reserve Bank of India Act. But now the 7 Part 'B' and 7 Part 'C' States* have been placed on a par with the former Indian provinces (Part 'A' and some part 'C' States) in terms of the amendments to the Reserve Bank of India Act passed in 1951. In view, however, of the uneven development of the movement in these areas, the Reserve Bank has been deputing some of its officers to tour the States and submit first-hand reports on the position of the movement there, so as to evolve concrete proposals calculated to bring them to the level of well-developed States like Bombay and Madras. These visits are followed by personal discussions between the high executives of the Reserve Bank and the Governments of the States for arriving at a final understanding as to how best the suggestions conveyed in the reports of the Research Officers could, with suitable modifications, be implemented. The recommendations conveyed by the Reserve Bank to the States have ranged from the institution of new apex banks or the reorganisation of the existing ones in the States, at one end, to the reorganisation of the affairs of the primary credit societies at the other end. So far as the agricultural credit sector is concerned, the idea has been that conditions should be created in those States so as to enable them to take advantage of the facilities afforded under Section 17 of the Reserve Bank of India Act. As this reorganisation proceeds, there will of course be a corresponding increase in the extent of the financial accommodation made available by the Reserve Bank in the form of short-term agricultural credit. This is a major development in the implementation of the Reserve Bank's policy in the sphere of agricultnral finance.

Medium-Term Finance

Co-operators have been persuading the Reserve Bank to bring about an amendment to the Act for financing the medium-term requirements of the movement also, such as the purchase of bullocks, digging of wells and so on. This matter has been receiving serious and sympathetic consideration.

**Part 'B' States*	*Part 'C' States*
1. Hyderabad	1. Bilaspur
2. Madhya Bharat	2. Bhopal
3. Mysore	3. Himchal Pradesh
4. P. E. P. S. U.	4. Vindhya Pradesh
5. Rajasthan	5. Cutch
6. Saurashtra	6. Tripura
7. Travancore-Cochin	7. Manipur

Long-term Loans

It would be more difficult, in principle, for the Reserve Bank to make accommodation available for long-term needs. Even now, however, the Bank can and does take part in long-term financing of agriculture in an indirect way, i.e., by subscribing to the debentures of land mortgage banks which are guaranteed by the State Governments both as to principal and interest as part of the investment of the Bank. In 1948, a beginning was made with a token subscription of 10 per cent of the 42nd issue of the Madras Land Mortgage Bank debentures. The share which the Reserve Bank is prepared to take up has since been increased to 20 per cent of the issue of Central Land Mortgage Banks.

It may also be stated that the land mortgage bank debentures are eligible securities for purposes of accommodation under Section 17 (4) (*a*) of the Reserve Bank of India Act.

Training for Co-operative Personnel

In addition to the above changes, the Reserve Bank has also lately started a scheme for the training of co operative personnel, both departmental and otherwise. This scheme was considered necessary because the recent tours undertaken by the officers of the Bank had revealed that lack of trained personnel was one of the important factors retarding the growth of the movement in many of the States. Two courses are to be started shortly in the Co-operative Training College at Poona; with the assistance of the Co-operative Institute of the State—a short-term course of six months* for the officers of the Co-operative Departments of different States and a one-year course for the staff of co-operative institutions. Barring a small amount collected by way of fees, the entire scheme is to be subsidised by the Reserve Bank of India.

Conclusion

It will thus be seen that, between 1947 when the first comprehensive article on the role of the Reserve Bank in the scheme of agricultural credit was published and the present day, far-reaching changes have been brought about in the shape of amendments to the Act, liberalisation of policies, and establishment of closer contact with the movement in all States, particularly Part 'B' States. In addition to the publication of bulletins and reviews and tendering advice to co-operative institutions and Departments whenever necessary, the Reserve Bank has progressively assumed a more active role in the provision of financial accommodation and supply of trained personnel.

*Started with effect from 2nd April 1952.

APPENDIX I

RESERVE BANK OF INDIA
Agricultural Credit Department, Bombay

No. ACD. 793/AC. 144 (*a*)-51 November 23, 1951.

The Registrar of Co-operative Societies,

DEAR SIR:

Rediscounts for and advances to State Co-operative Banks under Sections 17 (2) (*b*), 17 (4) (*a*) and 17 (4) (*c*) of the Reserve Bank of India Act.

The Reserve Bank have had under consideration the question of liberalizing the procedure under which finance is made available to the state co operative banks under Section 17 (2) (*b*) and Section 17 (4)(*a*) and (*c*) of the Reserve Bank of India Act and have decided, in consultation with the Standing Advisory Committee on Agricultural Credit recently constituted by the Bank that the following changes should be made in the procedure now being followed in rediscounting bills of exchange and promissory notes from, and making loans and advances to, the state co-operative banks.

(1) The stipulation that all loans and advances taken from the Reserve Bank by the state co-operative banks should be repaid by the 30th September each year will be given up.

(2) In view of the amendment to Section 17 (2) (*b*) of the Reserve Bank of India Act, extending the maturity of bills eligible for rediscount or purchase by the Reserve Bank from 9 months to 15 months, the Reserve Bank will be prepared under Section 17 (2) (*b*) to purchase and rediscount bills and promissory notes maturing within 12 months from the date of such purchase or rediscount, exclusive of days of grace. In special cases, where the Reserve Bank is satisfied that the state co-operative bank has no other eligible paper to offer, it will also be prepared to purchase and rediscount agricultural paper maturing within 15 months under this Section. The Bank will also be prepared to accept such paper as collateral for advances to state co-operative banks under Section 17 (4) (*c*) of the Reserve Bank of India Act, where accommodation is required for the purpose of financing seasonal agricultural operations or the marketing of crops. Where demand loans are made under Section 17 (4) (*a*) on the security of Government paper for the purpose of financing seasonal agricultural operations or the marketing of crops, the Reserve Bank will not ordinarily recall loans before the period of 12 months.

(3) For each year, a credit limit will be fixed for each central co-operative bank (or approved society), whose bills or promissory notes are proposed to be offered for rediscount under Section 17 (2) (*b*), or as collateral or advances under Section 17 (4) (*c*). to the Reserve Bank. By 'credit limits' will be meant the limit of the amount outstanding, against any bank (or society, as the case may be), on any day during the relevant year, and not the limit of the total borrowings of the bank (or society) during the year.

(4) For the purpose of fixing the credit limit, the year will run from 1st July to 30th June instead of from 1st October to 30th September as at present.

(5) Applications for the fixation of credit limits for the various central banks (or societies) should be forwarded through the Registrar by the State co-operative bank, and should be accompnied by the audited balance sheets, profit and loss accounts and annual reports of the concerned banks (or societies) for the last three years for which these have been published, and audit notes and proforma balance sheets for the broken period since the date for which the latest published accounts are available. The applications should be sent at least one month before the beginning of the year for which the limit is required. As far as possible, applications from all approved central banks (or societies) should be sent together.

(6) It will be open to a state co-operative bank to make part payments on the loans taken trom the Reserve Bank and re-purchase bills (or pro-notes) from the Bank before the dates of their maturity. It will also be permissible to a state co-operative bank to have fresh bills (and pro-notes) rediscounted with the Reserve Bank, whenever required, so long as the total amount borrowed by a state co-operative bank against the pro-note of a central bank, does not exceed the credit limit fixed by the Reserve Bank for that bank, without fresh sanction from the Reserve Bank.

(7) In the case of advances made under Section 17 (4) (c), each drawal will be treated as a separate loan for which a separate promissory note should be executed by the state co-operative bank and presented along with acceptable collateral endorsed in favour of the Reserve Bank.

(8) The Reserve Bank does not approve of the repayment of a loan due to it by another loan taken from it, and in order to satisfy itself that this is not the case, and also that the funds borrowed from it are being utilised for the specific purpose for which they have been obtained, the Reserve Bank reserves for itself the right to call for such periodical statements and returns, from the state co-operative banks, as may be necessary. The Reserve Bank may request the Registrars of Co-operative Societies of the States to inspect, or may itself inspect, the state co-operative banks and the other banks (or societies) concerned for this purpose.

(9) If any of the above conditions are violated or if the Reserve Bank has reason to believe that unsound financial practices are being followed by a bank, or that the financial condition of such bank has deteriorated since the fixation of the credit limit, the credit may be curtailed or recalled by the Reserve Bank.

Yours faithfully,
(Sd.) K. SARVOTHAMA RAO,
Chief Officer.

—Brochure published by the Reserve Bank of India.

ROLE OF CO-OPERATION IN COMMUNITY PROJECTS

Resolution passed by the Bombay State Co.operative Council

The Council welcomes the planned and vigorous attempt at rehabilitation and development of the country-side envisaged in the Community Projects. The Council would, however, most emphatically urge the adoption by the Central Committee of the Projects, *viz.* the Planning Commission, of the co-operative method and the use of co-operative organisations for implementing the various services associated with the Projects. This is envisaged in a note, supplied to Development Commissioners at their Cenference held from 5th May 1952 and it is essential that in this vital respect clear directives of policy should be given to all project authorities.

2. In the establishment and adaptation of co-operative institutions for purposes of project execution the Council specifically recommends :—

(*a*) Co-operative agencies have to be fitted into the structure and objectives of the Project more systematically than has been possible, probably on account of the project plan and the note on co-operatives having been decided upon independently of one another. As conditions of co-operative progress vary from tract to tract, the structure of appropriate co-operative agencies to implement the project will also have to vary in some respects in different tracts. The form of agency should necessarily be co-operative and the object should be to make it fully effective by the end of the first stage of intensive development. In the meanwhile, such an extent of state association should be maintained as is essential for the realisation of the objectives of the project and as is helpful to the eventual establishment of full co-operative control. The proper structure should, along these lines, be settled in consultation with co-operators in each area.

(*b*) It is regrettable that at no stage, above the project advisory committee, is the association of experienced public workers invited. Both in the District and State Development Committees, representatives of non-officials chosen through the State Co-operative Councils should find a place.

(*c*) In the training schemes planned in connection with the projects, co-operative training should be specifically included, and the colleges, schools, and training classes conducted by the Institute should be utilised for the purpose.

(*d*) With a view to secure effective and responsible co-operation of the people in project areas, representatives of the local co-operative institutions should find a place on the other functional bodies that will be set up for formulation and execution of project schemes.

(*e*) The project has given no specific place to industries, either small or large, co-operative or other. This lacuna must be filled, not only to complete the economic contents of the project, but also to provide for present and future needs of full employment.

(*f*) The Council is of the opinion that with the association of the co-operative movement in the community projects, it would be possible to reduce the expenditure on the staff which appears excessive in the model project and to divert a larger amount of funds to development work.

3. With a view to make the contents and execution of the projects more fruitful and more lasting in their beneficient effect, the Council further recommends :—

(*a*) In the light of the survey of economic conditions prevailing in each tract, the project should aim not only at improving the production of food and allied crops, but it should have clear objectives of providing for all the population the most profitable and the most continuous employment which is economically possible.

(*b*) Intensive development in the project areas will tend to divert the attention of technical and administrative personnel from the rest of the area of the State. The same may happen with essential resources. Such an impoverishment of normal services must be avoided at all costs, as it will entail a retrogression which will be too high a price of such results as are obtained in the selected areas.

(*c*) The time allotted to the several stages of the project is on the whole too short. In view of climatic, as well as administrative considerations a period of from five to six years will be more appropriate.

(*d*) Agencies specially created in a project area should not be withdrawn until there is a reasonable assurance of the work proceeding in normal conditions.

(*e*) While collective aids, *e g*., water supply, transport, etc. will supply production incentives, care should be taken to see that an assured market at reasonable price is available to the produce.

4. To ensure that the effort and expense incurred in project areas are made fully effective through co-operative channels, the Council recommends that the Co-operative Institute, the Provincial Bank and the Co-operative Department should collaborate immediately to set up field committees in all the project areas. The opportunities for constructive work offered by the project schemes should be fully utilised by co-operators and co-operative institutions; and through the project area committees and other higher organisations in the district, the division and the State, the closest possible co-ordination with other project agencies and authorities should be maintained, so as to ensure effective implementation of the projects.

THE THIRTIETH INTERNATIONAL CO-OPERATIVE DAY

DECLARATION OF THE INTERNATIONAL CO-OPERATIVE ALLIANCE

On the occasion of the *Thirtieth International Co-operative Day, the International Co-operative Alliance* re-affirms its belief that the more general practice throughout the world of the principles of Open and Voluntary Association, Economic Justice and Democratic Government, which for more than a century have inspired every successful form of co-operative activity, would constitute a guarantee for peace, as well as for improving the standard of living of all peoples.

In view of the continuing and world wide fear of war, the International Co-operative Alliance calls upon its affiliated Organisations for renewed and greater efforts in support of its own Peace Policy, and stresses the need for them to promote, on the part of their individual adherents, a better understanding of the conditions prerequisite for peace which were confirmed by the 18th International Co-operative Congress at Copenhagen :

That in every country the people shall enjoy the fullest measure of self-expression, self-government, freedom of association, freedom of movement within their own frontiers and beyond them ;

That standards of living in under-developed countries shall be raised so that the gross inequalities between them and the more advanced countries disappear ;

That the endeavour of the United Nations Organisation to improve the health, security and welfare of mankind shall be loyally supported by its member countries ;

That the production of war-materials of every kind in every country shall be brought and kept under effective international control.

In the name of its 106 million adherents in 33 countries, the International Co-operative Alliance declares again full support for the United Nations Organisation—which it regards as the most powerful existing instrument for peace ; faith in the possibilities of the success of the United Nations Organisation ; and the hope that the Organs of the United Nations Organisation will do all in their power to promote the development of genuine Co-operative Organisations, especially through their programmes of technical assistance in the under-developed countries.

THE I. C. A. IN EPITOME

The International Co-operative Alliance now includes 61 directly affiliated Organisations in 33 countries, over 106 million *Co-operators* and their *Families* grouped in 370,500 *Affiliated Societies*, as follows :—

Consumers' Societies	..	59,564,000
Productive and Artisanal Societies	..	834,000
Building and Miscellaneous	..	1,802,000
Agricultural Societies	..	18,738,000
Credit Societies	..	25,237,000

Total Annual Trade amounts to £3,785.2 million Srerling

Own Production amounts to £942.5 million Sterling

Analysis of I. C. A. Membership

	Consumers' Societies	Wholesale Societies	Productive Societies	Agricultural Societies
No. of Societies	36,830	42	11,190	77,330
Membership	59,564,000	—	834,000	18,738,000
	£	£	£	£
Annual Trade	1,705,781,000	839,183,000	74,140,000	1,036,024,000
Own Production	106,540,000	205,309,000	59,974,000	428,942,000

		Co-operative Banks	Credit Societies
No. of Societies	..	24	288,000
Membership	..	—	25,237,000
		£	£
Share Capital and Reserves	..	58,343,000	74,960,000
Savings' Deposits	..	332,418,000	321,960,000
Turnover	..	10,282,801,000	403,640,000

Insurance Societies

No. of Societies		51
Insured Persons		38,311,000
		£
Premium Income in 1950	..	109,463,000
Claims Paid in 1950	..	92,653,000
Amount insured	..	18,938,148,000

Note: No trade figures available for U. S. S. R., Bulgaria, Czecho-slovakia and Roumania.

Authorised Version of the Speech of Prof. P. N. Driver, in opening the discussion on State-Trading and Co-operation before the First Indian Co-operative Congress

Held at Bombay in February, 1952

The subject for discussion which I have to open here is State-trading and Co-operation. It is not difficult to see why the subject of State-Trading should loom so large on our economic horizon to-day. This question has come up before us to-day because international and internal economic conditions have changed so radically that the State has been called upon to interfere with the working of "free markets" everywhere. We have to remember that we are living in an age which has marked the end of the era of "free market".

The reasons for the collapse of the "free markets" of the world have been explained briefly in the beginning of my paper on this subject submitted before the All-India Co-operative Congress. Unfortunately or fortunately the economic system called Capitalism was doomed, in the very hour of its birth to suffer from the dread cancer of Depression and Unemployment. The sickness of the world to-day is due to the last two wars no doubt but these wars were themselves the results, very largely, of this cancer of Depression and Unemployment. Mussolini in 1922 was the product of mass unemployment. If Hitler was the main architect of the last war he was himself the product of this Depression. He came to power in 1933 but in 1932 we had 8 million unemployed and 250,000 suicides in Germany.

We may be believers in free-markets—and I know many a co-operator and trader gathered here is in this category—but we should not forget that this is an agricultural country and Agriculture has suffered most from the working of the free market in the past. As Prof. Ashby of Oxford has pointed out, "in this century the free market mechanism has not given the agricultural communities of the world anything like social equity or social justice. In advanced countries of the world like Great Britain the agriculturists and the working classes have never accepted the free market and protection of the State has been freely sought and given. There is not, in fact, a single country of agricultural importance which has not had to be protected by various means such as tariffs, quotas, subsidies price regulations, etc. Whatever may be our predilections and private interests we have to face the fact that the free market in agriculture is dead over large parts of the world. Co-operators have to face the fact that this is an era of State trading where the State is the most active trader of all.

Those who understand the situation we are facing regarding exports and adverse balance of payments will readily see why the State has to interfere to regulate our exports and imports. In a short period of 10 years what was a surplus of Rs. 14 crores in our balance of payments became a deficit balance of Rs. 214 crores. One of the basic objectives of the Co-operative Congress therefore is to consider carefully two things (a) the importance of State-trading in economic planning and (b) the part Co-operation can play in State-trading.

What are the branches of economic life and trade in which we want the co-operative movement to spread? We have to decide this and having decided this we have to build up the requisite machinery and organisation required. I have heard a lot of criticism of the State and a desire on the part of co-operators to be independent of the State. But we forget our main work is to organise a programme of our own and prove that we are serious about what we want as co-operators. If we fail to do this we will simply be ignored and ignored for very good reasons. Have we really the organising ability to so develop the co-operative movement as to make it clear to all doubting Thomases like myself that it can function as an effective help to the State and as a third group mid-way between private enterprise and completely controlled State action? Its independent and distinct role as a useful liaison between the private and public sectors of economy has to be established beyond doubt.

We may make clear that it is a definite mistake to assume, as the Labour Government seems to have done in Great Britain, that there is no need for Co-operation in matters of trade distribution and that at the most co-operation can be bracketed with the private sector of economy. Co-operation has a distinct role to play in State trading and is very important in any socialist State. In fact Socialism cannot succeed without co-operation. In distributive reforms the State faces a dilemma. Distribution is essentially and inherently competitive and oligopolistic. State planning of distribution is very essential but it is very difficult to plan or control Distribution through the State except through retail co-operative trading for reasons I have explained in my paper.

Those responsible for economic planning have to remember the one basic fact that production has to be planned according to the desire of the consumer or the community in general and not according to the desire of any *one* section of the community. It is necessary however to point out that the State is as necessary to the co-operative trade as co-operation is necessary to the State. I attended the auxiliary conferences of the Co-operative Congress and found therein a tendency for everyone to criticise the State and yet everyone was asking for some kind of State help or other. I may say that co-operators should not exaggerate the possibilities of the movement. We have to remember two things here (a) the field for expansion of co-operative trade is not unlimited and (b) even the small work we can do is not possible without State help.

Our co-operative institutions should immediately work out a detailed plan for setting up a powerful consumers' movement for retail trade. So long as rationing continues the distribution of rationed goods may be largely left by the State to the co-operatives and I may suggest that these

may be allowed only to sell to members. We may also consider whether the movement is likely to develop in other wider spheres such as those of wholesale trade, services, transport, etc.

What is the experience of Great Britain? Even after the maturity of a hundered years the British consumers' movement had not expanded to the same extent in all fields and in relation to all commodities. It has shown a limited expansion. It has succeeded most in standardised commodities like milk, sugar, or cheese. With the exception of coal the movement has not expanded appreciably towards the category of *non-food-stuffs.* The consumer movement in Britian is the right arm of co-operation and yet it covers only one-fifth of the population and its retail trade was about £ 400 million about 1947-48. We have it on the authority of Mr. J. A. Hough, Research Officer of the Co-operative Union that the coal, bread, and tea sold by the co-operatives do not exceed 20 per cent each of the total distributed throughout the nation.

An important question before us is why should there be only a limited expansion in the field nearest our hearts. The difficulties should be clearly noted. Firstly we have the State itself as a rival. The consumers' movement originally developed as a remedy against the capitalist economic system both of production and distribution whereas it has now to continue to exist under the socialist or State system of production and distribution. Co-operative trading developed originally as the one bulwark of the small man against his exploitation by the individual producer and trader. But now society itself is the producer and the trader is the State; hence the "small man" concerned has to carefully reorientate his position. The second difficulty is the rivalry of the private trader, who is the traditional enemy of co-operation. British experience shows that co-operative traders have lagged far behind their private capitalist competitors and have actually left the field quite open to them in cinemas, bazaars, restaurants, mail-order business etc. The establishment of price controls applies to both but results in practice in definite disadvantages to the co-operatives. In England the price control of poultry is said to have driven the trade from the co-operatives into the hands of the trader. Apart from these there is the third great difficulty—denial of an independent third position to the co-operatives. While on the one hand co-operatives are dubbed as a form of private enterprise, the actual associations of private traders have tried in countries like Britain to crush these trade co-operatives through their policy of resale price maintenance.

I think these few points will make clear why co-operative trade requires for its development systematic planning by the State. The first essential thing is that the State must have a regular policy regarding distribution and co-operation must be given a prominent place in this policy. The State should give scope for co-operative expansion by leaving certains fields entirely free. I may suggest for example co-operative draperies and clothing establishments, organisations for marriage and funeral ceremonies,

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co-operatives for laundry trade, restaurants and household furniture etc. The State should help co-operatives by stopping black-marketing and other unfair practices of private traders through the fixation of the turnover of these private shops and by well regulated sales tax on these turnovers. Also no consumption goods should be allowed to be hoarded. This can be done for retail sale in suspected shops and goods classified according to this turnover period.

The other day in an auxiliary conference the Registrar, C.S. Madras, referred to a great difficulty. They have leather manufacturers' societies which are not able to compete with the shoes made by the Batas. Here we can at once see how State control of railways can be used to help the co-operatives. Private trade, and the transport to rural areas of such goods as Bata shoes, can be controlled in favour of co-operation through the State control of railways.

It is necessary here to note that if we want State help to co-operative trade we must also expect some State control of co-operation. I have heard too many co-operators fight against the idea of State controls and yet most of them want State help. They do not see that absence of State interference is an impossibility in these days of planned economy. There can be also a conflict of loyalties. Loyalty to members and loyalty to the State may clash. Local conditions may make it impossible to reduce prices below the official fixed price. What benefits consumers may sometimes be in conflict with Government's price policy. These conflicts require great wisdom to resolve them. Similar wisdom is required in handling the question of high dividends. The era of the high profits is now over and we must look upon co-operative trade more as a channel of social service than as profit making machine. All of us must bear in mind that there is much in trade which cannot be done through co-operation and that whilst there is a field for co-operative activity there is also a vast field where State activity alone can be effective. We have to learn where exactly to expect the State and co-operate with it. The co-operator's fear of Sociolism is not proper, particularly when that fear is extended to what we call the collectivist State. It is only in the earlier stages of the welfare state that co-operation may be hampered for the evidence available shows that the more a State becomes collectivist the more does it need the help of co-operatives. Lenin of Russia for example was one of the strongest supporters of co-operation. With his tactical genius in organisation he saw through the short-sightedness of those who were against co-operation. There is reason to believe that co-operation is likely to be supported more by a collectivist State than by the laissez-faire individualist liberal state of yeterday. It is important to note that this line of thinking has been accepted by some of the great English liberal economists and co-operators. As I have said in my paper " If we really want to develop co-operation we must see why intellectuals like Graham Wallas and Shah ultimately lost faith in the movement as it developed in the Britain of their times".

Lastly may I suggest that so far as co-operation is concerned we require to-day a thorough reorganisation. Its position to-day is not at all satisfactory. We should set up a committee of experts and give them sufficient time to go into the details and suggest the steps required to revitalise the movement. We want fresh blood to live up to the strain of the modern world and its trade organisation based on the active interference of the State.

Authorised Version of the Speech of Prof. P. N. Driver on the subject of Co-operation and the Five-Year Plan. at the First Indian Co-operative Congress.

There are one or two very important things about the Planning Commission and its Plan. I am in perfect agreement with the Commission in so far as its long-term objectives are concerned In this respect I do not share the criticism made by many. Nevertheless it would be an exaggeration to say that the Plan is either a comprehensive or a logical whole. One of its gravest defects is that it ignores the co-operative ideal of self-help and it also has not sufficient attention to the inherent potentialities of the co-operative movement in its general picture of planning.

The Plan is a terrible disappointment to co-operators who believe in the ideal of self-help. From the very start the Plan stands forth for its implementation for a larger amount of reliance on foreign assistance. It has asked frankly for foreign aid on the ground that it stands for democratic planning. Those who are gathered here should remember the hopes given to us by the Plan. It tells us that we cannot ourselves produce more than 7.2 million tons of extra food and that even after producing this we shall require another 3 million tons *every year* from abroad. When all this is done we shall have just as much food as we had per head before the war. It is admitted by the Plan that the declaration of 1949 that there will be no imports by 1951 was a great mistake made on incorrect assumptions. As I have said in my paper we are afraid the reverse assumptions made now that we will be able to import food grains every year from abroad may prove equally incorrect.

There is another great difficulty for the co-operator in relation to the Plan. The Planning Commission has failed to accept the independent and distinct role of the co-operative movement. The Plan talks of two sectors of our economy—the public sector and the private sector and it also states that we must determine the respective spheres of these two sectors and of the means of keeping the two in step. But when we come to the details of this there is no appreciation of the part co-operation can play between these two sectors as a useful liaison. Co-operation is regarded as a part of the private sector and possibilities of conflict between private initiative and State action have been ignored.

As Prof. Karve has already pointed out in his opening speech there is a conflict in the Plan between the end and the means. I have pointed out in the paper how precisely the programme proposed by the Plan is a terrific anti-climax to the good ultimate objective. Co-operation is by no means accepted as the pivot of rural reconstruction for the immediate present. The main stress is decidedly on the organising of large farms managed by individual farmers. The Plan gives us so to say for each village a picture of a society not co-operatively homogeneous but actually divided by conflicting economic interests of individual farmers, Registered Farms and the all too few co-operative farms. The structure of planning proposed for the interim period is based on individualism and landlordism. The Plan wants to strengthen the individual peasant. In this the Plan ignores the essential difference between co-operative farming and ordinary agricultural co-operation. The basic differences in the situational and psychological factors if we are to enter the era of co-operative farming from the old phase of agricultural co-operation have not been understood at all.

Besides the failure to realise the differences in the psychological foundations of co-operative farming and ordinary agricultural co-operation, there is no attempt in the Plan to actively support a programme for organising co-operative farming. We were told by the Hon'ble Mr. Munshi that co-operation should now be used for more production of food. We must realise that what we have to do here is entirely different from what has been done upto now. The use of co-operation for actual production requires a basic reorganisation in its structure. The co-operative movement of to-morrow will be entirely different from the co-operative structure we had in the past. The entire atmosphere in which we have now to work has changed and is changing further.

We require an explanation as to why a minimum area is fixed for co-operative farms and why it is fixed in terms of the minimum for Registered farms. This is defective specially as the size of Registered Farms suggested has not been properly worked out and seems to have been tentatively considered on the basis of calculation of economic holdings which appear to be defective. I am open to correction here but it appears that the size of economic holdings has been worked out on the basis of existing capital which is a wrong way of approaching the question. There is a distinct reference to "existing techniques" on P. 103 of the Report. I may state here that the Plan has failed to consider the basis of what standard of life we want for our masses in the calculations of economic holdings for the future.

The Plan wants us to accept the view that in course of time all our individualist farmers will automatically become co-operative minded and there will be automatic evolution of co-operative management. I don't share this optimism nor can any one with experience of co-operation believe in this. It is clear there must have been no real co-operators in the Commission. The Plan has been tempted into relying too much on voluntary evolution and on big landlords for improvement in such matters

as procurement etc. Such reliance will not be a good object lesson in co-operation and certainly will not lead us automatically to the ultimate co-operation of our dreams.

There are many other disappointments for the co-operator which I have discussed at length in my paper and have no time to go into them here. But one point in specially important—the question of price incentives. The Plan has failed to note the failure of price incentives in solving the world food problem. We require new incentives of joint effort and true co-operation whilst the Plan sticks to the out-worn and dangerous incentive of high prices. The attention of the Planning Commission may be drawn to the fact that Europe is not producing enough food to feed its people and agricultural improvements which can increase yields are not even listened to by the farmers in Europe who are worried about these prices. We may do well to study the preamble of the French Government's recent Plan for food production in Europe.

The Plan fails to solve also the big problem of social conflicts. The Plan provides for laws to compel big landlords to sell seed to Government or to ensure proper wages but there is no attempt to compel such men to give employment to all nor is there any plan to solve on a State basis the conflict between the right to own and the right to work. Obviously the right to work for all requires a new set-up of its own.

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The Madras State Co-operative Bank, Ltd.

Head Office:—379, Netaji Subhas Chandra Bose Road, Madras 1.

Balance Sheet as on 30th June, 1951.

Liabilities.	Rs.	Assets.	Rs.
Capital ...	14,86,600	Cash ...	18,49,402
Reserves ...	51,50,610	Investment in Govt. Securities ...	207,30,072
Deposits & Borrowings.	789,65,149	Other investments ...	21,83,107
Sundries ...	38,66,016	Loans and Overdrafts	612,84,325
Profit & Loss A/c. ...	4,18,709	Sundries ...	38,40,178
Total ...	898,87,084	Total ...	898,87,084

Analysis of Working.

Years ending 30th June.

	1948 Rs.	1949 Rs.	1950 Rs.	1951 Rs.
Paid up Capital ...	8,98,900	14,64,200	15,00,000	14,86,600
Reserves ...	44,99,120	49,92,234	50,04,278	51,50,610
Fixed, Current and other deposits ...	5,60,53,821	3,90,50,026	4,29,35,969	4,36,25,668
Net Profit ...	4,61,321	3,60,167	2,88,978	3,74,733
Amount transferred to Reserve Fund ...	1,50,000	1,25,000	1,00,000	1,00,000
Other Accounts ...	2,14,526	1,14,000	46,500	1,53,000
Dividend ...	67,677	99,529	1,34,820	1,04,178
Amount Carried Forward ...	55,146	57,373	43,977	36,555

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—10-52.