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CO-OPERATION IN INDIA AND ABROAD

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BY

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FOREWORD BY
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PRINTED AT THE
BASEL MISSION PRESS MANGALORE
1931

Price: Rs. 3-8-0 or 8h. 6/-

PREFATORY NOTE

This book is mainly intended to be a guide to the students attending the Co-operative Schools and Classes that are being organised every year at various centres. These students are at present under the disadvantage of having to go through a number of books for their preparatory study and for obtaining an elementary knowledge of the different aspects of the co-operative movement in Europe and in India in order to be able to follow intelligently the lectures delivered in the classes. It is hoped that this book will supply this necessary background.

The book deals with co-operation in all its forms, and though each chapter deals with a separate aspect of the subject, the lessons are so arranged as to maintain a continuity of thought. A student wishing to study only a particular phase of the subject can get an insight into it by confining his attention to the specific section in which he is interested.

Besides the usual index given at the end of the book, a heading is given in the text to each paragraph, and these headings are brought together at the commencement of each chapter to facilitate reference.

Owing to the attempt made in the book to cover the various ramifications of the movement in the different provinces in this country and abroad, it is possible that some inaccuracies may have crept into it. Readers coming across any of them, are earnestly requested to bring them to the notice of the author, with a view to enabling him to set them right in the next edition.

FOREWORD

I feel flattered and honoured at being asked to write a Foreword to Rao Bahadur Talmaki's book "Co-operation in India and Abroad", as he is not only an old, tried and veteran worker in the field of co-operation in Bombay, but is a keen student of the progress of the movement in this and other countries. As a promoter of the Shamrao Vithal Urban Co-operative Bank, Ltd., Rao Bahadur Talmaki is one of the pioneers in the field of urban banking in India. While an officer of the Bombay High Court, he saw the difficulties of members of his community and other middle-class people about getting decent and suitable houses at a fair rental. He came in contact with Mr. Orr, the then Chairman of the Bombay Improvement Trust who was anxious to have the plots acquired and developed by the Trust built upon for residential purposes. In the book, the Rao Bahadur has been very modest about his share of the work in the field as a pioneer of the co-operative housing movement first in the city of Bombay and then in the Presidency. I do not think I am exaggerating when I say that had not a man of his capacity for work, persistence in the cause and optimism taken up this branch of the movement the housing movement would not have made the progress it has made in the city of Bombay and many middle-class people would not have got the relief and freedom from worries that they have obtained with the help of the movement. His interest in the co-operative movement was not confined to co-operative banking and housing only. It is very difficult to divide the credit for establishing the Provincial Co-operative Institute in Bombay between Ewbank, Talmaki and others. Rao Bahadur Talmaki's support of and work for the success

of the Institute began at its birth and has continued unbroken till now, that is, for a period of thirteen years. He has been indefatigable in his work as Honorary Secretary of the Institute and has been a co-worker with Mr. G. K. Devadhar in the educational activities of the Institute. The success and growth of the educational work of the Institute are more due to Rao Bahadur Talmaki than to other individuals; for while other workers in the field excepting one or two joined the movement or left after some time, Talmaki's work has been continuous and has led to an all-round progress in the educational activities of the Institute.

As Honorary Secretary of the Institute for so many years, the author had ample opportunity of knowing at first hand the causes of the slow progress of all branches of the movement except the credit side and the weakness of even the credit side in certain areas. Almost in all chapters describing the present position of all branches of the movement, Rao Bahadur Talmaki does not mind repeating dozens of times that the illiteracy of the masses has been the greatest handicap to the healthy all-sided growth of the movement. Evidently, he feels so strongly on the subject that he cannot control himself and risks the criticism of casual readers that he harps too often on the need of literacy and on the failure of the State to educate the masses. Being an oldish gentleman who has passed his life in office work and quiet study and who has no experience of speaking from a public platform, his language is bound to be sober and thoughtful. The very mildness of his constant reference to the illiteracy of the masses who live in villages lends force to his accusation of Government for having failed to do its duty by those whose future was entrusted to its hands. A trustee who had similarly failed in bringing up the wards put under his care would in a Court of Law be found to be guilty of

gross negligence and of misfeasance in using the trust money for other unjustifiable purposes.

The book which will prove a *vade mecum* for all Co-operators in India and for all foreign students of Indian Co-operation gives information about the history and growth of the various sides of the movement both in India and in all foreign countries where the movement has taken root. It shows the deep and vast study of the subject by the author, who has not confined himself only to giving of the history of the inception and growth of the movement in various countries, but has made very valuable suggestions for its expansion in various directions in this country. As these suggestions are based not merely on study of books but on actual practical work in the field, they deserve the careful consideration of all those interested in making the movement successful in all its branches.

The book is divided into eight sections, three relating to the historical, economic and legal aspects, and the remaining five dealing with the main divisions of the movement, the federations of primary societies, finance, organization and general which includes education in co-operation and education for co-operators. Each section consists of two or more chapters. It is not to be supposed that these sections are like water-tight compartments, as one subject has very often to be examined from more than one standpoint. The main idea of this division seems to be to prevent as much everlapping as possible and that aim has constantly been kept in view. As each section contains one or more chapters on the theory and practice of the movement both in Europe and in America and in this country the book is bound to be encyclopædic in its method and size. If the author finds time later on to separate all the chapters relating to the movement in this country and publish a smaller book for the guidance of workers in the country, it is bound to be very popular and useful.

Before describing the "Stagnation of Villages," the author correctly analyses the causes of the same and in one paragraph under the heading "old order and new" gives these reasons as succinctly as possible. He is justified in giving at greater length the effects of the "introduction of a new system of law" which changed the entire aspect of lending and borrowing. A perusal of this part of the book is sufficient to disarm those outsiders who often criticise the slow growth of the movement, because they will then have a conception of the environments which impede its growth.

As a lawyer the author is naturally specially fitted to deal with the legal aspects of the movement and he has devoted three chapters to describe these aspects (1) in other countries (2) in India and (3) in the Bombay Presidency according to the Bombay Co-operative Societies' Act. This Presidency was the first to take advantage of the powers given to Local Governments under the Montagu-Chelmsford Reforms to have co-operative legislation to suit its own needs. Talmaki as Honorary Secretary of the Provincial Co-operative Institute was intimately connected with the moulding of the Act in its present shape and he has used this knowledge in giving detailed implications of the various sections of the Act. This chapter will prove very useful to students of co-operation in this Presidency.

While the credit side of this movement has made fairly good progress both in rural and urban areas, very little work has been done in other directions. The author while realizing the importance and the urgency of the agricultural credit side feels regret that the other sides have not proved sufficiently successful. He examines the position of the producers' and consumers' societies in foreign countries and the reasons why various branches of the money have proved successful in different countries. Comparing conditions prevailing in this country as regards these branches of the

movement, Rao Bahadur Talmaki comes to the conclusion that the chief difficulties in the way of industrial co-operation are "(I) insufficiency of working capital (II) unregulated trade both regarding the purchase of raw material and the sale of finished articles (III) want of expert guidance, both regarding the technique of the industry and that of its trade." There will be general agreement with his view that "It is impossible to expect the persons engaged in the industries to devise the means of overcoming the difficulties due to their illiteracy which again forms the fourth difficulty. Help must, therefore, come from outside, and the only agency which can give effective aid is the State." Academic co-operators often ridicule this suggestion of State aid; they will, however, have to modify their attitude when they see that this suggestion is based on the example of other countries where very good progress is made in this branch with the help of State aid, chapter and verse for which are quoted by the author. He notes with satisfaction the beginning made in this direction by the Government of the Punjab which has appointed a special staff to look after and help industrial societies.

His examination of the causes of the failure of several co-operative stores (consumers' societies) in various parts of the country as well of the success of a few of them, chiefly of the Triplicane Stores—the premier co-operative stores in the country—is very thorough and the conclusions that he arrives at are correct and must be carefully studied by all those who undertake the starting of co-operative stores. His reference to the important part played by women in the English co-operative movement and the necessity of enlisting the sympathy and assistance of women to make the movement a success, are borne out by the fact that a store started on a small scale by educated young Hindu women and run by them in the Servants of India Society's buildings is firmly established within one year and

there are all possibilities of its increasing its sphere of influence. One other store run by rich young women in the Fort area though not registered under the Co-operative Societies Act has been rendering very useful service in promoting the Swadeshi movement in a very practical manner.

The author can be said to be father of the co-operative housing movement; as such he has continued to take a keen interest in its development and has for that purpose carefully studied the movement both in this country and outside. The chapters in which he describes this branch of co-operation are not only a mine of information, but contain the results of the personal experience of work in this direction. A man without his faith in the movement would have given up the first experiment when he met with a number of difficulties. His robust faith helped him in getting timely financial assistance from Sir Prabhashankar Pattani and made the experiment successful.

In describing the credit branch of the movement, the author rightly gives due importance to an important aspect of it—land mortgage banks and credit for land improvement. Unless an agriculturist is freed from the bondage of the village money-lender and unless he is granted financial facilities for improving his land and getting a larger outturn at reduced costs, the financial facilities which he gets at present from credit co-operative societies for agricultural operations and minor household expenses will not improve his economic condition which is and ought to be the sole aim of all those who are interested in the development of the co-operative movement. A separate chapter is devoted to the Landschaften of Germany, as that model is kept in view by promoters of similar banks in other European countries and in India with modifications to suit local conditions. A detailed description is given of the various land mortgage banks and land improvement

schemes in India and other countries and these chapters are as interesting as they are instructive.

After showing that while defaults in agricultural credit societies are largely due to paucity of rainfall or fall in prices, the main cause of defaults in urban banks is apathy and indifference on the part of the management or slackness in effecting prompt and regular recoveries, the author makes the following practical and useful suggestion, that it would be much better if urban co-operation falling under different heads were placed a Joint, Deputy or Assistant Registrar though he may be working under the same Registrar. Though it may not be necessary to adopt this suggestion in a Presidency like Bombay, where the working capital of the 580 urban banks is larger than the working capital of more than six times the number of rural credit societies, the appointment of a special officer in charge of the urban credit movement would help the growth of that branch in Provinces where the movement has not taken sufficient root to grow by itself.

If the agriculturist gets prompt and adequate finance for his agricultural operations and land improvement at a fair rate of interest, and is free from the worry of his money-lender on account of the liquidation of his existing debts, he will be able to improve the land, use better quality of seeds and also modern agricultural implements and as a result be able to get larger and better produce from his land. If the co-operative movement helps him to achieve this end, it has ample justification for taking credit to itself for having rendered useful service to agriculture. Co-operators do not want, however, to stop their activities at this stage. They feel that their work cannot be said to be complete till they enable the agriculturist to get a full price for his agricultural produce by eliminating unnecessary middlemen and by bringing him in touch with the central market through co-operative societies. The diffi-

culties in the way of these societies are lucidly given by the author who makes useful suggestions for minimizing them and making the sale societies successful in every way. The necessity of Government, local bodies and railways coming to the assistance of these sale societies is thoroughly established on the strength of the example of similar assistance rendered in foreign countries.

On no factor is the success of the rural co-operative credit movement in India so dependent as on the improvement of agriculture in all its aspects. To this end, various attempts have been made in Bombay and other Presidencies to bring about a co-ordination between those two nation-building departments. Recognizing the importance of this subject, the author has devoted three chapters to the description of agricultural organization societies. The sub-division of holdings and the fragmentation of survey numbers have proved great handicaps to the introduction of modern agricultural machinery for the purpose of development of agriculture. While attempts have been made to tackle and solve this problem in some Provinces and Indian States, it is the Punjab only that has succeeded in bringing about consolidation and redistribution of holdings through co-operative agency, and the methods adopted for the purpose are fully described in one chapter.

Rao Bahadur Talmaki directs special attention to an examination of the constitution, working and importance of co-operative thrift societies and stresses the necessity of more work being done to develop that branch of the movement. There cannot be two opinions regarding the benefit likely to accrue by the systematic practice of thrift, in raising the economic condition of agriculturists and others. One is, however, surprised to see a cautious writer like Talmaki repeating the usual official set phrase that "There is money enough if we can only tap the sources". It is dangerous to generalize in this manner

from a few stray individual cases. All who have studied the economics of rural India know that the condition of a very large percentage of the rural population is really bad and may be said to be getting worse. In this book itself time and again reference is made to the wretched economic condition of the village population, and such being the condition of things, I wonder how Rao Bahadur Talmaki can yet argue that there is more than enough money in the country for the finance of agriculture.

Primary societies being distributed all over a province and working in small areas cannot be of much use and influence unless they are federated into some central institutions. Provincial banks and institutes (under different names) are the apex institutions for (1) finance and for (2) education, supervision and propaganda. Under them as branches or as independent bodies affiliated to the apex institutions are the district banks and divisional or district institutes. The constitution and the methods of work of the various types of these institutions are carefully examined and explained by the author in a section under the heading, "Federation or Combination of Societies". A separate chapter is naturally devoted to the Bombay Provincial Co-operative Institute in the establishcment of which the author has participated and with the working of which he has been intimately connected as its Honorary Secretary since its inception till now.

Rao Bahadur Talmaki's views on organization, administration and supervision will be particularly valuable to those interested in the further development of the movement. Different provinces have adopted different methods of conducting audit, supervision and inspection. At the last session of the All-India Co-operative Institutes' Conference it was found that there was almost unanimity regarding the work of inspection being conducted by the central financing institutions. It was felt by a

large majority of members that the work of conducting the statutory audit might well be entrusted to the Provincial Co-operative Institutes or Federations or Unions, it being clearly understood that such audit should be conducted only through the agency of auditors who received certificates from the Registrar authorizing them to do this class of work. It was, however, felt that the Registrars were not, likely to be too willing to part with their present powers and patronage, though there is no statutory bar to the audit and supervision work being justly entrusted to the same non-official agency, who will then better be able to conduct both these functions through the District Unions than is done at present by two separate agencies. This is the only practicable way of de-officializing the movement.

The book will prove a very valuable addition to the already existing literature on the subject. The aim of the author may appear to be ambitious, but it is a pleasure to see that he has succeeded in bringing together a vast mass of interesting and valuable material in one volume. The special merit of Rao Bahadur Talmaki's work consists in his having so arranged his material that the Indian co-operative movement is seen in its proper perspective against the background of the larger and older developments of this great economic force elsewhere in the world.

Lalubhai Samaldas.

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CHAPTER I

ORIGIN AND NATURE OF CO-OPERATION IN EUROPE

The Old Order and the New—Diverse theories of Social Reconstruction—The two evils of Usury and Profiteering—The birth of the Store Movement in England—The Spirit of Association—The Friendly Societies—The Building Societies—The three Acts of England—Birth of Credit Movement in Germany—Birth of Producers' Movement—Consumers' Movement—Agricultural Co-operation—Co-operative Animal Husbandry of Denmark—Co-operative Farming and Labour Societies of Italy—Lessons for India.

The Old Order and the New:—Agricultural pursuits and domestic industries characterised the old order of things in all civilised countries for centuries past. The discovery of steam power and of the new devices in machinery in the 18th century, gave birth to factory industries, and centralised them in a few hands in some favourably situated towns, attracting increasing numbers of people from their agricultural pursuits. The sudden influx of people from the country to the town, enabled the employers to dictate their own terms to the employees, with the result that the rich became more and more rich, and the poor became more and more poor and were driven almost to desperation.

Diverse Theories of Social Reconstruction:—Many economists and statesmen of the time supported the principle of *Individualism,* upholding the rights of individuals to the full reward of their enterprise, which enabled them to build large fortunes and own vast property. They urged that the competition, the rivalry and the struggle for existence which the system engendered, made it possible for the fittest to survive. In other words, they thought that society could be built by supermen only. On the other hand, many rival

theories were set up to uphold the cause of the poor. In the early years of the nineteenth century, there was a ferment of social philosophising in France, England and Germany. Some preached *Communism,* advocating common ownership of industries by the people through communes, each worker receiving his wages according to his needs. Others preached *Socialism,* pleading for a Governmental and Municipal control of the economic activities, so that the opportunities of life and the rewards of labour may be equitably apportioned. It was easier to preach theories like these than to bring them into practice. The more practical minded workmen set up the device of *Labour Unions* for joint action in the shape of strikes until their demands were granted. Ultimately, the last named method succeeded remarkably and enabled the labourers to obtain better wages and better conditions of work.

The two evils of Usury and Profiteering:—With all these theories, mostly unrealised, two evils calling for immediate relief were found to grind down the people, viz., usury and profiteering. They paid an exorbitant rate of interest on the money they borrowed and paid more than a reasonable price for the necessaries of life they purchased. Men with a practical turn of mind set about to find remedies for these evils. To fight usury they devised the system of joint borrowing of money for loaning it among themselves on advantageous terms. To prevent profiteering they adopted the method of joint purchases and retailing the articles among themselves. Out of such collective action the co-operative system has been evolved.

The birth of the Store Movement in England:—It was in England that the Co-operative Store movement for joint purchase of goods first took root. The labour unions made the working classes conscious of their power of combination, which they directed in a new channel for their economic improvement. Many experiments in Co-operative distribu-

tion were tried in the early decades of the nineteenth century. Robert Owen (1771-1859), who helped the working classes in trying various movements of self-help, is considered to be the father of Co-operation. Though the several stores which were started under his inspiration failed, the idea of joint action for common good survived. One of the reasons of these earlier failures is said to be that they sold their articles at cost price and not at the prevailing market rate. Fresh attempts were made, and the first attempt that succeeded was that of the 28 poor but enthusiastic weavers employed in a mill at Rochdale. They are therefore known as Rochdale Pioneers and the principles adopted by them as the Rochdale principles. The store started by them in 1844 became the beginning of a big movement, as we see it to-day, benefiting the people in various ways.

The Spirit of Association:—The spirit of association for mutual help was fostered among the working classes in England not only by Trade Unions but by a much earlier movement. In the last decades of the 18th century, associations known as Friendly Societies began to be formed, which collected small weekly subscriptions and gave help to the members on occasions of death, sickness, distress or unemployment and even during old age. Some of them provided in addition the advantages of a savings bank. The first Act of Parliament for regulating the affairs of these societies was passed in 1793.

The Friendly Societies:—The Friendly Societies do not carry on any business and cannot therefore be called co-operative societies. But they indirectly helped the co-operative movement by affording inspiration for combination. The earlier stores were registered under the Friendly Societies' Act till the first Act for regulating the stores was passed in 1852, known as the Industrial and Provident Societies' Act, and was amended by later Acts to suit the requirements arising from time to time.

The Building Societies:—Another important co-operative development set on foot in England from the beginning of the 19th century also owes its inspiration to Friendly Societies to no small extent. The working classes paid very exorbitant rents for their residential quarters due to the greed of their landlords. They started associations for collecting subscriptions for helping members to build cottages for their residence. These associations were known as Benefit Building Societies, and were also registered under the Friendly Societies' Act, till the first Act for regulating them was passed in 1836, and amended later from time to time.

The Three Acts of England:—Thus, there are in England three different Acts for regulating the three different kinds of societies. These Acts were amended or recast from time to time whenever found to be necessary. The Registrar of Friendly Societies is also the Registrar under the other two Acts, and is therefore the administrative head of all the three kinds of societies. The important fact to be noted is that these institutions began to be started long before the legislative enactments were passed for giving them protection.

Birth of Credit Movement in Germany:—Germany took the lead in combating usury by starting lending associations known as credit societies. The movement was pioneered by two workers, stirred by the sufferings of the poor at the hands of extortionate money-lenders. Herr Schulze, Mayor of Delitzsch (1808-1883), started his work in an urban area, and Herr Raiffeisen (1818-1888), burgomaster of Neuwied, broke the ground in a rural area. After a few experiments on a somewhat philanthropic line, Schulze-Delitzsch founded his first loan society in 1850. Raiffeisen who started his work independently about the same time, after making similar experiments from 1848 founded his first loan society on the lines of self-help in 1862 at Anhausen. The move-

ment went on progressing in many other directions benefiting the agriculturists in various ways. The first co-operative law was passed in Prussia in 1867 which was converted into an Imperial Law in 1889.

Birth of Producers' Movement:—Co-operative Production in its full significance was initiated in France by industrial idealists like Fourier (1772-1837) and Buchez (1796-1865) and their followers, and a few years later by Owen and his friends in England. These activities which commenced about the year 1820 all ended in failure by 1847 after a brief spell of success. Some of them were in the form of colonies or communities and others of shops. Later experiments known as self-governing shops, tried in England under the guidance of a band of social workers, styling themselves as Christian Socialists, did not live long. Those Societies, however, that were started after the passing of the Industrial and Provident Societies' Act fared much better as they obtained legal protection from the Act, and also because the Co-operative Stores patronised them by making purchases from them, and later by subscribing to their share capital. The success of such societies in France is due to the protection afforded to them by the State and to the patronage given by it by advancing loans and making purchases for Civil and Army Stores and the Municipalities.

Consumers' Movement:—On the other hand, the Co-operative Stores on the Rochdale model went on multiplying, and when they assumed larger proportions they founded their own wholesale societies and added numerous departments for production, with the result that their activities have assumed the comprehensive name of Consumers' Co-operation, invading the sphere of factory industries on the one hand and the agricultural industry on the other, and commanding to some extent, even the means of transport.

Agricultural Co-operation:—In Germany, while the town banks went on making progress to the benefit of the artisans

and small traders, co-operation in rural areas began to play a bigger role, covering almost all the economic activities of the agriculturists, be it in respect of the supply of the farmers' requisites or in the sale of their produce, and even in converting the produce for the market by means of various modern processes, whereby a better price is obtained for the producer and remunerative work outside the farm is brought within his reach. Rural co-operation in Germany is no longer a mere credit movement, but has assumed the comprehensive name of Agricultural Co-operation, spreading itself in almost all the Western countries of Europe.

Co-operative Animal Husbandry of Denmark:—Yet another form of agricultural co-operation was devised by Denmark by showing that even if the land be poor in fertility, the farmers can yet earn not mere competence, but even wealth by organising animal husbandry on co-operative lines. When the fertile corn-growing part of the country was taken away from Denmark by Germany as a result of a war, the Danish farmers turned their attention to co-operation, and with the help of the cow, the pig and the hen, set up numerous co-operative dairies, piggeries, and poultry farms throughout the country, and became thereby the most thriving peasantry in the whole of Europe. The co-operative lesson set by Denmark is being copied by many of her neighbouring countries to their great advantage.

Co-operative Farming and Labour Societies of Italy:—Italy, on the other hand, has made a great contribution to co-operation since the last eighties by showing how the farm labourers can continue to eliminate the middleman rent-farmers by organising co-operative farming societies, by themselves taking over the farm from the owner either on a long lease or by purchase, if possible, for cultivating it jointly or individually as may suit their inclination. Similarly, the town labourers, too, have combined to form labour societies to eliminate the middleman contractor by them-

selves taking up labour contracts as masons, bricklayers, dockers, carters, porters, and even for constructing railway lines.

Lessons for India:—Thus, Europe has shown that every branch of activity, wherein the middleman exploits the poor, can be taken over by the exploited people themselves by joining hands with their fellowmen to form co-operative societies. Cannot India imitate Europe in this respect? Surely, what is possible for men in one part of the world is equally possible for men in another part, provided they set about it in right earnest.

CHAPTER II

ORIGIN AND NATURE OF CO-OPERATION IN INDIA

The Old Order and the New—Stagnation of Villages—Failure of New Measures—Other measures of relief—Introduction of the Co-operative Societies Act—Predominance of Rural Credit Societies: and absence of Industrial Co-operation—Need of an all-sided Agricultural Co-operative Development—Need of Popular Workers.

The Old Order and the New:—In India the substitution of the old order by the new was far more sudden and gave rise to more far-reaching changes than in Europe. The cheap imported articles manufactured abroad displaced the indigenous rural industries without creating more wealth in the country nor giving work to those whom they drove out of occupation. Hence more people had to fall back upon agriculture than the land could economically maintain, only a small fraction being attracted to the towns. Secondly, increase in population and the law of inheritance of the country led to sub-division and fragmentation of holdings, making agriculture an economic venture. Thirdly, the new centralised method of administration and the new move-

ments of trade and commerce attracted the adventurous, intelligent and higher classes from their village homes to the towns and cities, which held out more glittering prospects and diverted their savings also into the new channels of investment. Fourthly, while the opening of the European markets raised the prices of agricultural produce, the producers themselves got very small share of the rise, the major portion being absorbed by a number of intermediate agencies. On the other hand, the villagers paid a much higher price for the articles brought from outside for their use. Fifthly, the new system of land revenue, which substituted cash for the old method of payment in kind, made the peasantry resort to the money-lenders even for the payment of the revenue instalments either by borrowing at high rates of interest or by selling a part of the produce at a very low price. Sixthly, the introduction of a new system of law changed the entire aspect of lending and borrowing. Under the old system, a debt could only be extinguished by repayment, and the obligation remained good for three generations and virtually for ever. A son considered it his pious duty to pay his father's debt. If he did not take upon himself the liability, he believed that his father in his next birth would have to serve the creditor in some capacity or other. Under the new law of limitation, a debt remaining unpaid for three years became extinguished unless enforced through a Court of Law. The period of limitation, could, however, be extended if the debt be secured by a registered mortgage of land. The creditors, therefore, began to consider that a much safer course was the outright purchase of land on the tacit understanding that it would be leased out to the debtor-owner with the result that a large number of peasant proprietors were rapidly converted into mere tenants at will. Lastly, the very procedure of law has become costly and is being conducted far away from the seat of the transaction. Formerly, disputes, monetary or otherwise, were tried by

the village Panchayat, which placed a restraint on falsehood on either side for fear of detection by their own compeers. But now, the distance of the seat of trial conducted by a judge who has no knowledge of the antecedents of the parties, affords a convenient screen to unscrupulousness. The creditor has to incur much cost on account of court fees and pleader's fees for obtaining a decree on his claim, not to speak of the cost of his travel to and from the Court and on other items. An appeal and a second appeal involve further cost. All these costs he cannot recover from the debtor, and he therefore takes precaution to swell his claim from the very commencement of the transaction in ways too well known. The debtor, on the other hand, when confronted in court with a claim far in excess of his real liability, finds himself driven to the other extreme of denying the whole claim. Thus, dishonesty finds a premium in the village transactions.

Stagnation of Villages:—All these causes undermined and shattered the fabric of village economy. In a country, where three quarters of the population draw their sustenance from the soil, and where illiteracy is the rule and the practice of thrift is not common, the cumulative effect of these causes can easily be imagined. The indebtedness of the agriculturist with the accretion of usurious rates of interest has grown apace. His land in many cases has passed into the hands of the money-lender. He is made to pay exorbitant rent in addition to the high rate of interest on the debt. The situation became aggravated by frequent failures of monsoons and the resultant famines. It is not surprising if the people in such extremeties became fatalistic and their stark illiteracy led them to despondency. No incentive was left for organisation, no stimulus for business. The spirit of association to be met with among working classes in the cities, fostered by their having to live closer and work together, is absent among the agriculturists, who are living

and working apart from each other. In other words, there was utter stagnation of social and economic life among the villagers and the situation easily lent itself to despair.

Failure of New Measures:—Various measures were tried by Government for relieving the situation, such as restrictions on alienation of land, usury laws, and state loans. In the Bombay Presidency, the situation assumed a grave and ugly aspect in 1875, when large numbers of people in 45 villages of the Poona District and of 22 villages in the Ahmednagar District rose up against the money-lending classes, attacked them in large numbers and forced them to surrender the bonds and other securities and burnt these documents openly. The riots could only be quelled after the military aid was requisitioned.

Other measures of relief:—Government at once took the situation in hand. In 1879, the Deccan Agriculturists' Relief Act was passed (Act XVII of 1879) for restricting alienation of land and restraining usury. In 1882-83, the late Sir William Wedderburn and his friends, including the late Mr. M. G. Ranade, formulated a scheme of a State Bank for financing the agriculturists of the Poona District, which was, however, turned down by the Secretary of State. But meanwhile, Government passed the Land Improvement Loans Act (XIX of 1883) and the Agriculturists Loans Act (XII of 1884), the former to enable cultivators to obtain loans from Government at a low rate of interest for productive purposes such as purchase of machinery and improvement of land, and the latter for current agricultural purposes for areas affected by famines.

Introduction of the Co-operative Societies Act:—In 1892, the idea of forming Co-operative Societies for the benefit of the farmers was first conceived. The Government of Madras deputed Sir Frederick Nicholson, I. C. S., to Europe for the purpose of enquiring into the possibility of introducing in this country a system of agricultural and other land

banks. His report in two Vols. (1895-97) was received by the Madras Government in 1899, and came under the notice of the Government of India in 1900. About this time, a few scattered societies were started by Mr. Dupernex, I. C. S., in the United Provinces and by Mr. Maclagan, I.C.S., in the Punjab. In 1901, a Committee under the presidency of Sir Edward Law was appointed by Government of India to consider the question of introducing Co-operative Societies in India, which made its report recommending societies on the Raiffeisen lines as best suited to Indian conditions. The report of the Famine Committee of 1901 also recommended the formation of Mutual Credit Associations. As a result of these recommendations, a Bill was introduced in the Legislative Council by Sir Denzil Ibbetson and was subsequently passed as Act X of 1904, being the first Co-operative Societies' Act. Within two years of the passing of the Act, 800 societies had sprung into existence. The number steadily increased from year to year, and before long, the provisions of the law were found to be in some respects faulty, and in others inadequate. The distinction in treatment between rural and urban societies, for instance, was found in practice to be unnecessary. There was, moreover, no formal recognition of joint or central societies formed of other societies, nor did the Act cover any form of co-operation for purposes other than credit. To remedy these and other minor defects, a new Act was passed in 1912 (No. II of 1912), and it is by this Act that co-operation is regulated in this country, except in Bombay and Burma which have recently enacted their local Acts.

Predominance of Rural Credit Societies: and absence of Industrial Co-operation:—It will be seen from the above brief statement that the framers of these Acts had their eye fixed mainly on facilitating agricultural credit. The result was that though the later Act allowed other types of societies, the number of credit societies predominate over all other

types. There are very few societies for meeting the needs of the artisans and small traders in towns and of the growing number of the industrial population. No doubt, Urban Societies are making some progress, but they are mostly started by the middle classes, and that too in two or three provinces only. On the other hand, no serious efforts are being made to stimulate co-operative production; and co-operative stores everywhere are receiving a setback for reasons which deserve a close investigation. It may, therefore, be said that Industrial Co-operation in India is still in its infancy.

Need of an All-sided Agricultural Co-operative Development:—Even in the sphere of the agricultural co-operation the movement has not made much progress in the development of other forms besides Credit. The mere substitution of the co-operative banks for the money-lender has in no country brought about the economic salvation of the peasantry. Animal husbandry on modern lines is almost unknown in India. Agricultural industries for converting the raw produce to a marketable condition are not yet introduced. Even agricultural trade is in the hands of the middleman who is very often the money-lender himself. So long as the sale and supply business of the farmer remains monopolised by the village money-lender without being co-operatively organised, there is little chance for him to get out of the latter's meshes. What the cultivator gains in his loan transactions made with his society, he more than loses in the business of supply and sale made with an outsider. Unless the whole agricultural industry is co-operatively organised, the improvement of the farmer's economic position would be well-nigh impossible.

Need of popular workers:—Above all, it must be borne in mind that Co-operation in Europe and elsewhere owes its success not to an official fiat, but to the exertions of selfless workers. The spirit of co-operation, thrift, self and

mutual help was cultivated among the farmers and the poor artisans, not by an official agency, but by the zeal, energy, and patience of popular workers with marvellous results. If similar achievement is our goal, we must echo Sir Frederick Nicholson's famous dictum summed up in two words "Find Raiffeisen".

CHAPTER III

PRINCIPLES OF CO-OPERATION

Associated action for business—A Co-operative Concern distinguished from Joint-Stock Concern—Elimination of Individualism—Limitation on Shareholding—Not a Profit-Sharing System—Nor Welfare Work—Nor Trade Unionism—Nor Socialism—Nor Charity—Nor a Friendly Society—Combination of Business and Service—The Co-operative Motto—Definition of Co-operation—Accuracy of definition not possible—Theory and Practice—Plunkett's Three Maxims—Holyoake's Description of Co-operation.

Associated Action for Business:—Two or more persons acting conjointly for a common end would be said to co-operate. But the term co-operation is used here to indicate associated action for a business purpose by adopting certain business rules.

Distinguished from Joint-Stock Concern:—A Joint-Stock concern also does the same thing, but it differs from the method of work adopted by a co-operative concern, the main distinction being that the profits in the former are distributed in proportion to each member's capital holding, and in the latter to his output of work or of business, the dividend taking the shape of deferred payment of savings. The former is therefore a union of capital, and the latter that of persons. The latter, no doubt, uses capital, but it pays on it a fixed rate of interest; or to put it tersely, in the former system capital owns men, and in the latter men own capital. The former is therefore known as the capitalistic system, and

the latter as the co-operative system. The government of the former is based on the extent of the holding of the share-capital, but in the latter it is equalised among all the members, each having only one vote irrespective of his capital holding, the members together electing the governing body on that basis.

Elimination of Individualism:—An important point of distinction between the two systems is that the success of a joint stock concern depends upon successful competition with other enterprises of a similar nature. This feature known as *individualism* is absent in a co-operative concern. Co-operative societies federate for common action and do not compete with each other, though the aim may not have been attained to perfection, or realized in its full significance.

Limitation of Shareholding:—Again in a joint-stock concern, as a member can hold any number of shares, the share list is closed when sufficient capital has been obtained, and the price of shares is thereafter raised, giving rise to unrestricted speculation, which makes the fortunes of the few and mars those of the many. In a co-operative society the share list is always open to new members, and the shares are never sold beyond their par value. The extent of a member's shareholding is limited to £200 by the English Act, and to Rs. 1,000 by the Indian Act, which is raised to Rs. 3,000 by the Bombay Act.

Not a profit-sharing system:—It must, however, be borne in mind that a joint-stock concern is not prevented from adopting co-operative methods. In Denmark, co-operative societies are registered under the Companies' Act, and yet they have never receded an inch from Co-operative principles. Of late, an attempt is made by many a joint-stock concern to pay a share of its profits as bonus to the workers employed by it. Such a system is known as profit-sharing. Some concerns go a little further by allowing the bonus to accumulate so as to enable the workers to become share-

holders. A still further step adopted by a few is to assign a seat or two on the Managing Board to the representatives of the workers. This system is called by some as Co-partneship, but the term in its full significance requires that such representatives must have equal voice with the rest, and the expression is now used with reference to producers' associations.

Nor Welfare Work:—Most of the joint-stock concerns have now recourse to welfare work and adopt measures to conciliate labour by such steps as the improvement of housing conditions, provision of means of recreation, and promotion of general well-being. Nevertheless, they are not co-operative.

Nor Trade Unionism:—This change in the attitude of the joint-stock concerns was the result of the fight put up by the Trade Unions. A Trade Union does not carry on any trade or business. It is a combination of workers employed in different trades and industries for coercing the employer to improve their conditions of work and to pay better wages. On refusal, the workers take recourse to strikes thereby paralysing the work of the concern. Thus in a Trade Union the workers coerce the employer to improve their condition, while in a co-operative society they co-operate among themselves for their improvement.

Nor Socialism of the Collectivists or of Communists:—Though the individualism of the capitalist is to be eliminated, co-operation is not socialism, which seeks to eliminate private ownership of property vesting it either in the State as the Collectivists would have it, or in the communities or syndicates as the Communists would have it. It stands for the freedom of the individual and encourages him to improve his economic status by self-help and mutual help.

Nor charity:—A co-operative society is formed by the poor to help themselves. The ancient method of alleviating the

lot of the poor was by a system of doles. It is even now being adopted in some countries in connection with unemployment. But this kind of help from outside is only a temporary palliative and in no way prevents poverty. On the other hand, charity weakens self-respect and hinders thrift and self-reliance. It militates against the incentive to work. Co-operation does not rely on charity, but seeks to promote thrift and self-help.

Nor a Friendly Society:—A Friendly Society no doubt teaches thrift and foresight to the poor and makes provision for accident, sickness, death and old age. But it does not seek to help them in business as a co-operative society does for raising themselves from economic weakness.

Combination of Business and Service:—Co-operation is not merely business but a combination of business and a spirit of service, which evokes loyalty, fellowship and a corporate feeling. Co-operation, therefore, appeals to self interest as well as to social instinct. No co-operative society will be successful if any one of these two aspects only be developed to the exclusion of the other, and this twofold attitude is called forth not only from persons charged with the management of the society, but also from the general members composing it. It is because of the spirit of service in co-operation that it helps not merely the economic, but also the social well-being of the community that betakes to co-operation. Philanthropy is, no doubt, one of the noblest instincts of humanity, but philanthropy waits till suffering arises and then steps in to relieve it. But true benevolence arising from a sense of social service will avoid the evil day and use preventive measures, such measures being intended not merely to help, but to help people to help themselves.

The Co-operative Motto:—The chief claim of co-operation is the awakening of a new spirit of the transformation of the attitude of heart and mind on the part of those who

associate together for that purpose. This spirit is expressed in the motto adopted by the Co-operative Union of England to the effect, *"Each for all and all for each"*. In a co-operative association each member must have in view the welfare of the whole body of members forming the association as also of each of its constituents. This spirit is quite in contrast with that of the joint-stock concerns, which ostensibly work on the motto, *"Each for himself"*. Here is an attitude of selfishness and a spirit of competition, and therefore of conflict with others carrying on similar business. On the other hand, the Communists work on the principle of *"each for all and all for all"*. There is therefore no scope for individual freedom of action in that system, while such freedom forms the main characteristic of a co-operative association.

Definition of Co-operation:—Thus a Co-operative Society is an association of the weak who gather together for a common economic need, and try to lift themselves and others out of weakness into strength through business organisation conducted for the common benefit of all who join it. But this does not complete the definition. The association must be of honest men putting forth honest means, and their union must be voluntary and not brought about by compulsion. Moreover, the spirit of association connotes a willingness to sink individual opinions and interests for common good. Such a spirit only can engender that loyalty which can bring success to the enterprise. *Co-operation, therefore, is an organisation wherein persons voluntarily associate together on a basis of equality for the promotion of their economic interests by honest means.* The essence of co-operation is that *each shall work for all and all for each* in the attainment of their common good. In this sense, the movement has a greater moral element in it than the economic one. It must not however be conducted on a sentimental but on a business basis.

Accuracy of definition not possible:—Whatever may be the definition, it cannot hold good in all cases. Though co-operation was first introduced by the weak, the benefit of united action need not be confined to the poor. The first mortgage bank of Germany was started for the landed gentry. If the millenium dreamt of by the consumers' movement is ever to be realised by ultimate social reconstruction, it cannot be achieved by excluding the rich. All that is required is that the rich shall not have an upper hand in the organisation. On the other hand, the complaint of many co-operators is that the poorest people remain outside the pale of the movement.

Theory and Practice:—However accurately one may define co-operation, its merit will lie not so much in its theory but in its practice. Co-operation is not produced by the strict application of principle, but by a combination of principle and practice. The Co-operative method was first introduced in Europe, and European experience shows that the correct practice of co-operation will depend on three factors:—(1) effective elimination of waste and inculcation of the habit of thrift, (2) education in co-operation, and (3) general education of co-operators.

Plunkett's three Maxims:—Sir Horace Plunkett, the founder of Irish co-operation, sums up the theory and practice of co-operation in the three famous maxims: Better Farming (Practice), Better Business (Co-operation) and Better Living (Education).

Holyoake's Description of Co-operation:—George Jacob Holyoake, the famous historian of English Co-operation, describes co-operation both positively and negatively in the following terms:

"Co-operation touches no man's fortune; seeks no plunder; causes no disturbance in society; gives no trouble to statesmen; it enters into no secret associations; it needs no trade unions to protect its interests; it contemplates no

violence; it subverts no order; it envies no dignity; it accepts no gift, nor asks any favour; it keeps no terms with the idle, and it will break no faith with the industrious.

"Capitalists hired labour, paid its market price, and took all the profits. Co-operative labour proposes to hire capital, pay it its market price and itself take all the profits. It is more reasonable and better for society and progress that men should own capital than that capital should own men.

"The leading aim of co-operation is not merely to increase present comfort (albeit not a disagreeable thing to do), it seeks also to ensure competence. Those who do not provide for the future of themselves and families—as far as they can or as far as they ought—are not merely dependent, they are mean, since they leave to chance, or the charity of others, to provide for them when the evil day comes.

"Co-operators have made money by their methods of business; they have won honours by being the first of the working class who cared for education as a higher form of property."

CHAPTER IV

RECONCILIATION OF CO-OPERATIVE THEORY AND PRACTICE

Consumers' and Producers' theories of Co-operation—Federationist and Individualistic Co-operation—The Stand-point of the Consumers—And that of the Producers—Objections to the twofold System—Fabian Socialism—Guild Socialism—Reconciliation by a Joint Board—The Problem of the Agricultural Labourer—Can a majority Coerce the minority—Other problems—The International Co-operative Alliance—The League of Nations.

Consumers' and Producers' theories of Co-operation:—The theory of co-operation in actual practice falls short of its ideals, and it is at times found difficult to reconcile conflicting views. In the Consumers' movement, the stores have

now gone beyond the stage of the work of distribution and have entered the domain of production. Though this production is done by co-operative organisations, it is not co-operative production, not being controlled by producers. Inasmuch as these works of production are owned by the consumers, either by the stores or by federations, known as the Co-operative Wholesale Societies, the actual workers, though employed under ideal conditions, have neither vote nor voice in their administration. In the Scottish C. W. S. the workers in the productive works can hold shares and are entitled to direct representation at the business meeting of the Society. But the English C. W. S., which is a much bigger concern, has not yet seen its way to grant even this concession. The workers are, however, at liberty to become members of a store, but this course can at best give them an indirect and remote voice in the management, which does not satisfy their demand. In a Producers' Society the members collectively own the means of production and each of them has a vote in the appointment of the management. The profits derived from the sale of finished products, after paying a reasonable rate of interest on capital, are divided among the workers in proportion to each member's output. This difference in the two systems has been the cause of misunderstanding between their votaries, one being known as the Federationist System of Consumers and the other the Individualistic System of the Producers.

Federationist and Individualistic Co-operation:—The expression "individualistic" is used here only in contradistinction to "federationist", and is in no way connected with the aggressive individualism prevailing among joint-stock concerns. Agricultural Co-operation in this technical sense is said to be conducted on individualistic lines. Each individual farmer carries on his agricultural operations individually in his own field and takes resort to co-operation in obtaining credit or for collective supply or sale. Again, in the

collective agricultural productive works such as creameries, cheaseries, etc., the workers employed are in the same category as those in the productive works of the consumers. But with these questions the industrial producers in the towns have no concern and, therefore, in practice no conflict has yet arisen. And whatever be the ultimate relation between the two theories, it is urged by many writers that consumers' co-operation should not enter the domain of agriculture, as such a course might harm the initiative of the people engaged in that industry, and its control would be far more difficult than of a factory.

The stand-point of the Consumers:—Confining our attention to the two sides of industrial co-operation, namely, co-operative consumption and co-operative production, the former claims that by undertaking production it can produce for use and not for profit. Through their societies, the consumers know the demand and can eliminate waste to be found in the competitive methods of production, and therefore they can produce economically and can profitably use their accumulated capital in the works.

The stand-point of the Producers:—The Producers, on the other hand, demand that as wealth-producers they must have the full economic advantage of their work and a voice in its management, which will ultimately benefit the system. They, therefore, urge that consumers should co-operate merely for distribution and leave production to co-operatively organised producers.

Objections to the twofold system:—Against this twofold system advocated by the Producers, it is urged that the Wholesale Society representing the consumers will want to buy at the lowest price it can; the organised producers will want to sell at the highest price they can which they might obtain in the competitive market, and thus there will arise a conflict between the two systems.

Fabian Socialism:—Two different solutions of this conflict

of interest are offered. The Fabian Socialists, led by Mr. and Mrs. Sidney Webb, urge that the consumers must have full industrial control. As regards large scale industries, and such undertakings like railways and shipping, which the consumers see no hope of organising co-operatively, they urge that they should be taken over by the State and worked on their behalf. In fact, the scheme is a combination of co-operation and State Socialism and is not therefore favourably received by all the supporters of the Federationists as involving a bureaucratic control and tending to extinguish freedom of the individual and his initiative which is the chief merit of the co-operative system.

Guild Socialism:—It is urged by the upholders of Guild Socialism as propounded by Mr. George Russell (A. E.) in his *"National Being"*, that the workers in every industry must organise themselves into a guild for the purpose of carrying on that industry without the present wage relationship of master and man. Questions, which concern the members of more than one guild, are to be dealt with by representative councils forming the National Guild. This theory seeks to make every man a producer, either as intellectual worker or manual labourer. It does not, however, work out a satisfactory system of distribution and cannot therefore be accepted as a satisfactory solution of the whole problem.

Reconciliation by a Joint Board:—This conflict of interest between the consumers and the producers, it is suggested by the British Co-operators, might be adjusted by a federal arrangement with a joint board to fix prices, and that the Co-operative Union of Great Britain should be able to bring about such an arrangement in harmony with co-operative theory. In Finland and Denmark, such an arrangement has for some time past been in operation. In England, the Co-operatively organised farmers have recently established, through their propagandist federation, an organisation

known as the Farmers' Central Trading Board, which aims at being an Agricultural Wholesale Society for the agricultural co-operative societies of England and Wales. In Ireland there is already the Irish Agricultural Wholesale Society. All the federated organisations in Great Britain and Ireland are members of the Co-operative Union, which, it is suggested, should bring about the formation of the Joint Board. Propagandist organisations which have for their object the development of the ideal of reconciliation like the co-operative Union of England, the Pellervo Society of Finland, the Irish, English and Scottish Agricultural Organisation societies, and the German General Unions can and ought to devote themselves to such problems, and as a matter of fact, some of them have already undertaken the task.

The problem of the Agricultural Labourer:—By adopting some similar method, the problem of the agricultural labourer can also be brought within the range of a solution. Up to the present, co-operation has done little or nothing for the poorest classes in any country. In the agricultural organisation of farmers, the Labourer has not a natural place, because he serves not a co-operative society but an individual. In Rumania and Italy, where co-operative farming is practised on a large scale, the labourers have formed co-operative societies for the purpose of cultivating land in common, and hiring out their surplus labour to the neighbouring farms. By this means, the labourers are brought into some relation with other co-operative organisations. But this is only possible where labourers in a district are numerous enough to form a Co-operative Society. In places where their number is not large enough, the problem presents difficulties.

Can Majority coerce the Minority:—Another point of interest arises in the organisations of collective works undertaken by agriculturists, such as societies for consolidation of holdings and other protective measures. The question is,

how far the majority of owners of land wishing to form such a society would be justified in coercing the minority, who either through ignorance or truculence are unwilling to join the society, and without their joining, the formation of the society becomes impossible. Similarly, in the case of sale organisations of agricultural produce, the question often arises, how far the majority would be justified in coercing the minority, if not in forcing new members to join the society, at any rate in preventing the existing members from getting out of it once they have joined. Laws are framed in many countries enabling members owning the majority interests to coerce the minority on the maxim that what is good for the majority must be considered good for the whole community. But it violates the principle of individuality which gives freedom to individuals to join or not to join a society, a principle which forms the basis of one school of co-operation objecting to State or municipal socialism. These problems only go to show that any number of principles, however true in themselves, cannot always have a universal application.

Other Problems:—Thus, it has been found very difficult to reconcile completely the theory and practice of co-operation; and though it is possible to bring about some sort of compromise between the consumers and the producers through the agency of a Joint Board, there are other problems waiting for a solution. The policy in respect of capital, employment of surpluses, the rates of dividend, the distribution of profits, dealings with non-members, all these matters are not treated uniformly in all the co-operative concerns. The method of their treatment also differs in different countries.

The International Co-operative Alliance:—Perhaps the International Co-operative Alliance (1895), when the national co-operative organisations of all the countries are affiliated to it, should be able to become a world force so as to be in a position to bring about a better understanding between all

the conflicting interests and views. Several countries have already joined the Alliance and it has continued to keep in touch with the co-operative movement in almost all the countries. Plans have already been formed for establishing trade relations between various countries by organising an international wholesale society, and for developing banking relations by starting an international bank. What remains, and it is the greatest task, is the elimination of the wage system from the movement as urged by the Guild Socialists, and devise a policy which will find room for producers as well as consumers. Meanwhile, co-operators, whether consumers, farmers or industrial producers, must keep developing their economic organisations, eliminating friction as far as possible and making their respective organisation self-supporting, and realising the necessity of becoming a constituent part of the International Commonwealth through the Alliance.

The League of Nations:—In the achievement of this object, the State will have to link itself with the Co-operative Movement, though it is too early to foretell at this time the exact method of bringing about this co-ordination. The immediate action that is possible is for the League of Nations (1919), which is a political body formed by the Governments of different countries, to accord a place of honour in its Council to the International Co-operative Alliance, which is its younger sister in point of power, though by birth its senior. But this achievement must be left to intensive propaganda and education which, together form the corner-stone of all human endeavour.

CHAPTER V

PLACE OF THRIFT IN CO-OPERATION

Thrift defined—Foresight in Animals—Thrift is not miserliness—Waste a hindrance to thrift—So also buying on credit—As also a debt—But not productive Debts—Penny wise Pound Foolish—Public Aspect of thrift—Joint effort and organisation—Need of Propaganda—Co-operation and Thrift—Thrift the basis of Co-operation—Can the poor save—New method of promoting thrift—New methods of preventing waste.

Thrift defined:—Thrift is the habit of saving something out of our earnings so that we may be able to use it at some future time when it will be of greater benefit to us than it is at present. Thrift, therefore, presupposes discrimination and foresight. It does not call upon us to stint ourselves of necessaries, but it requires us to discriminate and avoid using things unnecessary. By curtailing our so-called wants and not spending on things that can be done without, we should all be able to effect a saving, even though we be poor.

Foresight in animals:—Foresight is seen even in the animal world. The ant and the bee store up food in the summer for use in the winter. Why should men belonging to a higher order of creation lack this care for the future? Sickness and old age require to be provided for; children and their education and marriage may make further calls on our purse; and if we care to be more self-reliant we may even aim to own a house.

Thrift is not miserliness:—Many people confound thrift with miserliness, though the two are poles apart. If a person stints himself or his children of the necessary food and clothing and proper shelter when he has the means of supplying them, he is really unthrifty, for he will have to pay much more in the shape of loss of health caused thereby.

Waste is a hindrance to thrift:—The greatest hindrance to thrift is waste. Extravagance as such may fall to the share of a few. But there are numerous abuses leading to waste which the generality of us do little or nothing to stop, either through ignorance or negligence. For instance, we spend more than we can afford on show and pomp during certain ceremonials such as marriage, etc. The agriculturists in the course of their occupation waste a large part of their manure and animal power in various ways. By stopping such waste in various directions the people concerned could be enabled to effect considerable savings.

So also buying on credit:—Buying on credit is another form of waste. As a rule, prices paid for purchases on credit are higher than for purchases for cash. The credit system brings about a habit of allowing our account to run much in advance of our income, and serves as an inducement to divert our cash in some avoidable channels of expenditure, or in purchasing things in excess of our requirements. As soon as our bills begin to fall into arrears, we lose all control over the shop-keeper, and short weights and adulterated articles fall to our lot.

As also a debt:—Debt also is another source of waste. When we borrow we have not only to pay the principal, but also the interest which may often be too high. Once we begin to borrow there is no knowing as to what length we would go. Borrowing also dulls the edge of husbandry and robs us of our freedom. So long as we abstain from borrowing we retain our independence, and once we are in debt we come into a state of dependence.

But not Productive Debts:—A loan for a productive purpose, like agriculture or industry, would be legitimate, for it increases our resources by the larger results obtained by its application, thereby enabling us to repay it without difficulty and yet leaving a margin behind for our use. On the other hand, a debt incurred for unproductive purposes

becomes a dead weight. Expenditure on such purposes must be met from our savings and might always be kept in view, but should be deferred till we are in a position to meet it from our own resources.

Penny Wise Pound Foolish:—Many of us though parsimonius in our daily routine of life, lose all sense of control on occasions like a marriage and a ceremonial, and thus the care bestowed in saving the penny is lost in spending the pound. Some attribute this weakness to individual vanity, and some to the force of social convention, while others attribute it to both. Unfortunately, this weakness is to be met with not merely in individuals, but even in public bodies.

Public aspect of thrift:—The object of thrift in the case of an individual is not so much the accumulation of wealth, as its wise and provident use for himself, his family, and also the public. No individual in a modern civilised country can live for himself alone. In fact, thrift and civilisation came together. Without thrift no progress is possible, and no country can progress unless its people play their part as thrifty citizens. A good citizen is he who manages economically any concern given to his charge, be it a Municipality, a Department of Government or a Co-operative Society.

Joint effort and Organisation:—In India, we have left the practice of thrift entirely to individual inclination. But thrift cannot thrive in full vigour if left alone to individual effort, however essential such effort may be. To be effective and far-reaching, it requires to be supplemented by joint effort. The thrifty man of the past hid his savings underground, but the collective effort of the present age appears in the shape of thrift clubs, saving-banks, life insurance, and the like, enabling our savings to be invested in a remunerative way. Poor men, in spite of thrift, have often to pay a high price for necessary services such as residence, sale and purchase transactions, and borrowings, though for a productive

purpose. By combination and organisation they can help each other in cheapening the services, in making collective bargains on easy terms, and in providing against such unforeseen happenings as sickness, accident or death. Organisations formed for such purposes come under the heading of co-operation, and they serve the double purpose of helping the avoidance of waste, and affording facilities for investment, and also of increasing our earning capacity.

Need of Propaganda:—Mere devising of measures and methods is not enough for encouraging thrift to the full extent. They will at the most afford opportunities to those who are inclined towards thrift but wanted facilities for its practice. Aggressive propaganda is needed to bring into line those who are either wavering or have yet shown no inclination. Moreover, thrift, like any other virtue, must be taught from an early age. Thrift clubs in schools for encouraging children to put by their small savings, and school boys' stores for joint purchase of books and stationery, are very common in European Countries, especially in parishes. Instruction is also imparted through stories, illustrating how the thrifty become happy and how the unthrifty become miserable in life.

Co-operation and Thrift:—Co-operation is merely a combined effort to avoid all forms of waste in our affairs and to effect economy in the interest of the community and of its individual members. Thrift, therefore, is the basis of Co-operation. There can be no thrift without co-operation, and co-operation cannot exist without thrift. Thrift without co-operation becomes a halting measure. With co-operation it grows in full vigour. Thrift harnessed to co-operation can completely transform the economic status of a country. It is, therefore, most essential, that the young as well as the old, the rich as well as the poor, should practice thrift and co-operation and encourage them among their fellowmen.

Thrift the basis of Co-operation:—The law on Co-opera-

tion in India makes thrift a part and parcel of co-operation. The preamble to the Co-operative Societies' Act lays down, "Whereas it is expedient to facilitate the formation of Co-operative Societies for the promotion of thrift and self-help.....". But in organising and conducting co-operative societies the idea of thrift, which is the basis of self-help, is often placed in the background and is soon lost sight of to the great detriment of the movement. A credit society begins, therefore, to be considered merely as an organisation for advancing cheap loans, and a co-operative store for selling articles cheap. That is why we find in many credit societies mere borrowing without thrift, and a store coming to grief when it is found selling articles not cheaper than was expected. Deposits may not come in easily with the mere idea of thrift. But if habits of waste are prevented among the members of a credit society, and if the members of a co-operative store sufficiently realise the nature of waste caused by the middleman shop-keeper both to themselves and to the public, the co-operative movement can then expect to march on to success with the standard of thrift borne high among its followers.

Can the poor save:—There is a common belief that thrift is possible only for the rich, and not for the poor. But the experience of social workers in many countries shows that the poor could be induced to be thrifty more easily than the rich. The very system of Savings Bank had its origin not amongst the rich folk, but amongst the poor in the out-of-the-way parish known as Ruthwell in England. Rev. Dr. Duncan, the parson of the parish, by working hard amongst the ill-paid tenants of most of the absentee landlords, was able to collect in the bank started by him nearly a thousand pounds in the course of only 4 years.

The poor, however, do not save of their own accord. Various methods suited to the different conditions of the life of the people require to be adopted to make them thrifty.

Numerous such methods are adopted in European Countries, but in India, we have only recently begun to adopt some of them. We have also to adopt new methods suited to the conditions of Indian life.

New methods of promoting thrift:—Thrift may take two forms; the positive, by helping people to earn more than they spend, and the negative, by inducing them to spend less than they earn. The ordinary co-operative societies are intended to encourage thrift by attracting deposits on the one hand, and on the other, by advancing loans for productive purposes. The Producers' Societies help to increase the earning capacity of their members, and the sale and supply societies and the stores seek to minimise the waste caused by the middleman. Experience, however, has shown that additional methods besides these are required for the promotion of thrift. People of fixed and limited income, such as the salary earners and wage earners living in urban areas, require to be schooled systematically in the art of thrift. The Postal Savings Banks do not afford sufficient facilities to the people for whom they are meant. Moreover, the system is not sufficiently popular for lack of adequate propaganda. In the Punjab, the Co-operative Thrift Societies encourage savings by paying a higher rate of interest than that obtainable in the Postal Savings Bank, and carry on a propaganda by inducing people to join them as members. In 1929 there were 962 thrift societies with 17,000 members, who together contributed Rs. 7.73 lakhs. Most of the members, are school masters, but others such as artisans, clerks, merchants, and even women are among the members. Some of these societies are formed exclusively of women, their number being 124, and the total amount contributed by their members amounted to one lakh. Thrift societies are being introduced in other Provinces also.

The practice of thrift among the agriculturists must take the form of collection in kind rather than in cash. In Bengal

and Bihar, the Mushti System has been introduced for this purpose. Each householder takes a handful of rice before each meal is cooked, and puts the same into a special pot, the total quantity of rice collected in this way is sold at the end of each month and the sale proceeds are deposited in the name of the members. Some of the Central Banks in the Province are encouraging the societies affiliated to them to adopt that system. The societies affiliated to the Matlab Central Bank in Tippera are said to have made considerable savings by adopting the system. The members of another society in Rajshahi adopted a system by which each member deposited one-tenth of his agricultural produce in the society. They have raised a decent amount in this way and are now working independently of the Central Banks' assistance.

New methods of preventing waste:—New methods are also necessary for the prevention of waste, not only on the farm but also in the household. The Registrar of the United Provinces instances a case where a farmer was so overjoyed at getting a good crop by the adoption of the better farming methods that he gave a feast to 200 Brahmins on the occasion of a death ceremony, and thus wasted all the extra earnings gained by him. In the work of prevention of waste, the Better Living Societies of the Punjab have proved to be very effective in inducing the members to curtail the ruinous expenditure on occasions of birth, marriage, and death, or other domestic occurrence. In 1929, the number of such societies was 289 with 11,000 members. Such societies should be formed among the urban classes also. It is said that the members of such a society strive boldly not merely to curtail their own ceremonial expenditure but also to induce their neighbours to follow their own example by refusing to participate in the ceremonials performed by them unless such neighbours consent to reduce the expenditure to the standard prescribed by the society. It would be possible to introduce similar methods elsewhere for encouraging

thrift. Every effort must be made to foster that virtue, which is of the greatest value to the individual and to the country alike.

CHAPTER VI

CLASSIFICATION OF CO-OPERATIVE SOCIETIES

Necessity of Classification—Variety of methods—Twofold Classification as Consumers' and Producers' Co-operation—And as Industrial and Agricultural Co-operation—And also as Urban and Rural or Agricultural and Non-Agricultural Co-operation—Classification of the International Institute—The French Classification—Classification in the Bombay Co-operative Act—Credit and Non-Credit Co-operation—Mr. Fay's Classification—Proposed New Classification—Classification of Federations—Classification of Government of India—Difficulty of Classification.

Necessity of classification:—Classification is necessary for the proper understanding of the subject and also to comprehend the scope, functions and limitations of the different kinds of societies, as these matters assume importance in the course of higher development of co-operation.

Variety of methods:—Various methods are adopted in classifying co-operative societies. The orthodox co-operators recognized only one class, that of store, and when it assumed larger proportions comprising even production in the interest of consumers, they declared Consumers' Co-operation as the only system which would comprise the whole field of co-operation. They asserted that every person is a consumer, such as of food, clothing and other things, and that all production is ultimately intended for consumption or use.

Twofold classification as Consumers' and Producers' Co-operation:—But producers, who co-operated merely in that capacity for preparing goods, not for their own con-

sumption, but for sale in the open market for the best return, asserted that their organizations should have a distinct place in the movement. Hence, a twofold classification was recognized, namely, Consumers' Co-operation and Producers' Co-operation. The main conception of the former is that the Society is made to yield all the comforts to the individuals, while in the latter the individuals bend their energy for promoting the interests of the Society, whereby the individuals will ultimately be benefited.

And as Industrial and Agricultural Co-operation:—Later on, when co-operation for the benefit of agriculturists assumed a place for itself, another twofold classification came into vogue, viz., I. Industrial Co-operation, which comprised both Consumers' and Producers' Co-operation, and II. Agricultural Co-operation, which embraced all the activities pertaining to the farmers' profession. The building societies were classed under the former category, and credit was considered as ancillary to one or other of the main forms.

And also as Urban and Rural, or Agricultural and Non-Agricultural Co-operation:—It must, however, be remembered that in England both Consumers' and Producers' Co-operation being started by industrial workers, Industrial Co-operation has a definite meaning in that country. In India, however, co-operation among industrial workers has scarcely been developed. The co-operative movement in the urban areas owes its success mainly to the middle class people. Hence, the corresponding classification adopted in this country is Rural Co-operation and Urban Co-operation, or Agricultural and non-Agricultural Co-operation.

Classification of the International Institute:—The above classification was considered as unscientific, being based on the occupations of the people who resort to co-operation, and not on the functions the societies perform, or the purpose for which they are formed. There is nothing to prevent persons of any one occupation, or residing in any area,

from starting societies generally formed by persons of any other occupation or residing in any other area. Classification according to function or purpose would take the following main lines as adopted by the International Institute of Agriculture: 1. Credit; 2. Production; 3. Purchase; and 4. Sale. A Society may undertake two or more of the above functions, as for instance, Production and Sale, which, however, is made a fifth class by the above Institute. Insurance Societies may be considered as ancillary to one or the other of the above forms.

The French Classification:—The co-operators in France led by Prof. Nash adopted a threefold classification of societies. The first division is known as Resource, and comprises societies whose object is to procure for their members the resources necessary for the individual exercise of their trade or profession. The resource may be provided in cash as in the case of credit societies, or in kind as in the case of seed, manure, implement societies. Even Sale Societies would come under this class, for they provide members with resources in money in exchange for their produce. There may be industrial resource societies as well as agricultural resource societies. The main character of this class is that the individual rights of members are not affected by forming a society.

The second class is termed Production, in which members combine for collective production, not as individuals, but collectively as a whole. Though this class is generally applied to industrial production, it also includes collective farming societies to be met with in Italy, as well as labourers' societies formed for the collective disposal of labour like the Brachianti societies of Italy. The main characteristic of this class is that it aims to do away with private property and private ownership. The third division is the Consumers. All stores necessarily come under it. Housing societies would also come under this class. The object of

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the consumers' movement is the gradual collective appropriation of all means of exchange of goods as well as their production by all consumers in common and the substitution of a collective method for the existing competitive and the capitalistic system.

Classification in the Bombay Co-operative Act:—In the Bombay Co-operative Societies' Act of 1925, a fivefold classification, based on the analysis of Prof. Nash, is adopted which is as follows: (1) Resource Society (for obtaining goods or services, such as credit, seeds, manure, implements etc.), (2) Producers' Society (for producing goods and for their collective disposal, or for the collective disposal of labour like the Brachianti Societies of Italy), (3) Consumers' Society (for obtaining and distributing goods to or for performing services for its members, (4) Housing Society (for providing dwellings), (5) General Society (not falling under any of the above four classes). For detailed definitions of these Societies see Section 3 of the Act.*

The following is the classification given in the Bombay Act.

(h) (1) a "Resource Society" means a society formed with the object of obtaining for its members the credit, goods or services required by them;

(2) a "Producers' Society" means a society formed with the object of producing and disposing of goods as the collective property of its members and includes a society formed with the object of the collective disposal of the labour of the members of such society;

(3) a "Consumers' Society" means a society formed with the object of obtaining and distributing goods to or of performing services for its members, as well as to other consumers and of dividing among its members and customers in a proportion prescribed by the rules or by the by-laws of such society the profits accruing from such supply and distribution;

(4) a "Housing Society" means a society formed with the object of providing its members with dwelling houses on conditions to be determined by its by-laws;

(5) a "General Society" means a society not falling under any of the four classes above-mentioned.

The Registrar shall classify all societies under one or other of the above heads and his decision shall be final.

A society formed with the object of facilitating the operations

Credit and Non-credit Co-operation:—Co-operation in India began with the formation of Credit Societies only, and when other forms were introduced later on, a distinction began to be made between Credit Co-operation and Non-credit Co-operation. But this distinction does not afford a good basis for classification.

Mr. Fay's Classification:—Mr. C. R. Fay in his *Co-operation at Home and Abroad* has adopted the following classification: I. Co-operative Banks, II. Co-operative Agricultural Societies, III. Co-operative Workers' Societies, IV. Co-operative Stores. Though this is an improvement on the older classification, it is not sufficiently comprehensive.

Proposed New Classification:—The twofold division of the English Co-operation is made a basis of classification by the authors of "Co-operation in Many Lands" by making function as the determining principle. The main division according to them would be, not Producers' Co-operation and Consumers' Co-operation, nor Productive Co-operation and Distributive Co-operation, as some say, but I. Co-operation for Production and II. Co-operation for Consumption. All other forms are brought by the authors under this twofold division as follows:—

I. CO-OPERATION FOR PRODUCTION

A. *For Production of Goods:*

1. Associations of Producers to produce co-operatively:
   (a) Raw Materials (This includes co-operative farming).
   (b) Finished Materials, e. g. self-governing workshops.
2. Association of Producers to sell co-operatively, the production being undertaken by individuals:—

of any one of the above classes of societies shall be classified as a society of that class.

A list of all such societies so classified shall be published annually in the Bombay Government Gazette.

(a) Raw Materials, e. g. grain, eggs, live stock, fruit, etc.

(b) Conversion of raw materials and sale of finished goods, e. g. creameries.

(c) Finished Materials, e. g. for co-operative sale of home industries.

3. Association of Consumers to own the means of producing raw material, e. g. the productive department of the stores and of their federations.

4. Associations of Consumers to own the means of producing raw material, as in the case of the two Wholesale Societies of Great Britain owning land for that purpose.

B. *For Production of Services, e. g. Co-operative Newspaper Printing Societies.*

II. CO-OPERATION FOR CONSUMPTION

A. *For Consumption of Goods*:

1. Domestic requirements (the stores proper).

2. Trade requirements:

(a) of producers of raw material (e. g. agriculturists).

(b) of producers of finished materials, e. g. leather by boot-makers.

(c) of services, e. g. co-operative purchase of cabs by cab-drivers.

B. *For Consumption of Services*:

1. Credit:

(a) Personal—Long-term and Short-term.

(b) Real or Mortgage, e. g. Landschaften.

(c) Building Societies (of English type which merely supply credit).

2. Insurance: (a) of crops, (b) of live stock, (c) of person and property.

3. Domestic Services:

(a) Housing (Tenant Co-partnership type).

(b) Electric Supply;
(c) Telephone;
(d) Laundries.

Classification of Federations:—Federations of Societies would fall under the above headings appropriate to them. A separate classification may, however, be adopted to indicate the stages of organization as follows:

I. *Primary Societies.*
II. *Federations*:
1. For Organization, Supervision and Propaganda, e. g. Unions, Institutes, etc.
2. For Credit (e. g. Banking Unions, Central Banks known in some parts of India as District Banks to distinguish them from Provincial Banks).
3. For Trade (e. g. Wholesale Society for supply or for sale).
4. For combining any two or more of the above functions.

A primary Society is made of individuals and a Federation of primaries only. But in practice individuals are also admitted as members of most Federations. The smaller or local Federations may in their turn join together to form higher stages, e. g. local Unions into District Federations, and the latter into Provincial Unions, these again into a National Union. The same can be the case with Wholesales for trade and with Banks. Of late International Organizations are also being formed.

Classification of Government of India:—The Government of India have prescribed the following classification for purposes of Annual Returns:

I. Central Banks.
II. Primary Societies.
III. Unions.

Difficulty of Classification:—From the above it will be seen that Co-operative Societies are classified from different

points of view. A classification to be perfect should be accurate and not overlapping, and should clearly indicate the function and purpose of each class. Such a classification is rendered difficult by the fact that a Society which is originally intended to perform one function is sometimes made to perform an additional function due to various circumstances. In such cases, however, the Society may be classed under the main or primary function which it performs. Whatever may be the difficulties, a classification is desirable in the interest of the movement itself. On the whole, the classification given in the Bombay Act seems to be simple and sufficiently elastic for all practical purposes.

CHAPTER VII

CO-OPERATIVE LAW: MAIN PRINCIPLES OF EUROPEAN AND INDIAN LAW

Friendly Societies' Acts—Industrial and Provident Societies' Acts—Bui'ding Societies' Acts—Co-operative Laws of other European countries—Indian Acts—Nicholson's Bill—Rights and Obligations of Registration—What Societies can be registered under the European and Indian Acts—Prevention of Capitalism—Relations between members and Society—Penalties—Privileges.

Friendly Societies' Acts:—Special laws are enacted in all the European Countries and America to safeguard popular thrift, providence and credit. The earliest act which helped to give some sort of legal status to associations formed by working classes in England is the Friendly Societies' Act of England. This was first passed in the year 1793 and after a series of subsequent enactments, it has taken its present shape after the latest Consolidating Act was enacted in 1896.

At first, only the Friendly Societies formed for thrift and

providence by the working classes for pooling their small collections for friendly relief on occasions of sickness, unemployment, death, etc., were registered under it. Societies formed for trading purposes, like stores or producers' societies, could not be registered under it. With the efforts of their legal friends, a clause was added to that Act in 1846 by enlarging its "frugal investment" clause to the effect, "for the frugal investment of the savings of the members for better enabling them to purchase food, etc." But Societies registered under it could only deal with members and could not sell to others, a formidable obstacle in the case of producers' societies.

Industrial and Provident Societies' Acts:—By the combined efforts of the co-operators and the Christian Socialists, the first Industrial and Provident Societies' Act was passed in 1852, authorising the formation of co-operative societies and giving all the advantages obtainable under the Friendly Societies' Act. The amending Act of 1855 enabled societies to hire or purchase land, and in 1862 it was completely recast and a new Act was passed. This Act allowed limited liability; and trade could be carried on, except mining and banking, the profits could be applied for any purpose permitted by law, a member could invest in a society up to £200, and for the first time, the certificate of registration constituted the society a corporate body, and shares of one registered society could be purchased by another registered society, but to the extent of £200 only. This last limitation was removed by the Act of 1867 which also brought the working of mines and quarries within the authorised purposes. Another amending Act of 1871 allowed societies to erect cottages and other buildings and to buy and sell them, and advance money on mortgage and other securities. By the Act of 1876, the societies were allowed to undertake Banking, in which case, however, the shares should not be withdrawable. The whole law on the subject was consoli-

dated by the Industrial Provident Societies' Act of 1893, which now regulates all the Co-operative Societies.

Building Societies' Acts:—Though Building Societies have not been accorded a definite place in the co-operative movement of England, it may be mentioned that they are governed by a different set of Acts, the first being passed in 1836, before which the societies were being registered under the Friendly Societies' Act. The latest Act on the subject is that of 1874 as amended by the Act of 1894. Tenant Co-partnership societies are, however, being registered under the Industrial Provident Societies' Act.

Co-operative Laws of other European Countries:—The Co-operative Law of Germany dates from 1867 which prescribed unlimited liability, and the present law of 1889 allows limited liability, but restricts transactions with outsiders, with the result that even stores cannot sell to non-members. In Italy, co-operative societies are regulated by a special section of the Commercial Code, but makes regulations concerning them. In Denmark and France there is no special Co-operative Legislation, and Co-operative Societies fall under the provisions applying to ordinary business concerns. In Ireland, the Raiffeisen types of credit societies organised by I. A. O. S. are still registered under the Friendly Societies' Act of 1896, as the Industrial and Provident Societies' Acts do not allow unlimited liability, being devised mainly to meet the requirements of town people, and not of agricultural communities.

Indian Acts:—In India, the first enactment on the subject was Act X of 1904, based on the English Friendly Societies' Act of 1896, and provided for only credit societies being registered under it. Next came the Co-operative Societies' Act II of 1912, which allowed societies other than those for credit being registered, and one society to hold shares in another, thus allowing higher storeys of the co-operative structure to be built up.

Nicholson's Bill:—It may be noted that the draft bill prepared by Sir Frederick Nicholson was intended to be an amending part of the Indian Companies' Act with separate chapters as follows:—

Chapter I Definitions.

Chapter II Joint Stock Banks, providing safeguards on the then existing laws.

Chapter III Co-operative Societies.

Chapter IV Savings Banks.

Chapter V Agricultural Associations.

Chapter VI Land Improvement Banks.

He also made certain suggestions regarding the law relating to Bills of Sale, Usury law, Money-lenders' accounts, and privileges and exemptions favouring agriculturists.

Rights and Obligations of Registration:—The main value of registration is the acquisition of a legal personality with perpetual succession with certain attendant advantages—the right of representation by the societies' officials, the right to hold property and to enter into contracts, institute or defend suits (Sec. 18). The main obligation of registration is the keeping of proper books and the presentment annually of a correct balance sheet to the authority appointed under the Act who is known as the Registrar. The law, while it gives encouragement to every co-operative effort, discourages concerns of other nature from entering the field (Sec. 47).

What Societies can be registered under the European and Indian Acts:—Taking the European Law as a whole, a society registered under it must have a business purpose; thus a mutual aid society like the Friendly Society or a philanthropic society has no place under it. The Indian Law requires only the promotion of the economic interests of its members, and thus a mutual insurance society or a thrift society, and even a philanthropic society, if it is intended to promote economic interests, can be registered under it.

Prevention of Capitalism:—Various provisions are added to the Acts to prevent capitalist interests from prevailing. The English and the Italian Laws limit the share-holding of a member to £200, and Indian Act to Rs. 1,000 (Sec. 5 b). The Bombay Act has raised this limit to Rs. 3,000. The German Law, being framed with a view to encourage banking, lays no such limit on shareholding, though sums above a certain limit are generally held in deposit. In Germany, stress is laid on open membership and the conduct of the business of the members in common. In all countries, speculation is prevented by making the capital of the society variable so that members may add to it from time to time. The shares are not transferable to non-members, except in England, where the object is attained by open membership and by the power given to the Committee to issue shares at par when it so desires. All Co-operative Societies make the value of their shares as small as possible to bring them within the reach of the poor, though there is no express provision to that effect in any Act. On the other hand, members are free to withdraw at any time after giving notice, and to get back a refund of their shares. In France, the repayment is made by instalments to minimise the inconvenience to the society. In England, a member may withdraw all or any of his shares above the minimum required for membership.

Relations between members and Society:—The relations between the members and the Society are personal and not capitalistic. In every country, societies are free through their committees, to refuse admission to any individual they may deem proper to exclude without assigning reasons, and they in their rules lay down certain conditions which restrict the classes of persons who may join, or the place from which members may be drawn. The minimum number of members required to form a society in European countries is 7, and in India 10. One of the most effective weapons of co-operative

control on the continent of Europe is an obligation upon members, enforced by fine, to conduct all or a given percentage of their custom exclusively through the society for a given number of years. But it seems doubtful whether this would hold in English law; and at any rate it has been objected to on this score by the Registrar in the case of Irish dairies and supply societies. It is, however, certainly legal in England to insert a provision in the rules that any member not giving his trade to the society may be expelled and paid off. In the model rules of the British stores, there is a clause to the effect that any general meeting may fix an amount which every member shall be required to purchase from the society, and that if he fails to do so, he shall be paid off and cease to be a member.

Penalties:—The laws of all the countries provide penalties for disobedience or negligence of certain precautionary measures prescribed in the Acts. They are analogous to those provided in the Indian Companies' Act. They are absent in the Indian Co-operative Act of 1912, because it was felt that they are premature at this stage of the movement. Provision for penalties is, however, made in a modified form in the Bombay Act (VII of 1925).

Privileges:—Certain privileges are given to co-operative societies in all countries, and are also provided in the Indian Act including that of Bombay. These may be classified under fiscal, legal and executive, and may be summarised as follows:

(a) Societies are exempt from fees for their registration; (b) from stamp duties, which, however, are levied in some countries on a reduced scale; (c) from registration fees; (d) exemption of profits of the societies from income-tax; (e) members are given the power of nominating their heirs; (f) transmission of shares and deposits to the heirs of deceased members is free from duty and is allowed to be made by Committee of management without the intervention of

the Courts; (g) priority of societies' claims; (h) settlement of disputes without the intervention of courts; (i) facilities regarding legal procedure so as to provide cheap and speedy methods; (j) exemption from the operation of certain Acts, such as those governing trading companies.

CHAPTER VIII

THE LAW OF LIABILITY

Liability of an Association, Company or Society—Beginnings of Limited Liability—Difficulties of earlier Societies—Limited and Unlimited Liability—Liability limited by shares or by guarantee—Proportionate Liability—Use of the word "Limited"—Unlimited Liability of Directors—Incidence of Unlimited Liability—Liability of past and deceased members—In other countries—Liability of Debtors to the Society—Joint and Several Liability.

Liability of an Association, Company or Society:—The principle of law for a long time had been that the members of an association or company formed for business were personally liable for its debts and obligations. The earliest companies in England which obtained for their members freedom from personal liability were the Chartered Companies formed by the Charter granted by the Crown, e. g., the East India Company (1600), the Bank of England (1674), etc.; the latest under this class being the P. & O. Steam Navigation Company (1840). Another class of joint-stock companies known as Public Companies are formed by a special Act of Parliament, for carrying on works of public utility, such as Railways, cannals, docks, tramways, etc. In India such companies are formed by special acts of legislature. They, too, enjoy freedom from personal liability for their members.

Beginnings of Limited Liability:—The principle of limited liability in the case of ordinary joint-stock companies was

first introduced in France. It was introduced in England for the first time by the Limited Liability Act of 1855, but it excluded Banking and Insurance Companies. It was copied in India by the first Companies' Act (XIX of 1857). Banking Companies in England were allowed limited liability in 1857, and in India in 1860, by the Joint-Stock Banks Act (VII of 1860). The Companies' Laws were for the first time consolidated in England in 1862 and in India in 1866.* Limited liability was allowed in the case of Co-operative Societies in England not by the first Act of 1852, but by the second Industrial and Provident Societies' Act of 1862. In Germany it was allowed by the Act of 1889.

Difficulties of earlier societies:—These dates are important in understanding the difficulties of the earlier Co-operative Stores of England which stood in need of limited liability, but could not obtain it under the law, and the reason why even the Urban Banks of Schulze Delitzsch were based on unlimited liability for a long time; and why they showed partiality for unlimited liability even after 1889 till the national convention of these societies in Germany in 1894 passed a resolution favouring limited liability. The Raiffeisen societies, however, still continue to be of unlimited liability, as they consider their strength to lie in that form of liability.

Limited and Unlimited Liability:—In most countries liability of members may be either limited or unlimited, according to the form adopted by the society. Under the English Acts, societies have *ipso facto* a limited liability, not only of stores and producers' societies registered under the Industrial and Provident Societies' Act, but also of Building Societies registered under the Building Societies' Act. The Friendly Societies, registered under the Friendly Societies' Act, are not restricted to any specific form of liabi-

* The latest Indian Companies' Act is VII of 1913, which repeals the previous Act VI of 1882, and is based on the latest English Act of 1908.

lity, but the main drawback of the Act is that it does not give corporate existence to the societies registered under it. Under the Indian Co-operative Societies' Act, agricultural Credit Societies should have an unlimited liability, and other societies may have limited or unlimited liability according to their choice, though limited liability is generally adopted by almost all.

Liability limited by Shares or by Guarantee:—Limited liability is of two kinds: (1) Liability limited by shares, and (2) liability limited by guarantee. In the former case the liability of each member is limited to the amount, if any, unpaid on the shares held by him. In the latter case, the liability of each member is limited to such amounts as he undertakes to contribute to the assets of the society in the event of its being wound up.

Proportionate Liability:—A Society may combine both kinds of liabilities by shares as well as by guarantee, in which case the guarantee is generally so many times the share value. This is known as proportionate or the Haas system of liability, as it was first introduced by Herr Haas of Germany in the case of societies started by him.

Liability of Indian Societies:—Though the co-operative societies' Act of India does not make any provision for liability limited by guarantee or proportionate liabilities, it is not expressly prohibited and can therefore be adopted by any society which is allowed to have a limited liability under the Act.

Use of the word "Limited":—In the case of all limited liability societies, the word Limited must be affixed at the end of the name, so that any person having dealings with it may understand his position. Where the word is not appended to the name, it is presumed that the liability is unlimited. Societies formed for the promotion of science, art, charity, and which do not distribute dividend, may be exempted from appending the word Ltd. to its name, (Sec. 26

of the Companies' Act of 1913). On this analogy a Co-operative Institute or Federation formed for education, etc., need not add the word Ltd. to its name.

Unlimited liability of Directors:—It may further be noted that under the Companies' Act, though the liability of a Company be limited, it may have directors with unlimited liability, (Sec. 70 and 71 of Indian Companies' Act VII of 1913). Similar provision may also be made in the case of any Co-operative Society registered in India, if it so desires.

Incidence of Unlimited Liability:—In the case of a society with unlimited liability, every member of it is personally liable to pay its debts to the full extent of his assets, and the liability extends not merely to the debts incurred after the entry of such member, but to those incurred previous to his entry. This liability is joint and several, i. e. any one or more of the members may be sued jointly or severally. Ordinarily, the debts of a society would be paid out of its assets. It is only when such assets are insufficient the question of personal liability comes in. But even then, the creditor cannot sue the individual members as such. When a society is unable to pay its debts, any one of the creditors has to apply to the Registrar to inquire into or inspect its affairs, and if that Officer is satisfied about its insolvent condition, he cancels the society and appoints a Receiver. The Receiver then registers all the claims of the creditors against the society, collects all its assets, and if they are found insufficient, he proceeds to collect further amounts from the members individually. It is at this stage that the question of personal liability comes in. Even then, the Recei ver would not collect the required amount from any particular member or members, but would collect from all the members *pro-rata*, i. e., in equal proportion. If any of the members are unable to make the contribution, the Receiver would proceed to recover the balance from the remaining members, also *pro-rata*.

Liability of past and deceased members:—If any person has ceased to be a member of a society or has died, the liability of the former for the debts of the society, as they existed at the time when he ceased to be a member, continues for a period of two years from the date of his ceasing to be a member; and the estate of a deceased member is similarly liable for a period of one year from the date of his decease, (Secs. 23 and 24 of the Indian Co-op. Act, and Secs. 28 and 29 of the Bombay Act). The liability mentioned in these two sections, comes into operation only after the society is wound up and not before, though the point has not been expressly stated in the Sections.

In other Countries:—In Germany, there are two kinds of Unlimited Liabilities, one being of the kind described above. In the other form, the creditors, after endeavouring to satisfy their claims for its assets, can proceed against any of the members, leaving the latter to recover from the liquidating trustee. This form is a survival of the law of 1867, and is not very common now. In Italy, there is another form of unlimited liability in which each member may be liable to a proportion of the total liability, say, one-thirtieth of the Societies' debts, as may be provided in the rules of the society. In France, societies may be registered under the Civil Code or the Commercial Code. Under the former the societies must deal with members only, but if they deal with third parties, the liability becomes unlimited, unless at each transaction such parties are told that the societies' liability is limited. Under the Commercial Code, there are three classes of liability, one has unlimited liability, the second has unlimited liability for directors and limited for the members, and the third has limited liability.

Liability of Debtors to the Society:—We have so far dealt with the liability of a society, i. e. the liability of members for the debts due by the society, and the question of that liability comes in only after the society is cancelled and a

liquidator is appointed. In the case of a debt due *to* the society, the latter has the right to enforce its payment on its becoming due, and the limitations mentioned in the above sections (23 and 24 of India Act, or Secs. 28 and 29 of the Bombay Act) do not apply to the case. The liability in the case of past members or in the case of an estate of the deceased member is governed, just as in the case of continuing members, by the ordinary law of limitation, which is three years.

Joint and Several Liability:—In the case of a debt due by a member secured by sureties, the liability of that member and his sureties is joint and several, i. e. the society may enforce the payment of the debt against any one or more or all of them. Though the agreement may not have described the liability as joint and several, yet under Sec. 43 of the Indian Contract Act, even a joint liability can be treated as joint and several. Rule 6 of Order 1 of the Civil Procedure Code of 1908 also re-iterates this principle. Under the Common Law of England, a distinction is made between Joint Liability and the Liability which is Joint and Several, but no such distinction is made in the Indian Statute Law.

CHAPTER IX

THE INDIAN CO-OPERATIVE LAW

Effect of Companies' Acts—Prohibition of formation of Associations for Banking or Gain—Charitable Societies' Act—Effect of the Prohibition—Act X of 1904—Act II of 1912—Bombay Co-operative Societies' Act VII of 1925—Comparison of the English and other European Acts—Further distinction—MAIN FEATURES OF THE BOMBAY ACT—Classification of Societies—Limit of Shareholding raised—Statutory obligation to hold a general meeting—Change of name—Amalgamation or Transfer of Societies—Principle of one member one vote—Power of the Auditor to summon—First charge of a Society against a member's crops—Copies of entries in books of accounts as evidence—Transactions with Non-Members—Limitation on Dividend—Clear provision regarding the Reserve—Restriction on Distribution of Profits—Promotion of Provident Fund—Contribution to Charitable Purposes—Recognition of the Provincial Co-operative Institute—A better system of Liquidation Procedure—Power given to the Registrar to assess damages—Restriction on disposal of surplus assets—Power to attach before judgment—Procedure regarding arbitration—Power to enforce attendance—Recovery of dues through Revenue Courts—Offences under the Act—Appeals—Revisional Powers—Branches of a Society—Notice of a suit against a Society.

Effect of Companies' Acts:—The first question that may arise is, if co-operative societies in European Countries could be started before any Act of legislature was passed, why could not a similar course be adopted in this country? The answer is simple. In Europe, the societies that were started before the enactment of the Companies' Laws somehow pulled on, though in a precarious condition. But after the enactment of those laws, no society could be started without being registered under some Act, for otherwise its existence

would be illegal under the Companies' Laws. Similar legislation known as the Indian Companies' Act was first enacted in India in the year 1857, and underwent changes from time to time, the law now in force being Act VII of 1913, replacing Act VI of 1882. All these Acts, based on the English Companies' Acts lay down the same restrictions against an unregistered society.

Prohibition of formation of Associations for Banking or Gain:—Sec. 4 of the Indian Companies Act lays down that "no Company, Association or Partnership consisting of more than ten persons shall be formed for the purpose of carrying on the business of banking unless it is registered as a Company under this Act, and no Company, Association or Partnership consisting of more than twenty persons shall be formed for the purpose of carrying on any other business that has for its purpose the acquisition of gain unless it is registered under this Act or formed in pursuance of some other Act or of Letters Patent".

Charitable Societies' Act:—There is another Act in India, known as the Societies' Registration Act, No. XXI of 1860, generally known as Charitable Societies' Act, which allowed societies to be registered under it. But it contemplates only the registration of societies for educational, charitable or scientific purposes or those for the promotion of knowledge, fine arts, education and the like. Co-operative Societies, which have for their object the promotion of economic welfare of their members, cannot come under the Act.

Effect of the Prohibition:—In view of the above provision in the Act, no co-operative Societies, which have banking or other business for their object, could be started without registration, unless they are registered under the Companies' Act. An unregistered society would have no legal status and cannot enter into valid contracts. Moreover, the provisions of the Companies' Act consisting of 290 sections, are very elaborate and complicated, and cannot be understood by

ordinary men without the assistance and advice of lawyers. The procedure under the Act is also very cumbrous and costly.

Act X of 1904:—It was with the object of overcoming these difficulties and of promoting and facilitating the formation of co-operative societies in this country, that the Co-operative Credit Societies Act (X of 1904) was passed.* It was a very simple piece of legislation consisting only of 29 sections. The main features of the Act are that it allowed only credit societies to be formed, divided into two classes known as rural and urban, the former to be of unlimited liability and the latter being free to accept limited or unlimited liability. Both kinds of societies were authorised to accept deposits and loans and could advance loans to members and, by permission of the Registrar, to other registered societies. Urban societies were permitted to pay dividend on shares after carrying 25 per cent. of the profits to the reserve, while all the profits of the rural societies were to be carried to the reserve, though after the reserve has accumulated to the proportion allowed by the by-laws, profits to the extent of three-fourths could be distributed to members as bonus with the special permission of Government. It authorised the local Government in each Province to appoint a Registrar to whom the Act assigned the work of registration of societies, their audit, inspection, cancellation and liquidation. Though a number of credit societies were registered under it, the Act was found to be too limited in its scope as it did not allow the formation of societies other than of credit, nor of the higher stages of co-operation.

Act II of 1912:—To remove these difficulties, Act II of

* See Statement of Objects and Reasons—Gazette of India, 1903, Pt. V, p. 520; Report of Select Committee, *ibid* of 1904, p. 65; and Proceedings in Council, *ibid* Pt. VI of 1903, pp. 170, 191, and of 1904, pp. 16, 22 and 251.

1912* was passed, comprising 50 sections, replacing the former Act. The new Act allowed the formation of Central Banks and Unions with primary societies as their members, and of societies for production, distribution, and for various other purposes besides credit. The old distinction between rural and urban societies was done away with, as being artificial and inconvenient, substituting therefor a distinction based on the character of a society's liability as limited and unlimited; the distribution of profits in unlimited liability societies was allowed with the general or special sanction of Local Government; authority was given to the Registrar to delegate some of his powers to others; and the use of the word "Co-operative" was restricted to societies registered under the Act; it also prohibited other concerns from adding that word to their name or title. Both the Acts exempted registered co-operative societies from the operation of the Companies' Act.

Bombay Co-operative Societies' Act VII of 1925:—When co-operation became a transferred subject, falling within the scope of provincial legislature, the Bombay Presidency passed a separate Act of its own, comprising 76 Sections, embodying the various suggestions made by the local Co-operative Conferences, the Co-operative Institute and others.† The main features of this Act will be noticed below. Burma also passed a separate Act of its own, being Act VI of 1927 comprising 52 Sections.

* See Statement of Objects and Reasons—Gazette of India, 1911, Pt. V, p. 95; Report of Select Committee, *ibid*, 1912 p. 7. Proceedings in Council, *ibid* of 1911, Pt. VI, pp. 186, 679, and of 1912, pp. 3, 31, and 256.

† See Statement of Objects and Reasons on Bill No. XIV of 1924 in Bombay Govt. Gazette of 1924, Pt. V, p. 32; Report of Select Committee, *ibid* pp. 108, 145, 149. Proceedings in Council—Consideration of the Bill, Legislative Council Debates, 1924, Vol. XII, pp. 344 to 387. Discussion on Select Committee's Report, *ibid* Vol. XIII, pp. 415-421; Discussion of the Second Report of Select Committee, *ibid* 1925, Vol. XV, pp. 322-381 and 424 to 508; and third reading, pp. 607-8 (29-7-1925).

Comparison of the English and other European Acts:—The Indian Acts are less rigid and more elastic than the corresponding English or other European Acts, due to the fact that there was no local experience of co-operation to guide the framers of the Acts, and the fact that the people for whose benefit they were enacted are mostly illiterate. They were made as simple as possible, allowing Local Governments to frame rules under them to supplement their provisions. Sec. 43 of the later India Act (see corresponding Sec. 71 of the Bombay Act) lays down the purposes for which such rules can be framed. These rules, when published in the local official Gazette, have the force of law. The Bombay Act requires such rules to be placed on the table of the Legislative Council one month previous to the Session. These rules are capable of being changed expeditiously from time to time, without the cumbrous procedure required to change any Sections of the Act. The main principles are embodied in the Act, the Rules being confined to details of procedure within the matters circumscribed by the Section authorising the framing of the rules. The Act together with the Rules made thereunder form the Co-operative Law in India.

Further distinction:—The Co-operative Acts in India are mainly based upon the Friendly Societies Act of England, but the former give to societies registered under them the status of a corporate body, while the latter does not. In this and in some other respects the Indian Acts follow the English Industrial and Provident Societies' Act. On the other hand, the Indian Acts allow both limited and unlimited liability, while the latter Act (I. & P. Societies Act) allows only limited liability. In both the English Acts, the societies have to approach the Court in certain matters, as in the case of the Companies' Acts, but under the Co-operative Acts of India, the Registrar is the adjudicating authority in almost all such matters, societies being thus kept out of the

jurisdiction of the Civil Courts. The accounts of every society are to be audited by the Registrar once at least every year, including the valuation of assets and liabilities. The Registrar is also given considerable discretionary powers regarding the registration of societies and their by-laws, their inspection, inquiry into their affairs, their cancellation and liquidation.

Important features of the Bombay Act:—The important features of the Bombay Act are, that it makes a scientific classification of societies, it has improved the procedure of liquidation, it makes provision for the execution of the orders of the liquidator and arbitrator through revenue officers, and penalises certain breaches of its provisions.

The following are the main features of the Bombay Act:—

Classification of Societies:—Sec. 3, cl. (h) lays down a distinct classification of the various societies whose objects, functions, needs, and methods are different.

Limit of Shareholding raised:—Sec. 6, cl. (b) raises the limit of shareholding by a member to Rs. 3,000, and in the case of a housing society to Rs. 10,000.

Statutory obligation to hold a General Meeting:—Sec. 12 makes it obligatory on every society to hold the Annual General Meeting within 3 months of the close of the annual accounts, and Sec. 13 to hold a Special General Meeting within one month of the date of requisition.

Change of name:—Sec. 14 allows a society to change its name without affecting its status, rights or liabilities.

Amalgamation or Transfer of Societies:—Sec. 15 lays down conditions under which two or more societies can be amalgamated, or any society may transfer its assets and liabilities to another society.

Principle of one member one vote:—Sec. 18 lays down that one member shall have only one vote irrespective of his interest in the society.

Power of the Auditor to summon:—Sec. 22, cl. (4) gives

power to the Auditor to summon any officer or servant or member of a society to give information or to produce any book, document or cash of the society. Disobedience is made punishable with a fine of Rs. 50 under Sec. 60.

First charge of a Society against a member's crops:—Sec. 24 creates a first charge against the crops raised by a member with a loan taken from the society. Sec. 19 of Act of 1912 created only a prior claim in that respect.

Copies of entries in books of account as evidence:—Sec. 31 allows societies to produce copies of entries in their books in a Court without the originals being produced. This is a privilege enjoyed by joint-stock banks.

Transactions with Non-members:—Sec. 36 allows Consumers', Producers', and Housing Societies to have transactions with non-members to the extent permitted by their by-laws. Under Sec. 31 of Act II of 1912, such transactions could be restricted and controlled by Rules made under the Act.

Limitation on Dividend:—Sec. 38 limits the dividend payable to members in the case of all societies to 10 p. c. By Rule 20 made under the India Act, dividend was limited to $12\frac{1}{2}$ p. c. and further limited it to $9\frac{3}{8}$ p. c. until the reserve fund of a society exceeded one-quarter of its subscribed capital.

Clear Provision regarding the Reserve:—Sec. 39 requires every Resource and Producers' Society to carry each year to the reserve at least $\frac{1}{4}$th of the net profits, and in the case of other societies at least 1/10th of them. And it further allows the use of the reserve in the business of the society, and with the sanction of Government the use of a part of it for some public purpose, to promote the objects of the Act or for some purposes of provincial or local interest.

Restriction on Distribution of Profits:—Sec. 40 prohibits the distribution of profits, except to the extent and under the conditions prescribed by the Rules or by the By-laws of

a society, and prohibits any such distribution in the case of a Resource Society of unlimited liability without the order of Government, and for 10 years if such a society is formed on the basis of shares.

Promotion of a Provident Fund:—Sec. 41 enables a society to form a provident fund for its members and to contribute to it from its net profits, but no part of such fund is to be considered as an asset of the society. The provisions of Sec. 26 prohibiting attachment of a member's interest in a society are also made applicable to the provident fund created under this Section.

Contribution to Charitable purposes:—Sec. 42 enables a society to contribute up to 20 p. c. of its net profits to charitable, public or co-operative purposes with the approval of the Co-operative Institute. Sec. 34 of the India Act allows only 10 p. c. of the net profits to be so contributed.

Recognition of the Provincial Co-operative Institute:—Sec. 42 requires the approval of the Institute for making contributions to charitable purposes; Sec. 52 recognises the Institute as one of the objects for which the surplus assets of a liquidated society may be applied; and Sec. 52 requires one of the three persons authorised to administer the assets of a housing society, while being wound up, to be a nominee of the Institute.

A better system of Liquidation Procedure:—The liquidator appointed under Sec. 50 has larger powers than were given by Sec. 42 of the Act of 1912, such as to pay any class of creditors in full, to make a compromise, to get disputes referred to arbitration, to carry the business of the society for the benefit of winding up.

Power given to the Registrar to Assess Damages:—Sec. 50A gives power to the Registrar in the course of winding up of a society to assess damages against delinquent promoters. An appeal to Government against the Registrar's order is provided by Sec. 64.

Restriction on disposal of Surplus Assets:—Sec. 52 prohibits the distribution of surplus assets of a cancelled society among its members, and requires them to be devoted to an object described in the By-laws, and when no object is so described, to any object of public utility determined by the society's general meeting and approved by the Registrar as indicated in the Section. If the society wound up be a housing society, Sec. 53 requires the assets to be administered by a committee of three, one of whom shall be the nominee of the Registrar, one the nominee of the Co-operative Institute, and the third of the society concerned.

Power to attach before judgment:—Sec. 55 gives to the Arbitrator's Court power to attach property before judgment which was formerly exercised only by Civil Courts.

Procedure regarding Arbitration:—Sec. 54 gives the power of appointing an arbitrator, which under the Act of 1912 was given by a rule made under Sec. 43 (l). Only minor details are relegated to the Rules. Sec. 56 provides for appeals against the decision of an arbitrator, and Sec. 57 makes the appellate decision final. If the Registrar himself decides the case, an appeal will lie to Government under Sec. 64.

Power to enforce attendance:—Sec. 58 gives power to the Registrar, and the officers appointed under the Act, to summon and enforce the attendance of a party or witness, and to compel the production of a document. Disobedience of the order is made an offence under Sec. 60, cl. (d).

Recovery of dues through Revenue Courts:—Sec. 59 allows the orders and decrees of the arbitrator and the liquidator to be executed through revenue authorities, under the rules in force for the recovery of land revenue, on the certificate of the Registrar or the Assistant Registrars. They may also be enforced through any civil court if the Registrar so requires.

Offences under the Act:—Sec. 60 treats certain defaults

and negligence of the provisions of the Act as offences. Sec. 61 provides penalties for such offences, and Sec. 63, Cl. (1) gives power only to Magistrates of First Class or a Presidency Magistrate to take cognisance of the offences, Cl. (2) makes the offences non-cognisable, and Cl. (3) requires the previous sanction of the Registrar before lodging prosecution. The latter provisions are intended as safeguards against indiscriminate prosecutions. Similar offences are recognised under the English Acts.

Appeals:—Sec. 64 brings together under a single head, the provisions for appeals against the orders and decisions of the Registrar refusing registration of a society (Sec. 10), or the amendment of its by-laws (Sec. 16), or against orders made in the course of winding up of a Society (Sec. 47); such provisions for appeals were made in the India Act of 1912 by the Rules under it and by some of its sections. Sec. 64 also provides an appeal against the Registrar's order under Sec. 45 awarding the costs of an enquiry, or an order assessing damages under Sec. 50 A, or against the decision made by himself as an Arbitrator under Sec. 54, not being an appellate decision under Sec. 56.

Revisional Powers:—Sec. 64 A, gives power to the Government and the Registrar to call for and examine the records of any enquiry or proceedings, conducted by any officer subordinate to them, and to pass such order thereon as may be deemed fit.

Branches of a Society:—Sec. 69 enables a society to register its branches established outside the Presidency by filing a certified copy of its by-laws with the Registrar of the province concerned.

Notice of a suit against a society:—Sec. 70 requires that no suit shall be instituted against a society or any of its officers, unless two months' written notice thereof is given to the Registrar.

CHAPTER X

PRODUCERS' CO-OPERATION IN EUROPE

EARLY EFFORTS: Co-operative Communities—Union Shops—Labour Exchange—Workmen's Associations of France—Labour Redemption Societies of England—Self-Governing Shops of England—LATER EFFORTS: The Acts of 1852 and 1862—The Co-operative Productive Federation—Sharing of Profits—The Labour Co-partnership Association—Government support in France—Cab-drivers' Societies of France—Nature of other Societies—Reasons of success in France—Producers' Societies in other countries—Godin's Familistire of Labour Co-partnership—Leclaire's Mutual Aid Society—Advantages of the two systems—The main characteristics of Producers' Societies.

Early Efforts: Co-operative Communities:—Production is the beginning of things, though its end is distribution. Stray instances of co-operation for production are given by writers as having taken place about the end of the eighteenth century, but serious efforts date from the beginning of the nineteenth century. France is said to have taken a lead in this branch of co-operation. Fourier (1772-1837) and his disciples started the co-operative communities known as Phalanstere from about 1820, and the self-supporting colonies were started in England on Robert Owen's principles from about 1825, for the production of articles to supply each other's wants. The Orbiston Community near Glasgow, was started in 1825, the Ralahine Community in Ireland in 1831 and the Queenwood Community in Hampshire in 1840. These were all financed by some philanthropists, and came to an untimely end by 1845 in both countries.

Union Shops:—From 1834, other types of societies of producers were started in France by Buchez (1796-1865), and in

England from 1827 under the inspiration of Owen, the most interesting of which are those known as the Union Shops. The members in these shops began by buying provisions wholesale, and retailing them to themselves at current prices; the difference became capital, and as soon as possible, one member was set to work to make boots, another clothes, and so forth, until ultimately the society should have capital enough to take land and form a community.

Labour Exchange:—To overcome the difficulty of finding a market for goods a new experiment known as Labour Exchange was tried in 1832 with branches at some places. It was of a different character from the modern Labour or Employment Exchanges. The Labour Exchange of Owen was for the direct exchange of the products of labour, according to the amount of labour expended in making them, without the intervention of money or the expenses of the ordinary machinery of distribution. But the Exchange itself became overstocked with unsaleable goods and was closed in 1834, and the shops and associations also came to an end in the same year.

Workmen's Associations of France:—A second stage in this line commenced when, after the Revolution of 1848, Louis Blanc and Buchez started the Associations Ovrierers or Workmen's Associations in France which promised a better chance of success. They were financed by the members' subscriptions.

Labour Redemption Societies of England:—In England, those known as Labour Redemption Societies were established at Bury, Norwich and at three other places about 1850. They were capitalised by subscriptions of members collected at the rate of one penny per week.

Self-Governing Shops of England:—The Workers' Associations inspired a band of Social Workers in England, known as Christian Socialists, to help the labour movement in various ways. They encouraged the starting of the Self-

Governing Shops, the members themselves providing the capital. The Christian Socialists helped them largely with their own money at cheap rates of interest. A Society for Promoting Working-men's Associations was also founded by them in 1849, and a number of associations of tailors, builders, boot-makers, printers, smiths, etc. were started. Unfortunately these associations did not meet with any lasting success. They, like their predecessors, suffered from the disadvantages of not being able to limit their liability, and from the disability, under the Friendly Societies' Act of 1846, of not being able to sell to non-members. The workers themselves were not yet ready for self-government in industry, and all of them talked too much of rights, and thought too little of duties.

Later Efforts: The Acts of 1852 and 1862:—The legal barrier to success was removed by the passing of the first Industrial and Provident Societies' Act in 1852, and the formation of such associations was stimulated by the second Act of 1862, which allowed one society to hold shares in another. A number of Producers' Associations were formed thereafter with varying degrees of success. Co-operative Stores became interested in their development and took shares in one or more of them, and provided an assured market for their goods.

The Co-operative Productive Federation:—A Federation under this name was formed in 1883 to bring the separate productive societies into closer connection with one another, to assist them in selling their goods, and to try to prevent any competition between them. It keeps the ideals of Christian Socialists before the federated societies, relating especially to the right of the worker employed in the Association to take up shares in it, if he wishes to do so, the right of all workers who thus become members to share in the management of the workshops, and the right in the distribution of profits.

Sharing of Profits:—The distribution of profits in a typical society takes the following course. After expenses are paid, including a settled rate of interest on capital, and provision is made for education and other agreed charities, one portion of the profits goes to the workers in proportion to the wages paid to each, one to the purchasing co-operative societies as dividend on purchases, and some portion is carried to the reserve.

The Labour Co-partnership Association:—In 1884, this Association was established to carry on propaganda for spreading knowledge of the principles of the productive associations. Such societies thereafter began to be called Co-partnership Societies, although the term "Producers' Associations" is still used to describe them.

Government support in France:—The Producers' Movement in France took a different direction. Since the Revolution of 1848, Government recognised the right of workmen to join together in order to secure the profits created by their labour. Though most of the societies were founded by the spontaneous action of the workmen in various crafts, they were helped by money grants, and articles prepared by them were bought by Government Stores. Most of the societies, however, failed on account of lack of discipline and want of prudence in management. Only 16 survived in 1863. In 1867, a new law was passed recognising co-operative societies as societies with variable capital. In 1884, there were about 60 societies in existence. In 1893, a Bank for financing Producers' Societies was founded, which gave fresh impetus to the movement. A federation of Producers' Societies has also been formed which gives advice on all matters which concern them. The number of societies was more than 496 in 1906, and 700 in 1919.

Cab-drivers' Societies of France:—The most interesting class of societies in France is that of Cab-drivers meant for common possession and use of machinery and materials of

their trade. The largest of them, known as the Union D'Cochers, owns stables, horses, carriages and harnesses, and commands a large business.

Nature of other societies:—Other societies in France are of Bakers, Brewers, Printers, Producers of Chemicals, of Paper, of Shoe-makers, Textile Producers, Clothiers, Metal-workers, Locksmiths, Carpenters, Painters, Builders, Masons, Stone and Glass-workers, etc.

Reasons of success in France:—The reason why the movement is flourishing in France is threefold. First, they obtain cheap loans from the Co-operative Bank of French Societies of Workingmen Producers at 2 per cent. interest. The workers' societies are the members of the Bank, as in the case of English Productive Federation. The business of the Bank is: (a) to make definite advances for work done for private customers, but not yet paid for; (b) to discount trade bills of exchange; (c) to open current accounts; (d) to make long-term loans for the extension of business, provided, however, these loans do not exceed one-tenth of the capital and reserve; (e) to supply the caution moneys demanded for public contracts. It may be noted, some private well-wishers have made large donations in aid of such societies, placing them at the disposal of the Bank. Secondly, the State has made gifts to individual societies, especially those which are labouring under difficulties of recent formation or under special crises. Thirdly, they enjoy preferential treatment by the State in tendering for Government and municipal contracts.

Producers' Societies in other countries:—Societies in other countries have not shown any marked development except in Italy. In 1902, there were in that country 25 Co-operative bakeries, 153 Industrial Societies of Printers, Potters, etc., and as many as 454 Labour and Public Societies which form the peculiar feature of that country.

Godin's Familistire of Labour Co-partnership:—Another

type of co-operative production society is the Familistire founded in France by Godin (1817-1888) at Guise in 1879, on the principle of a partnership of capital, labour and ability. Godin did not hand over the ownership and management of the factory to the workmen, before they were well educated and grounded in the principles and methods laid down by him. The workers had to pass through four stages. In the first stage, they were merely employees with a right to a pension and insurance against illness and accidents. In the second stage, they became profit-sharers, the profit being calculated according to their services. In the third stage, they received 50 per cent. more profits. In the fourth stage, they became full members. The Committee of Management was composed of heads of chief departments, with 3 members elected by all members. Profits were not paid in cash, but in savings certificates, on which they could draw 5 p. c. interest in cash. On retirement of a member, he could receive the amount of his certificates. In the Familistire, Godin provided stores, schools, a theatre and study groups, and in fact, made it an ideal town. At the time of Godin's death (1888), the annual output of the works was 4 million francs, and in 1909 it was doubled, and the employees numbered over 2000.

Leclaire's Mutual Aid Society:—Another experiment made in France, on somewhat similar lines, was that of Leclaire, known as Mutual Aid Society started in 1838, which also carried out the reform in stages, so that the workers served an apprenticeship in their craft as well as in administration.

Advantages of the two systems:—The methods adopted by Godin and Leclaire offer a solution of the problem of giving the control of industrial concerns to workers who are not well educated either in a cultural sense or in business administration. The adoption of these methods in England would have averted the failure of many productive concerns.

They also show that philanthropic idealism can succeed, if conducted on prudent lines coupled with regular education of the workers.

The main characteristics of Producers' Societies:—The main characteristics of producers' co-operation in European countries are that it rises above the individualistic conception to be met with in resource societies, and the collectivistic ideals of the consumers' movement. Its ultimate aim is the expropriation of private ownership and private property. Nevertheless, it stimulates individual effort and enterprise, each member working for the good of all, with the prospect of receiving the reward of his efforts. The societies are, however, capable of full development only where the artisans as a class are educated as in France.

CHAPTER XI

PRODUCERS' CO-OPERATION IN INDIA

Its rudimentary form—Scope of the Subject—Cottage Industries—Secondary Occupations of the Agriculturists—Fisheries and Forest Industries—The main surviving cottage industries—People engaged in them—The system of Producers' Societies in Europe—Help to individual artisans in European Countries—Want of facilities in India—Weavers' Societies—Instances of Federations—Societies of other industries—Societies of Women—Threefold difficulties of the Industries—State Aid—Organisation of Trade—What Co-operation can do—Industrial Exhibitions—Industrial Bank—Obligation of the State—Importance of Cottage Industries to Agriculture.

Its rudimentary form:—Producers' Co-operation in India is yet in a rudimentary form. The main purpose of the Indian Co-operative Act was to help the agriculturists, and all efforts were, for a long time, and even now are, being to a large extent, concentrated on helping the agriculturists.

The fact that the plight of the artisan class was as bad as that of the agriculturists began to be realised in recent years, and some half-hearted efforts are being made to apply co-operative methods in their case. In order to understand the problem fully, it is necessary to describe the nature of the small industries, the co-operative method at present applied to them, and the kind of help required for their improvement.

Scope of the subject:—It is recognised that the large scale industries are beyond the scope of being organised co-operatively on behalf of the workers themselves. Hence our attention is to be confined only to the application of co-operation to small industries carried on by people in their homes.

Cottage Industries:—Cottage industries are those which produce articles of use on individual or family system of production with little or no division of work, in contrast with the system of factory production, where the division of labour is carried to a high state of perfection. Some cottage industries are carried on by people engaged in them as their primary occupation, while some are taken up by the agriculturists as their secondary occupations.

Secondary occupations of the agriculturists:—The secondary occupations that are fit to be taken up by the agriculturists, mostly relate to: (1) animal husbandry, such as dairying, poultry farming, bee-keeping, rearing of silk or eri worms, etc.; (ii) processes for converting the produce of the field into a better marketable product, like gool-making, paddy-husking, cotton-ginning, oil-pressing, and the like; (iii) some small industries, catering mostly for local wants, and not requiring much skill, and for the conduct of which raw material is locally available, such as spinning of cotton and wool, weaving of a simple kind, rope-making, basket-making, and so on. It may be noted that these, or at any rate those mentioned in (i) and (iii) are of the nature of

cottage industries, though more useful to the agriculturists as secondary occupations.

Fisheries and Forest Industries:—Fishery cannot be classed under cottage industry, nor can it come under the category of agricultural industry. It has, therefore, an independent place between the two. All the same, it is an industry, capable of being organised co-operatively. Some processes such as manufacture of fish-oil, fish-manure, canned fish, etc., come under the category of cottage industries. There are also some forest industries, such as the production of lac, extraction of charcoal, wood-oils, etc., and though they may not be cottage industries, they are capable of being organised co-operatively.

The main surviving cottage industries:—India at one time was known as the cradle of cottage industries. But with the rapid march of factory industries, most of them have perished, and a few are in a decadent condition. The main cottage industries that have still survived may be classified under the following categories: (i) Textile industries, whether relating to cotton, silk, wool or fibre, among which hand-loom weaving takes the lead; the others being: calico printing, dyeing, etc.; (ii) Industries relating to ornamentation, of which embroidery is the most important; (iii) Industries relating to precious stones, precious metals, jewellery, etc.; (iv) Metal works, dealing with all but precious metals, such as those carried on by copper-smiths, brass-smiths, black-smiths, etc.; (v) Fine arts, such as carving in wood, ivory, stone, etc.; painting on different materials; (vi) Wood-work, including carpentry, furniture and cabinet making, etc.; (vii) Pottery and ceramic wares; (viii) Leather works; (ix) Building industries; (x) Other industries not included in the foregoing classes.

People engaged in them:—People engaged in these industries may be divided into three classes: (i) those working on their own account and selling their finished articles them-

selves; (ii) those working in their own homes on behalf of some merchant or dealer, receiving wages on the piece-work system for the work done by them. They generally receive the raw materials from the merchants who give them the work; (iii) those working in small *Karkhanas* or factories under an employer, generally known as the *Karkhandar*, and receiving wages on the time-scale, somewhat on the lines of the workers employed in large scale industries.

The men falling under the first category are gradually losing ground and are more or less drifting into the other two. The distinction between the men in the second and the third categories is that, in the case of the former, they work in their own homes and can get the services of their females and adult children, while if they fall under the third category, they have to work as labourers in the *karkhana* or work-shop under the eye of the employer.

It is only a few main industries that have reached the stage of *Karkhanas* or work-shops, and that too, in important centres of industries. A large number of artisans are still carrying on their trade on their own account. But they are wholly in the hands of the money-lenders, who charge exorbitant rates of interest. The latter also supply raw materials and purchase the finished articles at prices dictated by themselves. These transactions leave little margin to the worker, who having a running debt with the merchants is obliged to deal with them, without being able to take recourse to the competitive markets.

The system of Producers' Societies in Europe:—The Producers' societies started in Western countries are, no doubt, intended to help cottage industries, but their method is based on certain socialistic principles, doing away with the idea of private ownership and private property as far as the industry dealt with is concerned. The society owns the whole factory or shop collectively, and obtains capital partly by shares from members and partly by loans from outsiders

or a bank. It purchases raw materials wholesale, and the members do not work on the individualistic, but on a collectivist system. Each member is paid a wage on a scale fixed by the Committee, and the profits remaining, after paying a fixed interest on borrowed capital, and the contribution to the reserve, are divided among the members in proportion to the wages received by them. No society of this type has been started in our country, and the few experiments tried in that direction have ultimately failed. Perhaps, the genius of our people is inclined more towards the individualistic system of economic organisation than towards the collectivist. It must, however, be noted that even in the case of producers' societies in Western Countries the problem of marketing has always been a stumbling block. The success of such societies in France and Italy is due to the fact that Government have come to their rescue by supplying liberal finance and by purchasing the articles produced by them for civil and military stores and also for Municipalities. In England, the producers' societies have been largely helped by the co-operative stores, both by supplying capital and by purchasing their articles.

Help to individual artisans in European Countries:—In European countries a large number of artisans, not displaced by factory industries, ply their trade on their own account, in their homes, and obtain financial help either from a joint-stock bank or a co-operative bank in the following manner:—

The artisan concerned draws a bill on his bank, maturing for payment generally after 3 months. The bank discounts the bill, and with the amount so drawn he purchases the raw material required for his industry, prepares the finished goods within that period and sells them to a merchant. The merchant in his turn draws a bill on the bank, maturing after 3 months, and payable to the artisan concerned. The latter discounts it, pays back his own bill and the balance

being his profits, becomes available for his use. If more money is required for his trade, he goes on with the same process of drawing a bill. The merchant, on the other hand, sells his goods within the period of maturity of his bill and repays it to the bank. In Scotland, the cash credit system has had the marvellous effect in mobilising the skill and the credit of the artisan and the trader in that country.

Want of facilities in India:—In India, the European type of producers' societies are almost impossible by reason of lack of education among the artisans, and the absence of trade facilities, especially for the sale of finished goods. On the other hand, the absence of banking facilities has hampered individual enterprise, there being very few well established co-operative town banks, and the joint-stock banks in our country confine their operations to large cities and open branches only in big commercial centres. Even where co-operative town banks exist, the system of usance bills has not been developed, the banks merely doing the business of advancing loans.

Weavers' Societies:—The first attempt made to help the artisans on co-operative lines was by starting credit societies for them, as in the case of weavers, who were the first to arrest attention. The hand-loom industry has still a large hold on the country, lakhs of people being found eking out a precarious living out of it. About 50 to 100 credit societies were started in several Provinces, and in some even a bigger number. But they were unable to render the full measure of help, as the members were still under the thumb of the shop-keeper in regard to their trade. Later on, the system of wholesale purchase of yarn was introduced wherever possible, and in some cases the purchase of finished articles by the society. But societies were unable to do this kind of work successfully singlehanded. Attempts were next made to form Unions or Federations of societies for purposes of trade. But these too did not attain much suc-

cess, as the work was conducted by persons who were not experts in the line. The Industrial Department in the various provinces renders help by introducing the flyshuttle loom among the weavers or giving some technical advice to the industry, but takes no part in organising their trade.

Instances of Federations:—The following are a few instances of federations of weavers' societies. PUNJAB: the Co-operative and Industrial Bank of Amritsar was started having societies only as share-holding members, the majority being the weavers' societies, the Bank paying no dividend. Its working capital in 1929 was over 5 lakhs. It does the wholesale trade of supplying yarn, and helping the sale of finished articles. It is being assisted by a whole-time Government staff. Though the enterprise has not achieved marked success, it deserves to be watched with interest. BIHAR and ORISSA: the Weavers' Co-operative Store of Bhagalpore, formed somewhat on similar lines, ran into a loss of Rs. 77,000. The three Home Industries' Associations for weavers in the same province also ran into a loss. CENTRAL PROVINCES and BERAR: the Weavers' and Industries' Association is still in the state of an experiment. BOMBAY: the two weavers' Unions, one at Hubli and the other at Sholapur are not very successful. The Maharashtra Industrial Co-operative Agency formed in 1930 is a novel experiment. Among its members are individuals engaged in industries, co-operative industrial societies, and also a few industrial joint-stock concerns registered under the Companies' Act. At present the concern helps its members with loans for their working capital with the help of a cash-credit loan obtained from the Poona Central Bank, and proposes to set up shops and sale agencies in the future. At present a shop is opened in Poona where articles of the embroidery society are sold. BENGAL: Co-operative Industrial Unions have been formed in the districts of Dacca, Bankura, Nadia, Chittagong, Naskhate and Raj-

shahi. The Bengal Provincial Co-operative Industrial Society recently formed has taken over the management of the Central Sale Depot at Calcutta. UNITED PROVINCES: the two industrial co-operative central societies are intended to supply raw material to societies. At present they supply yarn to weavers' societies; but they are not working satisfactorily. MYSORE: The formation of a Central Weavers' Emporium is under consideration.

Societies of other industries:—Efforts are also made to bring co-operation within the reach of a few other industries, but they chiefly consist in forming one or two societies of the trade concerned, such as of shoe-makers or leather workers, metal workers, carpenters, wood-carvers, printing presses, toy-makers, conch-shell workers (as in Bengal), coir-makers (as in Bombay, Madras, Cochin and Travancore), paper makers (in Hyderabad Dn.), sandle wood carvers' societies (in Mysore), fishermen societies (as in Bengal, Bihar and Orissa, Travancore, Cochin, Madras and Bombay).

All these are isolated societies without any kind of co-ordination. In Bengal, the Home Industries Association at Calcutta, and the Industrial Union at Dacca were started to render assistance to various kinds of industries; but they were not able to secure expert guidance for the conduct of their work.

The silk industry occupies an important place in Mysore, Kashmir, Bengal and Madras. But no sustained efforts are being made to bring it under co-operation. In Bengal, however, 65 cocoon weavers' societies are formed, and the silk union of Malda is trying to co-ordinate their efforts.

The Gold Thread Industry of Surat employs more than 10,000 men, and produces every year articles worth more than a crore of rupees, or more than 4 crores, if the price of cloth on which the gold thread is mounted be taken into

account. Though the industry is confined within a compact area of the city precincts, it still remains untouched by co-operation. A society has, however, been started in Poona for the people engaged in the industry.

Societies of women:—In the Bombay City, there is a society formed by middle class women who prepare articles of needlework, embroidery and children's dress. The society supplies the materials and makes attempts to sell the articles. The sales are not very satisfactory. In Bengal, 5 women's societies are formed; they merely teach the members some trade, such as tailoring, needlework, etc., calculated to give them employment.

Threefold difficulties of the Industries:—The difficulties in the way of Indian industries are the following: (i) insufficiency of the working capital, (ii) unregulated trade, both regarding the purchase of the raw material and the sale of finished articles, (iii) want of expert guidance, both regarding the technique of the industry and that of its trade. Efforts to solve any one of these difficulties will be ineffectual unless all are tackled together. It is impossible to expect the persons engaged in the industries to devise the means of overcoming the difficulties due to their illiteracy, which again forms the fourth difficulty. Help must, therefore, come from outside, and the only agency which can give effective aid is the State.

State Aid:—The Indian Industrial Commission appointed by Government in 1916, in its report published in 1918 made the responsibility of the State in this matter quite clear. Government has, no doubt, established a Department of Industries in every province; but this department, being concerned with large-scale or factory industries as well as the cottage industries, and having an inadequate staff, is not in a position to pay sufficient attention to either.

The Governments of Madras, Bihar and Orissa and Mysore have passed the State-aid to Industries Acts. In the

Punjab the Industrial Loans Act has been passed. But we are not aware of any effort made for the encouragement of industrial societies as a result of these measures.

The Madras Government appointed in 1927 a special officer to make detailed survey of cottage industries in the presidency. The exhaustive report made by him was examined by a special committee appointed by the Madras Legislative Council. This Committee made valuable suggestions, the following being some of them: that an emporium be established in Madras as is done in other provinces like Bihar and Orissa, Assam, Punjab, Central Provinces, and Mysore; that it should be a museum, an information bureau, a sample depot, and a wholesale agency; that government be requested to obtain, as far as practicable, their requirements of cloth from cottage workers; and that a business organiser be appointed to study the market conditions in order to find a ready sale for hand-woven goods. It is not known how far government will accept these recommendations.

Organisation of Trade:—The most important aspect of the subject is the organisation of the trade, and even here the sale side is more important than the supply. This work cannot be satisfactorily done by haphazard methods. It requires the appointment of a market expert, as is suggested by the Madras Committee. A technical advisor will also be necessary, but the marketing expert must precede him, for the duty of the technical expert will be to improve the quality of production as well as the output of the articles by the introduction of labour saving appliances etc., and his efforts will only be appreciated if there is a good market for the articles produced.

What Co-operation can do:—Co-operation can help the industries by organising societies. Where town banks exist, an artisan can borrow from them. In the case of societies, they can borrow from Central Banks. But facilities for

trade do not exist, especially in regard to sale of finished goods. It is worth considering whether this work could be pushed on for the present by entrusting it to the out-door staff of the financing Banks. In the United Provinces, the Inspectors of the Department secure orders and pass them on to Weavers' Societies. But measures like these can at best be considered as temporary, and would nevertheless be welcome till some permanent arrangement is made.

Industrial Exhibitions:—Some Co-operative Conferences hold an industrial exhibition as a side-activity. It would be much better if every conference were as a rule to hold such an exhibition, without confining it to co-operatively organised industries, but extending it to all small industries in the neighbourhood. This step will afford wide advertisement to the industries.

Industrial Bank:—Some propose that separate co-operative industrial banks should be started with the object of affording facilities of finance as well as of trade, both to the individual artisan and to industrial societies. Such a bank to ensure success will have to entertain not merely experts in banking, but also experts in trade and in the technique of the industry. Such triple responsibility might be found to be too heavy for a bank to shoulder. A bank may, no doubt, make advances against stock, and may even undertake purchase and sale on agency basis. But outright purchase of articles seems to be beyond its scope. If the bank undertakes to finance the starting of industrial concerns, it will require long-term capital to be raised by debentures, and its success will only be possible with Government help, as in the case of Mortgage Banks.

Obligation of the State:—The support from the co-operative movement cannot go a long way, though it might be able to achieve something where nothing is done at present. Substantial help can only come from the State, which by rendering it in the right way merely fulfils its obligation.

In the United Provinces, three Inspectors are appointed under the Registrar, one to look after the weavers, one for leather workers, the third to encourage agricultural subsidiary industries. In the Punjab, recently a staff is appointed under a Deputy Registrar consisting of one Assistant Registrar, 5 Inspectors, 20 Sub-Inspectors and 3 Supervisors to look after industrial societies. Their work will be watched with interest. But a larger trained staff is necessary in all provinces not merely to organise the various industries, but also their trade.

Importance of Cottage Industries to Agriculture:—Encouragement of cottage industries is required from another point of view. Many families who once were engaged in them, on finding their occupation gone as a result of the competition of factory industries, have fallen back on land for their subsistence, with the result that there are at present more men engaged in agriculture than it can support. Even as early as 1880, the Famine Commission of that year observed in its report that the number of people engaged in agriculture was far more in excess of the number than it could support. Every decennial census taken thereafter has been showing a further increase in that number. The problem will become more and more acute with the further increase of population. If the cottage industries can be made to attract a larger number of people than at present, they will be a great source of indirect help to agriculture, and both industry and agriculture will prosper better than at present.

CHAPTER XII

CONSUMERS' CO-OPERATION IN EUROPE

I. The Co-operative Store.

Elimination of middlemen—The Rochdale Pioneers—Failure of previous experiments—Rochdale Plan—The Beginning of work—The method adopted—The position of Women—The Principles of Rochdale System—Application of Profits—Dealings with Non-Members—A year's Progress—Personal Interest of Members—Beginning of Production—Spread of the Movement—Removal of legal difficulties—The Wholesale Societies—The Co-operative Union—Other activities of the societies—Penny Banks—Co-operative House Building—Advantages of the Store Movement—Progress in other countries—The Features of Continental Stores.

Elimination of middlemen:—The word "Consumer" is an economic name for humanity, for, there is not a single human being who does not consume some goods or other. The relations between the "Consumer" and the 'Producer" should therefore be most close and cordial, for one cannot exist without the other. Yet, in the modern conditions of the world, the two are often found assunder and are only linked together by a hierarchy of middlemen, who at each stage levy a toll on the consumer for the mere service of bringing the goods to his door. It is not in high price alone, but in short weights, adulteration of food, and inferior quality of goods, that the consumer is despoiled. Various plans were tried to eliminate the middlemen, but the one tried by the twenty-eight weavers of Rochdale was found to be the most successful.

The Rochdale Pioneers:—The Rochdalers were very poor, but were rich in the possession of four great virtues—courage, common-sense, patience and faith in effort. These are the qualities which ensure success in human endeavour.

It was in 1844 that the twenty-eight flannel weavers of Rochdale, including one woman, opened a small store of groceries, in an insignificant corner of that town known as Toadlane, with barely £28 as its working capital, but with a great fund of zeal. How by the exercise of patience, perseverance and economy this small grocery shop helped the development of the present Consumers' Movement is history of absorbing interest.

Failure of previous Experiments:—From the beginning of the 19th century, the high price of food turned the attention of working people in England to the economy of food supply. Previous to 1824, there were only stray experiments made here and there. But between 1824 and 1844, a series of them were tried under the inspiration of Robert Owen who "set men's minds upon the track of co-operation". Almost all these earlier experiments failed through financial difficulties, brought about by underestimating the cost of management, the accumulation of profits being regarded with a loathing, and by allowing purchases to be made on credit.

Rochdale Plan:—Howarth, one of the pioneers, conceived the plan of selling goods at current prices, and dividing the savings effected among the purchasers in proportion to the amount of their purchases, after deducting the cost of management, and allowing a small rate of interest on capital. No credit being allowed, the losses from unpaid debts were avoided.

The Beginning of work:—The Pioneers collected capital by subscribing a share of £1 each, paying it by instalments of 2 d. and 3 d. per week. They waited till the shares were fully paid, and then began operations with only five articles—butter, sugar, oatmeal, candles and flour.

The Method adopted:—They insisted upon the principle of cash payment, and gave full weight and measure and good quality. Additional money, when required, was bor-

rowed only from members at a fixed rate of interest. Their constitution provided that the government of the society should be controlled by members through a committee elected by them, that each member should have only one vote at the general meetings of the society, and that the balance sheet should be presented at quarterly meetings to enable members to examine the financial position of the society at regular short intervals. The savings effected in trading were to be divided into three parts, one to be given to the members in proportion to their purchases, another to be set aside for the reserve fund, and the third to be allocated for educational purposes. Later on, however, 2½ p. c. of the profits were carried for education. Members were encouraged to leave the dividend with the Society as deposit or share capital—a device which proved highly successful in automatically increasing, on the one hand, the capital of the society, and on the other, in accumulating the savings of the members, thus proving a source of imperceptible thrift. A member was at liberty to withdraw his shares at par, except one share to entitle him to membership.

The position of Women:—Women had equal rights in the Society's affairs—a contrast to the German system where women, until very recently, were not allowed to have a place on management, nor even a vote at the general meeting. In fact, the English Co-operative Movement owes much to the loyalty of its women. They were staunch and true to their own shop, and their children, too, were taught to be loyal to it. It is worthy of notice that about a generation before the Married Women's Property Act was enacted, Co-operators recognised the equality of the sexes in the matter of shareholding and investment, and gave women their legal rights.

The Principles of Rochdale System:—The principles of the Rochdale System may be summarised as follows: (1) It keeps the Store open to all; (2) places no limit on the number

of members nor on the extent of the share capital; (3) sells at the prevailing market price; (4) sells articles of genuine quality of full weight or measure; (5) requires cash payments and gives or asks for no credit; (6) gives dividend in proportion to purchases; (7) gives only interest on share money but no dividend; (8) requires every member to hold one or more shares, the share amount being payable by instalments; (9) gives each member only one vote irrespective of the number of shares held by him; (10) gives equal rights to women both in voting and in administration; (11) sets apart a portion of the profits for education.

Application of Profits:—According to the model rules published by the Co-operative Union, profits are allotted in the following order:—(1) Interest on loans and deposits; (2) reduction of fixed stock; (3) reduction of preliminary expenses (this should not last beyond a year or two); (4) interest on share capital; (5) reserve fund; (6) education fund; (7) subscription to the Co-operative Union; (8) Social and other purposes; (9) dividend on purchases and bonus to employees.

Dealings with Non-members:—Sales to non-members are not prohibited and the general practice is to give to such purchasers half the dividend given to members. They are encouraged in the hope that they will become members.

A Year's Progress:—The Rochdalers worked their Store in full faith and with stout hearts and by supplying goods of genuine quality and just weight at a fair price. New members were soon gained, and within a year the membership numbered 74 and the trade amounted to £710. The number of articles sold were increased and the trade grew steadily.

Personal Interest of Members:—The fact that the government of the society was controlled by the members, and that men and women who joined it had one vote, and one only

helped to increase the interest of members in the society and their feeling of personal responsibility for its success.

Beginning of Production:—Production was always kept in view by the Pioneers as soon as the necessary capital accumulated. Shoe-making and tailoring departments were added in 1852, and thus a beginning was made in the manufacture of some of the goods required by members.

Spread of the Movement:—The success of the Rochdale Store, notwithstanding many vicissitudes, led to the establishment of similar stores in other parts of the country, and in 1851, there were 130 stores in the north of England and the Midlands of Scotland.

Removal of legal difficulties:—One of the difficulties which the early co-operative societies, started either for production or distribution, had to contend against was the fact that the law gave no protection to them. With the help of a band of social workers, known as Christian Socialists, an Act was passed in 1852 known as the Industrial and Provident Societies' Act, whereby the Societies obtained the status of legal corporations. But the law did not allow limited liability, nor did it permit one society to hold shares in another. These drawbacks were removed by the Act of 1862.

The Wholesale Societies:—In order to overcome the difficulties arising out of the dealings with wholesale dealers, the retail Societies in England established the Co-operative Wholesale Society in 1863, and those in Scotland united to form the Scottish Wholesale Society in 1868.

The Co-operative Union:—All the Societies in England and Scotland have combined to establish the Co-operative Union (1889), for mutual support, propaganda and education.

Other activities of the Societies:—By the removal of the legal difficulties and the facilities offered by the Wholesale Society and the Co-operative Union, the number of societies

and the volume of their trade began steadily to increase. With the increase of trade, various other activities were taken in hand. The prosperous societies opened production departments of their own, especially bakery, flour-milling, boot and shoe-making, tailoring, millinery and the like. Some even have purchased estates to grow vegetables or to keep poultry and pigs. Most societies have established provident and convalescent funds, have made provision for sick-room appliances, and are giving facilities for health and life-insurance. Besides these advantages, which many societies provide for their members, the following require special mention.

Penny Banks:—A considerable number of societies have established Penny Banks which are usually worked as a department of the societies. Small deposits are received, and as a rule about 4½ p. c. interest is paid. These banks are specially popular with juvenile co-operators, for whom they are principally intended, but adults also are allowed to make use of this opportunity for saving small sums. In 1920, the deposits received by these Banks were calculated as totalling £4,363,480.

Co-operative Housebuilding:—One of the most important activities of the societies is the provision of dwelling houses for the use of their members, which was made possible by the increase in the amount of capital. In 1920, the sum invested by societies in house property was estimated at £8,851,448. The plan adopted is either that of the Building Society or the Hire-purchase System.

Advantages of the Store Movement:—The stores have done much for the advancement of thrift and the promotion of social amelioration and material prosperity of the working classes and as schools for business management and self-government. A great number of people have not the strength of mind to put by petty savings out of small earnings. To them the store became a medium of saving with-

out laying by anything and of accumulating money without paying anything out of their pockets. This is the moral and social discovery made by the Co-operative Store. Its educational value is equally great. A large number of men and women are being trained in habits of business, in the powers of united action and organisation, and in taking a better part in their responsibilities as citizens. Thus, by its manifold activities, the Consumers' Movement has established the superiority of co-operation over competition.

Progress in other countries:—The Store Movement has spread to other countries, notably Germany, Denmark, Italy, Hungary, Holland, Finland, Russia, America, and recently Ireland. In some countries, Co-operative Eating Houses are established as in Finland, Denmark and Holland. In Great Britain, some of the larger Stores open branches for this purpose. The popular pharmacies of Belgium afford an instance of specializing the store principle for a special kind of business. These Pharmacies are federations of small "mutualites" or friendly societies. They have done a great work for the Belgian working people. While reducing the prices of medicines by at least 50 p. c., they have been able to make 100 p. c. dividends. In some cases the Stores have their own pharmacies attached.

The Features of Continental Stores:—The features of the Stores in other countries are very nearly the same. They all deal with household necessities, and very few luxuries. In some European countries beer and wine are dealt with, but the stores in England and Scotland rarely touch this trade. One important feature of the Store movement in most countries is that it has a natural tendency to identify itself with the Labour movement. In Belgium, the Store movement is socialistic. In Denmark, it is rural rather than urban, and has advanced side by side with agricultural co-operation. In Finland, it has taken a rural turn. In all

countries the stores form their federations for wholesale supply. In most rural districts, the supply of domestic and agricultural requirements are combined in the same organization, and as they cannot work on cash business, the building up of the reserve fund by larger contributions becomes more important in their case.

CHAPTER XIII

CONSUMERS' CO-OPERATION IN EUROPE *(Contd.)*

II. Federations of Stores.

The Rochdalers' Ideals—Difficulties of societies in wholesale trade—Co-operative Wholesale Society—Work of the C. W. S.—Banking—Manufacture—Steamships—Purchase of Estates—Convalescent Homes—Insurance—Building Department—Audit Department and Stock-taking Department—Publication of Magazines—Work of the S. C. W. S.—Joint operations of the two Wholesales—Condition of Workers in the Factories of the two societies—Method of business—Administration of the two societies—The Irish Wholesale—The Co-operative Union—The Women's Co-operative Guild—National Men's Co-operative Guild.

The Rochdalers' Ideals:—To the pioneers the store was not an end in itself, but merely a means towards the realization of more important objects, namely, the improvement of the housing conditions of the members, reduction of the evils of unemployment and low wages, manufacture of articles required by the members, acquisition of estates for cultivation so as to provide employment to members, promotion of temperance, and finally, establishment of a self-supporting home colony of united interests. Many societies individually have been striving to attain these ideals. We

will now see what efforts they made to attain them collectively.

Difficulties of Societies in wholesale trade:—When the Co-operative stores became more prosperous they had more ready money at their command and could buy in large quantities, and therefore more cheaply than they could at first. Private trades people became jealous of them and refused to deal with wholesalers who sold to the stores. Another difficulty was that when the buyers on behalf of the stores went into the wholesale markets, they competed against each other and thus raised prices. Besides this, the buyers of most stores were inexperienced men who did not understand the qualities of the various commodities, or where best to purchase them, and the intricate customs of the wholesale market. It was, therefore, felt that united action on behalf of the stores was needed, and accordingly, mainly with the help of the Christian Socialists and of Mr. Abraham Greenwood of Rochdale, a Wholesale Society was started known as the "North of England Co-operative Wholesale Society".

Co-operative Wholesale Society:—The Wholesale Society was subsequently registered as the Co-operative Wholesale Society in 1863, to which the retail societies of England are affiliated. In like manner, the Societies in Scotland established in 1868 the Scottish Co-operative Wholesale Society. The former is abbreviately known as C. W. S. and the latter as S. C. W. S. These two societies have been very successful. They have adopted the Rochdale plan as the main basis of their trading and for the general conduct of their work. Thus, from the humble beginnings of the Rochdalers, can be traced the foundations of the large Consumers' Movement of Great Britain.

Work of the C. W. S.:—The capital of the Wholesale is subscribed by the societies, each of them taking up shares in proportion to its membership. Only Societies are its

members. Goods are sold to the Societies at ordinary market prices, dividing the surplus among them in proportion to their purchases. Business was commenced in 1864 in a hired building, and after a time a plot of land was purchased at Balloon Street, where the Society built a Warehouse of its own in 1869. As trade continued to increase, the small premises were replaced by large blocks of buildings. Branches were opened at Newcastle-on-Tyne and London, and housed in the Society's own buildings. More branches were opened as trade increased. Purchasing agencies were established at important marketing places in England and Ireland and also in New York, Montreal, and later, at other places also.

Banking:—In 1871, a Banking Department was established to enable the societies to bank through the Wholesale. In 1920, the banking turnover of the Society reached the large sum of £645,772,632. The profits of the department are divided among those societies which do the banking business with the Wholesale Society. Individual members of retail societies also may open banking accounts with the Bank through their own local societies. Many Trade Unions also bank with the Wholesale Society.

Manufacture:—In 1873, the Society decided to manufacture in order to supply societies with goods, which they required. The biscuit and confectionery works at Crumpsall near Manchester were purchased; and later in the same year a boot factory was opened at Leicester. The productive activities of the Wholesale soon continued to increase. Two more boot factories were opened at other places; jam factories at three places; soap, candles and washing powder factories at two; while factories for the manufacture of flannel, hosiery and various other articles, such as bacon, and lard refinery, preserves, and pickles, tobacco, and also clothing, furniture, brushes etc., have been created in various parts of the country. Cornmills also have been either

purchased or erected at various centres. Printing works were opened in 1895 at Manchester. The Wholesale also acquired the Keighley Iron Works, Dudley Bucket and Fender Society, and Bertley Tinplate Society. An oil mill was acquired in 1916 and a colliery in 1917. A colliery in Manchester was started in 1876 as a Co-operative Coal-mining Society; but after being worked at a loss, it was taken over by the C. W. S., but was sold in 1882 after incurring a loss of £20,000. In 1917, another colliery was acquired.

Steamships:—In 1876, the steamship Plover was built to carry the Society's own goods, and several other ships were purchased or built from time to time. These carried goods for the society from various places, but latterly, all but two of the ships have been sold.

Purchase of Estates:—Roden Estate was purchased for fruit-growing and farming, and other farms were acquired from time to time in England for farming and other agricultural purposes. In 1913, a farm of 10,240 acres was purchased in Canada. Land was also acquired in West Africa.

Convalescent Homes:—In 1901, a convalescent home was opened at Roden and subsequently such homes were set up at other places. These homes proved of great service to co-operators recovering from illness, and they possess advantages which are lacking in some of the ordinary convalescent homes.

Insurance:—In 1904, the C. W. S. instituted a system of Collective Life Insurance by means of which societies may insure all their members by a single policy. The work was done through a separate society, but in 1912, it was merged in the work of the Wholesale Society. The English and Scottish Wholesale Societies have now a Joint Insurance Department which undertakes Life, Fire, Fidelity, Accident and General Insurance.

Building Department:—The building department of the Society is intended to erect factories, shops and buildings of the wholesale as well as of the retail societies.

Audit Department and Stock-taking Department:—The Wholesale Society has an audit department and a stock-taking department, and societies can have accounts audited by a special staff of auditors, or their stock checked by expert stock-takers retained by the Wholesale for that purpose.

Publication of Magazines:—Monthly Magazines have been issued by the Society. One known as the *Wheatsheaf* started in 1896 publishes news concerning co-operative societies. On payment of a small charge, societies may have local matters specially printed for them and added to the general magazine, for issue to their own members. It also contains particulars regarding classes and other educational work of the movement. A young people's page is another feature of the magazine. The other magazine known as *The Producer* deals with business matters of interest to co-operative officials and committee-men. *The Scottish Co-operator* is published by the Scottish Wholesale Society.

Work of the S. C. W. S.:—The Scottish Societies having determined to have their own wholesale society, the English Society encouraged the idea, and the S. C. W. S. was established in 1868 in Glasgow. After its wholesale trade was well established, the Society began to manufacture goods. Besides the establishment of cornmills, and a tailoring factory, it has a chemical department, a tinware department, a cartwright's department, a carting department and a printing department; and also factories for producing mineral waters, mantles, waterproofs, drapery and furniture, and has purchased a jute mill at Dundee. It also owns creameries, a fish-curing station, and has commenced farming and cattle raising on its own estates and has opened

milk centres. The Society has been making steady progress in other branches of work.

Joint operations of the two Wholesales:—The two societies have united for various purposes. They jointly own the cocoa works at Luton, tea estates in Ceylon and Southern India, and the large tea and coffee warehouse in London where various processes of tea and coffee give employment to a considerable number of men, women and girls.

Condition of workers in the factories of the two Societies:—The factories of both the Wholesale Societies are well lighted and clean; and well managed dining rooms are attached to the majority of them, thus enabling the employees to have their meals in wholesome surroundings at a cost which simply covers the expense of the food and service. There are also halls which can be used by the employees for recreation and reading, where newspapers, periodicals and other means of entertainment are provided. The working hours are usually shorter than those in other factories engaged in similar production, and each employee has an annual holiday of two weeks with pay. The wages are also somewhat higher. A provident fund has been started and all employees of six months' service are eligible for membership of this fund. In the S. W. C. S. employees can hold shares and are entitled to direct representation at the business meeting of the society. These form two important differences between the English and the Scottish Wholesale Societies.

Method of Business:—Articles are sold at current wholesale prices, the net profits being divided among the shareholding societies in proportion to the amount of purchases. Sales are made also to non-member societies, allowing full profits, the system of paying half the profits originally adopted being now discontinued.

Administration of the two Societies:—The membership

of the two Wholesale Societies consists of retail societies. The latter elect delegates to attend the meetings of the former. In the English Wholesale, the number of delegates allowed to each society is based upon the latter's membership, while in the Scottish Wholesale, the number of delegates depends on the value of purchases made by the society from the Wholesale during the preceding quarter. On account of the large number of representatives in the English Society, divisional meetings are held in several towns at the same time on one day. The same items of business are dealt with at each meeting, and when voting is necessary, the votes given at all meetings are added together, and the total number is regarded as deciding the point at issue. The final meeting is held a week after the divisional meetings and delegates who prefer to attend it are at liberty to do so. The Committees or the Boards of Directors of both the Wholesales are elected by their delegates. The managers of the different factories and of the departments of the Wholesales are appointed by the Boards. The Boards also form themselves into committees, each of which supervise a particular branch of work. Stocks are taken and accounts closed quarterly. Every department is charged with its own working expenses. The formation of a strong Reserve Fund has been constantly kept in view, while another reserve has been formed through the Society itself insuring a large portion of its fire, guarantee and marine risks. The report and balance sheet of the Board are discussed and auditors appointed by the meeting of the delegates which may make suggestions or lay down the line of policy. The members realise their responsibilities towards the Wholesale, and do their utmost to promote its interests and the ideals of the movement. Thus the history of the two Societies, in spite of some losses in the initial stages, has been one of steady growth and success. The English Wholesale celebrated its jubilee in 1913 and the Scottish

Society in 1919, though it completed fifty years of its working in the previous year.

The Irish Wholesale:—The Irish Agricultural Wholesale Society was established in 1897, but it is formed principally for agricultural purposes, doing the business of wholesale trading and selling. It supplies seeds, manures and implements to the societies and sells their agricultural produce. It also does considerable trade in groceries and other commodities.

The Co-operative Union:—As the Co-operative movement grew, it became necessary to establish closer union between societies for purposes other than trade. Lack of knowledge of organization or business methods, or the inefficiency of shopmen and buyers, and the ignorance of proper methods of accounting, were among the reasons which brought failure in the case of some societies. An organization was therefore started to give advice and guidance and impart instruction and education. It began its work as the Central Board from 1869, and was reorganized as the Co-operative Union in 1889. It is a federation of the English as well as Scottish Societies, formed for "protective, progressive and consolidating purposes". The Irish Societies have joined it for educational purposes. Its Managing Committee, known as the Central Board, is elected by the representatives of the societies, as in the case of the two Wholesales. Its annual meeting is known as the Co-operative Congress. The Central Board appoints an Educational Committee, another Committee for general work, and a special Committee for watching events in Parliament and advising societies concerning matters in which they are likely to be affected by proposed new laws, or by any orders issued by Government Departments. Latterly, a Labour Department has been added to deal with labour questions in relation to the Co-operative Movement, particularly in regard to wages, hours and any other matters of dispute between societies and their

employees. The details of the educational work of the Union will be dealt with fully in the Chapter on Co-operative Education.

The Women's Co-operative Guild:—The women in the co-operative movement formed in 1883 an association of their own, known as the Women's Co-operative Guild, for the spread of co-operative education among them and for befitting them to hold responsible positions in the movement and for conducting other social work. In 1921, Scotland formed its own Guild.

National Men's Co-operative Guild:—This was formed in 1911 for the development of the co-operative movement in a similar way. It must be borne in mind that these Guilds are not federations formed by the societies. They have, however, branches; and they work in co-operation with the Educational Committee of the Co-operative Union in formulating their plans of education.

CHAPTER XIV

CO-OPERATIVE STORE MOVEMENT IN INDIA

Its failure—Main causes of failure—Other causes—Disadvantages of Credit Sales—The Triplicane Store of Madras—Reasons for its success—Stores in Mysore—Why Bombay attempts failed—Where stores might succeed—Specialised Stores—Consumers' Societies for other kinds of services—School and College Stores—Conditions of success—FACTORS OF SUCCESS IN THE EUROPEAN STORES:—Food stuffs made dear by Industrial Revolution—Difference in the standard of life—Higher margin between wholesale and retail prices—Sale of prepared food—Higher scale of middleman's charges—A larger wage earning class—Uniform standard of life—Spirit of Association—Shopping by women—Early establishment of the movement—Help from the educated—Word of caution—Importance of the Store Movement.

Its failure:—The Co-operative Store Movement in India may generally be described as a failure. A few stores here and there are being run successfully, but the success is due either to peculiar local conditions, as for instance, the absence of competition among the local shop-keepers, or to special facilities obtained, as for instance, lower Railway freights and rent free quarters for the shops, as in the case of stores started by Railway employees, or the College stores. In India, the store movement reached its height after the War when the control of food grain was established, but after the removal of that control the number of stores began steadily to decline. In 1928, the number in different provinces stood as follows:—Madras 99, Mysore State 70, Bengal 58, Bombay 35, Punjab 21, Assam 19, United Provinces 13, Central Provinces and Berar 8, Burma 7.

Main causes of failure:—One of the main causes of the

failure seems to be the ignorance of the basic principle of the store movement. Stores are generally considered to be places where you can purchase articles cheaper than from a shopkeeper. The result of starting a store with such a notion is that the slightest set back damps the spirit of the members, and destroys the sense of their loyalty. If Rochdalers had started their store with such an object, they would never have succeeded. The object of the store movement is to do away with the middlemen and ultimately to control the supply market, as also the means of production on behalf, not merely of the few members of any particular store, but of the whole community of consumers. Realising this principle, the members of many stores in European countries readily pay even higher prices with the conviction that the temporary inconvenience will ultimately bring success to their cause.

Other causes:—Other causes of failure are the introduction of credit sales and the insistence on the part of members on door-to-door delivery by the store. It is the presence of these defects that account for the small number of co-operative stores in Japan. Though the number of other types of societies in that country is nearly 15,000, that of stores has not gone much above 150. Other causes which have brought about failure are the smaller margin of profit between wholesale and retail prices, and at the same time a high cost of upkeep. Dishonesty on the part of the manager is yet another factor; but this is found also in other branches of the movement, as in the case of credit. It must, however, be borne in mind that no man is by nature dishonest; it is the opportunity that makes him so. If the Managing Committee were to keep a watchful eye, there would be fewer occasions for dishonesty.

Disadvantages of Credit Sales:—The disadvantages of credit sales in the case of a Co-operative Store are well known, yet they deserve to be reiterated. By resorting to

them no store would be able to distribute daily necessities at an advantage to its customers both as to price and quality. It is only by adopting the cash system it can eliminate waste, inefficiency and unnecessary expenses. Nor are credit purchases advantageous to customers. Purchases must be paid for sooner or later, even when bought on credit. On the contrary, credit purchases increase indebtedness. Since it is easy to buy on credit, some purchases would be made that cannot be justified from the point of view of the resources of the purchasers. When the daily necessities could be purchased on credit, the customer will be tempted to spend his money on other articles which could well have been avoided. Cash buying minimises thoughtless expenditure. Credit is expensive to the customer as well as to the store. It is costly even to those who make their purchases for cash. A store, selling on credit, cannot buy with cash from the wholesales. By credit purchases it loses cash discounts that the latter allow. Its funds being tied up in credit accounts to its customers, it has to raise capital through loans, on which it has to pay interest. Out of the credit sales to customers, some at least must result in bad debts. Losses like these have to be made good by somebody, and they are paid by all the customers in the form of higher prices. Credit accounts involve extra book-keeping and therefore further expenditure. Frequent pressure on creditors result in bad feelings. Discrimination exercised by the manager in favour of customers, in whom he can place confidence, causes misunderstanding among others, frequently resulting in their disloyalty. Thus, credit sales involve endless troubles to a store, and the Rochdale system has very wisely eschewed them.

The Triplicane store of Madras:—This is the only co-operative store which has attained success in India on a large scale. It was started in 1904 under the name "The Triplicane Urban Co-operative Society" by 14 members,

prominent among whom was Mr. T. K. Hanumant Rao. The number of members in 1929 was 5781, and the sales or turnover amounted to 11 lakhs. The store has gone on opening branches in different parts of the city, their present number being 25. Its paid-up share capital in the same year was over one lakh, and the deposits held by it amounted nearly to two lakhs. Out of the profits, after setting apart a portion for the reserve, at 25 per cent. in the earlier years, and at 10 per cent. from 1921, and after paying bonus on purchases, some amount is set apart towards the common good fund. In 1929, this fund stood at Rs. 36,000, and the reserve at Rs. 84,000. It has a loan department, the majority of the loans being of small amounts up to Rs. 50. The strength of the present staff is 140, and the annual charges on this account are Rs. 45,000. A Provident Fund is maintained for the employees. A Reading Room is attached to the Head and Branch offices of the store. The articles sold by the store consist of rice and three other grains, dry groceries, ghee, sweet-oils, jaggery, sugar, tea, coffee, soaps, and half a dozen common patent medicines. Attempts to open a cloth department and a laundry have not succeeded so far. The store does not make door-to-door deliveries, but the purchasing members either carry articles themselves or make their own arrangements for the carriage of goods. The store is managed and patronised mainly by the middle classes of the city. It celebrated its Silver Jubilee in 1929.

Reasons for its success:—The chief reasons for the success of the Triplicane Store are that Madras is a city of distances. No part is thickly populated, except the quarters where the labouring classes dwell. The shops in the middle class localities are few and far between. There being little competition between shopkeepers, the margin between the wholesale and retail prices is tolerably high. No shopkeeper makes door-to-door delivery. The standard of life of all the members so far as food is concerned, is very nearly uniform, and

the articles used are of uniform quality. Only two qualities of grains are stocked one of them being a cheaper variety. Wages are very low in Madras compared to those prevailing in Bombay. The employees of the store in the beginning consisted of a manager and a salesman, and the monthly pay of both amounted to Rs. 16 only. No doubt, these places now carry a higher salary, but the scale is not very high.

Stores in Mysore:—In the State of Mysore, the co-operative stores have made good progress. The Bangalore City Store is reputed to be the best of them, though much smaller than the Triplicane Store. Most of the other stores in the State owe their success to the patronage given by Mills, Offices or the Railways, they being started for the benefit of their employees. Sales on credit are allowed by many societies in Mysore, and though they may not much affect the position of those conducted under the patronage of officers, they may ultimately prove harmful to others.

Why Bombay attempts failed:—Two or three attempts were made in the city of Bombay, to start a co-operative store, but all of them failed. The conditions in Bombay are quite the reverse of those in Madras. There are grain and grocery shops in every lane and bylane of Bombay at the rate of 6 to 8 shops within a distance of a furlong. The competition between them is so very keen, that the difference between the wholesale and the retail prices is very small. Door-to-door delivery is the rule. Every shopkeeper visits the customers' residence once every day, takes orders from the women of the household, and within a short time returns with the articles. He agrees to exchange rejected goods and is very accommodating. Indeed, he sticks to his customers like a barnacle. At the end of the month he comes with his account-book for the settlement of accounts. It is very difficult to compete with the "Danewalla" of Bombay as he is commonly called. The rent for a shop in the City

of Bombay is very high, and the wages also are very high. The "Danewalla" minimises these charges by using his shop also as his residence. He cuts out labour charges in connection with his business by doing it himself or getting it done by the members of his family. He also does the subsidiary business of money-lending on a small scale.

There are, however, some Buying Clubs in the City, making joint purchases of articles on indent. Though they do not make much profit, they get articles by proper weight and measure and of better quality. Public opinion is not yet sufficiently educated to rise in revolt against the mal-practices of adulteration and false measures and weights, and to appreciate the benefits of a co-operative store. A regular store in Bombay, however, may succeed if the purchases can be made at the seat of production, for the wholesalers themselves profiteer to no small extent. But this procedure will require an organisation on a large scale.

Where Stores might succeed:—Stores in the suburbs of Bombay and in the Districts may succeed. Stores among the labouring classes in Bombay itself have better chances of success, for these people, being always in debt to the shopkeeper, have been paying considerably high prices for their food stuffs than the middle classes do. The New Egerton Woollen Mills Co-operative Store in the Punjab is working successfully, and in 1929 sold goods worth 2 lakhs.

Specialised Stores:—Stores of one or two specific articles or for special purposes have succeeded in many cases. In Bombay, two stores have been started by ladies for the supply of clothing of women and children. They seem to be doing well. The Co-operative Hospital of Hubli, though not registered under the Co-operative Societies Act, is a novel experiment and has proved a success. The few co-operative hostels of Bombay and Madras are working successfully. A store for the supply of electric accessories and

another for cycle accessories in one province are said to be successful.

Consumers' Societies for other kinds of services:—Two Co-operative Motor Service Societies are started in Gujerat by the passengers themselves, one by the Co-operative Housing Societies of Ahmedabad for carrying the residents backward and forward between their suburban residence and the city where the offices, places of business, schools, temples and the bazaar are situated. The other is started by the residents of Billimora for covering the distance of six miles between the town and the Railway station.

School and College Stores:—Stores are being started in most provinces by college students in the college premises for the purchase of books and stationery. They are generally found to be successful as they get rent-free room for the purpose and employ no outside clerical and manual labour, all the work being done by the students themselves. Such stores give some monetary help to poor students out of the net profit. The Sydenham College Store of Bombay and the Khalsa College Store of the Punjab are instances of successful college stores.

Stores are also being started by school students in many provinces. Being, however, unregistered as they are formed by schoolboys below the age of majority, they are not mentioned in the report of the Registrars, except those of three provinces. Bombay has 625 school stores, and the Punjab has 148. The 46 school and college stores of Madras are all registered. Membership is thrown open to students above 18 and to the staff, while students below 18 are admitted as associates on payment of an entrance fee. Though teachers can participate, the chief responsibility is entrusted to students.

Conditions of success:—The chances of success of a store must be judged from the following factors: there must be a good margin between the wholesale and retail prices. Un-

til the turnover is sufficiently large the cost of the establishment and rent must be kept down to the minimum, even dispensing with them, if necessary. The turnover must be rapid. The members must appreciate the services rendered by the stores, the best indication of such appreciation being shown by the steady increase in their number. The members of the management must take a keen and personal interest in the affairs of the concern, by keeping a watchful eye over all its transactions relating to both purchase and sale. Above all, the Rochdale principles should be faithfully adhered to.

FACTORS OF SUCCESS IN THE EUROPEAN STORES

(1) *Food stuffs made dear by industrial revolution:*—In considering the possibilities of the store movement in our country, we must not be led away by its success in European countries. The movement in England had its inception after the industrial revolution had brought about a neglect of her agricultural industry, so that the country had largely to depend upon foreign countries for food-stuffs. Cities with sea ports became the emporiums of food stuffs from which the rest of the country had to draw the supply. The chain of middlemen between the producer and the consumer became ever increasing in length, and the elimination of even a single link therein became of vital importance to the consumer.

(2) *Difference in the standard of life:*—There is a vast difference in the standard of life of the people in Europe and of those in India. To the working classes, and even to a large number of the middle classes in the latter country, articles like biscuits, chocolates, jams and preserves, tinned and potted foods, are altogether unknown. Even boots and shoes, soaps and toilets are very rare, and the furniture and the wearing apparel are of the scantiest among them. Hence the household needs that can be provided by a store in their case are very limited.

(3) *Higher margin between the wholesale and retail prices:*—The co-operative stores in England earn gross profits to the extent of 15 to 25 per cent., and pay an average dividend of 2s. 6d. on a Pound or 12½ per cent. to the purchasers, whereas the gross earnings of the Triplicane Stores of Madras never exceeded 7 to 8 per cent., which is hardly sufficient to pay a dividend of 4 to 5 per cent. to purchasers.

(4) *Sale of prepared food:*—Food stuffs in European countries are being vended in higher stages of preparation than in India. There the people purchase bread, butter, vinegar, etc. from a shop, but here we purchase wheat, milk, tamarind, etc., from which we prepare those articles at home. On bread alone they have to pay the wages of the miller and the baker, in addition to the cost of wheat, and when all the agents profiteer, the burden of cost falls too heavily upon the consumer.

(5) *Higher scale of middleman's charges:*—The cost of living being higher in those countries, every middleman levys a higher scale of charges for the services rendered by him than in our country. Thus, the total cost becomes too heavy for the consumer to bear.

(6) *A larger wage earning class:*—The industrial revolution brought into existence a vast number of wage earners, and the system of payment of wages at short intervals of a week enables them to pay cash for their purchases from the store.

(7) *Uniform standard of life:*—The store movement was started by the labouring classes whose standard of life being uniform, their requirements were of a uniform type and quality.

(8) *Spirit of Associations:*—The spirit of association engendered among the working classes by common occupation and quickened by the trade unionism, made common action in the direction of the store movement a matter of easy accomplishment.

(9) *Shopping by women:*—The women, who are the real purchasers of household necessaries, do the shopping, and thus reduce the cost of distribution. They also take a keen interest and direct part in the movement.

(10) *Early establishment of the movement:*—The store movement was established long before the private shopkeeper perfected his system. Moreover, the successful establishment of the wholesale has made the position of the co-operative store still more secure. If the store movement were started to-day, its chance of success would have been very small in the face of the keen competition of the multi-shop-owners, and of the traders who have established close relations with producers, by combination among themselves. If, for instance, the co-operative wholesale had not existed when the producers like those of Denmark had themselves combined to sell their eggs, cheese, butter and bacon in bulk, the market from that country would have entirely fallen into the hands of the capitalists.

Help from the educated:—Besides the above factors, many educated men of light and lead, such as the Christian Socialists, took a keen and personal interest in the welfare of the working classes and guided the store movement to a stage of perfection.

Word of caution:—In the absence of most of these conditions in our country, we have to proceed very cautiously in starting stores in India. In our villages there is no room for a store, as the agriculturists are themselves the producers of the staple food they consume. All that is needed for them is to combine in the purchase of a few articles of daily consumption, such as salt, kerosine oil, and a few spices not produced locally. This supply work can easily form part of the operations of a credit society, or it can be annexed to a sale society where one is in existence. In the towns, there would be room for a store, provided there is locally a good margin between the wholesale and retail prices. Though in

some large towns, the competition between the shopkeepers themselves might keep down prices, it will not prevent the reprehensible methods of adulteration and short weights and measures adopted by them. A co-operative store would not merely do away with the uneconomic method of distribution, relieving the surplus men engaged in the trade for the work of production, but it will give to the consumer his money's worth. But no store should be started unless the real principle underlying it is thoroughly understood and realised.

Importance of the Store Movement:—The need of a widespread store movement may not have been felt to-day in our country on account of the preponderance of men engaged in agriculture, but it is sure to be realised when either the number of town dwellers increases or agriculture becomes completely organised or rather industrialised. Unless the consumers combine betimes, agricultural trade, even when it is organised, will be captured by the middleman shopkeeper, as it is done by him to-day in its unorganised form. Exploitation of the consumer can be avoided only by establishing a proper adjustment of the relations between the organised consumers and the organised producers.

CHAPTER XV

CO-OPERATIVE HOUSING IN EUROPEAN COUNTRIES

Origin—The System of the Building Society—The method adopted—The Terminating Society—The Permanent Society—The Building Societies' Acts—Popularity of the Building Societies—Their progress in other countries—In Germany—Hire-Purchase System—Defects of Building Societies—Tenant Co-partnership System—The method adopted—Advantages of the System—Co-operative Housing by Employers of Labour—State and Municipal Aid to Housing Societies.

Origin:—Like the store movement, Co-operative Housing had its origin among the working classes of England. The housing movement may be said to be a lineal descendant of the Friendly Societies, which collected small amounts from their members every week or month for meeting their various domestic misfortunes. On the advent of the Industrial Revolution, the housing of the working classes, who flocked in large numbers to the industrial towns, became an acute problem. They were required to pay very high rents for most inadequate and unsatisfactory accommodation. The occupants of these buildings raised the question—can we not join hands in erecting our own buildings, each of us being helped by the rest in turn to erect a small cottage? They answered it in the affirmative.

The system of the building society:—Mention is made of building clubs as being in existence in England as early as 1795. Co-operative enterprise in the matter of housing took a definite shape as Building Societies from the early part of the 19th century. Their object was the raising, by subscriptions of the members, a fund for making advances to members on the security of mortgage, for the purpose of owning

residential buildings. The societies were known as Mutual Benefit Building Societies, because they bestowed a benefit on the members by helping them to own a house.

The method adopted:—The method adopted was as follows:—A number of persons formed a society, and each undertook to pay by instalments a total amount equal to the advance that would be required to be made to a member to own a house. Suppose, this amount is Rs. 2,000, and the monthly instalment is fixed at Rs. 10, and the number of members who joined to form a society 25, then at the end of the first 8 months Rs. 2,000 would be collected. This amount would be lent to one member on his executing a mortgage. The borrower has to add a sum of his own, known as the margin of safety or guarantee capital, say Rs. 400. A house worth Rs. 2400, a little more or less, would be either purchased or constructed, and then mortgaged to the society for Rs. 2,000. He would be required to pay his instalments on his loan, say, Rs. 20 a month, in addition to Rs. 10, the instalment of his share. As soon as the second amount of Rs. 2,000 would be collected, it is advanced to a second member, and so on, until every member would obtain a loan. If the first Rs. 2,000 took 8 months to collect, the next would take less time, and, the third still less and so on, because every loan advanced brings in its instalments in addition to the instalments on shares. In addition to the instalments of his loan, each borrower has to pay interest at the rate fixed, which is between 5 to 6 per cent. The instalments of the loan were fixed on the basis of its period, which may be about 5 to 10 years, according to the repaying capacity of the borrower. In case there were more applicants than one, selection would be made either by agreement or by lot.

The Terminating Society:—Two kinds of societies were formed: one known as the Temporary or Terminating, and the other as the Permanent. In the former, after all the

members had obtained the loans, the society would continue merely for collecting their instalments, and when the loans were fully repaid or adjusted, final accounts would be made, the profits distributed, and the society dissolved. A new member would be admitted into such a society, if he paid the back-subscriptions of his share, calculated from the start. On the other hand, a member desiring to withdraw would be paid back his subscriptions without interest, as funds came in.

The Permanent Society:—Most of the earlier societies were of the terminating type. The later societies were mostly permanent. In this type which came into existence about the year 1846, the list of membership was always kept open, and a person was allowed to join it without being required to pay back-subscriptions. All loans may not be of the same magnitude. In the case of a house to be newly built, advances would be made from time to time up to the sanctioned amount on the production of certificates of progress. Persons who had no intention to own a house could also join it merely for the sake of investment. The society would also receive deposits from any person to increase its working capital, and would further take loans from banks on the re-mortgage of the property it held in mortgage from its members. Some bigger societies employ a staff of engineers, surveyors and architects, to give technical advice to members on payment of a fixed fee.

The Building Societies' Acts:—The earlier societies had great difficulties to face as the law gave them no protection. From 1834, they were allowed to be registered under the Friendly Societies' Act, but in 1836, the first Benefit Building Societies' Act was passed, conferring the advantages of the former Act. The second Building Societies' Act was passed in 1874, which allowed limited liability, and gave the Societies—old or new—the status of corporate body if registered under it. At the same time, it limited the borrowing

power of a society, whether in the form of loans or deposits, to two-thirds of the amount for the time being secured to the society by mortgages from its members, or in a terminating society to one year's income from subscriptions. Even then, the Act gave rise to many defects, all of which were removed by the Amending Act of 1894, which required annual statements of all its transactions to be submitted to the Registrar. The Act also gave ample powers to the Registrar to deal with societies not complying with its requirements.

Popularity of the Building Societies:—The Building Societies had a great educative value in inculcating the principles of self-help, and in developing the habit of thrift and providence. Their shares were looked upon as profitable investments. They allowed a higher rate of interest than was obtainable in Savings Banks, and the security was considered as equally good. The society became a favourite means of investment by the working classes. It transformed the rent-paying tenant into an owner of a house, and in many cases into a rent-receiving landlord. The ownership of their homes by the working class proved to be the most effective means of social improvement and self-government. Thus, the Building Societies steadily grew both in importance and number, so that in 1870, their total assets were valued at 11 millions sterling. In 1869, an association was formed for the protection of their interest, which still carries on its work under the name of "Building Societies' Association". In 1908 there were over 2000 societies, counting a membership of over half a million, with assets over 72 millions, and an income over 38 millions. In 1924 the membership (including depositors) had risen to a million and a quarter, the assets to 100 millions, and annual advances to 25 millions, the annual income to 60 millions, and the reserve to $5\frac{1}{2}$ millions. The number of persons living in co-operative houses in Great Britain is 9 million.

Their Progress in other countries:—The movement soon

spread in America, where the societies under the title of Building and Loan Associations or Co-operative Societies have been carrying on a vast and successful business. In 1905 there were over 5000 such associations, with a membership of over a million and a half, and assets over 130 millions sterling. In 1924 the number of associations had increased to 11,000, that of members to more than 7 millions, and the total assets to nearly 800 millions sterling. They provide libraries, music rooms, bus services etc. In Canada, the Building Societies made rapid progress, their assets in 1905 aggregated to over 25 millions. In Belgium and France a mixed official and philanthropic system prevails. In Germany and Italy, they are overshadowed by credit societies or co-operative banks, which make building advances to members for building purposes as for other objects. After the War, however, in consequence of the rise of prices of land, labour and materials, co-operative societies for housing were pushed on in many countries, with finance and other aid obtained from Government, municipalities, employers of labour, and even philanthropists.

Progress in Germany:—In Germany, besides these agencies, the large number of Mortgage Banks, which had so remarkably developed in that country more than in any other, have helped house building enterprise by advancing loans on second and subsequent mortgages. Two kinds of societies have been formed in that country, some building to let, and others to sell. The latter kind of societies require a larger supply of capital. They also have a rule for restraining profiteering by members to the effect, that in the event of sale, the societies retain the right of repurchase. This is known as the Ulmer System. Another measure for safeguarding the interest of societies is provided by law itself. Under the German law shareholders are required to give two years' notice for withdrawing their capital from the society. The Societies in Munich formed a House Building

Societies' Bank in 1918, and Government loans to the societies in that province are made through this Bank.

Hire-Purchase system:—The Building Societies are merely loan associations, making advances with the specific object of enabling their members to own houses. They undertake no building operations. The co-operative store societies, on the other hand, utilise their surplus funds for making advances to members on the lines of the Building Societies and also for erecting residential buildings for letting out to members. The latter method has developed into the hire-purchase system. Under this system, a resident member pays not merely the rent, but also the price by small instalments along with the rent, so that when the whole price is paid, the house is conveyed to the member making him its owner. This method is also adopted by the Friendly Societies as a safe outlet for their surplus funds. Many Joint-stock Companies are also formed for similar purposes. The system is possible only in the case of bodies which have surplus capital on hand.

Defects of Building Societies:—Though the Building Societies enabled their members to acquire houses, the system was not completely co-operative. The houses so acquired were scattered in different localities, and many of them passed into the hands of capitalistic investors. The owner was tied down to his property, which formed a great handicap to the working man when he wanted to shift in search of better employment. On the death of a member, before the loan was fully repaid, the heirs were obliged to sell the house for what it fetched to repay the loan. No doubt, the owner could insure his life for a sum equal to the loan, but it involved additional payment of premia on the life-policy, which was not within the reach of the generality of the working classes. And lastly, the system excluded from its operation a large class of people, who were not in a position to pay the full cost within the limited number of years it allowed.

Tenant Co-partnership system:—To overcome these difficulties, the system of Tenant Co-partnership was devised. Under this method, the houses are owned not individually by members, but collectively by all of them, i. e. by the society on their behalf. The society purchases a large plot of land, erects the buildings suited to the requirements of the members, and lets them to the members on rent. By this form of grouping of the houses, the society is in a position to keep up the character and good condition of the estate as a whole. The first society was started in England in 1881 as Tenant Co-operators, Limited, but it was not able to obtain a single estate. The houses being built on different estates, the society was not able to achieve the full ideal. The system found no imitator till the year 1901, when the Ealings Tenants, Limited was started in a suburb of London, and it built the houses in a single estate. The experiment became popular, and was soon followed by others in quick succession at Hampstead and other places. These societies are registered under the Industrial and Provident Societies' Act. In 1905, was formed a central organising body under the name of Co-partnership Housing Council, and in 1907, a Federation of all the societies was formed, known as the Co-partnership Tenants, Limited, for assisting in raising capital and in other matters as a Central Organisation. It has a trade department, an architects' department and an audit department.

The method adopted:—Each resident member has to hold a substantial part of the share capital, equal to about one-fifth to one-third the value of the house occupied by him, and equivalent to the margin of safety in the Building Society system. The amount may be paid in lump payment or by instalments. The rest of the required amount is raised by the Society by long-term loans through debentures, carrying interest at about 4 to 5 per cent., which are readily taken up by the public. The rent charged is calculated on the basis

of the charges and taxes to be paid on account of the houses, including their up-keep and repairs, a sinking fund at about half per cent., and interest on capital which does not exceed 5 per cent. If any surplus is left at the end of a year, it is divided among the tenants in proportion to the amount of rent paid by them, and is credited to their account until the amount reaches the total cost of the house. The management of the society is in the hands of the tenants themselves. There is no chance of increasing the rent as in the case of private landlords. No tenant can be ejected except for a grave offence, or if he becomes a nuisance to his neighbours.

Advantages of the system:—The tenants in the system have the security of continued residence without enhancement of rent. They are, therefore, as good as owners. The society also provides pastimes, pleasures and all the amenities of a club and institute. In case any of the tenants has to leave the neighbourhood, he may sell his shares to another member. In the alternative, the society would let out his house, to one of the waiting members, and after recovering the amount from him, it would be paid to the outgoing member, who is also entitled to receive interest on his capital in the society from the date of his leaving till the date of payment of the capital. In the event of the death of a tenant, his heirs may elect to reside in the house, paying the fixed rent, but should they decide to leave the premises, the amount held by the deceased member would be paid to them, as is done in the case of the outgoing tenant.

Co-operative Housing by Employers of Labour:—Many employers of labour in European Countries have built decent houses for the labourers employed by them. Some have even encouraged co-operative housing for their benefit. The notable instances in this direction are the Portsunlight of the Lever Brothers of the Sun Light Soap fame, and Bournville of the Cadbury Brothers of the Chocolate fame. Both these enterprises consist of garden villages on the co-part-

nership system, the tenants themselves administering the estates, though the employers have contributed a part of the capital.

State and Municipal Aid to Housing Societies:—All European countries have recognised the value of the work done by co-operative housing societies, by providing sanitary dwellings to their members at reasonable cost or rent. Municipalities help them by giving cheap land and remitting the taxes for the first few years. The State provides them with cheap capital. In Belgium, the Government Savings Bank lends money to the housing societies at 3 per cent. In France, Government has authorised public bodies and benevolent institutions and trusts to lend them at rates varying from 2 to 3 per cent. In Germany, the Municipalities are authorised to support such societies by cheap land and capital, by constructing roads and sewers and by giving technical advice through the Municipal architects. In Italy and Holland, and in other countries, assistance is given to housing societies on similar lines. In Great Britain and Ireland, the Housing of the Working Classes Act of 1890 authorised the Treasury to advance loans to Housing Societies, and even to joint stock companies undertaking similar work, for a period of 40 years, not exceeding one moity of the value of the land and buildings, at $3\frac{1}{8}$ per cent. (Secs. 67 and 83 of the Act). The new Act of 1909 gives further facilities, and the period of the loans is extended to 80 years, and the extent is raised to two-thirds the value of the property, (S.4). The Act also authorises local bodies to undertake housing schemes for working classes, to support such schemes prepared by Housing Societies, and even to suspend any local by-law, which might impede the work of the societies. The Act is also made applicable to rural areas. A propagandist association has been formed under the name of Rural Housing Association to encourage co-operative housing in rural areas. After the War, Government helped

various societies by subsidies to meet the loss caused by the high cost of labour and materials. All these measures go to prove the anxiety shown by the State in improving the housing conditions of the people.

CHAPTER XVI

CO-OPERATIVE HOUSING IN INDIA

The beginning of the movement—The Bombay Co-operative Housing Association—The Saraswat Co-operative Housing Society—Capital of the Society—Working System—Sinking Fund and Repairs Fund—Government Loan to Housing Societies—Land acquisition power to Co-operative Societies—Progress of Housing Societies—Tenant Ownership System—Tenant's Society—Rural Reconstruction Societies—Rural Housing Societies—Absence of working class Housing Societies—Difficulties of Housing Societies—Housing Societies in other provinces—Lahore Model Town.

The beginning of the movement:—The only encouragement received by housing, at the earlier stages of the co-operative movement in India, consisted of casual loans advanced by credit societies for constructing dwellings, this being one of the various purposes for which advances were made. But no society was started for the distinct purpose of advancing loans for enabling members to own houses. After the enactment of the Second Co-operative Act of 1912 attention began to be directed to the possibilities of forming co-operative housing societies. The initiative in this direction was taken by the Bombay Presidency, where a non-official body known as the Bombay Co-operative Housing Association was formed in 1913, for carrying on propaganda in favour of the movement.

The Bombay Co-operative Housing Association:—A paper read by the present writer on "Co-operative Housing" at the Provincial Co-operative Conference held in 1913 led, on

the recommendation of the Conference, to the formation of the Co-operative Housing Association about the end of the same year. Mr. J. P. Orr, I. C. S., the then Chairman of the Bombay Improvement Trust, was appointed its Chairman, and the present writer, its Hon. Secretary. The Association carried on intensive propaganda by holding weekly meetings for discussion, by organising public lectures, and by publishing leaflets on the various aspects of the housing problem, and the possibilities of meeting it by recourse to co-operation. It also framed a set of model by-laws for forming co-operative housing societies. The Association next approached the authorities to extend to such societies the various kinds of facilities which are given to them in European Countries, but none were given except long-term loans.

The Saraswat Co-operative Housing Society:—The first society formed was the Saraswat Co-operative Housing Society of Bombay, which was based on the Co-partnership system, and registered as such in 1915. It erected three buildings by the end of that year, and two more in the following year, on a plot of ground taken from the Bombay Improvement Trust on a lease of 999 years. All the buildings contain three storeys—a ground floor and two upper floors. Each building in the first lot contains six tenements or flats, two on each floor, the three buildings together containing 18 flats. Each building in the second lot contains four flats on each floor, the two buildings together having 24 flats. Each flat is self-contained. The accommodation provided in each unit of the first lot of buildings, consists of two bed rooms, one living room, a kitchen, a verandah, a W. C. and a bath room; and that in each unit in the second lot is on the same lines, except that there is one bed room less. One of the flats in the first lot is occupied by the Shamrao Vithal Co-operative Bank belonging to the same community, and another has been structurally altered to

form a meeting hall with a library and reading room, and is placed in charge of the Association of the Community. Both these institutions pay rent like other 40 tenants. All the buildings are fitted up with electric installation, and two outhouses are built for the accommodation of servants. The cost of the whole property amounted to a little over a lakh and a half of rupees.

Capital of the Society:—The capital is made up of shares of Rs. 20 each, and debenture bonds, also of the same value. One-third of the total capital was contributed by members, the tenants in the first lot contributing Rs. 1300 each, and in the second Rs. 1000 each. The total amount collected from them amounted to about Rs. 48,000, the rest of the capital being made up by loans and deposits. The maximum rate of dividend is fixed at 5 per cent., and the same rate is paid on loan bonds.

Working System:—Rents are fixed to cover all charges and expenses, which include the ground rent, taxes and rates, fire insurance, interest on capital including dividend, and annual contributions to two funds, one being the Sinking Fund and the other the Repairs Fund, and contingent charges including wages of servants for the up-keep of the garden and the buildings and the night-watchmen. The monthly rent of the four room flat including contingent charges varies from Rs. 32 to 40 per month according to the floor, and that for the three room flat from Rs. 23 to 30. The electric charges depend on consumption. The interest and dividend due to the tenants on the capital paid by them was being credited to their accounts, and a small additional monthly levy was made, till the capital holding of each tenant amounted to two-thirds the value of the flat occupied by him, so that the society may be independent of outside capital to that extent. This process was completed by the end of the 13th year of the society, and thereafter the Society has been paying interest and dividend in cash to the mem-

bers. The scale of rent is about 30 to 40 per cent. lower than that prevailing in the locality, with the result that, there is a constant demand from new applicants to occupy a flat that may become vacant.

Sinking Fund and Repairs Fund:—The Sinking Fund is intended to replace the capital spent on the construction of the buildings, and may be utilised in re-erecting them at the end of their natural life, calculating this period at about 80 years at the lowest. About $\frac{1}{2}$ per cent. of the capital expenditure carried to this fund every year, with the accumulated interest thereon, would be sufficient to answer the purpose. But the society carries nearly $\frac{3}{4}$ per cent. per annum, and adds to it the interest earned thereon. The accumulated amount of the sinking fund at the end of the 14th year aggregated to Rs. 18,400. At this rate, in about 30 years hence, it will equal the capital expenditure. To the Repairs Fund a slightly higher amount, equal to $\frac{3}{4}$ths the capital expenditure, is carried. All annual repairs as well as capital repairs are made from this fund, which has left a balance of Rs. 7,000 at the end of the same period. The total amount spent on all kinds of repairs in the past amounted to Rs. 17,000, including renewal of electric fittings.

Government Loan to Housing Societies:—The chief difficulties in the way of formation of housing societies are that they are unable to secure cheap capital on a long-term basis, and suitable plots of cheap land. The Saraswat Housing Society was able to get over them because the Shamrao Vithal Co-operative Bank helped it with loans at 5 per cent., and also enabled its members to borrow from it the amount to be invested by them in the society. After the society had obtained its land from the Improvement Trust, all the available land in the Gamdevi estate was taken up by private parties. Other societies that were being formed laboured under great difficulties, until Government came to their rescue by the offer of loans. The Bombay Co-operative Hous-

ing Association made representations to Government for the grant of cheap loans to housing societies, and also to induce and authorise Local authorities to acquire land, and place it at the disposal of such housing societies. The first representation, though supported by the Local Government, was turned down by the Government of India. The second, however, received favourable consideration. Under Government of India Resolution No. 14336 of 27th November 1917, the Local Government was authorised to advance loans to such societies at 6 per cent. interest. On further representation the rate was reduced to 5½ per cent. The amount of loan that may be advanced to a co-partnership society is three-fourths the paid-up capital for a period of 40 years, repayable half yearly by equated instalments. In the case of societies of individual ownership, the loans were authorised to be made to the extent of twice the capital invested by each member on land and buildings. The maximum period is 20 years, and the repayment is also provided by half-yearly equated instalments. The loan is to be paid to the society, which in its turn lends to members. The loan to either kind of society is secured by mortgage of the property, and is advanced by two instalments, on the production of certificates of the progress of building work, issued by the society's Engineer, and verified by the Government Engineer.

Land acquisition power to Co-operative Societies:—As regards the other facilities prayed for by the Housing Association, all that the Government did was to amend the Land Acquisition Act I of 1884, enabling all co-operative societies, including those for housing, to acquire land for purposes included in its business, (see Amending Act 17 of 1919). This concession was already enjoyed by joint-stock companies, and by the amending Act it has been extended to all societies registered under the Co-operative Societies Act, and also those formed under the Societies' Registration Act of 1860.

But the procedure of acquisition, though suited to companies, is slow and costly to co-operative societies. Recently, the High Court of Bombay has held that the benefit of the Land Acquisition Act cannot be extended to societies registered under the Bombay Co-operative Societies Act, unless the former Act is amended to that effect.

Progress of Housing Societies:—The success of the Saraswat Housing Society and the announcement of loan facilities by Government gave encouragement to others to form similar societies. Two societies were registered in 1916, five in 1918, six in 1919, and thereafter societies sprang up not only in the Bombay City and its suburbs, but also in the districts. Some of them did not start work. At the end of March, 1930, there were in all 67 societies with a membership of 5847, and a total working capital of over Rs. 93 lakhs, of which over 18 lakhs were formed of share capital, a lakh and a half of the reserve fund, and over 35.5 lakhs of the amount of loans advanced by Government, and the balance of nearly of Rs. 38 lakhs consisted of deposits. Of the 67 societies, 23 are in the City of Bombay and its suburbs, 19 in Ahmedabad, 9 in Karachi, and the rest in the other parts of the province. The societies of the Co-partnership System have not found favour in the districts, while in the City of Bombay, societies of this type as well as of individual ownership are popular.

Tenant Ownership System:—Even the societies of individual ownership type help their members to build houses in close proximity on the land acquired by the society. The houses are not scattered, but are located in a compact area, a piece of land being set apart for playground and a common hall. All the societies are formed on communal basis. It was, therefore, considered expedient that some restriction should be placed on the right of a member to alienate his property to any one he liked. For this purpose the Tenant Ownership system was devised. Under this scheme, the

society at the time of handing over the plot of land to each member conveys it by a lease, stipulating that in case of his intention to alienate it after or before erecting a building, the society shall have the first choice to take it over by a right of preemption. The lease also prohibits profiteering by laying down certain stipulations, that in case a higher price be obtained from outsiders, the society shall be entitled to a share of the surplus. The by-laws published by the Bombay Registrar of co-operative societies in Leaflet "U" have so modified the original ones as to suit this type of society as also those suited for the co-partnership system; some societies have combined in them both the individual and joint ownership system. But a conflict often arises between the two interests to the disadvantage of the latter.

Tenants' Society:—A variation that is possible in the above system is that a number of tenants may join together to take one or more buildings on hire from a landlord for a long term of years, for letting out the tenements to themselves. Such a society, though it would be free from the worries of erecting buildings and of collecting the large amount, will have to get together some capital equal to at least six months' rent from each member for safeguarding its interest against defaults, and for making a deposit with the landlord amounting to at least two months' rent in advance. The efforts made to start such societies in Bombay have failed chiefly on account of the unwillingness of landlords to lease out property for a long term, thereby depriving themselves of the chance of increasing the rent.

Rural House Reconstruction Societies:—The disastrous floods of 1927 having swept away a number of villages in Gujerat and Sind, several housing societies under the name of Co-operative Reconstruction Societies were started in the villages of both the sub-provinces. The scheme is based on the Tenant Ownership System, but terminating after a period of 15 to 25 years. Government agreed to advance

loans to the extent of 80 per cent. of the society's capital, but actually the limit did not exceed 60 to 70 per cent. The rate of interest was fixed at 5 per cent., and the societies charged 6 per cent. to members, retaining one per cent. for working expenses. No dividend is allowed to be paid on share capital, all the profits being required to be carried to the reserve which, on the dissolution of the society, is to be used for the common good of the members. As the scheme was a temporary measure, devised for the relief of flooded areas, there is no chance of such societies being formed or helped similarly in future. There are 25 such societies in Gujerat and the same number in Sind. The model by-laws of such societies were published by the Registrar as Leaflet "U I". A few similar societies were also formed in Malabar in the Madras Presidency.

Rural Housing Societies:—Co-operative Housing Societies in villages, other than those for the work of reconstruction in devastated areas, have recently been formed in Dharwar in two places. The old village site having become overcrowded and insanitary, a new site is selected for shifting the village. In the case of the Dambal Housing Society, the new village site has been given by Government, and its lay-out is made on approved lines, and houses will be well-lighted and ventilated. Each house is estimated to cost about Rs. 500 to 800, and three-fourths of the cost will be borrowed from Government.

Absence of Working Class Housing Societies:—No co-operative housing societies are started among the working classes, either in Bombay or in other parts of the country. This is in striking contrast to the conditions prevailing in England, where the co-operative housing movement had its origin among its working classes, as in the case of the Co-operative Store Movement. The reason is not far to seek. Great efforts were and are still being made in England and other European Countries since the beginning of the

Industrial Revolution for a systematic development of thrift among the working classes. The Friendly Societies started for affording relief to workmen on death or during unemployment or sickness, and the co-operative store societies for doing away with the middle man shop-keeper, are all the results of those efforts. Unfortunately, no effort for the encouragement of thrift has received any thought in the working class movements started in our country. No benefit societies have yet been started in this country for the working classes, nor have the few store societies started for them have proved successful. The housing societies requiring a much larger investment of capital are, therefore, out of question for them. Those that have been started are so far confined to the middle classes, such as clerks, pleaders, traders and the like, and are all on a communal basis. We earnestly wish that the organisers of the labour movement in this country would study the various forms of thrift adopted among the working classes of Europe and America, and introduce similar measures among the working classes in this country, to enable them to undertake co-operative enterprise for the improvement of their housing as well as other conditions of life.

Difficulties of Housing Societies:—A housing society requires a far larger capital than any other type of society. During the period of construction it has to invest capital without earning income, and at the same time, incur liability to pay interest on borrowed capital. In addition to this, the societies in Bombay undertook the work of construction during the War time when the cost of labour and materials had gone up abnormally high, and a couple of years after its cessation, i. e. when the societies had completed their buildings, the cost again went down. On all these grounds Government was approached to give relief by further reducing the rate of interest on loans in the case of those who had so suffered, but all that Government did was to defer

the payment of interest accruing during the period of construction. Another difficulty is that, when agricultural land is converted into building land, Government, under Rule 56 of the Land Revenue Code of Bombay, raises the rate of assessment to a much higher figure, which is again subject to fresh periodical revision as in the case of other land revenue. The representations made to Government on these matters did not meet with a favourable response. On the other hand, the housing societies receive no favourable treatment from Municipalities, in spite of the fact that the societies spend large amounts on development of land by constructing roads, and reduce the work of collection by paying the rates and taxes in lump for all the buildings under their charge. Even in the case of societies which have made their own sanitary arrangements, and therefore receiving no service from the Municipality, the latter has refused to forego its pound of flesh in the shape of sanitary cess. All these hardships have considerably handicapped co-operative housing enterprise, which, with a more sympathetic treatment, would have shown far better results.

Housing Societies in other Provinces:—Housing societies began to be started in other provinces when Government began to advance loans to them as in Bombay. They are all of the type of lending societies for individual ownership. There are at present in the Madras Presidency about 130 societies with a share capital of 9 lakhs, and Government has lent to them about 20 lakhs at 6½ per cent. The loan to each member varies from Rs. 5,000 to 6,250, he being required to contribute one-fifth the borrowed capital as shares. In the rest of the provinces, the co-operative housing movement has just commenced to make its appearance, as will be seen from the small number of societies registered in them. Burma 1, Ajmere-Merwara 2, Bihar and Orissa 1, Central Provinces and Berar 2, United Provinces 6 (only 3 of which have started work). All these societies are for

advancing long-term loans to members for house building purpose. Among the Indian States, Mysore alone has 18 "Housing Societies", but they, too, merely advance loans. Cochin has a College Co-operative Home to provide boarding and lodging to students.

Lahore Model Town:—The most interesting experiment requiring some notice as being a bold measure, is the Lahore Model Town Society of the Punjab. It has now 907 members; a working capital of 33 lakhs; 75 residential houses are finished or are under construction; 8 miles of metalled roads; a club house; a tube well; a regular motor service to and from Lahore; a school; and a dispensary; thus, it presents a remarkable achievement. With the help of a cash credit from the Lahore Central Bank, it has paid to Government all that was due from it on account of the purchase price of the land; and in a very few months it has reduced the debt to that bank to a comparatively very small sum.

CHAPTER XVII

CO-OPERATIVE MORTGAGE CREDIT IN GERMANY

Nature of Co-operative Mortgage Credit—Three types of Banks—Mutual Banks or Landschaften—The first Landschaft—Its system—The procedure of Loans—How money is raised—Valuation of Land — Administration — Privileges to the Landschaft — Central Landschaft—Joint-Stock Land Banks—State Mortgage Banks—Land Improvement Banks—Saving Banks—Insurance Companies—Prussian Provincial Aid Banks—Rent Charge Banks.

Nature of Co-operative Mortgage Credit:—Mortgage Credit must be understood to be that system of finance which is followed by special institutions, by particularly appropriate methods, and not the mere lending of money on mortgage, as is done, not merely by money-lenders, but also by joint-stock banks, and even by the ordinary co-operative

credit societies. In Germany, many credit societies, both of the Raiffeisen and Schulze-Delitzsch type, have been lending on mortgage, using only the good lying money for that purpose; but not for a long period. The Casse Rurales of France have also been doing this business. The Italian Peoples' Banks, however, do the business by issuing long-term bonds for that purpose. In India, several credit societies lend on mortgage. But all this business is not the mortgage credit dealt with here.

Three types of Banks:—Mortgage Credit Banks are of three kinds; (1) Mutual or Co-operative Banks, (2) Joint-stock Banks, and (3) State Banks. Other agencies granting long-term loans also exist.

Mutual Banks or Landschaften:—The mutual land banks are typified by the German Landschaften. They have neither share-capital nor dividends; they accept no deposits; the liability is unlimited in the earlier banks, but limited in the latter ones; capital is raised by debentures; the members themselves carry on the whole administration; the profits go to the borrowers by the reduction of the cost of the loans; all loans are for long periods and are repayable by half-yearly equated instalments, which include interest and a portion of the principal.

The First Landschaft:—The first land mortgage bank or Landschaft was started in Germany in Silesia by Frederick the Great in 1769 for the landholders of that province, without the aid of State money. Two other such banks started later were helped by State funds, but the Prussian constitution of 1850 debarred the State from endowing similar institutions or guaranteeing their bonds. The State, however, granted several privileges to such banks.

Its system:—In the Silesian Bank, every owner of land was compelled to join it, whether he required a loan or not, and thus became a party to the general liability. The liability was unlimited, for the principle of limited liability was

introduced at a much later date, in 1889. The rule of every landowner joining the Bank was relaxed in the case of other banks, only those who borrow become members and liable. A special reserve fund is instituted as an additional security.

The procedure of Loan:—The whole procedure of the Landschaft has since been regularised. Any landowner of the class for which the society was created can claim a loan on the security of his land at any time. The Bank values the land through its own valuers, and the loan is issued to the extent of two-thirds the valuation, in bonds generally, or in some cases in cash, as the case may be, the loan running for a fixed number of years, with liberty to pay off the loan or part of it at the choice of the borrower within that period. He pays the sinking fund (about ½ per cent.), and interest at the same rate at which the bank pays it, varying from 3½ to 4½ per cent., plus a small amount for management expenses and the reserve fund, all together not exceeding half per cent. All the cost of valuation and the commission have also to be paid by him, the amounts being reduced to as small a figure as possible.

How money is raised:—To raise the money required, the Landschaft issues bonds. These bonds are redeemable by drawings, as the sinking fund money accumulates. The bonds are issued in distinct series, each series being dealt with as a distinct issue, having its own management fund, reserve fund, and sinking fund. The usual practice is to pay out the money to the borrower in bonds reckoning them at face-value. Except in two cases, the Landschaften in Germany have no share-capital.

Valuation of Land:—The most important work of the Bank is the valuation of the properties on which advances are to be made. Some of the Landschaften take the valuation made by Government for land tax, for which there is an elaborate system in Germany. But the others employ

their own valuers who have a direct interest in the result, and who will be held responsible for the conclusion at which they arrive. They are landowners themselves in the Landschaft, and such as can be trusted on the ground of their personal standing and character. They are elected for their competency. The consideration they receive is expenses and a small honorarium per day. The valuation includes all sources of income, such as standing timber, buildings, the latter being valued on the insurance basis. The valuations of land are very carefully carried out, and limited to the actual business value of each property, and not the possible sale price. Of the value thus ascertained, the bank advances one-half, with powers to extend the limit to two-thirds. The owner of the property is free after a time to apply, on the same valuation, for a return of what he has paid, less interest and expenses. Thus a loan may virtually be outstanding for any length of time. After the loan is granted, the Bank watches that the conditions are carried out and the property is kept up to its valuation point.

Administration:—The Landschaften of Germany are governed by a Central Board, which includes one salaried permanent official who has passed the State examination qualifying for the office of a Judge. This Board is subject to the control of a Committee or Council of Administration and of a general assembly, both being elective bodies. Directors are also elected for the chief divisions of the areas of the Bank, and a further decentralisation is secured by District Committees. All the officers render gratuitous service.

Privileges to the Landschaft:—The bonds issued by the bank have the privilege of ranking as trustee investments. The Landschaft enjoys fiscal exemptions and exemption from stamp duty. Its officers rank as Officers of the Crown. They are entitled to call upon the public authorities to furnish any official information relating to persons or property.

The documents of the Landschaft rank as public record. It may foreclose or appoint a receiver without the order of a Court. The result is, that the bonds issued by, the Landschaft find a ready market, even at a low rate of interest, varying from 4 to 4½ per cent. The sum invested in such securities amounts at present to about £100,000,000 to the great benefit of agriculture. Though the bonds carry no State security, they have ruled steadier than Government securities.

Central Landschaft:—There are now 23 Co-operative Landschaften in Germany, 8 of them had joined together to form the Central landschaft, to provide a better marketable security, and to support the weaker landschaften. It is managed by a Committee of the Presidents of the affiliated Banks. Of the Banks which had originally joined it, only 4 remain within the union, being closely grouped together.

Joint-stock Land Banks:—These banks need no description. They rely mainly on share capital and long-term deposits, and issue debentures if so authorised, for the German Law requires such an authority for their issue. They are associations of lenders, and not of borrowers, as in the case of Landschaften. They also require Government sanction to be established. The mortgage bonds are not secured upon specific property, but are secured by the total bulk of all the mortgages and other assets of the Bank. They deal in general with urban credit, such as houses, or large properties. There are now 37 banks of this kind in Germany, lending money on mortgage security.

State Mortgage Banks:—There are 16 State Mortgage Banks in Germany, some of which have been established for the whole of a State, and some for a province or an administrative district within a Province. The liabilities of such institutions are guaranteed by the public authority—the State, Provincial or District concerned. They make loans to individual land owners on mortgage security.

Land Improvement Banks:—There are also several land improvement banks in Germany started by Government. The most important improvements in connection with the agricultural land are concerned with drainage, irrigation, the construction and maintenance of dykes, and the protection of river banks. Credit for land improvement stands between personal and mortgage credit. The business is conducted as in a mortgage bank.

Savings Banks:—The Savings Banks are a class in themselves. Yet they play a very large part as mortgage banks in European countries. In England, France and India, the Savings Banks invest their deposits in the State Treasury. But in Germany, Austria, Italy and the United States of America, the Savings Banks have, within certain limits laid down by law, the free disposal of their funds, one of the permitted investments being first mortgages. These banks invest enormous amounts in mortgages, and thus act in a way as Mortgage Banks. As regards agricultural credit, especially mortgage credit, German Savings Banks are institutions of very great importance. Nearly three-fourths of the amount to the extent of £370,000,000 are invested in mortgage credit. There are no Post Office Savings Banks in Germany. The Savings Banks in that country are public institutions established, supervised or managed by Government units of a commune, town or district, as the case may be, with numerous branches.

Insurance Companies:—The Commercial Insurance Companies and also State Insurance Schemes similarly invest to the extent of three-fourths of their funds in first mortgages of land.

Both the Insurance Companies and the Savings Banks issue their loans in cash, as they have no power to issue bonds. The periods of loans are shorter than those granted by Mortgage Banks. One disadvantage is that the loans granted by these two concerns are subject to the condition of being

recalled on six month's notice, though in actual practice, the condition is rarely enforced, as accommodation could be obtained from banks by transfer of mortgages. Loans by Insurance Companies are generally of large amounts on estates or buildings which can easily be valued, but Savings Banks grant even very small loans within the areas of their operation.

Prussian Provincial Aid Banks:—The main function of these banks is to supply credit to bodies of a public or semi-public character—to communes, commercial groups, school and church organisations, and co-operative societies, especially societies undertaking land improvement. These banks are conducted as branches of the provincial Government administration.

Rent Charge Banks:—The function of these banks are:—(1) to issue bonds on certain conditions to vendors upon the sale of their property for conversion into small holdings, and to be responsible for the annuities due in respect of the purchase of such holdings; (2) to grant loans for land settlement, either to pay off preliminary charges, etc., or for the erection of dwellings and farm buildings; and (3) to settle, by cash payments, with co-heirs to properties.

CHAPTER XVIII

CO-OPERATIVE MORTGAGE CREDIT IN OTHER EUROPEAN COUNTRIES

General features of the system in other countries—Features of the Land Bank of Holland—Features of the Mortgage Loans in Belgium—Credit Foncier of France—Federal Farm Loan System of America—Mortgage Banks in Japan—Peasant Land Bank of Russia—State Socialism of Ireland—Building Societies of England and America—Agricultural Bank of Egypt—Defects of the Egyptian Bank—Joint-stock Mortgage Banks of Egypt—General features of the European Mortgage Banks:—Objects of the loans—Funds—Credit to Small Holders—Educated peasantry.

Other Countries:—The Institution of Land Mortgage has radiated from Germany to other countries, such as Russia, Poland, Austria, Hungary, Denmark, Norway, Sweden, Belgium, Holland, Italy, and France. In some countries, the house property is not included in the security, as its value is not accurately ascertainable, and its life is not so permanent as that of land. In some countries, Government has given subventions, in some it has given a guarantee, in some both, and in others, Government itself has started a State Bank. The main features of some of the banks will be described below.

Features of the Land Bank of Holland:—One important feature of the land bank of Eindhoven in South Holland is that it affiliates primary credit societies, and lends only to the members of the societies so affiliated. Other persons in those localities who wish to borrow can join the society, if they are of good character. Where no society exists, the Bank will lend to any satisfactory applicant. The society is not liable for a loan made to one of its members if

the amount is within fifty per cent. of the value of his property. A loan can be made in excess of this proportion up to a maximum of 66 per cent., if the borrower gives other security, or induces his local society to stand surety for the extra amount. The maximum term of the loan is 40 years, the borrowers receive their loans in cash, and the Bank itself places the bonds issued by it in the market. The managing committee and the supervising committee are elected in General Meeting by the shareholding societies. Inspection is carried on by the staff of the ordinary Central Bank which receives certain contribution from the mortgage bank.

Features of the Mortgage Loans in Belgium:—In Louvain, the ordinary Central Bank itself issues the mortgage loans. A member applying for such a loan must send in a statement of his position, his title to the property offered in mortgage, and the use to which he will apply the money. This statement is checked and signed by the members of the Supervising and Managing Committees of his society, and forwarded to the Central Bank with a valuation of the property. The society recommending the loan will be liable for that loan. The borrower must acknowledge the mortgagee's right of summary execution in case of default. The mortgagor's title must be attested by a lawyer after examining the Public Records. The term of the loan is 20 years, and funds for this purpose are raised by long-term deposits of about 10 years for which bonds are issued. Direct loans are made if there is no local society which an applicant can join, but a higher rate of interest of one-fourth per cent. would be charged over the usual 5½ per cent. charged to members of a society. The reason why the mortgage credit is based on the credit society in Holland and Belgium is that the Credit Societies were already widely spread over the country when the co-operative mortgage was first undertaken, whereas in Germany and Scandinavia, the credit

movement had not begun when the first mortgage institution was founded.

Credit Foncier of France:—The Credit Foncier of France is a combination of joint-stock and State Bank. Though of private foundation, it owes its origin to a special law, is specially privileged, and is quasi-public in its management; the Governor and some of the Directors are appointed by the State. The Bank has the privilege of "purge" against unknown claims. It has not touched the peasantry proper, as it deals with urban property and larger middle class estates. The Bank is also authorised to lend to municipalities, syndical associations for land development, hospitals, public establishments and on drainage projects, and to issue bonds also against these loans.

Federal Farm Loan system of America:—This system of land mortgage was introduced in the United States of America in 1916 after a careful study of all the systems operating in Europe. Though it secures close Government supervision, it is founded on a co-operative basis. It contemplates a gradual devolution of management and control from the Government to the representatives of the borrowers, as the stock capital provided by the Government is substituted by that subscribed by the borrowers themselves. Every farmer who borrows has to subscribe an amount equal to 5 per cent. of his loan to the stock of the local Farm Loan Association, which in its turn subscribes an equal amount of stock in the Land Bank. The Associations are allowed to issue bonds up to 20 times their capital and the reserve. The Bank is liable for the obligations of the Associations in proportion to the amount of its resources. Though persons other than borrowers can hold the stock of the Association, only borrowing stock-holders can vote in the meetings. The stock held by the Government is not entitled to dividend. The Bank supplies long-term credit facilities, the loan being made to individual farmers through the local Associations of

the borrowers, which endorses the mortgage security. All the members contribute towards the expenses of the Association in proportion to their borrowings, the contributions amounting to about 1 per cent. of the loan. The Act provides that the rate of interest on loans cannot exceed the rate of interest on the bonds by more than 1 per cent., and in no event it should exceed 6 per cent. Loans are given for a period of 5 to 40 years, as the borrowers may choose. He has also the option to pay off his entire loan or part of it after the first 5 years. This secures him the advantage of paying off his mortgage and borrowing again, if the rate of interest has fallen in the meantime. The amortization instalments are based on schedules prepared for varying periods. The banks can give loans only on the first mortgage on land, and only to its owner or to one about to become an owner, and only if he is engaged in actual cultivation. No loans can be given to guardians, executors, administrators or trustees. The loans are given to provide for the purchase of land of agricultural value, for the purchase of equipment, fertilisers, and live-stock necessary for the farm, to erect buildings or for the general improvement of the farm lands, or to liquidate the old debts of the owner of the farm. But a farm, on the security of which a loan is given, must be sufficiently large to yield, at the hands of an average farmer using average methods, an income sufficient to support the family of the borrower, and to meet the interest and the amortization payment. Loans are given up to half the estimated value of the land mortgaged, plus 20 per cent. of the permanent insured improvements on the land. The value of the land for agricultural purposes alone is taken into consideration in making the loan. When the value is settled and the loan sanctioned, the applicant is required to furnish abstract of title which is examined by the legal department of the bank. For the expenses of valuation and examination of the title, the banks charge reasonable fees not exceeding

actual cost. Each bank is required by the Act to carry 25 per cent. of its net earnings to a reserve fund, and each Farm Loan Association 10 per cent., as an additional security against the bonds in circulation. The rest is distributed as dividend to the shareholders in proportion to their stock-holding, or in other words, in proportion to the amount of their borrowings.

Mortgage Banks in Japan:—In Japan, there is an efficient system of land credit. Long-term agricultural financing is entrusted to a special Bank, known as the Hypothec Bank of Japan (Nippon Kwangyo Ginko), which was founded in 1895 with an authorised capital of Yen 94,000,000, and it has a paid-up capital of Yen 69,876,000. It was modelled on the Credit Foncier of France, and its sole business is to make long-term loans redeemable during fifty years on security of immovable property. Without security it can lend to the co-operative societies and public authorities. It can raise additional capital by floating debentures. Both the President and the Vice-President are appointed by the Government from among the directors, and the Minister of Finance has a general control over the affairs of the Bank. He has the power to fix maximum rates of interest. Agricultural and industrial banks were established in each prefecture between the years 1897 to 1900. Part of the capital was subscribed by the shareholders, and the remainder was paid by the prefectural authorities. They were solely meant to act as the local advisers of the Hypothec Bank. Like it they float debentures, but they are essentially miniature banks drawing funds from the Hypothec Bank. In 1921, several of these were amalgamated and were treated as mere branches of the Hypothec Bank.

The Peasant Land Bank of Russia:—The Russian Peasants' Land Bank established by Government in 1883 is another instance of State Bank. It deals with the peasants through "Mirs or Communes". Its loans, as distinguished

from those of the Credit Foncier of France, are small and do not exceed 125 roubles each. The Bank is, however, narrowing its operations owing to the growing inability of the peasantry to repay the loans.

State Socialism of Ireland:—In Ireland, the principle of State Socialism was used, instead of a mortgage bank, government itself buying over the property from large holders under the powers given by the Land Purchase Act, and parcelling it among the peasantry on condition of repaying the price with interest by instalments, the State becoming the sole mortgagee. About three-fourths of the property has thus been taken over by the State.

Building Societies of England and America:—The Building Societies of England and America are the real credit institutions of the urban poorer classes, enabling them to own houses. In America, such societies are called Co-operative Banks, as they make loans also for general purposes on mortgage security. The shares in both countries are subscribed only by members and by small monthly subscriptions. They have proved to be admirable instruments of thrift, since the rules of the society compel regular and habitual subscriptions of fixed amount, whereas in the Savings Bank the amount and period of payments are wholly optional.

Agricultural Bank of Egypt:—The Agricultural Bank of Egypt may also be noticed here, as it is frequently referred to in India in connection with the provision of agricultural credit of our peasantry. It is of the nature of a mortgage bank and was founded in 1902 by a joint-stock company with special concessions granted by Government. The shares were subscribed by the National Bank of Egypt and a few financiers. The concessions provided, that advances (known as A class Loans) up to £20 each for a period not exceeding 15 months should be made to small farmers without mortgage security; and advances (known as B class Loans) not

exceeding £300 each for not more than 5½ years should be made to small farmers against a first mortgage to the extent of half the value of the property. This period was later raised to 20 years and the amount to £1,000. The rate of interest was 9 per cent. Recoveries were to be made by village officers of Government. Only principal and interest actually recovered was to be taken to credit in the Profit-and-Loss Account, unrecovered interest being ignored, and overdue principal being deducted as a temporary bad debt. The Egyptian Government undertook to advance to the Bank in any year such sum as might be necessary, after meeting all present claims and exhausting the Reserve Fund, to make up a profit of 3 per cent. on capital invested in loans, as a temporary loan without interest; the Government also guaranteed interest at 3½ per cent. on £4½ millions of Bonds issued by the Bank. The cultivators, however, in many cases misapplied the borrowed money to unproductive purposes, such as ceremonials, domestic joys, and litigation often arising from boundary disputes. Overdue arrears began to rise from year to year. Foreclosures and sales on a large scale followed with the help of local Magistrates. In addition to land sold through the Courts, the Bank itself has been accumulating thousands of acres of unsold land on its hand. The Bank later on curtailed its loans to cultivators, except to large holders, but advanced loans to co-operative societies, to unregistered groups of cultivators, and to the joint-stock mortgage companies of Egypt. The Bank pays dividend at 11 to 13 per cent. on its ordinary shares, and 20 to 40 per cent. on deferred shares, which are, however, small in number. The Bank has six branches.

Defects of the Egyptian Bank:—The Bank is composed of the lenders and not of the borrowers, and is not co-operative as is the case with the Landschaften of Germany. There are no limitations on dividend. The reserves of the Bank which amount to £2,000,000 will go to the benefit of the share-

holders, and not of the borrowers. Moreover, there is no supervision on the application of the borrowed amount; such supervision, however, can only be successfully exercised if it is taken up by the representatives of the borrowers themselves as in Germany. The period of the loan was too short, but later it was raised to 20 years. In Germany, the period is very long, and so long the borrower goes on paying his annual dues, the loan will not be recalled. Though a large number of peasants in Egypt redeemed their old debts by borrowing from the Bank at a lower rate of interest, the effect was transient, because they did not exert themselves to live within their income thereafter. The illiteracy of the peasantry was a contributory cause to the failure of the well intentioned efforts of the bank and of its sponsors.

Joint-stock Mortgage Banks of Egypt:—There are also commercial mortgage banks in Egypt, the chief of them being the Credit Foncier Egyptien, the Land Bank of Egypt, and the Mortgage Company of Egypt. They are all joint-stock banks managed by skilful administrators. They, therefore, do not require to be further considered.

GENERAL FEATURES OF THE EUROPEAN MORTGAGE BANKS

Objects of the Loans:—The Co-operative Mortgage Bank, on the one hand, offers security and solvency to the investing public, and on the other, gives ultimate benefit to the borrowing member. To achieve these purposes, the object for which money is lent to the borrower must be: (a) the development and improvement of his land and other property; (b) the ordinary working capital of his agricultural business requiring large amounts; (c) the repayment of old debts. If the loan be used for extravagant and unproductive use, as in the case of many borrowers of the Egyptian Bank, the very object will be frustrated.

Funds:—The funds of the Bank are drawn in varying pro-

portion from: (a) shares or contributions to a common foundation fund; these may be provided by either Government or the borrowers; (b) debentures or mortgage bonds taken up by the public, payable to bearer; (c) deposits of long-term of ten or more years; these may also be covered by non-transferable bonds; (d) loans from other banks for accommodation; (e) accumulated reserves. The material security for the advances given by the Bank is the land of the borrowers taken in mortgage.

Credit to Small Holders:—The mortgage bank is open to the objection that its operations are confined to large landowners, leaving the peasantry holding small lots unprovided for. The expenses of valuation and other formalities would be too big an amount for the small amounts required by them. No doubt, the small holder is really more important to the State than the big one. His requirements can, however, be met from the ordinary credit society. The German Land Banks originally served only the big landholders. But the later banks devoted attention to small proprietors. Government also insisted, while registering new banks, that a certain portion of the funds should be lent to small holders and peasants.

Educated Peasantry:—One important feature, which needs emphasis, as it is often ignored by those who imitate European co-operative systems, whether relating to land mortgage or others, is the spread of general education among the people in towns or villages. This factor alone, more than any other, has brought success to European Co-operation.

CHAPTER XIX

CO-OPERATIVE MORTGAGE CREDIT IN INDIA

Earlier Projects—Later developments in the three Provinces—Work in Burma—Work in Assam and Ajmer-Merwara—MORTGAGE BANKS IN THE PUNJAB:—System of work—Work up to 1929—Position of Credit Societies—MORTGAGE BANKS IN MADRAS:—System of work—Position of the Rural Credit Society—The Central Mortgage Bank of Madras—MORTGAGE BANKS IN BOMBAY:—The Three Banks—System of Loans—Central Apex Bank in view—Constitution and work of the Local Mortgage Bank—Position of the Local Credit Society—Purposes of the Loans—MORTGAGE BANKS IN THE MYSORE STATE:—The Central Bank—Its membership and Capital—Long and Short-Term Loans—Government concessions.

Earlier Projects:—The idea of forming land mortgage banks in India is even anterior to the introduction of the ordinary co-operative credit movement. In 1883 Sir William Wedderburn, in collaboration with Mr. M. G. Ranade, had formulated a scheme of a State Bank for the District of Poona in the Bombay Presidency for redeeming the mortgage debts of the agriculturists; but it was turned down by the Secretary of State. In 1894 the Government of Madras had deputed Sir Frederick Nicholson to Europe to study the possibilities of introducing Agricultural Land Banks in that Presidency. His two reports contain a survey of all forms of co-operation in European countries with special reference to land banks. His suggestions did not materialise, except that they led indirectly to the introduction of the Co-operative Societies' Act of 1904. Later projects of mortgage credit made in Madras in 1905 and in the Punjab in 1907 fell through as premature in view of the then recent introduction of the co-operative societies' Act.

Later Developments in the three Provinces:—The need was again felt by co-operators themselves for the treatment of the problem of long credit on a co-operative basis. The scheme of co-operative mortgage credit was taken up in the Punjab, and the first mortgage bank was organised in 1924, and 11 more by 1929. Madras followed suit in 1925, and a number of mortgage banks were started, and even a Central Mortgage Bank has been organised in 1929. Bombay came on the field in 1929 with three mortgage banks. The details of the work in these three provinces will be described later on.

Work in Burma:—In Burma too, the proposal was taken up in 1905, but it took some shape in 1922, when two societies of unlimited liability on a land mortgage basis were formed for small areas. They collected about half a lakh of capital and began advancing loans to members. In 1927, a Bill was drafted known as "Burma National Mortgage Bill" for providing the grant of financial and other facilities to the Banks. The Bill, however, was dropped, and the project made no further progress. The two societies are no longer in a position to develop their work. There is, however, a joint-stock bank in the Province known as Dawson's Bank, Ltd. which, besides its own ordinary banking work, has been doing considerable land mortgage business in Lower Burma.

Work in Assam and Ajmer-Merwara:—Assam began land mortgage work since 1926, when it established two mortgage banks, and a third has been started in 1929. Of these, the older bank at Kamrup has collected share-capital of Rs. 40,000, deposits from members and non-members of Rs. 23,000 and 26,000 respectively, and has received a Government loan of Rs. 30,000. The other bank at Sylhet has made a good start by collecting paid-up capital of Rs. 12,000, deposits aggregating Rs. 30,000, and expects to receive a Government loan.

In Ajmer-Merwara the mortgage banking work is being done on cautious lines on a small scale. The first bank was registered in 1925 and 12 more by 1929. The total working capital of all these is however Rs. 57,000 only, of which Rs. 51,000 were borrowed from the Central Banks.

Other provinces are watching these experiments with keen interest to shape their own projects. No Mortgage Banks have yet been started in the Indian States except in Mysore, where work on a large scale is contemplated, and will be described in some detail later on.

THE MORTGAGE BANKS IN THE PUNJAB

System of Work:—In the Punjab, the Jhang Co-operative Bank, unlimited, was registered in 1924, being the first institution of its type in India. Other banks have since been formed, and by the end of 1929 there were 12 banks working in the province. The Jhang Bank was formed for the whole district, and was based on unlimited liability. Later banks operate in a single taluka or tahshil, and are of limited liability, the liability in most cases being limited to twice the value of the shares held. Any agriculturist of good character owning land within the area of its operation may become a member, taking one share of Rs. 10/- per every Rs. 500/- which he wishes to borrow, that is in the proportion of 1 to 50. No dividend is paid on shares. Loans are granted for not more than 10 years, though a maximum period of 20 years is allowable. Longer periods in the case of illiterate cultivators are not considered to be safe. The rate of interest is 9 per cent. per annum. The amount of loan may not exceed 15 times the estimated net profits of the mortgaged property, but now it is limited to 30 times the land revenue, or 7 to 8 times the net income. The borrower has to give in mortgage the whole of his land, or such an area as will produce three times the largest instalment of principal and interest that he may have to pay, whichever

is less. He has also to produce two sureties, who are sometimes required to mortgage their land to the bank as additional security. Loans are made for a stated purpose, the bank reserving the right to recall the full amount if the money is misapplied. In case of default, the bank has the power to take possession of the mortgaged property for a period of 20 years, and can also proceed against the sureties. Debentures are not issued by the banks, as they derive capital from Government and Co-operative Institutions. The business of each bank is managed by an elected committee with one official member nominated by Government.

Work up to 1929:—The 12 banks of the Punjab had in 1929 a working capital of Rs. 22·86 lakhs, of which 14·42 lakhs were advanced by Government, mainly through the Provincial Bank out of the sanctioned debenture loans of 20 lakhs, 1·65 lakhs by the Punjab Co-operative Union, representing the reserve funds of liquidated societies, the remainder was made up of shares, reserve funds and profits, the last mentioned being not distributed as dividend. Government charged 5½, and the Provincial Bank 6½ per cent. interest. The Government rate has now been raised to 6 per cent. There were 5648 members, including 196 village credit societies. 375 loans were issued in 1929, totalling about Rs. 6·66 lakhs; of these 218 were for payment of old debts, 143 for redemption of land, 16 for land improvement. Purchase of land is now entirely excluded. The amount of each loan ranged from Rs. 595 to 3218. Though Rs. 10,000 was at one time the maximum allowed, it is now brought down to Rs. 5,000, so that small holders may not be excluded. Some banks also fix a minimum, so that, if a borrower wants a loan below that amount, he must go to a credit society. No Mortgage Bank has defaulted in repaying its instalments to its financial institution. But out of 1402 borrowers, 395 or 28 per cent. defaulted last year, mainly due to failure of crops. The defaults are somewhat higher than in the pre-

vious year. In view of these defaults, loans to directors are proposed to be advanced with many safeguards.

Position of Credit Societies:—In the Punjab, when advancing loans to a member of a rural credit society, the latter was not merely consulted, but was required to undertake a portion of the liability of the mortgage debt, and to become a member of the mortgage bank by taking one or more shares. In view of the distinct scope of the two banking societies, the question of the rural society undertaking such liability was considered in a conference of the Mortgage Banks, and the practice has now been abandoned. But the society will be informed if a loan be issued to one of its members by the mortgage bank, and the member will be required to file a copy of his three years' ledger account with the society. In the case of some mortgage banks, the borrower is required to sell his produce through the co-operative commission shop, if one exists in the area.

MORTGAGE BANKS IN THE MADRAS PRESIDENCY

System of Work:—The Mortgage Banks in the Madras Presidency are of limited liability, and the first bank was registered in 1925. Out of the 21 banks registered up to 1929, only 8 are working, the rest could not commence work being unable to float the debenture capital. The debentures issued are of different denominations, from Rs. 50 to Rs. 1,000, and have a floating charge on the mortgages. Each Bank is empowered to float its own debentures, Government undertaking to purchase them to the extent taken by the public, subject to a maximum of Rs. 50,000 for each bank, and Rs. 2½ lakhs for the whole presidency. Interest at the rate of 6½ per cent. is payable on the debentures purchased by Government, and 7 per cent. on those purchased by the public. Each bank operates within the area of a Taluka. Its shares are of the value of Rs. 10 each. Mortgage loans are issued to individual borrowers up to a period of 20 years

to the extent of half the value of the property or three-quarters of its net income for the period of the mortgage, whichever is less; further security may be demanded at the discretion of a bank. Each borrower has to hold the shares of the bank in proportion of one to twenty; the share amount is generally deducted from the loan. The amount of the loan to each member is limited to Rs. 3,000 and can be raised to Rs. 5,000 with the Registrar's approval. The rate of interest is 8 per cent. per annum, and it is proposed to raise it to 9 per cent. Shares are allowed to be held by the borrowing as well as by the non-borrowing members. The maximum dividend payable is limited to 8 per cent. The Registrar being the Trustee of all the banks, all repayments are to be credited to his account. For purposes of valuation of lands, and in the investigation of titles, Government has recently appointed 8 Sub-Deputy Registrars in charge of the banks, and two Deputy-Registrars to supervise and organise their work. From the Registrar's latest report, it appears that the number of members of the mortgage banks was 1,674 with a paid-up share capital of Rs. 1,11,185, and their working capital amounted to Rs. 8,66,663. Debentures of the value of Rs. 6,31,950 were issued, of which those worth Rs. 4,16,850 were taken by the public, and those worth Rs. 2,15,100 by Government. The Banks earned a net profit of Rs. 10,970.

Position of the Rural Credit Society:—The Village Credit Society is not consulted before a loan is advanced by the mortgage bank to a member of the society. But he is expected to seek the help of that society, if he stands in need of credit for current agricultural purposes, and moreover, when he is not in a position to repay the instalment of the mortgage loan on account of failure of crops, etc., he is also expected to make it good by borrowing from the society. It would be interesting to note what recourse is taken on such emergencies by persons who are not members of any

credit society, but who obtain loans from the mortgage bank.

The Central Mortgage Bank of Madras:—A Central Mortgage Bank has recently been established, and was registered in December 1929, with a share capital of Rs. ten lakhs. The primary mortgage banks will cease to issue debentures, and the Central Bank will alone issue them to the extent of 25 times its paid-up share capital and the reserve fund. Government has guaranteed the payment of interest on them for the full period of their term of 25 years on the total value of debentures issued within the first five years, up to an aggregate value of 50 lakhs. Government, however, has declined to purchase any debentures issued by the Central Bank. The debenture holders will have a floating charge on the mortgages of all the Primary Banks. The Central Bank will advance loans to primary banks at 7 per cent. per annum, and the latter will lend to individuals at 9 per cent. The shares of the Central Bank are of the value of Rs. 100 each, and can be held by the primary banks as also by individuals. No limit is laid on the shareholding of the former, while in the case of individuals, it is fixed at Rs. 10,000, with the restriction that they will not be eligible to borrow from the bank. The limit of the individual shareholding appears to be high, in view of the fact that each shareholder is entitled to one vote for every share. It is proposed to limit the power of voting by amending the present rule. Meanwhile the bank does not allot more than 5 to 10 shares to a member. Dividend on share capital is limited to 7 per cent., but deferred payment is allowed. A Primary Bank is entitled to borrow from the Central Bank in the proportion of 25 times its shareholding in the Central.

MORTGAGE BANKS IN THE BOMBAY PRESIDENCY

The Three Banks:—In the Bombay Presidency, Land Mortgage Banks were introduced in the year 1929. Three banks

of limited liability are registered, one each for the districts of Dharwar and Broach, and the third for the Pachora Taluka in East-Khandesh. All the three areas are co-operatively well developed in the credit line. The capital of the three banks is provided by the Provincial Co-operative Bank out of its debenture capital; Government have purchased for that purpose its 4 per cent. debentures of 41 years' term at 88 per cent. to the extent of two lakhs; the rate of interest payable to Government works out at a little over 4½ per cent. Government also appointed, for a period of one year only, which has since expired, three landvaluers, placing them at the disposal of the three Banks, and undertook to bear their travelling allowance. The title to the land is examined and certified by a local pleader, appointed in different Talukas, receiving a fixed fee of Rs. 5 for each case to be paid by the borrower. Government have also promised to purchase further debentures worth three lakhs.

System of Loans:—On receipt of the application for a loan, the Secretary of the mortgage bank enquires regarding the solvency of the borrower, the details of his debts, his income and expenditure. The value of the property is ascertained by the Landvaluing Officer, and the title to the land by a local pleader. The valuation is made on the basis of the previous sales effected in the locality, on the Government assessment and on the income per acre. Loan applications when sanctioned by the banks are forwarded to the Provincial Bank for final approval. Borrowers have to purchase shares of the bank in proportion of 1 to 20 of the amount of loan required; the maximum is fixed at Rs. 10,000, and advances are made to the extent of a maximum of half the value of the land. No minimum limit is laid on loans, but small amounts under Rs. 750 are advanced only under special circumstances. The rate of interest is fixed at 7 per cent. per annum, and the period of repayment is from 10 to 20 years, and in special cases, it may be raised to 30 years, which

is the maximum period. Repayment is by annual equated instalments. The total loans sanctioned up to end of March 1930 amounted to about Rs. 1,35,000. The loan is advanced on the first mortgage of property, the mortgage is to be with possession, the property being let back to the borrower during the term of the mortgage on condition of his paying to Government revenue and cess thereon, and to the Bank an annual rent equal to the annual instalment in respect of the loan.

Central Apex Bank in view:—The idea of placing all the mortgage banks under a Central or Apex Land Mortgage Bank is kept in view. The work is placed in charge of the Provincial Bank as a temporary measure, and is looked after by a Sub-Committee of 4 members of the Bank's Board of Directors, and is in charge of a senior Inspector of the Bank. The share money of the mortgage banks as it is received, is deposited in the Provincial Bank at 5 per cent. interest to be transferred later to the Central Mortgage Bank.

Constitution and Work of the Local Mortgage Bank:—The local bank is managed by a committee or board consisting of not less than 7 members, of whom one is nominated by the Registrar, one by the Provincial (later by the Central) Bank, and one will be the representative of the debenture holders residing within the area of the bank, (when the debentures are held by the public), the rest being elected by the general meeting of the bank. The bank cannot issue any debentures, nor can it receive any deposits.

Position of the Local Credit Society:—If the borrower is a member of a local credit society, the latter is consulted, but it takes no responsibility in respect of the mortgage loan. There is no distinction between the rate of interest on loans advanced to members of a credit society, and to outsiders. A member of a credit society borrowing from the mortgage bank has to look to his society for finance for his current needs, for, the former undertakes to grant no further

credit after the advance of the mortgage loan. This being the case, it is hoped that a policy would be adopted to pay off all the loans of the borrowers due to the credit society, so that they may have a start of better credit with it.

Purposes of the Loans:—The three purposes for which loans are advanced are: (1) payment of old debts, (2) land improvement, and (3) purchase of land under certain restrictions, viz., that such purchase will be of economical benefit to the borrower, or the land is required for bringing it under cultivation, or is calculated to lead to more profitable cultivation of the existing land. Most of the loans are advanced for the first purpose, a few for the second, and a very small number for the third.

WORK IN THE MYSORE STATE

The Central Bank:—The Mysore State has started with the Central Mortgage Bank which has been registered in 1929. This bank will finance four local Mortgage Banks with a Taluka as the area of operation, and it is also empowered to make loans direct to members. These four local banks are soon proposed to be started to begin work.

Its Membership and Capital:—The membership of the central is open to societies as well as to individuals, whether they be agriculturists or not. Its shares are of the value of Rs. 50. Every applicant has to pay an entrance fee of Re. 1, and share fee As. 4 per share. The bank is authorised to issue debentures up to Rs. 20 lakhs, and is also authorised to receive deposits for periods of not less than two years. Dividends on shares are limited to 5 per cent.

Long and Short-Term Loans:—The bank will grant long-term loans for: (i) Redemption of subsisting mortgages, or (ii) liquidating prior debts, or (iii) improvement of agricultural land. It will also grant short-term loans for: (i) the better cultivation of land, or (ii) current agricultural operations. These short-term loans and long-term loans of class

(iii) will be made only to those who have taken long-term loan of class (i) and (ii). Long-term loans are not to exceed 50 per cent. of the value of the property mortgaged, and are to be repayable in not less than 25 and not more than 30 annual equated instalments. Loans may be granted to borrowers direct, or through the local Land Mortgage Bank. The maximum and minimum limits of loans to individual borrowers through a society will be Rs. 5,000 and Rs. 500 respectively, and in the case of individuals borrowing direct Rs. 5,000 and Rs. 2,000 respectively. The rate of interest on long-term loans, it is proposed, shall not exceed 8 per cent., and that on short-term loans 9 per cent.

Government Concessions:—The Government of Mysore have sanctioned the following assistance to the Bank: (1) Guarantee to debenture holders for the repayment of the principal at maturity and the payment of interest at 5 per cent. free of income tax; this guarantee is limited to 10 lakhs. (2) To purchase, if necessary, debentures up to Rs. 5 lakhs, of an amount equivalent to the amount raised from the public. (3) To meet the working expenses of the Bank by a grant of Rs. 15,000 in the first year, and 2/3rds up to 10,000 in the second. (4) To lend the services of its officers to serve as Secretary and Valuers. (5) To authorise Government treasuries to receive payments on shares of the Bank.

CHAPTER XX

PROBLEMS OF LAND MORTGAGE BANKS

Area of Operation—Shares how far necessary—Deposits—Debentures as the source of capital—Central Mortgage Bank—Expenses—Should loans be in cash or by debentures—Amount of Loan—Repaying Capacity—Period of Repayment—Rate of Interest—Purposes of Loans:—(a) *Redemption of Old Debts;* (b) *Purchase of Land;* (c) *Improvement of Land—Misapplication of Loan—Relations with Credit Society—Illiteracy and Ignorance—Limitations of Mortgage Banks.*

On the basis of foreign experience, it is difficult to lay down a definite policy for the conduct of land mortgage banks in India, as the conditions differ materially from those obtaining in European Countries, and the scheme where it is introduced is still in an experimental stage. The main points that present themselves for consideration are the following, and the views expressed on the subject must be taken as tentative.

Area of operation:—The area of operation of the mortgage bank must be small; a Taluka or Mahal would be a convenient area. If loans be issued through the existing credit societies, then a District would not be too large an area. But so long as the policy regarding the relations between mortgage bank and such societies is not clearly defined, it would not be expedient to have a large area. On the other hand, if a single Taluka is not likely to give sufficient business, the bank will have to extend its operations to two or more adjacent Talukas.

Shares how far necessary:—Shares are not essential as is shown by the Landschaften of Germany. The reason why they are introduced in the landbanks in this country, is partly to afford additional security for debentures, and partly for

getting ready capital for working expenses. In the absence of shares, working expenses may either be provided by Government, or a small levy may be made on the borrowers. At any rate, the issue of shares should be confined to borrowing members only. In the case of primary mortgage banks so far started, shares are issued only to the borrowing members. Only two Central Mortgage Banks have yet been started, one in Madras and the other in Mysore, and both allow individuals to hold shares, on the ground of enabling the banks to collect share capital early. Whatever be the ground, the fact remains that share capital involves payment of dividend, which when paid to outsiders means additional cost to borrowers, unless the rate be limited to 5 to 6 per cent. In the Punjab, no dividend is paid on shares issued by a Mortgage Bank.

Deposits:—Mortgage banks, whether primary or central, should receive no deposits. In the first place, the rate of interest on deposit capital fluctuates from time to time, and therefore, such capital is unsuited for advances of long-term loans. Secondly, mortgage banks receiving deposits will have to compete with deposit banking of credit societies and their centrals, and thus an unhealthy competition will be brought about to the detriment of the working of either kinds of institutions. Thirdly, if deposit capital be used for long-term loans, which the mortgage banks have to issue, they will not have the requisite fluid resource to meet the demand when deposits mature for repayment. Temporary working capital, wherever necessary, can be obtained from the Provincial or Central Banks as cash-credit or overdraft.

Debentures as the source of capital:—The main source of capital, and, as a matter of principle, the whole capital of mortgage banks, must be obtained by the issue of debentures. The term of repayment of debentures should exceed at least by 5 years the maximum term of the mortgage loans,

to make allowance for the possibility of defaults by borrowers of some of their instalments during seasons of partial or total failure of crops. The rate of interest on debentures will depend on the condition of the local money market. Ordinarily, a higher rate of interest will have to be paid on debentures than on deposits till they become popular, when it might be possible to lower the rate. If debentures are purchased by Government, and are made trustee securities, they will become more attractive at a lower rate of interest. Central Mortgage Banks in presidency towns should be able to float debentures more easily than those in mofussil centres, on account of the proximity of the central money market. If debentures go below the par value, the banks should themselves purchase them till the level is restored.

Central Mortgage Bank:—Primary mortgage banks issuing debentures would be driven to compete with each other in regard to rates of interest. It is, therefore, necessary that debentures should be floated by a single central agency, viz., the central mortgage bank. Besides the work of collecting and disbursing capital, the Central Bank should exercise a general control over the primary banks. It may also have the power of revaluing property offered for mortgage, though there will be little chance for the exercise of this power, if the primary banks perform their duties efficiently.

Expenses:—The bank should keep down its working expenses as low as possible, much lower than in ordinary central banks. The sole merit of mortgage banking lies in its ability to run it as cheaply as possible. Till sufficient business is built, it would be expedient to run the central agency through the Provincial Bank, as is done in Bombay, as a separate branch of its business. Another device would be to work the central management as a Book Bank conducting its monetary transactions through the Provincial Bank.

Should loans be made in cash or by debentures:—The policy adopted by the Indian Mortgage Banks is to issue loans in cash, and for this purpose loan capital is collected by issue of debentures to the public and to Government, long before the loans are issued to the borrowers. This process will, no doubt, involve loss of interest to the mortgage bank, but the issue of mortgage debentures to the borrower would only be possible, if definite arrangements are made with District Central Banks or the Provincial Bank to discount the bonds at an ascertained rate of commission.

Amount of Loan:—It may not be expedient to prescribe a definite amount as the maximum limit of a loan for all times, for a large owner may require a fairly big amount, and should not on that account be excluded from the benefits of the bank. The amount of the loan will also vary in different areas according to the nature of the land. At the initial stage, big loans should be avoided as far as possible, as otherwise small owners would be disappointed. There must, however, be a minimum limit in areas served by a credit society, so that the bank may not come in competition with the latter. If loans are issued through the credit society, no minimum limitation would be necessary. The present limitations in the case of most mortgage banks are Rs. 10,000 maximum and Rs. 500 minimum.

Repaying Capacity:—Whatever may be the nature of the title, which the bank is prepared to accept, the most important point for consideration is whether the borrower's income will leave enough margin of net saving, after all the expenditure is taken into account, both agricultural and household. Where the margin is nil or negligibly small, there is no scope for a mortgage loan, because it is out of this net saving that the borrower has to pay the instalment of his mortgage loan. Failure of even a single instalment will delay the payment of subsequent instalments, and thus, might afford an excuse for further defaults.

Period of repayment:—The period of repayment must depend on the capacity of the borrower, to be judged by the amount of annual net saving made. The normal maximum period does not exceed 20 years, and the minimum is 4 to 5 years. It would be advisable to fix equated instalments for repayment, otherwise, their amounts in the earlier years become comparatively high.

Rate of Interest:—No doubt, the rate of interest on mortgage loans should be as low as possible in view of the longer period of repayment than ordinary loans, and because the landed property is given as security. But the question will arise whether mortgage banks with a lower rate of interest would work in competition with the credit society. As the measure is yet in an experimental stage, it is safer to fix the rate not much below that of credit society till a good reserve and sinking fund are built. In the case of mortgage banks of the United States of America, the average rate on first mortgage loan in 1921 exceeded 8 per cent. in 16 States and 9 per cent. in 5. But the period did not exceed 20 years. The longer the period the smaller the rate must be, especially when the period is above 20 years. With a long period, merely the payment of interest with an addition of 1 to per cent. for sinking fund extinguishes the whole loan within the stipulated term. Instalments must be equated, so that the payment at any period may not be heavy.

Purposes of Loans:—(a) *Redemption of Old Debts*:—The purpose of a mortgage loan must be distinctly productive. Redemption of old debts, though a necessary work, will not be quite an easy task. Money-lenders, wishing to grab the borrowers' land, advance on its security as much money as possible, and thus leave a very narrow margin for a mortgage bank to deal with. Such borrowers will have to be left out of consideration. Again, the rate of interest of the mortgage bank might be higher than that which a creditor has been charging, and a loan in such a case will also be out of

question, unless the system of instalments and other facilities allowed by the bank are considered to be more favourable. The total indebtedness and the purpose for which it was incurred have to be ascertained, to avoid subsequent legal difficulties. The ascertainment of the exact amount of debts will not always be an easy task, unless special legislation is enacted for facilitating the work, as recommended by the Maclagan Committee on Co-operation in para 36 of its report. Old debts must be paid directly to the creditor after examining their correctness and validity.

(b) *Purchase of land:*—Loans for the purchase of land must be prohibited, unless the purchase will be of distinct advantage to the land already owned. There is a false sense of prestige among the farmers that the larger the extent of land one owns the higher will one rise in the estimation of others. Under this notion, many farmers are known to make purchases of land by recourse to borrowing, with the result that, after a few years they are forced to sell the newly acquired land as well as their ancestral land for repaying their loans with interest.

(c) *Improvement of land:*—This is distinctly a productive purpose, but unless there is proper guidance in the work of improvement there is some risk involved in the undertaking, except when the improvements are of an ordinary nature. In Germany, loans for land improvements are sanctioned on condition that such improvements would be carried out under the supervision of an agricultural engineer. Similar precautions are necessary in the case of large mortgage loans under this head, and improvements of a speculative nature should be avoided. The services of the Agricultural Department and of the Engineers of the Public Works Department and of the Local Board may be made available for advice and guidance.

Misapplication of Loan:—Misapplication of a loan would be most fatal to the system of mortgage credit and requires

to be very carefully guarded against, as the amount is generally much larger than could be obtained from a credit society, and the consequence would be far more serious. Every precaution should be taken against such a contingency.

Relations with Credit Society:—It has been urged by some that mortgage loans should be issued by or through the local credit society, or in the alternative the mortgage bank should also issue short-term loans for current agricultural needs. The main ground of this contention is that the same borrower may not have to serve two masters as his creditors. The first alternative does not commend itself on account of the weak management of most of the societies. It may, however, be noted that many well-managed credit societies are helping their members to repay their old debts, such loans being made repayable within 5 to 10 years. As regards loans issued by a mortgage bank, the credit society should, at any rate, be consulted in the case of borrowers who are its members, and it would be much better that the loans due by them to the latter should also be repaid through the mortgage bank. The other alternative of issuing short-term loans by a mortgage bank is being tried in Mysore. A third alternative suggested by some is that mixed banks should be started at Taluka centres, enabling them to issue mortgage loans as well as short-term loans to such big holders of land as stand in need of large amounts for current agricultural needs, the accounts and funds meant for the two kinds of business being maintained separately by the bank. These suggestions seem to deserve some consideration.

Illiteracy and ignorance:—One important feature to be noted in connection with the working of Land Banks in European Countries is that they deal with an educated and thrifty peasantry, which may be relied upon to apply the loans only to productive purposes and therefore to be regular

in repaying the debts. Nevertheless, the economical habits and the personal record of each borrower is carefully scanned and the application of the amount is closely watched. On the other hand, the greatest drawback of the Indian cultivator is his illiteracy and ignorance which have engendered in him a sense of indifference to debt. Normally, he is very economical in his expenditure, but on occasions of ceremonies in connection with marriage or death, he loses all sense of proportion. This is mainly due to the fact that if a person be parsimonious on such occasions his brother villagers look down upon him, whereby he feels considerably mortified. Indebtedness being the general rule in all the villages, no one would be lowered in the estimation of his neighbours by running into more debts, especially on such occasions. This is the danger zone of the mortgage bank. After the load of old debts is removed from the back of the peasant with the help of a loan from the mortgage bank, there is every possibility of his creating a new load, in spite of stringent regulations and stipulations. The danger can only be avoided and perhaps removed by educating the peasantry so as to make it feel the responsibilities and duties created by the new measures for its uplift.

Limitations of Mortgage Banks:—The operations of a mortgage bank are confined to persons owning property of decent extent having a market value, or in the words of the Maclagan Committee, a mortgage bank is for the landed gentry. Consequently, it can hold out little hope for the class of tenants holding land under various kinds of tenure prevailing in the different parts of the country, giving them no transferable interest, unless their landlords join in the transaction. Equally hopeless is the case of the farmers owning fragmented and scattered pieces of land, unless the mortgage bank takes up the work of consolidation of holdings by bringing pressure to bear upon the would-be borrowers to undertake such a step, thereby facilitating an

important measure of land reform. Again, it is doubtful if a mortgage bank can successfully work in dry areas where the rainfall is uncertain. The bank should also avoid any dealing with a landlord whose property, whatever be its extent, already remains mortgaged beyond the margin considered safe, or whose net saving would be insufficient to repay the instalments of the loan. Thus, a large number of farmers who are either poor or who are heavily indebted will be shut out from the benefits of a mortgage bank.

CHAPTER XXI

PRINCIPLES OF CO-OPERATIVE CREDIT

Limited and Unlimited Liability in Credit Societies—What is credit—Organisation of Credit—Classification of Credit—Credit and Character—Honesty, Diligence and Frugality—Capitalisation by Co-operation—Proximity—Maximum of Responsibility—Advantages of Unlimited Liability—Efficiency of Management—Maximum Publicity.

Limited and Unlimited Liability in Credit Societies:—A Credit Society is formed by persons of limited means for the purpose of supplying funds to its members. In no society, at any rate at the start, would the members be in a position to put together all the required capital. The society has to raise outside capital by loans and deposits. Without security such outside capital will not come in. Two forms of security are adopted known respectively as limited and unlimited liability. In the case of a limited liability society, some initial capital is subscribed by the members in the shape of shares, which is offered as security to outside capital in the proportion of about 1 to 10. This form of liability is usually adopted by a society formed by the townsfolk. Agriculturists, on the other hand, are not able to put together the initial capital to the extent of one-tenth. Con-

sequently, in forming a credit society, they offer unlimited liability, i. e., all their belongings as security to outside capital. Mere adoption of the share system does not make a society limited. Even in the case of an unlimited liability society, the share system has been adopted by the Raiffeisen Societies, and in many provinces in our country and in Sind in our own province. But the shares are of small value and are made payable by small instalments. The share system is now being introduced in the whole of our province, as suited to encourage a system of compulsory thrift. We will in the first place examine the main principles of co-operative credit, applicable both to limited and unlimited liability, and then the requirements of the latter.

What is Credit? Credit means trust, and in one important sense, the progress of society has consisted in the increase in the reliability of its members. Conjoint action or, regarded from another point of view, division of labour is possible just in proportion as men can rely on one another. As civilization advances, most of the transactions of the people depend on credit. The most striking application of the principle of credit is to be found in monetary transactions, and looked at from this point of view, credit may be defined as a man's power of borrowing. And it is this form of credit we are concerned with here. The sum borrowed is the loan, from one party, the lender, by another party, the borrower, and the fee paid for the use of the capital is the interest.

Organization of Credit:—Ordinary money-lending is only an unorganized form of credit, while a bank in its present form is the highest expression of organized credit. "Credit", as Professor Laurent says, "is not the creator, but simply the mover of capitals. It multiplies indefinitely their services. Credit, when organized, quickens the movement of capitals as the rail quickens the revolution of wheels." Consequently, ordinary money-lending is to a

bank what a bullock cart is to a railway train. Just as the train can carry a large bulk of cargo or passengers over a long distance for a comparatively small fare, so is a bank in a position to lend a large amount of money on a low rate of interest. The advantages of joint-stock concerns started in central towns cannot be extended to people of small means and those living in far-off places, for they cater for the wants of big persons preferably living in those towns, leaving the small folks and those in petty villages to the mercy of private money-lenders. Happily, however, co-operation has stepped in to take the place left vacant by joint-stock companies, enabling small folks to organize their small banking for the encouragement of trade, industry and agriculture on a small scale. By organizing small credit it would be quite possible to bring it in touch with the big town banks, just in the same way as a light railway by its junction with the heavy railway connects the traffic of small places with that of towns, to the advantage of both.

Classification of Credit:—Credit in the form of a loan always requires some form of security, express or implied, given by the borrower to the lender, that the money borrowed will be duly repaid. This security may take various forms, and credit is generally classified according to the form which the security takes. It is real or mortgage credit if the security is land, house or other immovable property; it is chattel or pledge credit when the security consists of jewels, furniture, crops or other movable property; it is personal credit where the security does not take the form of any tangible property, movable or immovable, but is based on the status. position, means or more generally the character of the person seeking credit. It is this last kind of credit usually identified with Co-operative Credit that is dealt with here.

Credit and Character:—But what is the nature of the character which has a pledgeable value? Suppose a small peasant, artisan, trader or labourer, though possessing little

or no tangible property, is yet endowed with sufficient bodily strength and has also the skill required for plying his trade or profession as well as the willingness to work. Suppose he stands in need of a loan either as working capital for the conduct of his profession or for the maintenance of his family. What is the security he offers for it? Not certainly any tangible property, for he may have none. What he offers is, therefore, his capacity and willingness to work, which may be looked upon as a sort of potential property, for by work he expects to come by property as the wages or reward of his labour. It is this potential property which he offers as security for the loan he seeks to borrow. But again, what is the certainty that he will pay a portion of his wages or earnings towards the satisfaction of his debt? For this, however, you have to depend to a great extent upon his character. An estimate of such character is made by a process of reasoning depending upon certain considerations, as for instance, whether the borrower has a general reputation for fair dealing, whether he is free from such vices as might divert all or a large portion of his earnings, whether he shows diligence and earnestness in his work, and so on; in other words, whether the person is endowed with those qualities which make for honesty, diligence and providence.

Honesty, Diligence and Frugality:—Thus it is not the intention alone that has any value. It is not the promise, but diligence coupled with thrift that forms the basis of personal credit. A borrower may have no intention to defraud his lender at the time he asks for a loan; but if he will never exert himself to convert his labour into cash, or even if he would, has not the qualities requisite for thrift, there can be no chance of repayment. Consequently, character to form the basis of credit must consist of honesty, diligence and frugality—the most important elements affording ample material for capitalization.

Capitalization by Co-operation:—Given the necessary cha-

racter, the next question that will arise is—how is it to be capitalised? For we know as a matter of fact that persons having a pledgeable character are seldom in a position to negotiate it in the open market. The reason is, character can have a value only to the person knowing its worth. What value can the character of a person living in a far off village have to a banker in a town? Even men of ordinary status, though living in the same town, can scarcely be expected to be known to an average banker. Even if he knew, would he consider it worthwhile to enter into transactions with them? The character of such people, therefore, easily lends itself to be exploited by neighbouring money-lenders, to the great disadvantage of the borrower and not always to the advantage of the lender. How then is this class of small borrowers to be enabled to negotiate credit on easy terms? The only method that has yet been discovered is co-operation. However high may be the value of small particles of gold scattered all over the country, a town banker will scarcely care to exchange them for cash. On the other hand, if you bring together many such particles and fuse them into a nugget, any banker would then be quite glad to exchange it for ready cash. It is this process of bringing together so many individuals of character for a common object that is known as co-operation, and when their conjoint action has credit for its object, it is known as co-operative credit.

From the above resume of the nature of co-operative credit, we are in a position to understand what elements are requisite to make it an asset of negotiable value. These elements will be briefly noted below.

Proximity:—Since personal character can only be ascertained at close quarters, it is desirable that members joining the credit society should know each other by reason of their living in the same village, or working in the same factory or office, or belonging to the same caste or creed. Only such

persons should join together for personal credit, for then only will combination ensure touch, mutual knowledge, common interest and power of control. In the case of an unlimited liability society, the number of members is also limited. If the operations of a society are confined to a limited area, the members obviously have frequent opportunities of intercourse with it and with one another, and are enabled to take an active part in its management without much personal inconvenience.

Maximum of Responsibility:—A society intended for credit purposes and of persons whose only source of capital is personal character, such as the agriculturists, must necessarily be formed on the joint and several liability, or what is commonly known as the unlimited liability of its members. It is only by such interconnection of liability that you can have the "Maximum of Responsibility" which forms the first postulate of personal credit to give it a negotiable value. If in the individual character you have a moral guarantee, you have in the collective liability of such individuals a material security which is an effective substitute for pledge or mortgage. By maximum of responsibility you are in a position to attract the maximum of credit. Security is the magnet for attracting credit; therefore, the greater the security the greater will be the attraction for credit.

Advantages of Unlimited Liability:—People are often under a misapprehension that unlimited liability is rather a risky affair. But it is the safest course in the long run, and the only course available for capitalising character by co-operation. Unlimited liability calls for certain wholesome restraints which may often be found to be absent in a limited liability concern. A society with unlimited liability need not, and under a prudent management does not, by reason of an awakened sense of responsibility, undertake more business than it can safely manage. It should always study safety and eschew risk of all kinds. Thus, what is unlimited

liability in name will be limited liability in effect. On the other hand, if a limited liability concern, free from such wholesome restraints, were to enter into transactions far beyond its control and much beyond the bounds of safety, the result would be, what is limited in point of liability would be unlimited in point of risk involved. Witness, for example, some of the joint-stock banks in our country which a few years back went into liquidation, bringing ruin on many persons.

Efficiency of Management:—At the same time, it is not quite correct to say that the credit of a society is higher, simply because its liability is unlimited, as compared with that of a society with limited liability. If the management of a society is wanting in efficiency, the risk involved in its transactions can none the less be serious even though its liability be unlimited. The real test of safety in point of credit of a society lies, not so much in the nature of its liability, as in the efficiency of management. The quality of management again will depend, not on the number of men on the committee, but on the character of the work they do; not on the soundness of rules framed for the conduct of the business of the society, but on the spirit in which they are administered. Such persons should be elected on the committee as are trustworthy and disinterested, as might contribute to the work of the society without allowing it to be centred in the hands of a single person, and as might keep a vigilant eye over its details. For, whatever may be the conditions which contribute to the success or failure of a society, its main determining factor is the quality of its management; the more efficient the management is, the more assured will be the success of that society.

Maximum Publicity:—All the business of a society should be transacted with the maximum publicity within the society. There should be kept in the office of the society or in some convenient place, open to the inspection of every member,

the statements of the society's accounts showing its position every half year, and in bigger societies every quarter. General meetings should similarly be held every half year or quarter, at which the accounts and affairs of the society should be fully discussed and explained and its future work should be settled. Publicity of the society's business in this manner will inspire confidence among the members in their society.

CHAPTER XXII

PRINCIPLES OF CO-OPERATIVE CREDIT *(Contd.)*

How to Minimise Risk.

Minimum of Risk—Investigation of the Purpose of Loans—Non-Productive Purposes—Object of investigating the Purpose—Encouragement of Thrift and Providence—Value of Thrift—Punctuality in Repayment of Loans—Sureties and their Functions—Reserve Fund—Misunderstanding the Nature of Credit—Credit mistaken for Philanthropy—Cheap Credit and its Abuse.

Minimum of Risk:—It has already been stated that "Maximum of Responsibility" is the first postulate of personal credit. Its second and perhaps the more important postulate is "Minimum of Risk". And in fact, the first postulate can itself be hardly compatible with soundness and safety if unaccompanied by the second. The elements of personal credit that will next be considered are mainly such as go to minimise risk in a co-operative credit society.

Investigation of the Purpose of Loans:—Every loan, as already pointed out, presupposes repayment. A loan advanced on the security of property can certainly look to that property for its repayment, irrespective of the use to which it may be applied. On the other hand, a loan, advanced on the personal security of the borrower, not known to possess

any tangible property easily and readily available for the satisfaction of the amount, can only look for its repayment to the borrower's future earnings. Consequently, the repayment of a personal loan can be said to be certain only when the borrower puts it to such use as will increase his earning capacity directly or indirectly. Suppose a trader employs the loan to increase the capital of his trade; an artisan to purchase the implements of his craft; a farmer to purchase seed or manure for his farm; the loan can then be said to fructify itself by tending directly to increase the borrower's earnings so as to enable him to repay it with ease. Or it may be that the borrower had taken a loan from a money-lender at a high rate of interest, and repays it by borrowing from the society at a lower rate; his earning capacity will be thereby increased by the difference in the two rates. On the other hand, if the loan is dissipated in luxury or improvident expenditure on marriage or death ceremonies, the chances of its repayment will be remote. Consequently, the best security for a loan is the use to which it is put. A co-operative society must, therefore, make it a point to grant loans, as far as possible, for productive purposes—for an outlay which promises a profit or economy, so as to reproduce itself out of its own employment.

Non-productive Purposes:—But a society may, under the peculiar Indian conditions, also have at times to advance loans for non-productive purposes, such as social or ceremonial expenditure justified by local opinion. But here too, any expenditure beyond the bare requirements should be checked. On the other hand, the extent of such loan must strictly be within the borrower's means or ability to repay it within a reasonable period. For here, unlike in the case of a productive purpose, there will be no income from the expenditure of the funds which will enable the borrower to repay the loan.

Object of investigating the purpose:—It is, therefore, es-

sential that in all cases the borrower should be required to state the purpose of the loan to enable the committee to judge of the existence and the extent of the need. Such investigation is beneficial both to the borrower and to the lending society. To the borrower it means friendly advice and guidance; for, it will keep him well within his means, providing him with a chance of early extrication from debt. To the society it means the best provision for safety, for it will minimise the chance of default and therefore of risk, thereby increasing its credit in public estimation.

Encouragement of Thrift and Providence:—Every loan requires to be repaid, and a loan on personal credit presupposes its repayment mainly, if not wholly, from the savings effected by the borrower out of his income. And since his income is limited, he could only save if he would manage his affairs economically. Economy and thrift, therefore, form the important conditions of personal credit. When the borrower begins to save from time to time something from his income in order to pay the instalments of his loan, he becomes gradually initiated into the habit of thrift. Any act often repeated tends to become a habit, and thrift is merely a habit of saving; self-control is its basis and forethought its motive. First, you begin to save to pay off your loan, and when the loan is paid off, you would naturally be led to think that if you laid by something from time to time, occasions for borrowing would be minimised. Thus, the habits of thrift and providence become automatically inculcated into you and become a part and parcel of yourself. And in fact, these virtues form the pivot upon which the whole system of personal credit turns, for there can be no credit where there is no chance of repayment, and where thrift is absent the chance of repayment must be small.

Value of Thrift:—But thrift is valued not only for its own sake, but also for the great virtues which its practice brings on. The very act of self-control which thrift involves has

wrought admirable reforms among those practising it, giving impetus to industry and diligence, and engendering a feeling of self-respect and honesty. It is thrift, as involved in the idea of personal credit, that has raised the tone of co-operative effort to such a high pitch of moral excellence.

Punctuality in Repayment of Loans:—Punctuality in repayment of loans is the high-road to thrift, while its absence must often lead the borrower to improvidence. When once he is allowed to be lax in repayment, he would obviously treat his liability very lightly. The very incentive to save being absent, the borrower might naturally be led to spend his income in any way he likes, without setting apart anything for the repayment of his loan, with the result that when the final date of settling the account arrives, he finds the full load of debt weighing down upon him, without any prospect of its immediate relief. The only course left open to the borrower, as well as to the society, is to have recourse to a paper transaction by way of renewal, which again will be treated as lightly as the former liability, and the chance of recovery of the loan will be more and more remote. It is, therefore, a matter of first importance that the tendency to laxity should be nipped in the bud by insisting on punctual payment of instalments. Vigilance on the part of the Committee in this respect often produces a wholesome effect on the borrower. On the other hand, if the committee's precaution to remind and warn the borrower at the proper time, and if necessary his sureties also, has no effect, there will be little excuse left to him or them, and no room at all for concession or leniency, which at that stage might only have the effect of encouraging laxity among other borrowers, and endangering the safety of the society. All co-operative societies, therefore, make it a rule, firstly, not to advance a loan a second time to the person who without sufficient cause has failed to be punctual in repaying his previous loan, and has thus failed to earn the right to obtain a fresh loan;

and secondly, to visit the want of punctuality with a penalty by way of higher rate of interest for the overdue period.

Sureties and their Functions:—In matters of loan, it is not the borrowers' promise alone that the society would depend upon. He may not employ the loan for the purpose for which it was advanced, or may fail to be punctual in its repayment. Either way lies danger, to minimise which the borrower must be required to furnish sureties sufficient, in the estimate of the committee, to go bail for him. The sureties must undertake full and mutual responsibility with the borrower, both for the repayment of the loan in due time, and for its employment for the purpose for which it was advanced. Sureties are offered from among the borrower's own circle of friends, and are, therefore, in a position to estimate the extent of risk they undertake. They may on that account reasonably be, and as a matter of fact are, expected to exercise a friendly check over him as regards the mode and extent of the expenditure of the borrower's amount, provide personal supervision and keep themselves in close touch with the borrower.

Reserve Fund:—The Reserve Fund is the foundation for the solvency of every society whose transactions are based upon personal credit. It is a safeguard to members as well as to depositors. No effort should be spared to accumulate it to as great an extent as possible. A strong reserve enables the society not only to meet unexpected losses, but also to fortify its security, and place it on a sound basis. It is further essential that the reserve should be indivisible and inalienable, in order that members may find in it a strong attraction to bind them to their society. With a view to allowing the reserve speedily to accumulate, it is necessary that the work of a co-operative society should be as economically managed as possible, recourse being had to honorary work so far as is practicable. Dividends should be kept down as low as possible, and all available profits should be

carried to the reserve. In the case of unlimited liability societies, the Co-operative Act itself disallows distribution of profits—in Bombay for the first ten years, and elsewhere wholly, unless permitted by special Rules—requiring them all to be carried to the reserve. This is quite in consonance with co-operative principles. In the case of limited liability societies, however, members imbued with a true co-operative spirit should allow no dividends to be paid at all for the first few years, and thereafter permit as small a rate as possible being paid till the reserve becomes strong. This is the invariable practice in the case of all well-managed societies in Germany and Italy. This self-sacrifice at the initial stage will repay itself by the increased facility of credit, which the society is enabled to enjoy on the most favourable terms, at the same time ensuring to the society a high degree of stability, carrying with it an increased freedom of action and independence from outside financial aid in times of stress and strain.

Misunderstanding the Nature of Credit:—Personal credit is at times exposed to certain dangers which, if not properly guarded against, might lead to serious consequences. These dangers arise not out of any inherent defect in this class of credit, but from a misunderstanding of its true object and scope. Several points there are which by reason of misconception of the principles of co-operation, threaten at times danger to a society. A few of them have already been indicated in the previous pages as side-issues, and some more will be noted below.

Credit Mistaken for Philanthropy:—In the first place, a co-operative credit society is not a philanthropic institution for which it is often mistaken. There is no idea of pity or charity involved in it. It is purely a business concern, and is worked solely on business lines. As Mr. Henry Wolff pointedly puts it—people often want to win their cake without climbing or running for it. A co-operative society would be merely doing its duty by shutting its doors against such

people. Co-operative credit offers no universal panacea for remedying the indebtedness of the people at large, but it only points the way to the prudent and thrifty, how they can combine for obtaining credit on favourable terms. Co-operation should always be kept out of the region of philanthropic sentiment. It gives nothing without taking something in return, and whatever it gives it expects to be returned. Charity, on the other hand, may do more harm than good. It often makes its recipient careless and improvident, and breeds want of will to work. All notions of charity and philanthropy must be scrupulously kept out of the sphere of co-operation, though a co-operative society may legitimately direct a portion of its profits to be devoted to some common philanthropic purpose.

Cheap Credit and its Abuse:—Yet another source of misconception is the supposition that co-operative credit must always be cheap credit, meaning thereby that a co-operative society should charge a lower rate of interest than the ruling market rate. But there cannot be a greater fallacy than this. Avoidance of payment of a usurious rate of interest is, no doubt, one of the objects of co-operation, but it is not the function of a co-operative credit society to provide cheaper credit than can be raised in the open market. Even the process of bringing down the rate to the prevailing market rate should be gradual and not sudden. Credit should be educative, rather than cheap. Until a person is educated into a proper appreciation of the value of money, cheap credit would do disservice to him. One great defect of the present sources of credit is that they do not teach the borrower the value of money he is allowed to utilize, until the lesson is brought home to him by difficulties, in which he finds himself by neglecting repayment in proper time. The first requisite in any scheme for bringing credit within the reach of the multitude is the introduction of safeguards which will prevent its abuse. Cheap credit is a double-edged weapon In

the hands of a diligent and thrifty man, it will fructify itself indefinitely; while in the hands of a man not well grounded in thrift and providence, it might prove to be a cause of ruin. Credit must be safe and sound, rather than merely cheap, and the great merit of co-operative credit is that it safeguards its members against its abuse.

CHAPTER XXIII

CO-OPERATIVE CREDIT SOCIETIES IN EUROPEAN COUNTRIES

DIFFERENT ASPECTS OF CREDIT:—Chattel or Pawn Credit—Monts De Piete—Monti Frumantarii and the Positos—Pawn-Broking shops—CREDIT SOCIETIES:—Co-operative Credit Society—Raiffeisen Banks—Objects—Chief Features—Administration—Rates of Interest—Relation with Higher Organisations—Schulze-Delitzsch Banks—Objects—Main Features—Reasons for the features—Liability—Administration—Difference between the two systems.

Different Aspects of Credit:—Credit following the divisions of capital in its widest sense, is divided into three heads, real, chattel and personal; the first is that based on land and immovables, and should ordinarily be used only for long-term loans, secured by mortgage; the second is that based on movables, whether by actual pledge as in pawnbroking or deposit of valuables, or without delivery as by bills of sale; the third is that indeterminate credit based on what is technically called "Character", but which really includes a man's status, property, character, power of obtaining sureties, and prospects; such is the ordinary cash credit of Scotland, the general credit of the Credit Banks of Europe, the common loans to agriculturists by money-lenders in this and every country, and the credit allowed by shopkeepers. The bill of sale or pledge without delivery

is almost unknown in Latin Europe, owing to the state of law. In European countries, each class of credit has its own appropriate institutions; it is rarely that all or even several of the classes are combined in one bank. The term Co-operative Credit is, however, by general acceptance identified with personal credit, while societies dealing with Real Credit go under mortgage banks and are dealt with separately. Those dealing with Chattel Credit go under Pawn-Broking Associations; these have not been co-operatively developed, and in the few countries where they are found, they are more or less conducted under State control or by private agencies, as will be briefly noted below. By its nature chattel credit is intermediate between real credit and personal credit.

CHATTEL OR PAWN CREDIT

Monts De Piete of France and Italy are pawn-broking establishments. Originally promoted by the Church, they have now become public institutions administered by communes and municipalities or other local bodies; the management is gratuitous, or nearly so; profits are devoted to works of local public utility.

The Monti Frumantarii of Italy and the Positos of Spain are communal grain banks, managed locally under the supervision of public authorities. They lend grain to the peasantry, whether for seed or for maintenance. In Spain, they are very prominent and are found in thousands. Recently, many of them are being converted into agricultural banks. Experiments in grain banks have been made in some Provinces of India and they are generally classed under Credit Societies.

The Pawn-Broking shops of England are not co-operative institutions, but privately owned institutions, regulated by law, as any other money-lenders' institutions are.

CREDIT SOCIETIES

Co-operative Credit Society:—A Co-operative Credit Society or a Co-operative Bank is a mutual association formed, composed and governed by persons of limited means for encouraging savings and granting small loans on easy terms of interest and repayment to the members of such association. Such associations are also known as People's Banks, and it is under this title Mr. Henry Wolff has written his famous book dealing with both urban banks and village banks. In Italy, however, the term People's Bank is applied to Urban Banks known as Banca Popolari, and in India the term is usually used in the same sense.

Raiffeisen Banks, or Rural Credit Societies:—The Pioneer of the rural co-operative credit movement was Herr Raiffeisen of Germany (1818-1888), whose first society was started in 1849 for supplying cattle to poor peasants on an instalment basis. It was in 1864 that the first regular loan society was started. Until 1879, these societies made very slow progress, only 22 having been started during the period, but after that year they made rapid progress.

Objects:—The objects kept in view were to give the farmer a bank at his own door, to combine the bank and shop in one; to devise a form of security within his reach; to encourage his thrift by accepting his deposit, however small the amount may be; to dissuade him from borrowing for improvident purposes; to benefit him educationally as well as materially, in other words to emancipate, rather than enslave him.

Chief features:—The chief features of the Raiffeisen Bank are the following:—(a) Limitation of Area, so as to secure mutual personal knowledge on the part of members; (b) shares of very small value; (c) permanent indivisible reserve fund; (d) unlimited liability of the members; (e) loans only for productive or provident purposes, their expenditure being

carefully supervised; (f) loans only to members; (g) credit for relatively long periods, say one to three years, with facilities for repayment by instalments; (h) the determination every year, by the members of each society, at a general meeting, of the maximum credit that may be held by the individual members at any time, as well as of the maximum total deposits receivable and of the loans that may be taken up by the society; (i) loans to members secured by personal bonds backed by sureties; and when advanced on current account, not to be treated as standing loans, movements of accounts being insisted at least every half-year; (j) absence of profit-seeking, dividends nil, or if paid, being limited by a maximum to the rate of interest paid by borrowers for loans; (k) office holders not paid for their service, except the Secretary or the Accountant who receives a small honorarium, and expenses are kept as low as possible; (l) provision made by the society for purchase of agricultural requisites for sale to members, and often the procuring of agricultural machines and implements for letting on hire to members; (m) promotion of the moral as well as the material advancement of the members.

Administration:—Each society has for its control and administration: (1) the general meeting; (2) a Board of Directors (Committee of Management) including an Executive Officer; (3) a Council of Supervision. The first body fixes the rates of interests and elects the other two bodies and passes annual statements of the society's transactions; the second admits or rejects candidates for membership, and decides all matters of management; the executive officer carries out these instructions; the third exercises general control and makes a quarterly examination of the financal position of the society; the valuation of each loan and the solvency of the borrowers and the sureties.

Rates of interest:—The society pays 3 to 4 per cent. interest on deposits, and charges 4 to 5 per cent. on loans.

These rates, it is understood, have slightly been increased after the War. Deposits are received by the society from members as well as non-members, and thus it acts as a village banker. The societies are therefore known as Savings and Loan Banks, and about 90 per cent. of their capital is derived from deposits.

Relation with higher Organisations:—The societies are carefully supervised and audited by the Inspector of the Raiffeisen Union with its head-quarters at Neuweid; the Central Bank of Raiffeisen having its head-quarters at the same place acts as the financing and balancing centre. Both the Unions and the Central Bank have regional branches.

Schulze-Delitzsch Banks:—or Town Banks, also known as Share Banks, were organised by Herr Schulze of Delitzsch, about the same time as Raiffeisen started his village banks. The first bank was established in 1850.

Objects:—These banks were formed for the purpose of furnishing credit to small traders, employers, artisans and the middle class men in towns; but agriculturists, generally large holders, also borrow from them.

Main Features:—The main features of these banks are: (a) the area of the bank is not narrowly limited; (b) the shares are high in value varying from £5 to 15 each, even reaching to £50; but the amounts are payable by small instalments, and thus serve the object of compulsory saving; (c) there is no indivisible reserve; though there is the usual reserve built by carrying a portion of the annual profit to the extent of say 20 per cent., (d) loans are usually made for a term of three months, but they are subject to renewal and are generally repayable in a lump sum, except in the case of cash-credit; (e) high dividends, there being no limitation on the rate; (f) regular banking offices are maintained, with at least two or three permanent paid officers who form the Board (or Committee) of management; (g) the Council of Supervision meeting almost weekly and the members of it

receiving remuneration; (h) the Banks confine themselves to pure banking business; (i) loans are granted only for productive purposes, but the purpose is not very closely scrutinised; (j) the application of the amount of the loan is not supervised; (k) there is no personal relationship and mutual touch among the members; the number of members of several banks being counted in thousands, some having more than 10,000 members with an annual turnover of more than 20 millions; (l) high rate of interest on loan; it is said the earlier banks charged interest at as high a rate as 12 to 15 per cent. but later reduced it to 8 per cent. and further to 5 to 6 per cent.; (m) loans are made either as Cash Credit, the limit of credit being fixed, within which the borrower can draw as his needs arise, or a lump advance against a pro-note or bill of exchange, the latter form being more common as it allows the bank to secure funds when required from commercial banks by rediscount of bills.

Reasons for the above features:—The societies choose wide area for their operation so that they may develop large business capable of supporting their salaried staff. The character and standing of the member, however, are judged by the members of the supervising council, who are selected from different localities. Short terms of loans are prescribed as the funds are made up of short-term deposits of 3 to 6 months. This expedient is a source of further security, the members being drawn from a shifting class of population of a town, and not being fixed to the soil as in the case of a village bank. Shares of large value were adopted to offer substantial security to depositors and to obtain a stable working capital.

Liability:—The Schulze-Delitzsch societies are generally of unlimited liability, because at the time when they were first founded limited liability was not allowed by law. Later, societies were formed of limited liability.

Administration:—The societies are controlled by the gene-

ral meeting, administered by a Board of Management of two or three paid members, and supervised by a Council of Supervision. Further supervision and audit are conducted by the Inspector of the Schulze-Delitzsch Union. No Central Bank has been established for these societies; but a central committee equalises the surpluses and deposits of the different societies. Later, arrangements were made with commercial banks for this purpose.

Difference between Schulze-Delitzsch and Raiffeisen societies:—Both provide cheap capital for those who were debarred from it by its enormous cost and were exploited by money-lenders; both encouraged thrift as the basis of credit. But Schulze-Delitzsch fostered thrift by rewarding it with dividends which placed the interest of borrowers in opposition to that of lenders. Raiffeisen placed the interest of borrowers first and allowed no dividends, and thus preserved intact the co-operative idea of mutual help. Raiffeisen aimed not merely at material benefits of association, but its moral and educative results, and the general social welfare of the members.

CHAPTER XXIV

CO-OPERATIVE CREDIT SOCIETIES IN EUROPEAN COUNTRIES *(Contd.)*

Haas Banks of Germany—Other Countries—People's Banks and Casse Rurale of Italy—Monte Frumantarii of Italy—Co-operative Banks in France—Co-operative Producers' Bank of Paris—Denmark—America—England—Ireland—THE SCOTCH CASH CREDIT BANKS:—Methods of Work—Good Results—Extension of Operations by Branches—Merit of the System—Causes of Success.

Haas Banks of Germany:—These societies were founded by Herr Haas, a favourite of the German Official circle. His

associations include mutual trading as well as banking, as in the case of Raiffeisen societies, but where the trade was large enough or could cover a number of villages, a separate trade society was set up for it. His aim was to unite the advantages contained in the two other systems, discarding the extreme orthodoxy of the Raiffeisen system, while restraining the inclination towards the commercialism of the Schulze-Delitzsch system. The liability was limited, but the shares bore a proportional liability, as a compromise between the limited and the unlimited liability. The shareholder was responsible, in addition to the amount of his share, for a fixed guarantee equal to twice or thrice the share amount. Regarding the administration, each society has a Managing Committee as also the Council of Supervision, the latter being the general feature in the case of all kinds of banks in Germany. External supervision is exercised by the regional Unions affiliated to the Imperial Union of Agricultural Co-operative Societies of Germany. The Regional Central Banks and the Apex Bank at Darmstadt are financed by the Prussian Central State Bank.

Other Countries:—The German Co-operative Credit system has spread into many other countries such as Austria, Hungary, Belgium, Holland, Switzerland, Russia, Italy, France and Ireland, with such variations as the local conditions may have required or the sponsors of such banks thought fit to introduce. The main features of some of these systems are given below:—

People's Banks and Casse Rurale of Italy:—Banks, known as Banche Popolari or People's Banks, were founded in Italy by M. Luzzatti from 1864, and those on the model of the Raiffeisen system known as Casse Rurale or Rural Banks by Dr. Wallenborg since 1883. Both these have spread most extensively in the country, and have become the means of circulating among the people millions of pounds per annum. The People's Banks are of limited liability, with

shares of small value, and are managed by an honorary Committee and a paid manager, and keep dividend and honoraria as low as possible. Loans are occasionally granted for longer terms than by the Schulze Banks of Germany, but the usual practice is to grant 3 to 6 months' term, with periodical renewals.

One important feature of credit societies of Italy is, that the town and country Banks are in friendly relations, unlike those of Germany; the former finance the latter. The Bank of Milan acts as a Central to the country banks in Italy.

Monti Frumantarii of Italy:—It may be mentioned in this connection that a large number of Monte Frumantarii or Grain Banks, originally introduced by the Clergy, were converted into money banks. There is also a large number of Savings Banks in Italy more popular than in most other countries.

Co-operative Banks in France:—In France, M. Durand established a number of Rural societies of the Raiffeisen type. But a larger number of co-operative societies for credit and other purposes are formed and attached to the *Syndicates Agricoles,* which are agricultural associations formed by farmers themselves, not for trade, but for giving advice on agriculture and other allied matters. The State has been financing these societies through Regional Banks at a low rate of interest.

Co-operative Producers' Bank of Paris:—There are not more than 22 Town Banks in France; but most of the artisans in towns are encouraged to form Producers' Societies. For financing such societies the Co-operative Producers' Bank has been established, whose principal business consists in discounting bills of the Productive Societies, business in this line to the extent of over £1,000,000 per annum being transacted. Such Banks do not exist in other countries but the ordinary town Banks, wherever they exist, do this business for producers. Moreover, Producers' societies have

not developed to any great extent in other countries as in France.

Denmark:—There are no credit societies in Denmark, the farmers not standing in need of them. Their Dairy and Egg societies make monthly payment to the members from which they can meet their ordinary requirements. As for societies themselves, they can raise loans from commercial banks without any difficulty.

America:—In America the agriculturists being very large holders can easily negotiate loans with commercial banks. They however have co-operated for sale of produce on a gigantic scale. In the towns, the Building societies, unlike those of England, lend money to members for ordinary purposes, and are therefore called Co-operative Societies. In Canada Mr. Desjardin has organized a number of Town Banks on the model of the Italian People's Bank. Similar Banks are recently being formed in the United States.

England:—In England there are no Town Banks. The Friendly Societies give relief to their members, though in small sums during the time of distress. For ordinary loans, Certified Loan Societies are formed and are regulated by the Loan Societies' Act being under the control of the Registrar of Friendly Societies. These Societies receive no deposits. They thus perform half the function of the German Credit Societies, the other half being performed by the Savings Banks. The Building Societies formed in most of the towns grant credit only for erecting buildings. As regards the Country districts, the farmer, under the English system of tenure, obtains from the landlord not only land, but fixed capital; and being a much larger holder than the small proprietor of the Continent, he can obtain current capital from commercial banks. By the operation of the Small Holdings and Allotments Acts (1907), however, a class of small holders is being created standing in need of Credit Societies. The Act requires the County Councils to form

and encourage such societies. Recently, chiefly after the reorganization of the Agricultural Organization Society of England established in 1901 about a dozen Credit Societies after the German type have been started, as also a few Town Banks. The Rural societies are registered under the Friendly Societies' Act and the Town Banks under the Industrial and Provident Societies' Act.

Ireland:—In Ireland, the Co-operative movement has taken a turn different from that of England. Since the establishment of the Irish Agricultural Organization Society in 1894, a large number of Credit societies of Raiffeisen type have been formed and registered under the Friendly Societies' Act. Other types of agricultural societies have also been formed on the Danish model and registered under the Industrial and Provident Societies' Act. The chief characteristic of the Irish Credit Societies is that there are very few deposits in them, and this fact is attributed to the competition of the Post Office Savings Banks with their Government guarantee. Capital required by the Societies has been obtained by Government loan and overdrafts from joint stock banks.

The Scotch Cash Credit Banks:—There are no Town or Country Co-operative Banks in Scotland, but private banks have been successfully satisfying the need of the small men, both in the towns and country districts. Scotch agriculture owes so much to the banks, that it would be impossible to deal with the agricultural improvement of the country without mentioning them. The Scotch Banks are not special banks, but general, dealing with all classes of commerce, trade, industry and agriculture. Their development was twofold; first, in the eighteenth century they developed locally as individuals; these individuals developed into partnerships, with a local range, like that of the country banks of England; they issued their notes as a safe and cheap substitute for gold in the old days when communications were

few and dangerous. But in the beginning of the nineteenth century, as commerce and communications, developed, joint-stock banks were started and pushed their branches into the districts, absorbing the old private corporations.

Methods of Work:—Their success seems to be due partly to their power of attracting deposits, partly to their issue of notes which formed a cheap, portable and safe currency, partly to their invention of cash credits, and partly to the thrifty and prudent characteristics of the people. They accepted on deposit very small sums, granting interest on them, and thus developed habits of banking among a race naturally inclined to be thrifty and hard working; these deposits finding insufficient investment, the cash credit system was invented, by which operating loans were granted to solvent persons, or men of known good character, who gave a bond with two sureties for the maximum amount of the advance; all drawings were charged with interest, while all repayments were credited with somewhat lower interest as deposits.

Good Results:—In this way while the bank obtained a profitable investment of its funds, and an incessant circulation for its notes, the industrious borrowers got funds at the cheapest possible rate, and acquired habits of punctuality and thrift. Industry in general and agriculture in particular was immensely helped by these advances. The result of this is that even at the present day, coin is comparatively little used in Scotland; everybody down to the domestic servants uses the medium of the Banks, so that the notes of the Banks or their cheques are the common circulating medium.

Extension of Operations by Branches:—The branches have penetrated even to the villages. The Banks' agents first went out with a box of notes to markets and fairs, and made themselves and their bank's credit and other facilities known to the farmers; as soon as the bank became fairly known in a circle, it sent out a branch there.

Merit of the System:—The Scotch banks worked wholly without privileges or concessions, and solely by their own merit and by their adaptation to their environment. It must be remembered that the agricultural clients of the Scotch banks are tenant farmers, not proprietors, with nothing to guarantee their solvency save their own industry and capacity; their leases are seldom beyond nineteen years which is the regular Scotch maximum term, and they have no proprietory interest in the land to offer on mortgage; their sureties merely depend on the character of their principal and the object of their loan.

Causes of Success:—The causes of the success are the following: Thrifty and industrious people—the thrift of the Scotch people is well known; though the peasantry are not proprietors, their average holdings are about 15 acres; the enterprise of the banks which multiplied their branches into the villages; and the education of the people, the spread of which was largely due to the clergy. As Lord Macaulay has said, Scotland has been transformed by her Schools and Banks. Sir Daniel Hamilton, the enthusiastic co-operator of Bengal, has been incessantly advocating the introduction of the Scotch banking and the note system (one rupee notes) in the Indian villages. But it is doubtful whether the requisite kind of men can be found in our rural areas to take up the work, and whether Government will ever consent to the note issue, which in this country is a State monopoly.

CHAPTER XXV

CO-OPERATIVE CREDIT MOVEMENT IN INDIA

I. Agricultural or Rural Credit.

Development of Rural Credit—Why it received special attention—Constitution of an Agricultural Credit Society—Members of the Society—Initial capital and Share system—Management—Powers of the general meeting—Funds of the Society—Loans to members—Purpose and Periods of the Loan—Security for Loans—Amount of Loan—Division of Profits—Share of profits to Charitable purposes—Supervision—Audit—Credit Societies among backward classes—Progress of Rural Credit Societies.

Development of Rural Credit:—The co-operative movement in India, began with the development of credit, especially among the agriculturists, the first Act of 1904 having contemplated only Credit Societies to be formed. Even after the enactment of the later Act of 1912, allowing the formation of other types of societies, attention was mainly directed to the consolidation and expansion of the rural credit societies, by the establishment of Unions to provide for supervision over them, and of the establishment of Central Banks and of the Provincial Banks, for tapping the banking market and to work as balancing centres for the societies.

Why it received special attention:—The reason of this concentration of effort on agricultural credit could easily be explained. More than 70 per cent. of the population of the country depend solely on agriculture. By the combination of various adverse causes, the economic condition of the agriculturists had become extremely depressed, and they were weighed down by a load of heavy debt carrying usurious interest. The various measures devised by Government

for their relief, including cheap Tagai Loans, did not prove successful. Accordingly, the co-operative Acts were passed to relieve the situation by the formation of societies to bring easy credit within their reach. The whole machinery of the Co-operative Department, appointed by Government in the various Provinces of the country, directed its efforts towards the establishment of Credit Societies in the villages.

Constitution of an Agricultural Credit Society:—The Credit Society of the agriculturists is of the Raiffeisen type. Its liability is unlimited to afford sufficient security for the outside credit it stands in need of. One society in one village is the general rule, which ensures mutual knowledge among the members. But in sparsely populated areas, a society is started for a small group of neighbouring hamlets or villages, and where the population is large, more societies than one are formed in the same village.

Members of the Society:—The society starts with a small number of members not less than 10, who select other members from among the villagers. The average number of members in a society is about 60 in the Bombay Presidency, about 55 in Madras, while it is 25 to 30 in other Provinces. The average number of members per society in India works out at 41. The average in other countries is as follows: Germany 94, Italy 50, Japan 105, Austria 130.

The larger the number of members in a society the more difficult becomes its efficient management. On the other hand, if the number be very small, the incidence of the cost of management becomes proportionately large, leaving a smaller margin for the reserve.

In the two Provinces of Bombay and Madras, the margin between the borrowing and lending rates is much smaller than in others, as will be seen later on. This perhaps accounts to some extent for the larger average in the number of members per society in those two Provinces.

Initial Capital and Share System:—In every society some

small initial capital is raised from the members. In most Provinces this is done in the shape of shares, while in others in the shape of deposit, not withdrawable before 10 years. In the original Raiffeisen system, there were no shares at all. But later on, to satisfy the requirements of the German Co-operative Law, shares of small value were adopted. In India, by experience of the last few years, it is found that the share system enables a society to build up its owned capital much sooner and quite automatically. A share is, in fact, an advance payment of a portion of unlimited liability. Compulsory deposits are withdrawable after 10 years, but share amounts are not. Shares are generally of a small value and are made payable by instalments. There is no danger of dividend hunting in view of the limitations prescribed by the Act and Rules, as will be noticed hereafter. All Provinces, except Bombay, Central Provinces and Bengal, have adopted the share system. In the Bombay Presidency, it was introduced from the commencement in Sind, and later it is being introduced in the rest of the Province in all newly started societies.

Management:—The affairs of a society are administered by a Managing Committee consisting of 5 to 7 members elected by the General Meeting, which also appoints the Secretary. The Chairman is elected by the Committee. Each member, whether at the General or Committee Meeting, has only one vote, the Chairman being given a casting vote in case of equality of votes. The Secretary is generally one of the members, if one having some education can be found; otherwise he is an outsider. Sometimes a single Secretary serves a group of neighbouring societies. The management is gratuitous, but the Secretary is paid some remuneration. The Committee has the power to enroll members, accept deposits, arrange for outside loans, sanction advances to members, make timely recoveries, grant extensions in suitable cases, recall loans in cases of misapplication or default

in payment of instalments, and take action against the defaulters by recourse to arbitration.

Powers of the General Meeting:—The General Meeting of the members of the society has the power to appoint the Managing Committee and the Secretary, to consider the Annual Report of the work of the society and the statement of its accounts, to take action on the audit memo, to sanction the society's bye-laws and its amendments, and to hear appeals from the decisions of the Committee, except in the matter of extension of the period of loan, and the recall of a loan, the Committee's decision in both these matters being final. The General Meeting has also to fix the limit of capital to be raised by the Committee by deposits and loans, and to fix the maximum normal credit requirements of each member. These are additional safeguards against the unlimited liability of a society.

Funds of the Society:—The funds of a Society are made up of deposits firstly from members and then, in some cases, from non-members. The funds are largely supplemented in the majority of cases by borrowings from Central Banks. In the Bombay Presidency, and next in the Punjab, the older societies have comparatively collected large amounts of deposits from members as well as from outsiders and they, therefore, borrow from Central Banks to a smaller extent than in other Provinces. At the commencement of the movement, Government used to lend up to Rs. 2,000 to a society but equal to its owned capital. The extent of outside capital, whether in the shape of deposits or loans, is governed by the limitations placed by the bye-laws, and can only be raised by the vote of the General Meeting, and in most Provinces the sanction of the Registrar is also necessary.

Loans to Members:—Loans by a Society are made only to members. The maximum amount to be advanced to a member is fixed in the first instance in the bye-laws, and is prescribed within that limit by the General Meeting after a care-

ful consideration of his requirements and assets. The Committee determines the amount to be advanced to each member within the limits so prescribed. These precautions are quite necessary to check improvident or excessive borrowings and thus to safeguard unlimited liability.

Purpose and Periods of the Loan:—The periods of repayment of loans are also prescribed by the bye-laws according to the purposes. Those for current agricultural and domestic purposes are made for one year, being repayable at the next harvest. Those for purchase of bullocks or iron implements are made repayable in two to three years, and those for repayment of prior debts or land improvement are made repayable in five to ten years, but in both cases by annual instalments. Loans are also made for ceremonial purposes, considered essential by the traditions of the people, they being made repayable by instalments within a period of two to three years. At the commencement of the movement, it was suggested by many persons that no loans for such unproductive purposes should be advanced by a Society. But the idea had to be dropped as likely give to the members a very plausible excuse for resorting to the money-lenders.

Security for Loans:—All loans are secured by bonds executed by the borrower and two sureties. Properly speaking, no sureties would be required in an unlimited liability society, but they are required to ensure the regular payment of the loan and to prevent its misapplication. The mortgage of the borrower's property is also taken as collateral security when the amount is large or the borrower's position requires such a course.

Amount of Loan:—The amount of a loan to an individual member does not usually exceed Rs. 500 in the Bombay Presidency, and is subject to the limitations already indicated. The limit may be raised with the approval of the General Meeting and the sanction of the Registrar, but without rais-

ing the general limit, societies can, with the previous approval of the Registrar, allow finance in excess of the prescribed limit, provided the demand has been approved by the general body according to the normal credit statement. When the loan is required for the repayment of old debts the limit may be raised to Rs. 750, or to a higher limit in special cases.

Division of Profits:—All the profits in the case of an agricultural credit society, as required by the Act, are to be carried to the reserve fund, and no division of profits is allowed, even in the case of societies adopting the share system. The object of this course is to build up a strong Reserve Fund within as short a period as possible, so that it may add to the security and credit of the society, and thus become an additional safeguard against the unlimited liability of the society, acting as a sort of a buffer. In practice, however, after a period of ten years, with the general or special sanction obtained from Government, profits are divided among the members after carrying half the amount to the reserve. The rate of dividend payable to members is also limited by bye-laws and Rules. In the Bombay Presidency, the new Act limits it to 9 per cent.

Share of Profits to Charitable Purposes:—A portion of the profits to the extent of 10 per cent. is allowed by the Act to be set apart for contribution to charitable purposes, or for co-operative propaganda and education, or for objects of public utility. Under the Bombay Act, this contribution is allowed to be made up to 20 per cent. of the profits. In the Madras Presidency, such annual contributions are carried to a separate fund known as the common good fund, the expenditure therefrom being commenced to be made after it reaches a decent figure.

Supervision:—No internal supervision is provided in the case of Indian Societies, though it forms an essential part of organisation in the case of credit societies in Germany. After the enactment of the Act of 1912, Unions of Societies

began to be formed for undertaking the work of supervision. In Burma, such bodies are known as Guaranteeing Unions, and they undertake some financial responsibility for loans advanced by the Central Banks. Unions of this type were also started in Bihar and Orissa, in the Central Provinces and Berar and in Bombay; but all these Provinces nave now abandoned them, and have been adopting other measures for supervision. The Madras Presidency began with Supervising Unions, and this type has now been adopted in Bombay. In the Provinces of Bengal, Punjab, Assam and United Provinces, no Unions of any type are formed, the supervision being effected either through the Government agency or the Inspectors of Central Banks or of the Propaganda Federations.

Audit:—The work of audit of the societies is assigned by the Act to the Registrar, and he carries it on through the Auditors and Inspectors appointed under him. In four Provinces the primary audit is carried on through Officers appointed under the Propaganda Federation, the cost being made up by a levy made on the societies. In Bombay* and Madras the audit continues still to be done by the Registrar's Department, without a levy being made therefor.

Credit Societies among Backward Classes:—Rural credit has made very little progress among the backward classes, like the Bhils etc. In Bombay, Government has appointed a Special Officer of the rank of a Mamlatdar in Dohad (Gujerat) to form societies among the Bhils and to supervise their working, the finance being provided by the Bombay Provincial Co-operative Bank, which has started a branch in the area. There is a demand for work on similar lines among the backward people in other parts of the Presidency. In the Madras Presidency, a Special Department known as the Labour Department looks after the co-operative work

*A levy for audit is proposed to be made in Bombay.

among the so-called untouchables, the societies formed being of the limited liability type.

Progress of Rural Credit Societies:—In the Statistical Statements relating to the Co-operative Movement in India published by the Government of India no separate figures are given regarding credit societies. But in the figures relating to Agricultural Societies those for credit overwhelmingly predominate. From the latest publication for 1928-29, including such of the Indian States as have introduced the movement by special legislation of their own, it appears that the total number of Agricultural Societies in the country were over 88,000, their membership was 30 lakhs, and the working Capital was over 32 crores. These figures, large as they are, cover only a small fraction of the total population of the country, for we notice from the statements that the number of members of Primary Societies per 1,000 inhabitants was only 14.3, or taking one member to represent a family of 5 souls on an average, the movement has touched 71.5 persons in 1000 or 7.15 per cent. of the population. There is therefore, a vast scope for the further expansion of the movement.

CHAPTER XXVI

CO-OPERATIVE CREDIT MOVEMENT IN INDIA

II. Urban Banks.

Their need in India—Their advantages—Their inadequate development—Distinction between Rural and Urban Banks—Their distinct lines of development—Different kinds of Urban Banks—PEOPLES' BANKS:—Share capital—Deposits—Constitution of the Banks—Management—The General Meeting—Nature of business—Cheques and Bills—Division of Profits—Supervision and Audit—Progress of Urban Banking—Progress in Bombay—Leading Peoples' Banks in Bombay—Progress in other Provinces.

Their need in India:—For a wider development of the Co-operative Movement and for its more extensive cultivation, it is highly desirable that efforts should be made for starting Urban Banks in every Taluka and District centre, and even in smaller towns of some importance. The Joint-Stock Banks or their branches are to be found only in important trade centres. They are concerned with financing the bigger tradesmen or the larger industries, and not the small artisan or trader, who are obliged to borrow from private money-lenders at exorbitant rates of interest. Usury is as much rampant in the towns as in villages. The change in the old order of things has had the effect of attracting to towns the salary earning middle classes, who stand in need of facilities next door to them, for saving their earnings and for obtaining small loans to tide over domestic difficulties. The artisans, having betaken themselves to towns for obtaining a wider market for their wares, are struggling for adequate finance. Men engaged in various crafts and trades are in no less need of monetary help to carry on their calling. A town bank can alone cater adequately for the needs

of these diverse classes of people, and serve as centres for attracting and mobilising savings in numerous ways.

Their advantages:—At present, the savings of our people in towns are either used in the purchase of ornaments, or find their way to the few big cities by way of investment in Government securities, or in shares of joint-stock companies, or in the Postal Savings Banks, and are lost to the place where they are badly wanted for fructifying its own resources. Urban Banks in our own towns are sure to attract all or most of these savings, and to afford financial aid to the people who stand in need of it, and promote local trade and industry. There is hardly any civilised country in the world except India, which has to move so much heavy metallic token money from one station to another to adjust internal trade balances, and this primitive and wasteful method of circulation of money places a great handicap on the rapid expansion of the country's trade and commerce. But Urban Banks, when started in all towns, will so organise the credit of our countryside as to remove this drawback by adjusting these trade balances by means of cheques, bills, and other kinds of paper money.

Their inadequate development:—Though the Co-operative Act has afforded equal facilities to Urban Banks as to the rural credit societies, the development of the former has not received sufficient encouragement to an appreciable extent except in the Bombay Presidency, and to a lesser extent in two or three other provinces.

Distinction between Rural and Urban Banks:—Urban Banks do not exclude agriculturists from their operation. In Germany and Italy, they render service to a large number of them. In India, many Urban Banks finance agriculturists somewhat of a higher class, and even made loans to rural societies at a time when the Central Banks had not come into existence. Nevertheless, Urban Banks are formed mainly by non-agriculturists, and they differ in general

policy and aims, and in business methods and organisation, from rural credit societies. The agriculturists in a village form a compact group, living in close contact with each other, and are wedded to the soil. The principle of unlimited liability is possible and desirable in the case of credit societies formed for them. Their financial needs are simpler and easily ascertainable, and can be regulated by a set of rules. The loans are generally for comparatively longer period, the number of transactions are few, the turnover of capital is slow, and account-keeping is much simple. The urban population, on the other hand, is a composite group formed of salary-earners, traders, artisans, labourers, and men following various other professions. Most of them have no fixed abode. The membership is much larger and varied, and the corporate feeling is weaker. Owing to the cosmopolitan composition of membership, the urban bank is often marked by an absence of *esprit de corps*. Such a bank, therefore, can only be of a limited liability, each member holding some shares in it to form the basis of further credit. Short-term credit and quick turnover of capital form the essence of its business. The method of accounts is more complicated, and the nature of audit is also different. More intelligent persons are, however, available to serve on its management, persons who are in a better position to understand the banking principles. The bank attracts a larger amount of local deposit capital, and stands less in need of outside financial help. On the other hand, the rural population, though illiterate, forms a more docile material to work upon, while the people in towns are more keen about their rights than the observance of duties imposed upon them. This fact also accounts for the demand for high dividends to be met with in urban banks, though this tendency has been circumscribed in our country by rules. Defaults in the case of rural banks are often due to misfortune, while in the case of urban banks to apathy and indifference. Fortunately, most of the

defects observable in the earlier years of the urban banks have gradually been disappearing, and the banks are exhibiting an improvement both in tone and efficiency.

Their distinct lines of development:—In European Countries, the distinction between rural and urban banking is clearly demarcated and is not allowed to be mixed up. In France, where urban banking has considerably developed after the War, the line of distinction between the two has been clearly drawn. Rural Banks are under the Minister of Agriculture, and Urban Banks are under the Minister of Commerce. In India, the two branches have been mixed up and placed under the charge of the same Registrar, with the result that his time being engrossed in rural work, the urban interests are very nearly neglected. It would be much better if urban co-operation falling under different heads were placed under a separate Joint Deputy or Assistant Registrar, though he may be working under the same Registrar.

Different kinds of Urban Banks:—Urban Banks have taken different forms in this country, chiefly in search of a common bond for the formation of a society. They may accordingly be classed under three principal categories: (i) Peoples' Banks or Town Banks. These are found in large number in the Bombay Presidency, and to a smaller extent in the Madras Presidency. (ii) Employees' or Salary earners' Banks. These predominate in Bombay and Bengal. (iii) Communal Banks which prevail chiefly in Bombay. Thus, Bombay takes the lead in all the varieties of Urban Banks. The working system of all of them is in many respects similar and will be described in this chapter in reference to Peoples' Banks. The distinctive features of other kinds of Urban Banks will be described in the next chapter.

PEOPLES' BANKS.

Share Capital:—The working capital of all the Urban Banks is formed in the first instance by shares, and is sup-

plemented by large deposits. Shares are of the value of Rs. 5 to 25 each, and generally only a part of capital is called, the rest being treated as uncalled reserve. No member can hold shares of the total value of more than Rs. 1,000. Under the Bombay Act, this limit is raised to Rs. 3,000. Another limitation is that no member can hold more than one-fifth the share capital of the society. By virtue of these limitations and those on dividend and voting, very few members care to hold more capital than is necessary. The total amount of deposits and loans to be received by an urban bank is limited to 8 to 10 times the paid-up share capital plus the reserve fund.

Deposits:—Most of the Urban Banks are in a position to attract sufficient working capital by means of deposits of members and non-members, and therefore do not stand in need of outside loans, except for temporary accommodation as a liquid resource, which is obtained from the District Central Banks or the Provincial Bank, generally on the security of their own deposits placed with them. All kinds of deposits are introduced, such as current, savings, and fixed. The rate of interest paid on current accounts is 2 to 3 per cent., on savings bank deposits about 4 per cent., on fixed deposits about 5 to 6 per cent. These are the usual rates in Bombay. In other Provinces, higher rates prevail.

Constitution of the Banks:—The constitution of the Peoples' Banks in India resembles the Italian Luzzatti type more than the German Schulze-Delitzsch type, but the lines of business have not yet attained the methods to be met with in either of these foreign models, which are more suited to artisans and traders. These classes in India are yet illiterate and are incapable of taking an active part in the management and in moulding the system to suit their requirements. The Banks are mostly managed by the intelligent middle classes, yet they help in their own way such of the artisans and traders who seek loans from them.

Management:—The affairs of the Bank are governed by a Committee or Board of Management of 7 to 12 members elected by the General Meeting. The Committee members generally render free service, without receiving sitting fees. The Committee has the power to admit members, to receive deposits and loans, to sanction loans to members, to appoint a paid staff, to appoint the Secretary and the Chairman, to examine accounts and the annual balance-sheet, to recall loans, and to take proceedings against defaulters. Day-to-day work is carried on by a paid staff, sometimes under a paid Secretary or a Manager.

The General Meeting:—The General Meeting has the same powers as in the case of a rural credit society, with one additional function of appointing an auditor to carry on continuous audit. It may be pointed out that in Germany, the General Meeting only appoints Committees and passes the balance-sheet, all other work done by the general meeting of Indian Societies is assigned to the Committee of Supervision, which does the work of continuous audit and supervision and also that of regulating the limits of finance of the Bank and of its members, and of fixing the rates of interest.

Nature of business:—Loans form the main, and in most cases the only, business of the Bank. The usual period is one year, and repayment is usually by monthly instalments. With a view to preventing capital being locked up in long-term loans, the bye-laws in some societies provide that not more than a certain portion of the capital shall be used for loans for periods over one year. The purposes of the loans are payment of debts, domestic needs, education of children, promotion of trade and industry. Those for trade are usually made as cash-credit, and the rest as fixed advances. Bonds and not promissory notes are taken as security for loans. The usual rate of interest is $9\frac{3}{8}$ per cent. in the Bombay Presidency, while in other provinces it varies from $12\frac{1}{2}$ to $15\frac{1}{2}$ per cent. Loans are generally made on personal

sureties, but the Bank accepts the security of Government Paper, shares and bonds of recognised concerns, land and buildings, and life insurance policies to the extent of their surrender value. Advances against gold and silver are not usually allowed by the bye-laws, but of late it is contemplated to allow advances on such security with proper safeguards made for valuation and safe-custody. Loans on the security of goods or bills of lading or railway receipts of goods are very rare. This line of business, however, deserves attention for the development of trade.

Cheques and Bills:—In the Bombay Presidency, the cheque system has considerably developed, and the business of issuing and discounting Hundis and Demand Bills of Exchange has received much attention from Urban Banks. The latter business is mainly intended for affording facilities for the transmission of funds from one centre to another, and may in course of time lead to dealings in Trade Bills. The main difficulty in the way of fuller development of this kind of business is the want of adequate facilities for the retransmission of funds. The R. T. Rs. (Remittance Transfer Receipts on Government Treasuries) are very grudgingly issued, and there is no system similar to the postal drafts which are issued free of charge to co-operative societies in many countries, chiefly in Germany.

Division of Profits:—Not less than 25 per cent. of the profits are carried to the Reserve Fund under the statute, some societies even carry a higher percentage to strengthen their position. A part of the profits is set apart for co-operative and educational purposes and for payment of bonus to the staff. The rate of dividend varies from 6 to 12 per cent; in the Bombay Presidency, however, it is limited to 10 per cent. by the Local Act.

Supervision and Audit:—There is no internal supervision on the lines of the German system. Some banks had made an attempt to appoint Boards of Supervision, but it was only

a casual supervision of work that was intended. The experiment, however, did not prove successful. All banks, however, appoint an auditor of their own for continuous checking of their accounts and vouchers. The annual audit is carried on by the Government Auditors appointed under the Registrar. In the Bombay Presidency, an audit fee is charged in the case of all kinds of Urban Banks having a working capital of Rs. 50,000 and above. The Urban Banks of Gujerat (in the Bombay Presidency) have organised a Supervising Union with a paid competent supervisor to inspect the Banks, to examine their accounts, and to give general instructions. The cost is met by a levy on all the Banks concerned. Only bigger banks of the Peoples' Bank type have joined the Union; but it proposes to extend its operation to other banks as well.

Progress of Urban Banking:—The Statistical Statements relating to the Co-operative Movement in India give no importance to Urban Banks, and have classed them in the category of non-agricultural societies, which form a non-descript group consisting of every kind of societies not concerning the agriculturists, such as stores, producers' societies, weavers' societies, housing societies, and also credit societies started for non-agricultural backward classes and the mill-hands. However, even in the non-agricultural group, urban credit societies predominate, just as rural credit societies do in that of agricultural societies. In the statements for the year 1928-29, the total number of non-agricultural societies is shown to be over 9,700, that of their members over 9,90,000, and their working capital over 13 crores. Considering the fact that the urban population is not more than 10 to 15 per cent. of the whole, the progress of Urban Co-operation is proportionately much more marked than in the case of rural co-operation noted in the previous chapter. But this is a much smaller achievement than what is possible. In India, banking facilities being very few

there is an unrivalled field for urban banking, and if co-operation does not take advantage of this favourable opportunity, it might lose it for ever.

In Bombay:—In the Bombay Presidency, which leads all others in the matter of Urban Banking, the working capital of non-agricultural societies in the year 1929-30 exceeded even that of agricultural societies, the former being 410 lakhs as against 436 lakhs of the latter, and out of the total number of 580 urban banks with a working capital of over 424 lakhs, only 76 with a capital of over half a lakh alone owned 282 lakhs.

Leading Peoples' Banks:—Among the leading peoples Banks in the Presidency, the following may be mentioned:—

Name.	Working Capital in lakhs of Rs.
The Dharwar Urban Bank	8
The Southern Maratha Bank	10
The Hubli Urban Bank...	8
The Belgaum Pioneer Bank	10
The Surat Peoples' Bank	10
The Nagar District Bank	9
The Mercantile Bank of Karachi	7

In Madras, the Madras City Bank, the Vizianagaram Bank and the Salim Bank have each a working capital of nearly two lakhs.

Progress in other Provinces:—The progress in other provinces will be seen from the following figures:—

	No. of Urban Societies.	Total Working Capital in lakhs.
Bombay	580	424
Madras	793	200
Bengal	340	200
Burma	287	57
Punjab	60	35
Bihar and Orissa	77	22
United Provinces	67	17
Assam	40	14
C. P. and Berar	21	9
Ajmer-Merwara	47	3½

CHAPTER XXVII

CO-OPERATIVE CREDIT MOVEMENT IN INDIA

III. Other Types of Urban Banks.

EMPLOYEES' OR SALARY EARNERS' BANKS:—Some Typical Societies—The G. I. P. Ry. Employees' Society—FACTORY EMPLOYEES' SOCIETIES:—Societies in Bombay—Societies under the Welfare Institutes of Bombay—Societies under the Social Service League—Societies of other Labourers—The Warad Credit Society of Bombay—Debt Redemption Societies of Bombay—Meghwal Credit Society—European methods of co-operation among the Labouring Classes — Thrift Societies — COMMUNAL SOCIETIES:—The Shamrao Vithal Co-operative Bank—Other Communal Banks—Other types of Communal Societies—EDUCATIONAL CREDIT SOCIETIES—ZAMINDARI BANKS.

Employees' or Salary Earners' Banks:—Next to the Peoples' banks, the most important class of urban societies are those of the salary earners. They are formed by persons serving in Government offices, under semi-government bodies, in municipalities, and in commercial firms. Their chief characteristics are that the shares are subscribed by monthly subscriptions, taking the form of compulsory saving; one or two higher officials belonging to the office have an *ex-officio* place on the Managing Committee, the rest of the members being elected by the general meeting; loans are based on the paying capacity of the borrower, judged by the extent of the salary he draws; and repayments are deducted from the salary by the office and are paid into the Bank; the books are maintained very carefully and efficiently, and a paid staff is maintained in the case of larger banks; out of the profits, 25 per cent. are carried to the reserve as required by the Act, a portion is set apart for common good, such as

Widows' Fund, etc., and the rest is divided among the members as dividend.

The rule requiring 25 per cent. of the profits to be carried to the reserve is considered to be too rigid in the case of societies working under such safeguards, and it is suggested that 10 per cent. should suffice, whereby the society would be enabled to spend a larger portion of the profits for the benefit of the members.

From the nature of the working it will be seen that the moral force of the co-operative element is placed in the background in the case of this class of societies by reason of the system of recoveries from pay-sheets and the influence wielded by the superior officials enforcing discipline in the ranks of the members.

On the other hand, the societies are well managed, have helped to promote thrift, and rescued the members from the clutches of the money-lenders. Some banks, especially in the case of Railway societies, carry large amount of profits for the welfare of the staff, while those formed by postal employees have taken over from the Insurance Companies the work of issuing Fidelity Bonds required from the members by the Department.

Some typical societies:—These societies predominate in the Presidencies of Bombay, Madras, and Bengal. In Bombay, the societies of this type having a working capital of over half a lakh are 20 in number, the principal ones being the G. I. P. Ry. Employees' Society with a working capital of 43 lakhs, the B. B. & C. I. Ry. Employees' Society with that of 35 lakhs, the East Khandesh Government Servants' Society with over 6 lakhs, the Bombay Postal Employees' Society with 4 lakhs. In the Punjab, though the number of such societies is very small, the N. W. Railway Society is one of the biggest concerns, having a membership of over 9,000, and a working capital of 28 lakhs. It comes very close to the two Bombay Ry. societies. The Punjab

Government Telegraph Society is also a fairly big concern having a working capital of 3 lakhs. In Madras, the M. & S. M. Ry. Society has a working capital of 12½ lakhs, the S. I. Ry. Society of 11 lakhs, the Postal and Telegraph Society of 7½ lakhs. In Bengal, the Assam Bengal Ry. Society, the Darjeeling Himalayan Ry. Society are some of the big societies, and there are also several big Govt. employees' societies which are doing very good work. The United Provinces Postal Society is also a fairly big society.

The G. I. P. Ry. Employees' Society:—This is the biggest society in the whole lot. In 1929, the number of its members was 16,000, its share capital amounted to 9 lakhs, the working capital to 43 lakhs, and the reserve fund to 2 lakhs. It may be pointed out that the B. B. & C. I. Society comes very close to this society. Its membership, however, is much larger, being 25,000 in 1930.

Factory Employees' Societies:—These societies are mostly formed for the workers in the cotton mills in Bombay and in other centres. They differ in many respects from the salary earners' societies described above. The members are mostly illiterate, and are generally addicted to drink. They are often prone to go to their native place at least once a year, and they stay there for months together. Their wages are fixed with little chance of increment. The societies require outside assistance to conduct the secretary's work and also outside guidance in the conduct of their affairs. There is no constant flow of monthly subscriptions. Repayments of loans by deduction are resented by members, and therefore such a course is not resorted to by the employer, unless the request comes from the Society. The most disturbing factor in the case of these societies is that they become completely disorganised by labour strikes.

Societies in Bombay:—There are 179 mill-hand societies in Bombay. They may be divided into two groups; in the first group, come those societies that are organised on the

basis of the factory in which the members work, and in the second, those formed on communal basis or that of residence.

Societies under the Welfare Institutes of Bombay:—The societies falling under the former group are helped by the employers as a branch of their welfare work through the welfare institute started therefor, such as that of the group of the mills belonging to the Tatas with 8 societies, the Sassoons with 18 societies, and the Currimbhoys with 30 societies. Each Institute has employed a supervisor to look after the societies under it. In case of defaults by the borrower, the supervisor is helped to make recoveries through the employers.

Societies under the Social Service League:—A large number of the societies in the other group are helped by the local Social Service League as a branch of its activities, receiving a grant of Rs. 1,000 from Government for the purpose.

Societies of other Labourers:—Credit societies are also started for sweepers and other menial employees of municipalities, the peons and other menial servants in big offices, or labourers employed in docks, railways etc. They stand very nearly in the same category as that of the mill-workers' societies, but are, however, less liable to the danger of prolonged strikes.

The Warad Credit Society of Bombay:—This is one of the best managed society of labourers. Its membership is confined to persons coming from the village Warad in Malwan. The society has attached to it a store department for the sale of such simple articles as soaps, matches and the like, and it has also a sort of a Death Benefit Fund.

Debt Redemption Societies of Bombay:—A number of societies of this type were formed in Bombay under the name of Debt Redemption Societies, their chief features being that members were helped to pay off their usurious loans borrowed from money-lenders with the help of loans

advanced by societies, the funds for that purpose being mainly made up of deposits obtained from well-wishers. The unpunctual repayments, however, brought most of these societies to grief, all efforts for recovery having proved fruitless. The experiment showed that wholesale redemption, without the previous inculcation of the habit of thrift, is doomed to failure.

Meghwal Credit Society:—The only society left intact out of the wreckage is the Meghwal Society of the Municipal Sweepers. Two reasons may be assigned for its success. It had an energetic Secretary, who is a Municipal School Teacher drawn from the community. He effected repayments of the instalments of loans on the pay day in the municipal offices. The success of the society has raised the moral tone of the members to a considerable extent.

European methods of Co-operation among the labouring classes:—It may be noted that co-operation among the working classes of Europe has taken the form, not of credit, but of the various devices for the direct development of thrift, such as the friendly societies, building societies and the stores, all of which have considerably improved their material condition. There is a large scope for the development of thrift among the working classes of India, in spite of the lower wages they get, for unlike the middle classes, both men and women and adult children among them are earning members. It is the vice of drink that takes away their hard earned wages, which, by a well regulated intensive propaganda, may be diverted to safer and beneficial channels. Credit societies without the development of thrift might only mean the transfer of debt from one source to another. This aspect of the question deserves serious consideration at the hands of persons working for the uplift of these people.

Thrift Societies:—In India, friendly societies are unknown. Stores have mostly failed, mainly because the ground remains unprepared, and building societies would be impossible with-

out the people passing through the earlier stages of thrift. Societies for the collection of savings are formed in India under the name of thrift societies. The Punjab has given the lead in having 962 registered thrift societies, which have together collected nearly Rs. 8 lakhs. The majority of the members in them are, however, salary earners, like school teachers etc., the wage earners forming only a small proportion. In the case of the 116 thrift societies of Madras, the wage earners predominate, most of them being the members of 110 societies formed in a single district of South Canara. The number of thrift societies in the other provinces does not go much above a dozen. In the reports of the Registrar, the societies of this type are classed in the group of Urban Credit Societies, for the reason that they advance loans to members on the security of their deposits.

Communal Societies:—The third class of urban banks are those formed by the various classes of people taking the communal bond as the basis. They may also be divided into two categories. In the first may be included those formed by communities whose educational level is comparatively higher. A majority of the members of such societies are employed in some offices, and they stand in greater need of encouragement to save than to borrow, except in unforeseen emergencies. These societies are able to get intelligent members to conduct their affairs, and the books and accounts are, therefore, well kept. They collect large amounts of deposits in various forms. One special form of recurring deposits, known as accumulating or cumulative deposit, consists of uniform payment every month, and is repayable in a lump sum with compound interest at the end of the stipulated period. The system affords stimulus for saving for such occasions as marriage, education of the children, etc. These societies set apart a portion of their profits for educational and other common purposes.

If the communal bond is a source of strength in some

respects, it also proves to be a source of weakness in others, inasmuch as the members look upon the bank to advance loans when demanded as a matter of course, and not as a matter of business. Discipline is sometimes difficult to maintain when a sense of rights predominates over a sense of duty among the members. The Committee, too, may at times be moved by a sentiment of fellowship either in lending or in enforcing repayment, the business aspect being thereby made somewhat loose. Many societies are on the whole well conducted, and most of them are found in the Bombay Presidency.

The Shamrao Vithal Co-operative Bank:—One of the oldest and the best example of a communal society is the one organised by the present writer in 1906 under the name of the Shamrao Vithal Co-operative Bank. At the end of March 1930, its paid-up share capital amounted to over Rs. 82,000, Rs. 12 only being called out of shares of the value of Rs. 25 each, deposits of various kinds amounted to over Rs. 10 lakhs, the total of the loans advanced during the year amounted to over 5 lakhs, the reserve fund stood at Rs. 1,16,500, and the total working capital was over Rs. 13 lakhs. The bank's dividend is limited to 6¼ per cent. and it pays every year a decent amount for the promotion of education in the community, an amount of Rs. 2,600 being donated in 1930. It has four branches and 3 sub-branches in the districts, carrying on business within the powers granted to them. The bank has accumulated a large unutilised surplus capital which is partly invested in the Provincial Co-operative Bank and partly in guilt-edged securities. In the earlier years, when no Central Banks existed, it advanced loans to rural credit societies on the recommendation of the Registrar.

Other communal Banks:—A number of banks of this type exist in the Bombay Presidency, 28 of them having each a working capital of over half a lakh. The following are the

leading banks of the type:—The Khudabadi Amils' Bank of Sind having a working capital of nearly Rs. 12 lakhs; the Reddy Communal Bank of Dharwar of Rs. 5½ lakhs; the Hyderbadi Amils' Bank of Sind of Rs. 5½ lakhs; the Havyak Bank of North Kanara of nearly Rs. 1½ lakhs; the Zorastrian Co-operative Bank of Rs. 3 lakhs; the Namdeo Co-operative Bank of Bombay of Rs. 2½ lakhs. The Catholic Co-operative Bank of Mangalore in the Madras Presidency of Rs. 4½ lakhs, also deserves a mention.

Other types of communal societies:—Under the second class of communal societies may be included those formed by artisans and craftsmen. Most of the communities in the country being formed on the basis of occupations or vocations, it affords the nexus for the formation of a co-operative society. The largest class of societies are those formed by handloom weavers. Many of these societies, however, are being converted into producers' societies, affording facilities for the purchase of yarn and for the sale of finished goods. Such societies are therefore described under the chapter on "Producers' Co-operation".

Educational Credit Societies:—There are some credit societies specially formed for promoting education by advancing loans to deserving students at a low rate of interest. The loans are made on personal security, and when the amount is large, a Life Insurance Policy is taken out. They are generally repayable by instalments after the students begin to earn. There are about a dozen such societies in the Bombay Presidency and they are all restricted to particular communities.

Zamindari Banks:—Three banks under this name are started in Sind for the benefit of big landholders requiring loans of larger amounts than an ordinary credit society is allowed to grant. They must be distinguished from the Zamindars' Societies of Bengal, which are started to take up large areas of land for being divided among the members

for cultivation, so as to give employment to the middle class unemployed. In the Zamindari Banks of Sind the maximum amount of loan that can be advanced to a member is Rs. 5,000, and the periods and the purposes of loans are the same as in the case of rural credit societies, viz., current agricultural or domestic purposes for one year; purchase of bullocks or implements for two years; land improvements or repayment of old debts for 5 years; ceremonials for 3 years. Loans up to Rs. 1,000 are advanced on personal security, and those above that limit are advanced on the security of immovable property of 3 times the value of the loan. A borrower must take shares of the value of 1/5th the amount of loan required. One of the qualifications for admission to membership is that the applicant has paid at least Rs. 500 as land revenue, excluding local cess, in any of the last three previous years. Each of these banks operates in a whole district and is of limited liability. Of the three banks one at Shikarpur was recently formed and has a working capital of Rs. 1½ lakhs, and of the other two, the working capital of the Larkana Bank was Rs. 4.47 lakhs, and that of the Mirpurkhas Bank over 7 lakhs.

CHAPTER XXVIII

AGRICULTURAL CO-OPERATION

General Principles.

Advantages of Co-operation to Agriculture—Its application in different countries—Its Scope—Agricultural Production—Its advantages—Co-operative Supply of goods—Marketing of produce—Organisation of Stages—Factors of Success—Elements of Successful Sale—Causes of failure—The Pool—Principles of Marketing of Cotton—Details of Sale—Special Facilities—Progress in European Countries.

Advantages of Co-operation to Agriculture:—The application of co-operative methods to agriculture has become very common in European countries, and has been the cause of material benefit to the peasantry. It is not confined to a single purpose, but is extended to a variety of activities, such as buying, selling, converting produce into a better marketable commodity, storage of produce for a better market, improving the breeds of live-stock, insuring farmers' property against risk and furnishing money for all agricultural operations. Further progress in the same direction in advanced countries has enabled farmers to undertake the joint manufacture of manures and implements, the joint supply of domestic requisites, and the setting up of their own warehouses for the storage of produce and for taking it to the big markets.

Its application in different countries:—Thus in the sphere of agriculture, there is a vast field open for the employment of co-operation. But the method of application differs according to the nature of the object to be gained, such as the supply of funds, the supply of requisites, the sale of produce, and so on. In Denmark, different societies are formed for different purposes. This was possible on account of the spread of education in rural areas in that country.

In Germany, co-operation began when villagers were illiterate and poor, and very little equipped with business knowledge, and since it would have been difficult to find efficient men to manage different societies; Raiffeisen began his work by forming only a single society in each village for all purposes. Switzerland began with cheese-making societies and soon developed co-operation in all lines. Italy began with Savings Banks and rapidly made all-round progress. Thus the peculiarity of European co-operation is that it aims to serve all the needs of the agriculturists, and though it may have been started with a limited scope, it rapidly extended to the whole field.

Its Scope:—Agricultural co-operation has been distinguished from co-operation for agriculture. The latter term is used for co-operative farming societies to be met with in Italy, Rumania and Russia. Agriculturists in other countries rarely combine for the formation of farming societies; but they resort to co-operation practically for all other purposes. Agricultural co-operation, so far as credit is concerned, has already been dealt with. We will now deal with the principles governing other aspects, chiefly production, sale and supply. No doubt, supply of household requisites comes under stores, but it is usual for agriculturists to combine services of supply of both kinds, to minimise the cost of running separate societies. It may be mentioned in this connection that though transactions with non-members are restricted so far as credit is concerned, they are not restricted, even in Germany, in the case of agricultural sale and supply, but the quantity of business done with members far exceeds that with non-members.

Agricultural Production:—Next after credit, which has already been treated, the main lines which agricultural co-operation can take are production, sale and supply, the last two being sometimes treated together as agricultural trade. In the matter of production of crops or raw materials, there

are scarcely any societies which can be classed under that head, except the joint farming societies already referred to. Similarly, in the case of societies of animal husbandry of Denmark, the animals themselves are individually reared, though their owners resort to co-operation in the further stages of the work. No doubt, the creamery, the bacon-curing society, the vintry, distillery, and the like would come under production, as the milk, pigs, grapes and potatoes are converted into a different shape with the help of machinery. Some authors would include even societies for the sale of eggs or grain under production on account of the costly treatment the produce receives before it is put on the market. The argument is, "From the dirty unsorted egg to the egg cleaned and packed, from the natural corn to the corn cleaned in the store house, there is at any rate a partial change of form". According to this conception, cotton ginning and cotton pressing would also come under production, though they are more or less acts of handling in the process of marketing. But they too may come under production, because in ginning, the seed is separated from cotton, and in pressing, the bulk is considerably reduced to facilitate transport. However, it is not necessary to go further into this discussion which more appropriately pertains to the sphere of classification.

Its advantages:—Wherever produce can be satisfactorily sold in its natural stage, it would be prudent to prefer that form of disposal. However, when its transformation into another shape is a distinct advantage, it should be preferred. The advantages from the latter course are: (i) that it improves the quality and thereby the value of the produce; (ii) that it reduces the bulk of the produce and thereby its cost of conveyance; (iii) that it provides additional employment for local labour, thereby improving the economic condition of the locality; (iv) that it secures to the producers some valuable byproducts, such as oil-cake, etc.

Co-operative supply of goods:—Collective buying cheapens the purchase and ensures good quality. It was with co-operative supply that Raiffeisen began his work in Germany. The French began by the simple process of collecting orders, bulking them for transmission to dealers or makers and levying a small commission to pay the expenses. The study of the market is the first requirement for the success of co-operative supply, whether its operation is confined to agricultural requisites or is extended to household necessities. Circumspection is also essential to secure that no goods will remain on hand without demand. Fluctuation of prices in the market must also be studied, so that the purchases may be made when the market is at its lowest. It is advisable to commence with articles for which there is the largest demand. Co-operative supply can with advantage supplement co-operative credit, for on sanctioning a loan a part of it may be advanced in the form of goods. Combination must be further practised by the smaller societies joining together to form a union or federation. Such combination on a large scale has led in European Countries to the co-operative manufacture of articles like implements, manure, and the like.

Marketing of Produce:—Marketing of produce is most important to agriculturists, and is justly described as the "Soul of Agricultural Co-operation". It generally passes through the following stages: (1) collection of the produce from different producers for creating bulk with a view to securing higher prices obtainable on wholesale transactions; (2) holding over the produce for a better price than is obtainable at the harvest time or by local sale; (3) transportation of produce to the place of sale; (4) sale of the produce, if possible at the central market which can pay the best price. It is this fourth process which requires expert guidance for grading, handling and in exercising judgment as to the time and place of sale. It must, however, be noted

that co-operative marketing should not try to snatch at occasional speculative gains, as such an attempt only unsettles the market and destroys confidence. A steady market must be the aim, which can only be gained by good quality and regularity of supply, and can be ensured by steady loyalty of the members to their society.

Organisation of stages:—The first stage of marketing, which is assembling and collecting the farmers' produce, may be organised by local co-operation with occasional outside help. The second stage of holding over the produce will require the arrangement of godowns, and cannot be expected to be organised by the farmers. In European Countries, godowns are constructed by Railway and Steamship Companies, by private agencies, and in the case of co-operative societies, either by the State or jointly by the State and financing banks.

With regard to the third stage of transportation, co-operative marketing in European Countries has always enjoyed the facilities of cheap Railway rates and of Steamship rates. In some countries, such as Denmark, even subsidies are granted.

When the produce is brought to the market, there is the important function of risk-bearing. The risks are of two kinds, the risk of not being paid by the purchasing agencies, and the risk of receiving low price on account of mal-adjustment of supply and demand. The first risk is reduced by the public system of licensing middlemen and the second by proper adjustment of supply and demand, or rather by orderly marketing. Both these functions require State help. The adjustment of supply and demand is further facilitated by the widening of the market, and this is also a duty of the State.

The work indicated above requires careful study and research. Investigation into the facilities of marketing is the most important function of the State. Marketing research

may be divided into, first, research into the functions and agencies of marketing and, second, research into the conditions of demand and supply. Nowhere has the State carried out these functions so efficiently and effectively as in America.

Factors of Success:—The main factors of success of co-operative marketing depend upon efficient and honest management, adequate finance, business methods, and loyalty of the members. In fact, these are more or less the factors of all kinds of co-operative business. However, the expression "business methods" requires detailed elucidation so far as co-operative marketing is concerned. The following are its main elements:—

Elements of Successful Sale:—The first is the creation of bulk to make it more marketable and to secure a better command of the market, and ultimately to open the distant market by railway and steamship. Secondly, the quality must be guaranteeable, which alone can expect to fetch a remunerative price, and to make sales by samples. Thirdly, the supply must be regular to ensure a steady market. Fourthly, no attempt should be made to rig the market or to make corners to dictate and inflate prices. Many societies in Europe have failed in the course of such attempts. Fifthly, constant contact with various sale centres should be maintained with a view to avoiding glut in the market. Sixthly, no retail sale should be made lest it needlessly provoke the retail dealer. Eggs and milk, however, form an exception on account of their perishable nature, but not fruit. Seventhly, terminal marketing must not be attempted before gaining sufficient strength and command of large quantity of produce. Moreover, at the start it is safer to do business on commission than to purchase outright, as the latter process involves risks due to fluctuation of prices. Eighthly, grading and selection should be adopted wherever necessary. The tendency of the market is to fetch the

price for the worst. Every effort, therefore, should be made to improve the quality of the produce and to avoid adulteration.

Causes of failure:—It is also necessary to understand the causes of failure of co-operative marketing, so as to avoid them as far as possible. The failures are due mainly to one or more of the following factors: (i) over-enthusiasm; (ii) lack of knowledge of economic laws; (iii) jealousy among members or smaller associations; and (iv) want of leadership.

The Pool:—The main characteristic of the American Co-operative Sale Organisation, whether in the United States or Canada, is the system of Pool. Pool is the unification of control over the movement of the agricultural products, the control being transferred from the individual growers to a Co-operative Association. All products of equal grade are thrown into the same lot and then allowed to move into trade channels, the movement being controlled and regulated solely by the judgment of the managers of the association. The proceeds of the sale after deducting the expenses of the association are divided among the growers on the basis of quantity of each grade of the product. The pool makes it possible, on the one hand, for the farmers to devote their undivided attention to efficiency in production, and on the other, for the association to concentrate its attention on the attainment of efficiency in the method and manner of selling. The period of a pool varies with different products and depends upon their nature. For perishable products like fruits, vegetables, eggs and the like, the period is short, ranging from a week to a fortnight, while in the case of cotton and grain it may be one whole year. Pooling presupposes grading and the two are therefore inseparable. Most of the pools adopt the system of five year contracts. Legislation has facilitated the formation of the pool by better enabling and protective provisions. The three fundamental

principles of the pools are mutual aid through voluntary co-operation; organised selling, or orderly marketing calculated to avoid dumping, while giving a fair bargain to the consumer; and the distribution of all surplus to the members after a just price has been obtained for the product. The pool stands for the democratic principle of one man one vote, open membership, operation for service, just weight and quality, and the economy of large-scale production.

Principles of marketing of Cotton:—The following principles of co-operative marketing laid down by the staple Cotton Co-operative Association of America are worth consideration.

1. Base your organisation on the commodity.
2. Let none but producers of this commodity become members.
3. Tie all members together by a legal and enforceable long contract.
4. Be sure that you control enough of the commodity to be a factor in the market.
5. Pool the produce of members arranging them in even running lots according to grade and quality.
6. Engage experts to do the work.

The Association has also some Bank Officers on its management in order to have sufficient command of money without difficulty. It does not seek to establish any monopoly of cotton, nor to control prices. It will not sell all its cotton at one time, nor to any one purchaser. Such an action is considered to be against orderly marketing. The principle of the Association is to sell as steadily as possible without dumping in such manner as to dispose of one crop before another comes on. The success of the Association is mainly due to efficient management, effective financial arrangement and to the reduction of waste to the minimum.

Details of Sale:—Details of co-operative sale differ according to the nature of articles. Perishable articles like milk

and eggs require immediate sales. Fruits and vegetables require to be disposed of within a few days of their gathering. Among other crops, those which are known as commercial or money crops, such as cotton, groundnuts and oilseeds require a close study of foreign markets; on the other hand, the sale of grains requires a knowledge of the demand of the local centres of consumption.

Special Facilities:—In European Countries, special facilities are given not only to co-operative marketing, but even to private marketing, by Railway and Steamship Companies, such as cold storage and reduced rates of freights; by Government, by the provision of warehouses and their regulation, and also expert advice and guidance and regulation of marketing and its practices; and by banks by supplying funds at the different stages of marketing.

Progress in European Countries:—Germany has made vast strides in agricultural co-operation in the matter of buying, selling, converting produce into a better marketable shape, storing grain, providing power, improving breeds of the live-stock, insuring farmers' property against a variety of risks and furnishing capital. In Italy, progress is made on similar lines and has led even to the manufacture of super-phosphate (for manure). In Switzerland, co-operation supplies both agricultural and domestic requisites. In the United States everything is being done for the farmers on a very large scale, the State giving all the necessary facilities. Canada has closely followed America. In France, co-operation has taken almost the same form as in Germany, but State aid plays an important part in that country. Lavish subventions are made and departmental professors guide the work. In Austria and Hungary, State aid has played an important part in the development of marketing. In Denmark, poultry, piggery and creamery form the main lines of co-operative business. In Belgium, the Netherlands, Sweden, Norway, Finland, co-operation has progressed on

similar lines. Agricultural co-operation has also spread to Servia, Bulgaria, Rumania, Spain and Portugal. In Ireland, Sir Horace Plunkett began work in 1894 on the Danish model with judicious adaptations, and the movement has made considerable progress. In England, however, though the co-operative store movement, or what is known as Industrial Co-operation, as contrasted with Agricultural Co-operation, has made great progress, there are not more than a dozen agricultural societies, and they too are of a recent origin. They are concerned chiefly with supply of manure.

CHAPTER XXIX

AGRICULTURAL CO-OPERATION IN EUROPEAN COUNTRIES

Societies for Production:—

Dairy Societies—The Organisation—Piggeries and Bacon Factories—Poultry and Egg Societies—Danish Federations of Trade—Vine Growers' Societies—Potato Distilling Societies—Beet Sugar Societies—Cattle Breeding Societies—Milkselling Societies—Unions of Agricultural Producers' Societies—Artels of Russia.

Societies for Agricultural Supply and Sale:—

Objects of Societies for supply and Sale—General Purposes Societies—Supply Societies—Granaries or Cornselling Societies—Working System—Machine Societies—Electricity Societies—Sale Societies in Canada and America—California Fruit-growers' Exchange—The American Cotton Growers' Exchange.

Dairy Societies:—The earliest application of co-operation to agriculture is to be found in the cheese-making societies or Fruitiéres of Switzerland, dating as far back as the 14th century, wherein the farmers combined to supply milk to a common centre, where it could be made into cheese for them. Co-operative methods in a better organised form were first

employed by the farmers of Denmark. After her war with Prussia in 1858, in which she lost the fertile portions of the country, she had to abandon her trade in cereals, and she then embarked upon a new enterprise of supplying the needs of the breakfast-table of England. Dairying was specialised, and with the introduction of the separator it was perfected. Creameries or Dairies worked in common were established, the first co-operative creamery being introduced in 1882, and within ten years, no less than 800 creameries sprang up in Denmark. A great deal of the success achieved was due to the close co-operation between Danish scientists in their laboratories and the Danish farmers in their fields. In 1900, the Co-operative Creameries' Association organised the Danish Butter Brand Association to standardise butter for export, and to give it a guarantee of uniform purity and quality.

The organisation:—The whole organisation has been perfected to such an extent that besides saving time in marketing, there has also been a saving of time to be spent on the farm by improved methods of stabling and milking. The breed of the animals has been improved to such a state that the farmer can now obtain double the quantity of milk and treble the quantity of butter from the improved strain, so that he now keeps only half the number of milch cattle he used to keep before, thereby effecting a saving in the cost of feeding and stabling. The average Danish cow yields more milk with more fat than the best buffalo of our country can, showing thereby that the improved cow is more valuable and more economical to maintain than the improved buffalo. This improvement was mainly effected by allowing the cows to be covered by pedigree bulls, scrupulously avoiding the scrub bull, which is the source of all evil in our country.

Piggeries and Bacon Factories:—The first co-operative factory was established in Denmark in 1887, for curing bacon

for export. Numerous co-operative factories were thereafter founded for curing their members' pigs into bacon, and for exporting the product to the British market. Each factory has its slaughter house or abattoir with complete modern equipment, and a curing house and machinery for the production of all kinds of byproducts, including tinned and potted goods.

A bacon federation of Denmark has been formed to which are affiliated all the bacon factories in the country, and it does the wholesale business of selling and exporting bacon on behalf of the factories.

Poultry and Egg Societies:—The third important animal of the Danish farmer is his hen. Poultry farming is specialised, and the societies promote breeding by selling to members suitable breeds of fowls at low prices, advising as to the introduction of fresh blood, and giving attention to suitable housing and feeding. All these are important factors for a successful poultry farm. The most important business of the societies is the sale of eggs on behalf of the members after examining and grading them. They are, therefore, known as the Egg Selling Societies.

In 1896, two Wholesale Societies or Unions of importers were started to capture the English egg trade, as in the case of butter, one in Denmark, and the other in Jetland. These societies act as trade federations for a great network of smaller societies, which collect eggs from their members. The principle of standardisation employed is that of dating and stamping the eggs, in order that each egg could be traced without difficulty to the original supplier. The effect of this system on poultry breeding was remarkable, and farmers are emulating each other to produce the best eggs, and make it a point of sending out the fresh ones for sale.

Danish Federations of Trade:—Denmark has thus specialised the trade in butter, bacon and eggs for the capture of the breakfast-table market of Great Britain. The societies

form local unions and the unions have combined into federations for export trade and for the supply of statistical information, technical information, and market information. The Danish example has been copied by other countries, though on a smaller scale.

Vine growers' societies:—There are numerous such societies in Germany and in other vine growing countries. They purchase the grapes of their members at prices fixed by the general meeting according to the classes determined every year. The grapes are then pressed, and the juice is subjected to the necessary processes, and the wine is then sold by the society on behalf of the members. Members are bound to bring all their grapes to the society, except what they need at home. Profits are distributed after the wine is sold, and after carrying 50 per cent. to the reserve. Their working principles are common to other similar societies.

Potato Distilling Societies:—These societies are formed in Germany for the distillation of spirit from potatoes, when they cannot be sold at remunerative prices. The societies have formed a Sale Union of German Spirit Producers. Potato-drying societies are also formed for producing a feeding stuff out of those potatoes which show signs of decay and cannot be used in their natural state for food, or for producing spirit or starch.

Beet sugar societies:—They establish factories for producing sugar. There are only a few of them, formed co-operatively; but the joint-stock companies formed for beet sugar manufacture, practically work on co-operative lines as they oblige shareholders to deliver their beet crops, and profits or losses are divided among the suppliers. They produce dried beet root slices as a feeding stuff, and prepare manure out of the refuse from the sugar production process.

Cattle Breeding Societies:—These societies of Germany provide suitable breeding stock, advise on breeding questions and markets, and establish and keep herd-books. They

receive encouragement and financial assistance from Government and advice from the agricultural department. Certain pasture societies are also formed for renting land for pasturing the animals of members, and public aid is also granted to them.

Milk-selling Societies:—These have also been established in Germany. They are formed by combinations of milk producers for the purpose of sending milk to a central cooling station, or for the establishment of urban sale stations. In the former case the object is to secure the production of pure milk in individual farms, and to transport milk of a guaranteed quality to the towns.

Unions of Agricultural Producers' Societies:—Such unions are very common in Germany. These Unions, in addition to auditing and advising, supply the requisites of the societies, and some undertake also sale on their behalf, and aim at securing standard qualities of the articles produced. They also occupy themselves with the technical and commercial side of their business. Some have established shops in important towns.

Artels of Russia:—The artels of Russia have existed from early times. They are associations of workmen and peasants for the purpose of producing in common either agricultural produce, or other commodities, such as boots, toys, etc. In the artels the profits are divided among the members in proportion to the work done by each. A number of artels have recently been established for cheese-making and butter-making, and a Union of such societies was formed in 1908 to which are affiliated more than one thousand creameries.

SOCIETIES FOR AGRICULTURAL SUPPLY AND SALE

Objects of Societies for supply and Sale:—If the small farmers are to hold their own with the middleman trader, they must organise their trade of supply as well as sale, for obtaining their requisites at a reasonable cost, and for putt-

ing their wares on the market in sufficient and graded quantities at advantage, without incurring undue cost. The supply of agricultural requisites may be carried on by a department of the village credit society, but sale involving technical skill in its management and capital liabilities, can best be undertaken by societies independently constituted.

General Purposes Societies:—German co-operators have sought to develop these societies as far as possible, to obviate the necessity of the individual farmer being a member of several societies as in Denmark. The German agriculturists co-operated first for credit purposes. The next step was the business of supplying agricultural requisites, and this was undertaken by the credit societies, the central bank doing the wholesale business on behalf of the societies, until a separate wholesale society was established. Later on, the business of sale was also undertaken, first by the Central Bank and then by the Wholesale.

Supply Societies:—There are also several supply societies, which with the help of their supply unions are enabled to obtain at moderate prices goods of guaranteed quality. The articles generally supplied are fertilisers, feeding stuffs, seeds, agricultural implements and machinery and other articles of a miscellaneous nature. At the meetings of the societies opportunities are furnished to members for discussions of the relative values of various articles, and for the dissemination of useful information. With the help of their central organisations the local societies are enabled to keep their members abreast of all new developments. The widespread practice of requiring orders in advance, together with the insistence upon cash or short-term payments, have raised the standard of business habits among the rural population. Members having no cash to pay borrow from their credit societies. The shares of the societies are of a nominal value, and the societies are either of limited or unlimited liability. In the case of former societies, the shares carry an additional

liability, say five or ten times their value. For the success of a supply society, it is of great importance that members should purchase all their requirements through its agency. Many societies have introduced regulations binding all members to purchase either all their agricultural requisites, or all articles of certain kinds, through them alone. Sales to non-members are allowed. Prices are fixed by the Committee of Management, with the addition of a small percentage for expenses and the reserve. Some societies sell at current prices, dividing the profits at the end of the year, paying, however, no other than the "goods dividend".

Granaries or Cornselling Societies:—A certain number of local supply societies and credit societies undertake the sale of corn for their members, while the central co-operative trading organisations often take deliveries from local societies and their members. Separate cornselling societies are also established which render great service to the farmer. State aid has been given in several German States to promote co-operative cornselling or granary societies. The preamble to the Prussian Act of 1896, allotting large sums for the construction and equipment of corn-houses, expressed the advantages that would accrue to the farmers as follows:—

(1) Improved facilities for cleaning, drying, classifying and mixing the various grades of corn delivered, so as to furnish commodities at once good, homogeneous, and easily marketable.

(2) The possibility of regulating prices by only putting corn on the market according to actual demand, in other words, the reservation of supply.

(3) The possibility of farmers obtaining credit on fair conditions on the security of their warehoused corn.

(4) The abolition or reduction to as great an extent as possible of the charges of middlemen and the reduction of the cost of transport.

Working system:—The important points to be considered in connection with these societies are the following three:—(1) compulsory delivery of all cereals produced by members; (2) methods of payment. The two methods generally adopted are: (a) payment at fixed prices below market rates, with the supplementary participation on the part of the members at the close of the business year; (b) sale on commission. Small societies adopt the latter method. Usually, the corn is cleaned, weighed, graded in the presence of the member, and a note is handed to him stating its grade and weight. When sufficient bulk is delivered it is sold. (3) The third point is ancillary business. German experience is emphatic that corn-selling societies should supply agricultural requisites to members. It yields not only a profitable source of revenue to the society, but also provides members with guaranteed articles at reasonable prices. This is the reason why sale societies undertake the supply business, or the supply societies add to their work the business of sale.

Machine societies:—Co-operative Machine Societies purchase machines for the joint use of their members, such as threshing machines, steam-ploughs, etc. A large number of credit societies, as well as supply, dairy and cornselling societies, also purchase for hire to their members various kinds of machines.

Electricity Societies:—One of the most noteworthy recent developments in German co-operation has been the rise and rapid extension of societies for providing rural districts with electric light and power. Its use by farmers has been stimulated by the marked increase in the employment of large and small machinery. The dearth of farm labour has been another concurrent factor. Apart from the advantage of saving or replacing the labour, whether of man or beast, electricity has proved advantageous for farmers through the low cost of maintenance of the electric apparatus, the absence of running expenditure when not being utilised, the rapidity

with which it can be put into operation, its simplicity in handling, the facility with which the motor can be applied to the working of several machines simultaneously, its precision, its cleanliness, its freedom from danger of fire, and, under normal conditions, its comparative cheapness. Smaller farmers are making an increasing use of electric power. There are three principal groups of societies: (i) Those producing and distributing electricity; (2) those creating their own conductor installation but obtaining their supplies from others; (3) those representing merely combinations of persons for obtaining electric supplies by guaranteeing a minimum purchase of current or securing reduced rates therefor. The majority of societies fall in the latter category.

Sale Societies in Canada and America:—Agricultural sale has assumed very large proportions in Canada and in the United States. The Grain Growers' Company of Canada has a turnover of millions of dollars. It carries on direct export trade through a separate department. It is composed of individuals and not societies, a fact which differentiates it from federal organisations in other countries. The Saskatchewan Co-operative Elevator Company is, however, a federation of societies. The Alberta Farmers' Union is another body carrying on transactions on a large scale. Similarly, societies are also formed in the United States, the most important societies being Equity Co-operative Exchange, the Michigan Elevator Exchange, and the North-West Wheat Growers' Association, doing the business of grain sale on a large scale. There are also in the States several thousand local co-operative elevators, many of them, however, are joint-stock companies in form; nevertheless they have conferred great benefits on the farmers.

Co-operative Societies are also formed for sale of butter and cheese, milk, live-stock, fruit and vegetables, cotton, tobacco, wool, poultry and eggs.

California Fruit-growers' Exchange:—The California Fruit-growers' Exchange has established a name throughout America and Europe. It is a federation of about 200 local associations. These associations do the work of grading, packing, and loading into cars. The Central Exchange, formed on the non-stock plan, keeps in touch with all the local and foreign markets through its representatives. It also does the work of advertisement and development of markets. It has a number of departments. The field department helps the growers to improve production and to standardise the grading and packing of the fruit. The traffic department attends to transport work; the legal department handles all legal questions; the advertising department maintains and increases the consumption of fruit; and there are also similar other departments. In 1921, the shipments were over 60 million dollars. The results were obtained by (1) standardisation and careful grading; (2) increasing consumption; and (3) effective distribution.

The American Cotton Growers' Exchange:—The American Cotton Growers' Exchange, is similarly an overhead sales agency made up of several of the State Cotton marketing associations with the following departments:—(1) Executive and administrative, (2) office management, (3) grading and standardising, (4) warehousing, (5) insurance, (6) transportation, (7) finance, (8) statistical, (9) sale of ordinary cotton—domestic and foreign, (10) sale of long staple cotton—domestic and foreign, (11) legal, (12) field service.

CHAPTER XXX

AGRICULTURAL CO-OPERATION IN INDIA

Societies for Production:—

Its need—Stock Breeding Societies—Poultry Industry—Dairies or Milk Societies—Ganja Cultivators' Society of Naogaon—Ginning Societies of Bombay—Agricultural Industrial Societies.

Societies for Trade:—

Supply Societies—Supply of Seed—Development of Sale—Cotton Sale Societies of Karnatak and Gujerat—Difference between the two types—Advantages of Co-operative Sale—Sale of other articles—Purchase and Sale Unions—Jute Sale Societies in Bengal—Paddy Sale Societies—Commission Shops of Punjab—Purchase and Sale Societies of Madras—In other Provinces—Difficulties and their removal—Help by Government.

Its Need:—The Indian villages are no more in a state of self-sufficiency as in olden times. They are now brought in close contact with the world market by the modern rapid methods of transport. Unless, therefore, the methods of agricultural production and trade are modernised, regulated and developed on co-operative lines, the farmers will come more and more under the complete control of the middlemen profiteers. Though co-operative sale has received some attention, co-operative production is yet in a neglected condition. Societies for agricultural production, therefore, do not comprise the numerous branches to be met with in Europe and America.

SOCIETIES FOR PRODUCTION

Stock breeding societies:—Cattle and sheep breeding societies are to be found in all the provinces, the largest number, being found in the Punjab, viz., 160; but most of them are in an unsatisfactory condition. Bombay with 15 comes second; the number in other Provinces does not exceed half a

dozen. Among the Bombay societies, those in Dharwar show the best results. The aim of these societies is not to do the breeding collectively, but to gather a herd of good cows from the neighbourhood, to obtain a separate grazing area, and to own a breeding bull. The cows are collected daily from their different homes and taken to the pasture accompanied by the bull, other bulls are kept off, all coverings are noted and a herd-book is maintained. The village bulls are being castrated and the new bloodless process of castration by the Burdizzo instrument is becoming popular.

Poultry Industry:—There is a large scope in India for the poultry industry. Up till now, only one or two egg selling societies have been formed in three provinces, though the demand for eggs in cities is considerable, Bombay alone importing thousands of baskets of eggs every day. What is required is the introduction of improved breeds and organisation of the trade of the poultry keepers. At present the industry is being entirely exploited by middlemen.

Dairies or Milk Societies:—There are a number of what are known as dairies in different provinces; but they are merely milk societies.

Bengal has made remarkable progress in this branch of work. There are 169 such societies in the province, 93 of these have federated into the Calcutta Milk Union which has shown a remarkable record of steady progress. It has a working capital of Rs. 2 lakhs after paying a large part of the borrowed capital, its realisation by sale of milk in 1929 amounted to more than Rs. 6 lakhs and it made a net profit of Rs. 25,000. It makes grants in furtherance of education. The work of bottling milk is done by machinery, and of delivery by motor lorries. The Union has also been taking steps for improving the breed of the animals. It has established a dairy and a veterinary hospital. Other milk unions have been formed at different centres of the Province, but their work, though promising, is of a small

scale compared to that of the Calcutta Union. To guide these societies in their working, Government has appointed a Superintendent of Milk-societies.

Madras is making an attempt to follow the lead given by Calcutta. 11 of the milk societies have formed a union for supplying milk to the City of Madras. It has purchased motor lorries with the help of a loan of Rs. 15,000 given by Government. The 7 dairies of Bombay and 3 of the United Provinces are all isolated primary societies, each doing business single handed on a small scale. The 14 milk recording societies of the Punjab constitute a departmental activity. Once a week the cows are milked in the presence of the Sub-Inspector; the members are informed of their yield and are advised to replace those which give a poor yield.

Ganja Cultivators' Society of Naogaon:—This is an important producers' society in Bengal. In 1929, it had nearly 4000 members, and a working capital of nearly 6 lakhs. It has a monopoly of trade in ganja and bhang, and makes profits of several lakhs. Out of its profits, the society maintains 3 charitable dispensaries, 1 veterinary dispensary, and subsidises 3 English High Schools, and 87 primary schools in the area, and gives large donations for various charitable purposes.

Ginning Societies of Bombay:—There are great possibilities of organising a number of agricultural industries on co-operative lines for working up the agricultural produce before it is marketed, such as rice-mills, oil mills, cotton gins and presses. Co-operative enterprise in these lines, however, has not made much progress. Of the 3 co-operative gins started in the Bombay Presidency, only one at Sonsek in Surat is working well, being supported by the constituent societies. The Gadag gin is recently making good progress.

Agricultural Industrial Societies:—Of the 5 agricultural industrial societies started in the Madras Presidency, 2 were newly formed; of the remaining 3, only one society at Kalla-

kurichi is working satisfactorily. It has machinery for rice hulling, decortication of groundnut, and for sugarcane crushing, and manufacture of jaggery. The society earned a net profit of Rs. 3,400 in 1928 and Rs. 800 in 1929. Though Bengal has the privilege of registering a sugar factory, it is too early to speak of its success, as it has not yet commenced work. The Gosava Jamini Rice Mill started by one of the Paddy Sale Societies of Bengal is doing well, as also the Legaing Co-operative Rice Mill of Burma.

SOCIETIES FOR TRADE

Supply Societies:—Supply societies, as such, exist in very few provinces. Most of the societies started in Bombay for the supply of manure, implements, etc. are languishing, partly due to absence of proper supervision and partly to want of loyalty. Those started as unions of societies are doing well, especially when coupled with the business of sale, as will be described under the head of sale societies.

Supply of Seed:—The supply of good seed is an important matter requiring the urgent attention of our agriculturists, and the application of the co-operative method to this branch is bound to give good results. Seed granaries may be established for collecting the best seed from the members themselves during the harvest time. The cotton sale societies of Bombay do the work of distributing approved varieties of seed; the agricultural associations also do similar work. But there are no seed distribution societies or depots as such, started either by co-operative or private agency. But a number of seed farms are maintained by Co-operative Societies, notably in Burma, with the help of the Agricultural Department.

Development of Sale:—With regard to agricultural trade, the sale branch has received more attention than that of supply. The most important articles handled are cotton and jaggery in Bombay, and jute and paddy in Bengal. Other

articles have, no doubt, been receiving attention, but their sale has not made much progress.

Cotton Sale Societies of Karnatak and Gujerat:—These are the most important sale organisations in the Bombay Presidency. There were 25 such societies in 1930, but among these, the two societies of Hubli and Gadag in the Karnatak and the four societies of Surat in Gujerat carry on transactions on a very large scale. The societies sell improved cotton seed to the members. In 1930 the sales of the societies in the Karnatak amounted to 23 lakhs, and those of the societies in Gujerat to 15 lakhs. The sales of all the remaining societies amounted to about 6 lakhs.

Difference between the two types:—There is a wide difference between the types of societies of the Karnatak and those of Gujerat. The former have large areas of operation. They have been formed on an individual basis, first by enlisting as members a few important persons in the market town concerned, including agriculturists, cotton dealers, landowners and private gentlemen, and then by enrolling the primary credit societies within the area of their operation. The cotton of non-members as well is sold to get a larger turnover. The produce is not pooled. The same conditions apply to most of the sale societies of all kinds throughout the Presidency. One result of heterogeneous membership of a society is that it often leads to internal dissentions.

The cotton sale societies of Gujerat are small groups of primary credit societies. The agriculturists of three or four villages growing a similar strain of cotton combine themselves into a society, pool their cotton, and sell it jointly by private treaty, and not by auction as in the Karnatak. One of the members with experience in cotton business is appointed manager, and paid a substantial lump sum to cover the working season of 3 or 4 months. Though the Gujerat Societies cover a smaller area than those of the Karnatak, yet owing to their cohesion, loyalty and unity of purpose among

their members they are much more co-operative than the Karnatak type. Those in Surat have recently united themselves into a federation which has taken over the co-operative ginning factory already started by the members.

Advantages of Co-operative Sale:—The advantages of co-operative sale to the growers of cotton are the following:—(1) correct weighments done in the presence of the cultivator, (2) realisation of adequate price, (3) insurance of the produce against risks of fire, (4) prompt payment of sale price, (5) advance of a loan on the deposit of goods to the extent of 60 p. c. of their market value, (6) advise regarding the fluctuations of prices in the central market, (7) no levy of extra charges usually made by the brokers, (8) supply of gunnies and improved seed to the cultivators.

Sale of other articles:—Societies for sale of other articles in Bombay are as follows: Jaggery 2, tobacco 1, chillies 1, paddy 5, onion 1, areicanut 2, and miscellaneous produce 18. Some financing banks also help the sale of produce. Some of the branches of the Provincial Bank did the sale and supply business on behalf of the members. At present it is done at a few branches, as elsewhere it is taken over by separate registered societies or unions. The Poona Central Bank has been offering godown facilities at several centres to help the affiliated societies to stock their members' produce for sale when the market is high. This step has helped to reduce the Bank's overdues.

Purchase and Sale Unions:—There are 5 unions in Bombay which do the work of both sale and supply. The membership is confined only to societies. The chief difficulty of these bodies is that cultivators require advances on the security of their produce, while the sales are required to be made on credit, the price being paid after a week. The Unions are, therefore, handicapped by shortage of finance. Introduction of the system of trade bills would overcome the difficulties. Those unions which are able to secure satis-

factory financial accommodation from their financing banks do not labour under this difficulty, e. g. the union in West Khandesh working with the assistance of the local branch of the Provincial Bank.

Jute Sale Societies in Bengal:—There were 85 sale societies of all kinds in Bengal in 1929 with a total working capital of 37 lakhs and they made sales worth 82 lakhs. Most of these are jute sale societies which have started a wholesale society at Calcutta in 1927 known as the Bengal Co-operative Wholesale Society, with an expert manager at its head. It keeps in touch with the fluctuations of the market and gives advice and guidance to the affiliated societies. Some local societies have organised central societies at three centres, and these are also affiliated to the wholesale. The packing of jute by the co-operative societies is now recognised by the Calcutta mills and shippers as equal to the best European packing. It is very encouraging to know that training is given to supervisors of co-operative central banks in jute assortment and business.

Paddy Sale Societies:—The Paddy Sale Societies of Bengal have started in 1927 the Central Paddy Sale Society with a Sale Depot in Calcutta. A fixed grant of Rs. 3,000 for equipment, and an annual recurring grant of Rs. 12,000 for 3 years sanctioned by Government, has enabled the society to make a good start.

Commission Shops of Punjab:—In 1929, there were in the Punjab 24 Commission Shops, with societies as well as individuals as members. They together sold produce worth 47 lakhs, of which 37 per cent. belonged to non-members. The sales are made to local merchants and not to the merchant at the port. The latter course would only be possible if a wholesale society were organised. There were also 6 sale and purchase unions and 16 societies, but they are not working satisfactorily.

Purchase and Sale Societies of Madras:—There were 127

sale societies in 1929 in the Madras Presidency. Their total sales of produce amounted to only 5 lakhs, and they sold to members articles worth about 5 lakhs. The societies have not made much progress, their transactions being very small. The biggest society in the lot is the Tiruppur Cotton Marketing society which made sales worth $2\frac{1}{2}$ lakhs equal to the trade of all the rest. Madras has 10 Crop Loan and Sale Societies through which adequate loans are made to cultivators on the security of their crops to enable them to hold out their produce for a favourable market. A Senior Inspector has been appointed in every District to look after non-credit work under the direction of a Deputy Registrar.

In other Provinces:—In Bihar and Orissa there were 8 agricultural societies and 4 purchase and sale societies. In Central Provinces and Berar there were 4 Adat Shops. The transactions of all these were very small.

Difficulties and their removal:—The main difficulties in the matter of sale organisations in India are: (1) Small quantities of produce available from each ryot; (2) The pledging of the produce to the money-lender before it is ready for the market; (3) The prevailing system of sale through Commission Agents, who also advance loans to the ryot on the pledge of the crop; (4) Absence of godowns; (5) Inadequacy of finance; (6) Absence of regulated markets and methods of marketing; (7) Absence of communications in rural areas. These difficulties may, however, be overcome by patience and perseverance. The first by making the existing credit society the collecting centre, wherever it exists; the second by providing adequate finance to members of credit societies by the wider and systematic introduction of normal credit statements; the third by financing the movements of crops, in a more systematic manner than at present; the fourth by the adequate provision of godowns by the joint efforts of financing banks, District Local Boards and Government; the fifth by making godown receipts negotiable so as to raise money

thereon from banks, as is being done in the United States of America, Germany and Japan, and may be made possible by the state regulation of warehouses and by the erection and regulation of godowns by agencies who command credit, such as Railways and Steamship Companies. In our country, the District Local Boards and Municipalities may also undertake the work, in addition to Government and other agencies. A beginning can be made by making some contrivance whereby the farmer could hold over his produce when the prices are low to get a better price by biding his time. This can, however, be done by providing godowns at convenient and important rural centres. Costly buildings need not be constructed, but some existing buildings may be made proof against rats and damp at small cost to answer the purpose. Co-operative Banks in most of the provinces have got ample funds to enable them to finance agricultural trade to a great extent, but are prevented from undertaking the business as the documentation of goods to afford security scarcely exists. The sixth difficulty can only be removed by Government as is done in all advanced countries. Regulation of markets and of the methods of marketing must come through the initiative of the State. A beginning has been made in Berar by the enactment of Cotton and Grain Markets Law, and in Bombay the Bombay Cotton Markets Act 17 of 1927; similar legislation must be undertaken in the case of other important crops, if not all. The last difficulty can be overcome by provision of roads connecting villages to the main roads. This is, no doubt, a question of investment of funds, the responsibility for which lies mainly with the Local Boards. It would be possible to reduce the cost by inducing the villagers to contribute a part either by way of labour or in cash or in kind.

Organisation by Government:—Agricultural trade may at the commencement be undertaken by financing banks as was done in Germany. Where separate trade societies are

started, they should work in close contact with financing banks or with an assurance of financial help by them. But the work of organisation must be taken up by Government, at least at the initial stages, by employing some competent staff, specially trained for the work, placing it under the Registrar. The present meagre results are due mostly to the fact that the work is taken in hand by financing banks without having the benefit of expert advice. Without an adequate staff of wholetime workers, non-credit co-operation cannot be expected to make satisfactory progress.

CHAPTER XXXI

SOCIETIES FOR AGRICULTURAL DEVELOPMENT

Agricultural Development in Europe—Industrialisation of Agriculture—Work in European Countries—The Agricultural Department in India—Co-ordination of Agricultural and Co-operative Departments.

Agricultural Development Societies in India.

In Bombay—Madras—Bengal—Burma—Central Provinces and Berar—Punjab—United Provinces, and Bihar and Orissa—Agricultural Problems.

Land Improvement Societies.

Consolidation of Holdings Societies in the Punjab—Kashmir, Baroda and United Provinces—Rectangular Survey Societies of Sind—Bunding Societies of Bombay—Fencing Societies of Bombay—Forest Preservation Societies of Bombay—Land Reclamation Societies of Madras and Punjab—Colony Landholding Societies of Punjab—Co-partnership Tenancy Societies of Burma.

Irrigation Societies.

In Bengal—Madras and in other Provinces.

Future Work—Value of Education.

Agricultural Development in Europe:—If the 18th century set in motion the Industrial Revolution, the 19th century gave rise to what may be described as the Agricultural Revo-

lution. The theory that farming is subject to the law of diminishing returns, though not reversed, underwent considerable modification. The old economists regarded the soil as having a limit of natural fertility, but the application of the new science to agriculture, showed that land could be made to yield considerably more than in former times. The old methods were limited by the amount of the farm-yard manure available, but now the return from the field depends upon the outlay of money the farmer can make on artificial manures. Formerly, the farmer was obliged to leave his land periodically fallow for recoupment, but now he can replenish it by the application of chemical manures and the scientific rotation of crops. New methods, unknown to former generations, have been devised for the prevention and cure of various kinds of diseases of the plant and the soil, and for the improvement of the quality of the plant itself so as to make it capable of giving a better yield. All these changes have profoundly reacted on the character of agriculture, and have made the modern farmer more expert and less fatalistic than he was before.

Industrialisation of Agriculture:—With the application of co-operation, if the farmer can get his requirements cheap and sell his produce to advantage, with the application of agricultural science he is enabled to produce more and better crops than he used to do formerly. In other words, the combination of both these factors has virtually industrialised agriculture in Western Countries. In the former age of self-sufficiency, the farmer was obliged to produce on his field something of everything he wanted, but now he specialises on the crop which his soil is best suited to produce. In olden times, the farmer produced primarily for his own consumption, selling only the surplus if any. Now he produces primarily for the market, and is helped by agricultural science to get the best results and by co-operative societies to get the best terms.

Work in European Countries:—Thus, agricultural and co-operative propaganda go hand in hand in western countries. The agricultural departments and the agricultural colleges bring the knowledge of agricultural research and discoveries, not only within the reach of the farmers, but carry it to their very doors by every possible means. Had it not been for such efforts, Danish Co-operation would have been a tame affair. On the other hand, co-operative societies, through their federations help the spread of such knowledge among their members. For instance, the supply societies of Germany organise regular courses of lessons for their members on selection of seed, application of manure and use of implements; the stock breeding societies organise courses on all the aspects of animal husbandry; similarly, other kinds of societies spread technical knowledge on matters concerning their work. In some countries, separate organisations are set up for popularising scientific agricultural knowledge either acting in conjunction with the Government Department or independently. The Irish Agricultural Organisation Society established by Sir Horace Plunkett in 1894, besides the work of organisation, carries on considerable propaganda work with the help of officials of the Agricultural Department. An Agricultural Organisation Society has also been established in England in 1901 and another in Scotland in 1908 for doing work as in Ireland. In France, the Agricultural Syndicates established almost in every part of the country are very active bodies working in each district in the interest of agriculturists. They make experiments in improved methods of agriculture, spread agricultural education among the farmers, purchase seed, manure, implements and animals on their behalf and arrange for the sale of the produce for them. They also organise credit, insurance and other kinds of co-operative societies within their region.

The Agricultural Department in India:—Though an agri-

cultural Department was created in the early eighties in the major provinces of India, it did little practical work beyond the collection of statistics, and formed part of some other department, such as that of Land Records, etc. It was the Report of the Famine Commission of 1901 that first drew the attention of Government to the importance of scientific agriculture. That report not only led, on the one hand, to the initiation of the co-operative movement in India, but also on the other, to the establishment of a separate Department of Agriculture in most of the provinces. From 1905, the Government of India began to set apart sums for the development of agricultural research, experiment, demonstration and education. However, very little work was done for spreading agricultural knowledge among the farmers except in one or two provinces. It must, however, be noted that the illiteracy of the farmers is a factor which the Department has to contend with.

Co-ordination of Agricultural and Co-operative Departments:—All that the Department did in this direction was to start a few Agricultural Associations here and there with the object of popularising improved methods among the peasants. But in course of time most of these associations ceased to do any useful work. A closer co-ordination between the two Departments of Agriculture and Co-operation would have led to better results. The Royal Commission on Agriculture in its report emphasised the need of such co-ordination and observed that the Agricultural Department had failed to exploit the possibilities of the Co-operative Movement for propaganda work. It does not, however, appear that this observation has had the desired effect.

AGRICULTURAL DEVELOPMENT SOCIETIES IN INDIA

In Bombay:—In Bombay, a move was made for the co-ordination of the work of the two Departments since 1922. Eighty Societies, known as Taluka Development Associa-

tions, have been formed and are registered under the Co-operative Act. Most of them have replaced the old Agricultural Associations, which mostly served a larger area such as a district. The work of Taluka Associations is being guided by Divisional Boards having representatives of both the Agricultural and Co-operative Departments. The work of these Associations and Boards will be described in another chapter.

Madras:—In Madras, there are 16 Agricultural Demonstration Societies. They supply to members improved varieties of seed, manure, etc. obtained from the Agricultural Department. Only some of the societies do the work of demonstration with the help of the Agricultural Department.

Bengal:—The 31 Co-operative Associations of Bengal are formed to meet the demand for improved seeds and agricultural implements.

Burma:—The 18 District Agricultural Associations of Burma were not able to do much work on account of the larger area they comprised and of their unlimited liability. Some of these Associations appointed Supervisors of Unions as is being done by some of the Taluka Development Associations of Bombay; but the work of supervision done by them has been considered to be unsatisfactory. It is proposed to reform the Associations on the model of the Taluka Associations of Bombay. There are also 39 Demonstration farms in Burma.

C. P. and Berar:—The 15 so called Agricultural Associations in C. P. and Berar are business societies doing work on behalf of their affiliated societies. Agricultural propaganda is, however, being carried on by Officers of the Agricultural Department in society areas.

Punjab:—The Better Farming Societies of the Punjab are said to be working successfully. They mainly concentrate upon inducing their members to use good seed, a greater variety of implements, and better methods of cultivation and

in all this work they have attained considerable success not only among their members but also among their neighbours. There were 119 such societies with 3036 members at the end of 1929. Eleven of these societies have placed a tenant in charge of a small area, generally about 30 acres, which he cultivates according to the orders, while the rest cultivate their own land on improved lines, recommended by the Agricultural Department. In this work they are assisted by 28 Mukkadams or Overseers trained by the Agricultural Department. It is said that only a few of these are useful and that many of them have not enough practical knowledge to inspire confidence. Some societies extirpated the devastating *pohli* weed, and several others introduced the method of pitting manure to prevent wastage by exposure.

United Provinces:—In the United Provinces, a good deal of better farming is carried on through the medium of credit societies by carrying on propaganda through the officers of Agricultural Department. Two separate societies of better farming are also formed.

Bihar and Orissa:—In Bihar and Orissa, the Central Banks actively promote agricultural improvements among the members of societies. Out of 67 Banks, 48 undertook this work by propaganda, demonstration and dissemination of improved seeds and fertilisers with the help of the Agricultural Department. To supervise their agricultural activities, several Central Banks employed agricultural Kamdars, while 2 Banks are maintaining a whole-time Agricultural Inspector and a Kamdar. A number of Banks also arranged to get Kamdars trained at the Sewam Farm. Five Banks entertained agricultural inspecting clerks for which they received subsidies from Government, and subsidies are sanctioned for 7 more Banks during the year. Land improvement and well irrigation and embankments also are encouraged by making small grants to societies.

Agricultural Problems:—It will be thus seen that, on the

whole, the efforts made for the spread of agricultural knowledge in India are still of the nature of an experiment and are neither extensive nor intensive. There are, on the other hand, other agricultural problems, the solution of which must precede the application of scientific agriculture or the introduction of improved seed, manure and implements. The holding of many farmers consist of small bits of land scattered here and there, and unless these bits are consolidated into a compact whole, all improvement in the methods of agriculture will be of little avail. Secondly, scarcity of water is another acute problem in areas where the rainfall is scanty or fitful, and deserves earlier attention than the improved methods of agriculture. It would be interesting to know how by the application of co-operation such problems are sought to be tackled. Societies formed for such purposes will be described under the two heads of Land Improvement Societies and Irrigation Societies.

LAND IMPROVEMENT SOCIETIES

Consolidation of Holdings Societies of Punjab:—The success achieved by the Punjab in effecting consolidation of holdings by co-operative methods is well known. Consolidation has been carried out in as many as 500 villages. As these societies deserve a detailed treatment they are dealt with in a separate chapter.

In Kashmir, Baroda and U. P.:—The Punjab method is being adopted elsewhere. Kashmir has consolidated holdings in 32 villages, Baroda in 11, in the United Provinces there are 6 societies of this type.

Rectangular Survey Societies in Sind:—In Sind the holdings of the farmers being large, there is not much scope for consolidation work, but two societies known as the Rectangular Survey Societies were recently formed for dividing the holdings into rectangular blocks in the Lloyd Barrage

area. The work involves the readjustment of some of the holdings, but not to the extent required in the case of consolidation of holdings.

Bunding Societies of Bombay:—The 10 Land Improvement Societies of Bombay improved 1200 acres of land at a cost of nearly Rs. 18,000 by damming and bunding. The Salukutta Dam Society of Kanara built a Pukka dam at a cost of nearly Rs. 6,000 and brought 222 acres under cultivation. Government gave a loan of Rs. 1000 to the Society.

Fencing Societies of Bombay:—Another method of reclaiming land adopted in Bombay is by putting up wire fencing around the land to protect it against the inroads of wild animals which made cultivation impossible. The 13 societies of this kind together covered a total length of 25 miles of fencing. Eight of these societies have now formed a union of their own for supervising the work with the help of a qualified Supervisor.

Forest Preservation Societies:—A few Forest Preservation Societies started in the Ratnagiri District deserve mention. The villagers concerned collect a small levy among themselves and appoint a watchman on their behalf to guard the forest against acts of destruction by man or animal.

Land Reclamation Societies of Madras:—The 9 societies of Madras reclaimed 737 acres. They were financed by Government to the extent of nearly 2 lakhs. In some areas where the fields were covered by sand brought by flood, the land is being reclaimed by digging higher level channels.

And of the Punjab:—The 4 land reclamation societies of the Punjab reclaimed wasteland to the extent of 227 acres, and 5,000 acres are under operation. By growing grass etc., on the area to be reclaimed and selling it, they collected Rs. 3,000, of which two-thirds were distributed among the members.

Colony Landholding Societies:—The 5 societies of this type in the Punjab are a mixture of landholding and credit.

The land is being cultivated and the members are making a living out of it.

Co-partnership Tenancy and Credit Societies of Burma:—These are colonisation societies for bringing under cultivation the large areas of land extending over lacs of acres in the disafforested Government reserve. The societies are fully financed by Government and a separate Colonisation Department is formed doing the work of estate management and the supervision of the societies. About 120 societies of this type have been formed, the most important of them being those in the Sittang area, which have organised a Banking Union doing the work of a Central Bank. An attempt is made in the scheme to maintain peasant farmers cultivating land of good size. The ultimate success of the enterprise will depend on preventing alienation of the land and on improving agriculture.

IRRIGATION SOCIETIES

In Bengal:—Bengal has specialised in irrigation societies, and the Royal Commission on Agriculture has referred to them as one of the few examples of successful organisations of non-credit societies. The total number of societies in 1929 was 758 with a membership of 20,000, and they cover a total area of 1,30,000 bighas, (one acre=1⅓ bighas). The largest number of these societies are in the Districts of Birbhum and Bankura. Some of them put up an embankment, but most of them take up the work of re-excavation of silted up tanks and canals, or of constructing wiers against running streamlets. As a result of the work of these societies, large areas are rendered immune from drought and crop failure. All this is achieved with no outside help, except that of the organising staff provided by the Co-operative Department.

In Madras:—In Madras, there are 17 irrigation societies, 9 of which are for irrigating land jointly with the aid of

power pumps, and 8 for keeping channels in good repair, known as Kudimaramat work. The societies obtain long-term loans from Government.

In other Provinces:—In Bihar and Orissa, there are 3 irrigation societies. The Dam construction societies of Bombay already described are irrigation societies. A couple of power pumps societies also exist in Gujerat. The 26 silt clearance societies of the Punjab are irrigation societies, as they are engaged in the work of clearing silt from old channels.

Future work:—It will be seen from the above brief summary that the extent of work done up to now in the direction of agricultural development is very small and there is a vast scope for further work. On the other hand, several important matters have received very little attention. For instance, no measures have yet been taken to prevent soil erosion which has been taking place every year in many parts of the country. Methods of dry farming, in areas where rainfall is scanty and irrigation is impossible, is another matter deserving immediate attention. In canal irrigated areas, another kind of co-operative effort deserves attention. The work of distribution of water can well be taken over by co-operative societies, thereby reducing a portion of the cost of water and avoiding the much complained of irritating treatment at the hands of petty officials. As for the knowledge of scientific agriculture, it must be admitted that it has made little advance in rural areas even in those places where it could be applied with advantage. Animal husbandry yet awaits to be improved in the villages, though it forms one of the most important factors in rural economy everywhere. And above all, the man behind the plough, who forms the chief factor in agriculture, has received very little attention. A writer on Ireland has remarked: "The wealth of a nation lies, not on the material resources at its command, but in the energy, initiative and moral fibre of its people; without

these attributes no country can become permanently prosperous, with them, no unfavourable circumstance can long prove an insuperable obstacle".

Value of Education:—Illiteracy and ignorance of the Indian farmer have hampered the growth of agricultural development and the progress of co-operation. At a time when scientific methods in farming and in the handling of the farm produce form the rule, the old fashioned simple methods will no longer suffice. Farmers as a rule are conservative and distrustful of new methods, and this apathy and distrust can only be removed by education. Education of the farmer is essential not merely for agricultural and co-operative advancement, but for all kinds of rural progress.

CHAPTER XXXII

AGRICULTURAL ORGANISATION IN BOMBAY

Agricultural Associations—Functions—Causes of their failure—Taluka Development Associations—Objects of the Associations—Funds and Grants—Present Progress—Supervision of Co-operative Societies—Divisional Boards—Composition of the Board—Functions of the Board—Meetings of the Board—Central Joint Board—Divisional Cotton Committees—Bombay Provincial Board of Agriculture—Subjects discussed by the Board—Imperial Council of Agricultural Research.

Agricultural Associations:—Organised efforts to improve agriculture in India began to be made since 1904, when the Agricultural Department in every province began to be separated from other departments and placed under the Director of Agriculture. With a view to spreading the knowledge of scientific agriculture and of improved methods of farming among the people, model farms were established in various

places, and private bodies under the name of Agricultural Associations were formed in many provinces. These Associations were not registered bodies; nor had they any definite power given to them. They were voluntary organisations, supported by the subscriptions of their members, and encouraged by the officers of the Agricultural Department. A large number of such associations were formed in the Bombay Presidency and a few in other provinces as noted in the previous chapter.

Functions:—Their main function was to popularise new methods in agriculture, new manures and new implements and the introduction of improved seed. With the aid of some of the associations, the Agricultural Department established demonstration farms and placed each of them under an Inspector or Demonstrator, appointed by the Department. The Associations also held demonstrations, and occasionally exhibitions; but did no organising work. They also helped the Department in the work of Agricultural Conferences. The most important of these bodies is the Deccan Agricultural Association established in 1909, which still exists and has been conducting the Marathi agricultural journal: *"Shetki and Shetkari"*.

Causes of their failure:—These Associations have on the whole proved a failure. The area from which the members were drawn was usually too large to permit of concentration of activity sufficient to produce any positive results. No definite task was assigned to them, and they produced no tangible results. They often depended too much upon the enthusiasm of a single member.

Taluka Development Associations:—With a view to systematising the work done by the Agricultural and Co-operative Departments in respect of agricultural improvements, the Government of Bombay in 1922 embarked upon the policy of forming Taluka Development Associations. The membership of these associations is open both to co-operative soci-

eties and to individuals who are willing to pay a small subscription. The association is merely a deliberative body which meets two or three times a year to appoint office-bearers, to sanction the budget and to approve the programme of work. The execution of the programme is entrusted to the Secretary and a small working Committee, of which two members are representatives of co-operative societies in the taluka. The Associations are registered under the Co-operative Act, and their total number in 1930 is 80.

Objects of the Associations:—The main object of an Association is demonstration of improvements in implements, in seed and in manures, but other objects are also kept in view for being undertaken where possible. The following are the objects in the model by-laws:—The object of the Association is the agricultural development and organisation and supervision of co-operative societies of the Taluka concerned, and with a view to achieving the object, to undertake work in the following directions:—

(1) Dissemination of agricultural knowledge by means of demonstrations, lectures, pamphlets etc.

(2) Introduction and supply through Co-operative Societies and on the principles of the Co-operative Movement of:
   (a) good and reliable seeds,
   (b) better and improved implements, and
   (c) good and useful manures.

(3) Improvement of the breed of cattle and the milk supply.

(4) Consolidation and enlargement of scattered and small holdings.

(5) Development of secondary home industries.

(6) Organisation and improvement of co-operative societies, to increase the resources of agriculturists and also for better cultivation of their lands and for the supply of domestic requirements.

(7) Representation of the grievances of agriculturists to the authorities concerned.

(8) To purchase on indent for members and constituent societies such resources in seed, manure and implements as they may require, pending the organisation of separate societies for the purpose, or to purchase such articles on indent for members and constituent societies when required, or to arrange for sales of the agricultural produce of members without incurring any financial responsibility.

(9) Such other work as may suggest itself to the general body.

Funds and Grants:—The funds required for the work of the Association are provided by annual subscriptions from members including societies, and an annual grant from Government which is equal to the income from other sources up to a limit of Rs. 1,000.

Recently, however, as Government, on account of financial stringency, have ceased to make grants to new associations, no future increase in the number of such associations would be possible.

Present progress:—Out of the numerous objects enumerated above, the main work undertaken at present consists of agricultural propaganda. The 80 Associations in the whole presidency have a membership of 55,000 individuals and 621 societies. The expenditure of all these Associations on agricultural propaganda was over a lakh of rupees. The Khandesh Division shows the best development as regards these Associations. The 17 associations in Khandesh had a membership of 29,000 individuals and 199 societies and spent Rs. 33,000 during the year. In the Southern Division the 11 Associations had a membership of nearly 4,000 individuals and spent nearly Rs. 24,000.

Supervision of Co-operative Societies:—It was originally intended that in areas where a development association was

started, the supervision of credit societies in the area should be done by the association with the help of a Supervisor appointed under it. But this experiment did not prove successful in all cases, the function of supervision of credit societies being quite distinct from agricultural propaganda. The work of supervision is now being assigned to separate supervising unions started for that purpose.

Divisional Boards:—The Taluka Development Associations work under the general guidance of Divisional Boards, of which there are six, created by the Government resolution of 1922.

1. One for the Konkan Division, consisting of Kolaba, Thana, Ratnagiri and Kanara Districts;
2. One for the Gujerat Division, including five districts of that Division;
3. One for the Khandesh Division, includes West and East Khandesh Districts and Nasik;
4. One for the Maharashtra Division, includes the remaining Marathi Districts;
5. One for the Karnatak Division, includes Dharwar, Bijapur, and Belgaum Districts, and
6. One for Sind.

Composition of the Board:—Both the Co-operative and Agricultural Departments jointly assist the work of the Boards. Each of these Boards consists of two officials, and four non-official members. One of the officials is the Deputy Director of Agriculture of the Division and the other the Assistant Registrar of Co-operative Societies belonging to that Division. Of the four non-officials two are nominated by the Registrar of Co-operative Societies to represent the Co-operative Movement, and two by the Director of Agriculture to represent agriculture. One of the official members becomes by turn the Chairman of the Board.

Functions of the Boards:—The functions of a Divisional Board of Agriculture are as follows:—

(a) (i) to sanction grants to Taluka Development Associations;

(ii) to pass their annual budget;

(iii) to offer remarks on their quarterly reports.

(b) To prepare a programme of work for district agricultural overseers under the Agricultural Department and Agricultural Organisers under the Co-operative Department, such as popularising good seeds, implements, or holding short training classes of farmers to give instructions in practical methods.

(c) To scrutinise the quarterly reports of the Deputy Director of Agriculture and of the Assistant Registrar Co-operative Societies regarding agricultural co-operation and propaganda within the area of the Board.

(d) To consider and give opinion on matters referred to the Board by the Registrar or the Director of Agriculture.

(e) To develop non-credit agricultural societies and to recommend the registration of such societies, and the amount of Government subvention that may be granted to it.

Thus the Board, besides distributing the Government grant allotted to Taluka Associations, undertakes the distribution of the Government grant for loans and subsidies to agricultural non-credit co-operative societies, which was formerly in charge of the Registrar of Co-operative Societies. The Board also undertakes the distribution of the discretionary grant for propaganda purposes, which was formerly administered by the Director of Agriculture. The Board is also expected to advise local officers as to the way in which the policy laid down by Government or by the Director and the Registrar is to be carried out in its division. It is also expected to discuss questions of general importance and to bring to the notice of the department concerned such meas-

ures as it thinks should be taken for the economic advance of the division.

Meetings of the Board:—The Board holds its meeting every quarter in different centres by turn for the consideration of the business that may have arisen in the division in the course of the previous quarter. A few local workers interested in the work, and local officers of Agricultural and Co-operative Departments, are invited to attend the meetings and to express their views. The travelling expenses of the members of the Board and their daily allowances while attending the meetings are paid by Government, through the two departments concerned.

Central Joint Board:—The Divisional Board submits a report of its proceedings to the Registrar of Co-operative Societies and the Director of Agriculture, who together form the Central Joint Board to deal with the recommendations made by the Divisional Boards. The decision of the Joint Board is final. Any point on which difference of opinion may arise in the meeting of the Joint Board is to be referred to the Minister of Agriculture, whose decision is final.

Divisional Cotton Committees:—There is of late a tendency to set up special committees to attend to problems relating to particular important crops. The Indian Central Cotton Committee, for instance, was constituted in 1921 and was given a definite legal status and endowed with large funds by the Indian Cotton Cess Act of 1923. In Bombay, Divisional Cotton Committee's on the lines of the Divisional Boards are appointed for the three principal cotton areas of the Presidency, of Gujerat, Karnatak and Sind. Each Committee similarly consists of the Deputy Director of Agriculture, the Assistant Registrar of Co-operative Societies, one representative of cotton dealers and one of the cotton cultivators appointed by the Director. The Committee deals with questions of cotton cultivation and cotton trade and the organisation of cotton sale societies where possible. It is

very likely that jute cultivation and its trade in Bengal will similarly be regulated and helped in the near future.

Bombay Provincial Board of Agriculture:—A Board under the name of the Bombay Provincial Board of Agriculture is formed and constituted as follows, and meets every alternate year to consider problems relating to agriculture:

(1) A member of His Excellency the Governor's Executive Council, at present the Hon'ble Minister for Agriculture (Chairman) 1
(2) The Director of Agriculture (Secretary) 1
(3) The Registrar of Co-operative Societies 1
(4) The Director of Industries 1
(5) The Superintendent, Civil Veterinary Department, Bombay Presidency 1
(6) The Superintending Engineer, Deccan Irrigation Circle 1
(7) Twelve Officers of the Agricultural, Co-operative, Veterinary and Irrigation Departments, selected by the above mentioned five officers and approved by Government 12
(8) Two other Officers selected by Government from any Department on the basis of their interest in the knowledge of rural affairs and agricultural questions 2
(9) Ten non-official members from various parts of the Presidency proper to be selected by the Director of Agriculture and approved by Government ... 10

Total 30

The Officers selected under 7 and 8 above would be co-opted *ad hoc* according to the agenda to be placed for the consideration of the meeting. This Board has no connection with the Divisional Boards, its function being deliberative and to make recommendations to Government, through the officers concerned.

Subjects discussed by the Board:—The last meeting of the

Board was held about the end of 1927 and the following subjects were discussed, which will give an idea of the deliberative work done by it: (1) The Function and Future of Agricultural Vernacular Schools and Agricultural Bias-Classes. (There are about 60 such schools in the Presidency), (2) Land Development with special reference to dry-farming, (3) Measures to be used against grass-hoppers and locusts, (4) Well boring, (5) Publicity methods for Agricultural Improvement, (6) The improvement of the supply of bulky manures in canal tracts, (7) A report of progress since the last Meeting of the Board in 1925 on the following subjects: (a) Taluka Development Associations, (b) Secondary Occupations, (c) Cattle improvement, (d) Agricultural Machinery and Implements.

The Imperial Council of Agricultural Research:—It may be mentioned in this connection that, as a result of the recommendation of the Royal Commission on Agriculture, the Government of India in 1929 has constituted the Imperial Council of Agricultural Research, and a Provincial Research Committee has also been formed in each province. The objects of the Council are defined as follows:—

(a) The promotion, guidance and co-ordination of agricultural and veterinary research throughout India.
(b) The training of research workers under a scheme of research scholarships or in other ways.
(c) The collection and dissemination of information in regard, not only to research but to agricultural and veterinary matters generally.
(d) The publication of scientific papers, etc.

CHAPTER XXXIII

CONSOLIDATION OF HOLDINGS

Need of consolidation—Earlier Efforts—Consolidation work in Europe—Co-operative Method of the Punjab—Details of the Method—Government Staff—Progress of work in the Punjab—In other Provinces—Advantages derived from Consolidation—Preventive Measures in Europe and India.

Need of Consolidation:—The Law of Inheritance in India has subjected the land to divisions and sub-divisions, and the preference shown by the heirs of a deceased owner to get a share in each class of land, has made fragmentation more and more pronounced. The process has proceeded to a greater extent in tracts where crops are secured by adequate rainfall than in those with a precarious rainfall, where small scattered holdings would not have sufficed to maintain a family. A field is often found split up into as many chessboard plots as the number of shareholders, with the result that an owner has his holdings scattered all over the village area in tiny units. It is natural that he should feel no inclination or incentive to apply intensive methods of cultivation, and the tendency to indifferent farming is more and more in evidence.

Earlier Efforts:—Various methods were suggested from time to time to bring about consolidation of fragmented and scattered holdings in India. In Bombay, Mr. Keatinge, the then Director of Agriculture, drafted a Bill in 1920 to help the work of consolidation. Government did not wish to adopt it as their own measure, but permitted Mr. Keatinge to introduce it as a private Bill, which, however, never came up before the Council. The Bill was more or less of a permissive nature. In 1927, Sir Chunilal V. Mehta, the then Revenue Member of Government of Bombay, introduced in the Bombay Legislative Council what is known as the Small

Holdings Bill, but it was withdrawn owing to the opposition expressed in many quarters. In Baroda, a Law has been enacted on the subject, but it is of a preventive nature, forbidding sub-division of a field beyond a certain extent.

Consolidation work in Europe:—Fragmentation of holdings exists also in European Countries, though not to the same extent as in India. Whatever the extent of the evil, it is met by legislation, as in France, Germany and the Scandinavian Countries. The law allows the majority of owners to enforce consolidation on the minority, the work being done through Government Officers. Certain privileges are also given to facilitate the work, such as exemption from payment of stamp duty and registration fees on deeds of exchange, and in some countries financial aid is also given to help the dispossessed owners of houses, etc. The earlier law of France allowed consolidation to be done only with the consent of all the proprietors or a large majority of them. A similar law still prevails in Denmark. But nowhere in Europe is the work done with the help of Co-operative Societies.

Co-operative Method of the Punjab:—It was in the Punjab that the co-operative method was first tried to meet the evil by forming Co-operative Consolidation of Holdings Societies. The object of such societies is to effect the work of redistribution of scattered and fragmented holdings into larger blocks, in order to secure economy of management, better irrigation, and better protection of crops. The work is to be done with the consent of all the owners concerned. No doubt, it takes considerable time to bring round every owner, however small his interest may be. It may, however, be remarked that work done through Government agency with the help of legislation, as in European Countries, often leads to protracted litigation at the instance of discontented owners. There is no chance of litigation in the Punjab system, for the redistribution is voluntary. Minor disputes arising sub-

sequently are settled by the society through arbitration. The time spent, therefore, in reconciling all the owners at the initial stage cannot be considered to be a waste.

Details of the Method:—For doing the work of consolidation, Government has appointed the necessary staff consisting of special surveyors (Sub-Inspectors) drawn from the official land revenue staff, with a few Inspectors to supervise their work. The ground is first prepared by the regular co-operative staff by explaining the evils of fragmentation and the advantages of consolidation, on their visit to the societies in their charge. When it is felt that there is a chance of success, a Sub-Inspector of the Consolidation staff is detailed. He visits the village, holds a general meeting of the people, explains the advantages and methods of work, and when he feels that there is a general agreement, he takes the signatures of the villagers agreeing to the redistribution of holdings, and a Managing Committee is elected. Each owner has to agree to the desirability of consolidation, and to the general idea of repartition of the village lands with this end in view; each such owner has then to agree to abide by any plan of repartition prepared by the Committee and approved by 2/3rds of all the owners; he further agrees to refer all disputes to arbitration. It may, however, be remarked that the repartition is not effected without the consent of all the owners, though the agreement embodied in the Bye-law requires the consent of only 2/3rds of all the owners.

The Sub-Inspector then seeks to settle the following points and such others as may arise in the village:—(1) Classification of soil for purposes of repartition. (2) Reservation of plots for common village purposes, for example, roads, manure pits, etc. (3) Question of compensation for special improvements, such as fruit trees, timber trees, etc. (4) Settlement of shares in wells and other sources of irrigation. When all these preliminaries are settled, the Managing Com-

mittee with the help of the Consolidation Officer classifies the land and gets the classification approved by the general meeting. The extent of interest of each member in the area is then ascertained according to the settled classification. A field map is then prepared showing the redistribution of the land. It is then placed before the general meeting. If all the members do not agree to the proposed plan, a new plan is prepared. This process goes on even thrice and four times. Sometimes several months' labour is lost through the obstinacy of a single owner, unless he is brought round by pressure of public opinion. When the general consent is obtained, possession of the redistributed plots is given to the members. A note showing the fields of a member before and after consolidation is supplied to everyone. Mutations are then entered in the registers and all the members appear before the Revenue Officer who inquires as to whether each and everyone concerned has agreed to the repartition, and sanctions the mutations. In order to avoid cancellation of a society on account of failure to bring about common consent, registration is resorted to when all the procedure mentioned above is gone through. The main object of registration is thus to enable the members to decide any dispute that may arise later with regard to the rights, boundaries, rent, etc.

Other difficulties also arise in the course of the work. There may be a mortgagee, but he is satisfied by the Committee in the same way as the landowner. Where a Hindu widow is in possession of a land, the reversioners are also consulted or made members of the society. Persons under a disability, as a minor etc., are represented by their guardians. In the process of redistribution if an owner is allotted land inferior to that which he formerly held, compensation would be paid to him by the person who has gained by holding a superior land.

Government Staff:—When the experiment was first taken

in hand, there were only 10 Sub-Inspectors. In 1929, the staff was increased to 120 Sub-Inspectors and 10 Inspectors. The annual cost to Government is more than 1½ lakhs. The members of the staff are regularly trained in the detailed work of consolidation for a period of about a month by placing the new recruits under experienced Inspectors. Other Provinces at times depute Officers to be similarly trained. A Refresher Course is now being held for about ten days every year. The cost borne by Government works out at about Rs. 1-8-0 per acre. Local labour and an office, with free residence for the Sub-Inspector, are provided by the village, the cost of which does not exceed a couple of annas per acre.

Progress of work:—The work of consolidation was commenced in 1920. In 1925 about 40,000 acres were consolidated. The work done in the following years is as follows:—18,000 in 1926; 38,000 in 1927; 64,000 in 1928; and 48,000 in 1929. The total area operated is thus more than two lakhs of acres, and the work has successfully been completed in 500 villages. The total number of holdings has been reduced from 1/6th to 1/10th the former number. It is said that success has been obtained to a greater extent in those villages where there has been a good credit society for a number of years. It must, however, be remembered that the work taken in hand in a number of villages had to be abandoned on account of the obduracy of one or two members. The difficulty is sometimes met by leaving out the land of those who object, where such a course is possible, without hampering the main scheme. In many cases, such members voluntarily join when they perceive the benefit of the work. The work in all the districts has not been uniform. In some districts spontaneous applications for consolidation are being received; while in others, as in Amritsar and Lahore, the work is less successful, and this is attributed to the fact that in canal irrigated areas each land-holder

wishes to keep the advantages, real or supposed, that he may already have in respect of nearness to the outlet or other similar matters. The work does not increase with the mere increase of the staff as is shown by the figures of 1929. The more the number of owners in a given area, the more time is taken to complete the work; because the work has to be done by the common consent of all.

In other Provinces:—In Kashmir, 32 societies of this type have been formed, 11 in Baroda and 6 in the United Provinces.

Advantages derived from Consolidation:—The advantages derived by members from consolidation are numerous. New wells are sunk, old wells repaired, irrigation is extended, and land formerly lying waste is brought under cultivation. There is more demand for canal water, about 25 per cent. more than formerly. Cattle trespasses have been diminished, and a better breed of cattle is springing up. Litigation arising out of encroachment of boundaries has disappeared. Farming has become more intensive and the outturn of crop has increased. Rents have gone up, and the enhanced rents are willingly paid by the cultivators. Since 1929, there has been an appearance of welcome community spirit. Villagers are beginning to set apart their plots of land for the digging up of manure pits; for grazing grounds; for gardens; for school buildings; and even for school play-grounds. In fact, the reports of the Registrar of the Province have always been highly praising the work accomplished by the co-operative method, and the Province may take a just pride for the results achieved.

Preventive measures in Europe and India:—Measures for promoting consolidation are no doubt necessary, but those for prevention of fragmentation are more imperative. Holdings once consolidated may again become fragmented, unless the process is prevented by suitable measures. In India, no steps for prevention of fragmentation of holdings are

possible except through legislation. The Bombay Small Holdings Bill of 1927 contained two parts, one to bring about consolidation, and the other to prevent fragmentation by prohibiting all future sub-divisions of land into plots which are agriculturally uneconomic, and by ensuring that all transfers of land shall thenceforth be towards the consolidation of holdings instead of in the direction of fragmentation. The Bill, as already stated, was withdrawn. Many people are of opinion that legislative reform of this nature, interfering with the rules of succession and subdivision of estates as such, is likely to cause opposition, unless the minds of the people have been prepared in advance for its acceptance by an educative propaganda.

In European countries, various customary measures are in force for the prevention of fragmentation. The English Law of Primogeniture enables the eldest male to inherit the real property of his father, the rest of the children being entitled only to the movables. Moreover, in those of the European countries, where what is known as the Law of Napoleon is in force, the elder brother can buy out the younger, and so become the sole proprietor of the ancestral land.

In France and Italy, legislation has recently been passed, allowing the constitution of small family properties for cultivators, which property during their duration cannot be attached or sold or divided by any order of a Civil Court or otherwise. The general principle of the law is that the head of the family may, by a declaration before a Magistrate, after due notice, constitute any rural property including his house into a family property, which shall then be inalienable and exempt from attachment or seizure during his life-time or until such period as it passes to a major heir. Only a small property can, however, thus be converted into a family property. Once it is so constituted, it cannot be transferred by will.

CHAPTER XXXIV

CO-OPERATIVE JOINT FARMING AND LABOURERS' SOCIETIES

I. The Joint Farming Society.

I. The Joint Farming Society.

Its Origin—Two Types—Individualistic System—The Collectivist System—Capital—Discipline—Advantages of Joint Farming—Other Countries—India.

II. The Labour Society.

Its Origin and Nature—State Aid—The System—Discipline—Nature of work undertaken—Benefits—Possibilities in India.

Its origin:—Italy has made a special contribution to the co-operative movement by organising two types of labourers' Societies, one of which undertakes joint husbandry and the other large works of public utility. Agriculture, all over the world, is carried on on the individualistic basis, but in some parts of Italy, the joint-farming system on co-operative lines has been successfully introduced. It came into being as a remedy for two evils, the mitigation of unemployment and the elimination of the rent-collector. Landlords owning large estates lived in cities, renting their lands to farmer-generals, who in their turn employed labourers for cultivation. It was this system which the joint-farming societies attacked. The first attempt was made in 1886, when a number of tenants in Cremona formed a society and rented a large estate direct from the landlord and farmed it out to its members. The experiment proved unsuccessful, chiefly due to the trouble raised by the landlord. The next experiment, which proved successful, was made in Milan in 1894. The movement thereafter began to spread slowly but steadily, greater progress being hampered by lack of capital. After

the termination of the European War, a large number of the demobilized soldiers had to be employed on land, and Government offered the required funds and also large areas of unoccupied state lands to such societies. Thereafter, societies multiplied and their number is now more than 500.

Two types:—Joint Farming Societies are of two types, individualistic and collectivist. In the former, which is the more common, the land obtained on lease is divided into small plots, and each member cultivates his own plot, paying rent to the society; in the other, individual possession is not allowed, and the members work for a fixed wage under the society's manager, and the produce is pooled. The Catholics form the former type of society and the Socialists the latter. Each type is often suited to the land taken up for cultivation. Thus, the Socialists might be obliged to adopt the individualistic type, or the Catholics the collective type, either partially or wholly, if the nature of the land required the adoption of such a course. The individual farmers generally grow fruit, and the collectivists, rice and wheat. In the former type of society, the members are no more labourers, but have settled down as farmers, and in the latter they continue to be labourers. Government loans are now made through the Co-operative National Institute of Credit, which also arranges for the audit and inspection of the societies.

Individualistic System:—In this system, which is common in Ravenna, each member is given a plot according to his need for a term of years, generally co-extensive with the society's lease with the landlord, which mostly runs for 9 to 12 years. The conditions are that a member should not sublet, he must pay his rent regularly, and should not misuse his land. The distribution of the land is revised at the end of the period of lease, to see if any member has got more or less than his needs warrant, and adjustments are made accordingly, causing as little disturbance as possible to fixtures

made by tenants. Each member must have his own equipment, but the society makes arrangements to purchase costly machinery for being given on hire to members. Some societies introduce a sale and purchase department to enable members to purchase seeds, manure and even household necessities, and to sell their produce. A lending department is also often attached. A trained agriculturist is appointed as a manager by the society for giving expert advice to members. The parish priest gives every assistance and guidance, and composes differences and misunderstandings if any. All members are required to insure their crops. The premium on grapes is 18 per cent. and on wheat 6 per cent. Most of the societies are of unlimited liability and no dividend is distributed, the profit being carried to the reserve.

The collectivist system:—In the collectivist system of farming, the land is taken on a lease as in the other system, but the operations are done collectively as in a factory. Implements, machines, livestock belong to the society. Shares are paid in cash or by labour, or by both methods. The operations are directed by the manager. Every member receives a small plot, the area of which varies according to the size of his family. The division of land is made not for ownership but for cultivation only. Experiments for introducing the pure form of collectivism: i. e. for cultivation without division, are also made, but they are not all very successful. Seed and manure are supplied by the society, one-third the cost being debited to the member's account, and the rest to the profits account. Labour is supplied by the member and his family. Plots are redistributed every year or every second year. Medow land is not divided. Wages are paid partly in kind and partly in cash. All produce is pooled, and profits are distributed in proportion to the wages paid. Some societies open a store for shopping, and some do also banking on a small scale.

Capital:—Capital, in addition to that supplied by the

members, is borrowed from People's Banks. Implements, machines and manure are supplied on credit by the Union at Ravenna. Since the war, however, capital is being supplied by Government through the local banks or the National Institute of Credit at 2 to 3 per cent. below the market rate.

Discipline:—As for discipline, besides the sense of honour of the members, there is the tie with trade unionism which serves to facilitate matters. Every member of the society must be a member of the local trade union, where he learns the value of discipline. Members realise that whatever endangers the society, endangers themselves. Disputes between the society and its members are decided by the trade union. Breaches of discipline are punished by cutting wages as a fine, and even by expulsion, but as an extreme measure.

Advantages of joint farming:—Both the systems of joint farming have yielded satisfactory results. There has been an improvement in the method of farming, giving a better yield. Some societies have built local theatres out of their undistributed profits. A common-good fund is a feature of almost all the societies. Some have made provision for schooling of the children, and some for medical aid, where either did not exist before. Such amenities are more in evidence in the case of the collectivist than in the individualistic system of farming.

Other countries:—The joint farming system on the individualistic plan is introduced in Roumania, Ireland, France, and Germany.

India:—As regards India, it would be difficult to induce the illiterate and conservative peasantry to change the existing old system into a new one. Two attempts to introduce the Italian system were made in the Bombay Presidency. One of these was at Arjunsonda in the Sholapur District, where a society was formed on the collective plan, and the other at Bhambora in the Ahmednagar District on the individualist plan. Both, however, were unsuccessful. The

Maharaj Peth Joint Cultivation Society of Hangal in the Dharwar District is a very recent experiment in the same direction, but after the death of its energetic manager, the Society has given up joint cultivation for the present.

It would be possible to introduce one or the other of the forms of joint cultivation on land newly brought under cultivation, such as in the case of canal areas in Sind or the Punjab, or of the new disafforested areas in Burma. One great advantage of the system would be the elimination of fragmentation of holdings as a result of the laws of inheritance. A joint farming society can also be made the centre of all the co-operative activities, and in fact of all the rural activities of the village.

II. The Labour Society.

Its Origin and Nature:—The labour society also known as Brachianti, jointly undertaking works of public utility, is another achievement of Italy. Its object is to eliminate the middleman—contractor. Beginning with simple undertakings like, making a road, or building a hospital, it has extended its activities to construction of railway and even to operating mines. Though the movement commenced in about 1880, it began to take a firm root from 1900 and spread rapidly after the War, so that there are now nearly 3,000 societies. Both Catholics and Socialists have formed such societies. They differ from the English Building Guilds which supply nothing but their labour.

State Aid:—Government grants liberal aid to the societies through the National Institute of Credit. Before making payments, the Institute carefully checks through its engineers the projects and the estimates. Nearly all works of Government and local bodies are entrusted to the societies.

The System:—Each society appoints a manager and a Committee, on which the representatives of the local labour Union have also a seat. Service on the Committee is free.

Paid officials attend meetings but have no vote. Each member of the Committee supervises the work of the society by turn for a week, receiving only the bare expenses. The initial capital is raised by shares, the amount whereon may be paid by instalments. The liability is limited. Wages are paid on the basis fixed by the Labour Union. Different grades of pay are sometimes settled for different kinds of work, and the classification is revised once a year. Members are divided into squads, each under a foreman who is responsible for all implements and materials used, for the correctness of the pay-sheet and for general discipline. Profits are distributed as follows: 10 per cent. to the reserve, 40 per cent. to the accident and pension fund, and 50 per cent. are distributed in proportion to the wages paid. When work is insufficient to give full-time employment to all members, they either do turns, or reduce the hours of work. In a few societies, applicants for membership are required to serve a probationary period. The Catholic and the Socialist societies have formed separate unions.

Discipline:—Discipline is maintained by warnings, by fines, by reduction of wages, or by temporary suspension from membership, and in extreme cases by expulsion. Behind the society there is also the trade union, and expulsion from the former automatically involves expulsion from the latter, which no member would risk.

Nature of work undertaken:—The works usually undertaken are roads, embankments, terraces, bridges, buildings, reclamation and draining of marsh and swamps. Two societies have successfully undertaken the construction of railway lines. Societies are formed not merely by ordinary labourers, but also by persons belonging to different trade, such as carpenters, joiners, masons and metal workers. Even porters, dockers, sailors and carters have formed societies.

Benefits:—Since the introduction of these societies, un-

employment has been considerably reduced, the wages have increased 6 to 8 times the scale allowed by the contractors, and as prices have increased, only 3 or 4 times the pre-war rates, labourers on the whole have become more happy and less discontented. Most societies insure the lives of their members, and make provision for a provident fund for the aged and the infirm.

Possibilities in India:—Labour Societies on the Italian model were tried in a few provinces. Of the 4 societies formed in Bombay only two have survived. The Hukeri Labourers' Society in the Belgaum District is formed by the depressed classes. It gives advances to members and deducts them from the wages when the work is done. The society has been able to secure sufficient number of contracts. In 1930, it made profits amounting to Rs. 2,000, which were distributed as bonus among the members after setting apart a portion for the reserve. The other society, which exists in Broach, is formed by labourers belonging to the building trade. It executes contracts for erecting buildings.

In Madras, there are as many as 63 societies of labourers. They work as road-makers, wood-cutters, cart-men and field labourers. Only 33 societies are doing well. The Registrar complains that patronage from public bodies and even from Government Departments, has not been encouraging, and that the powerful competition of private contractors is so strong that the labour societies could not stand against them. The few societies of Travancore are doing well due to Government patronage.

There is no doubt a great possibility of starting such societies in large numbers in various provinces. But sufficient patronage must be forthcoming from public bodies as well as from Government. On the other hand, much propaganda will be required to persuade the labourers themselves of the great benefit they would derive by forming such societies. In the case of the Italian societies the stimulus came from the

labour unions. In India, though unions are formed among the men working in factories, workshops, docks and railways, no such unions exist among day labourers working in a trade. But it is doubtful whether their absence can be pleaded as an excuse for the want of development of the co-operative labour societies in our country. Labour unions in other European Countries, though found in all the grades of labour, have remained content with the mere work of resisting the employer's taking undue advantage of their helpless position. The great development of labour societies in Italy is mainly due to the help they receive from Government in the shape of loans, as well as to the patronage held forth from Government departments and local bodies by giving them contracts. Similar assistance in this country will no doubt lead to the development of labour societies on a large scale.

CHAPTER XXXV

INSURANCE SOCIETIES

I. Life Insurance.

Main Principles of Insurance—The System—Difference between Life and other Insurances—Two kinds of Companies—Actuarial Science—Factors Governing Rates of Premiums—Different Kinds of Policies—Sharing of Profits—Payments of Premiums—Surrender Value of a Policy—Age of the Insured—Medical Examination—Limit of Risks and Reinsurance—Extra Risks—Insurance of Women—Annuities—Fidelity Insurance—Industrial Insurance—Post Office Insurance—State Insurance System in Mysore—Group Insurance—Joint Life Insurance—Exemption from Income-Tax—Co-operative Insurance Society of Great Britain—House Purchase Plan—Co-operative Insurance Societies of Bengal and Bombay—Provident or Benefit Funds.

Main Principles of Insurance:—Insurance is a method adopted for making financial provision against certain risks

or death, from a common fund collected from persons willing to make mutual contributions to meet individual risks. The essential elements of insurance are foresight and co-operation. The term "assurance" is generally applied with reference to "life" risks, and "insurance" to risks of other kinds.

Two sets of events may disturb all anticipations, viz., (1) damage to property by such forces of nature, as lightning and hail, or perils of the sea, or fire; (2) premature death. The sufferers from these losses are often ruined, while the same pecuniary loss, if distributed over the whole number, would be little felt. In many countries in olden times, the sufferers were helped by some kind of voluntary relief, but such help was unsystematic and irregular. Insurance begins when the liability for the loss is recognized as common; and provision is made beforehand to meet it from a common fund. This conception led to the formation of associations for insurance.

The system:—Insurance has now become an essential part of the social programme in all civilized countries. Experience has shown that the corporate form of relief is the obvious remedy for the chief difficulties referred to above. Single risks become speculative wagers. A great number must be taken together to obtain a trustworthy average. A permanent institution can be trusted in long contracts. When regular associations began first to be formed, the premiums were fixed by guess work. The first important step towards the scientific valuation of hazards was taken in dealing with the insurance of human life, by a scientific study of human mortality, with the help of statistical and mathematical methods. These methods led to the establishment of the theory of probabilities. In the case of insurance of casualities, the premiums are determined by the trained business judgment of individual managers with the help of such statistics as they may obtain. Fire and marine insurances

are working on the law of averages of the accidents. In India, the only kind of societies started on co-operative lines are those for Life Insurance and Cattle Insurance. We will, therefore, give the main lines of work of these two schemes.

Difference between Life and other Insurances:—The term 'life insurance' is applied to the insurance of human life only. The main difference between life insurance and insurance of risks of fire and marine is that, in the latter, you can get only the actual amount of loss calculated by the insurance assessors. And this amount will not be increased even if the risk be insured with different companies. In the case of life insurance, the heirs of the insured person are entitled to get the whole amount of policy, whatever be its amount, and if the life was insured with a number of companies, the amount of all the policies. Moreover, in the case of insurance of other risks, the anticipated loss may not at all occur and, therefore, nothing would be paid in respect of the insurance. Such a contingency is not an improbability. On the other hand, in the case of human life, death is a certainty, though it may come sooner or later than the anticipated time, and the payment of the insurance amount becomes a certainty. Life insurance is, therefore, an investment having for its object both thrift and providence, and this is the reason why it is popular in all civilized countries.

Two kinds of Companies:—Life insurance companies are formed on two systems, one is proprietory, owned by shareholders, and the other mutual without shares. In the former, the policy-holders have no voice in the management, while the latter is wholly managed by the representatives elected by the policy-holders. Both are registered under the Companies' Act. A Co-operative Life Insurance Society may be formed by registration under the Co-operative Societies' Act. It would be on the mutual system, either having no shares at all, or even if shares are introduced, it would not be a proprietory concern, as the shares would be of small

value, carrying a limited dividend and held only by the policy-holders and by a few sympathisers for helping the concern.

Actuarial Science:—The life insurance business has been developed on scientific lines by a careful study of vital statistics, so that the insurance risk could be calculated as approximately as possible. The collective experience of such calculation has now been built up into what is known as the actuarial science, and every life insurance association engages the services of a qualified actuary to prepare its tables of premiums and to advise it on all technical matters arising in the course of the business. These tables are to be prepared with great precision, so that they do not require revision except at long intervals, if necessary, in the light of experience gained.

Factors Governing Rates of Premiums:—The premiums to be charged depend not only on the rate of mortality to be expected, but also on the rate of interest to be earned by the association on its funds, and on the proportion of the premiums to be set apart for profits, for the expenses, and for a reserve for providing against unforeseen contingencies. The safety and solvency of an insurance office depend upon its working within these limits.

Different Kinds of Policies:—Several plans of life insurance are introduced and they may be classed under two main systems. In the one, the insured amount is payable after death of the person insured, and in the other, at some specified age or at death, if it occurs earlier. The former is known as Whole Life Plan, and the latter as Endowment Plan. These are again divided into several sub-heads according to the system of payment of premiums, such as uniform premiums for the whole period, premiums limited in number, and a single payment, and also according to the system of benefits given to the policy-holder, such as With Profits and Without Profits, and with a number of plans for

payment of profits or bonus. The amount of premium to be paid is determined by the particular plan adopted.

Sharing of Profits:—The profits may also be paid to policy-holders in different shapes. In the Double Endowment scheme, for instance, instead of profits, double the insured amount is paid in case of survival of the insured person after a certain period, or only the insurance amount in case of earlier death. In another form of the same scheme, known as Double Benefit Scheme, the insured person gets the amount of the policy at the end of the specified period, and a paid-up policy of an equal amount payable to his heirs on his death. A scheme which pays a high rate of profits merely by increasing the rates of premium can obviously have no attraction.

Payments of Premiums:—Premiums may be made payable at intervals of a year or any shorter period, but are always to be paid in advance. The policy would remain alive up to the last date of the period for which the premium was paid. A grace of 30 days is given for payment of the second and subsequent premiums. If there is further delay in payment, the premium is accepted if paid with interest within one year on the production of a health certificate.

Surrender Value of a Policy:—When premiums are paid for at least 3 years, the policy begins to have a definite value, though it has not matured. This value is calculated at about one-third the amount of premiums paid, rising to a higher proportion as the standing of the policy increases, even up to 90 p. c. in the case of an endowment policy approaching maturity. If the insured person wants to discontinue the insurance, he may get back the amount by surrendering the policy. That is why it is known as the surrender value. If he elects to keep the policy alive, he may get a loan from the Insurance Company to the extent of 90 per cent. of the surrender value at a reasonable rate of interest. The Company may also of its own accord deduct outstanding pre-

miums out of the surrender value, charging interest as on a loan. A policy giving such accommodation regarding premiums is known as Non-forfeitable Policy, and the system is now adopted by all companies. In the case of a loan, however, if the holder has assigned the policy to any person, the consent of the assignee will be required.

Age of the Insured:—A life is assured only between certain ages, e. g., 18 to 55. The higher the age at which it is insured, the larger will be the amount of each premium, as well as the total of the premiums payable. It is, therefore, advantageous to insure life at as early an age as possible.

Medical Examination:—Every person applying to be insured is medically examined by the Company's Doctor to see if he is a fit person to be insured. The examination may be dispensed with under certain conditions, such as the production of a certificate of health by a recognized person, or that the insured amount would not be paid if death takes place in the first year of the Policy, and that if it takes place in the second year, only half the amount of premiums paid would be paid back. The full amount, however, is paid if death takes place after the second year, or even earlier, if death is caused by accident.

Limit of Risks and Reinsurance:—A person may insure his life for any amount, but every Company fixes a limit of risks to be acceptable on a single life; and the amount of insurance beyond that limit is reinsured with other companies.

Extra Risks:—Insurance in the case of persons, whose occupation exposes them to earlier chances of death, such as soldiers and others engaged in warfare, or those employed in mines, or those residing in an unhealthy climate, would be taken at a high rate of premium. A policy which undertakes risks of travelling or residence in all sorts of climate is known as a World Wide Policy.

Insurance of Women:—In the case of women, on account

of risks of death at child-birth, etc., a higher rate of premium is charged. If ordinary premiums are charged, then in case of death occurring within a certain age, say 45, the premiums with compound interests only are repaid. If it takes place after that age, the full insurance amount is paid.

Annuities:—Besides insurance of life, Insurance Companies undertake other kinds of business, which is more or less of the nature of a benefit investment, e. g., Annuities payable to children after a certain age for education, or a lump sum for business.

Fidelity Insurance:—Fidelity insurance, for a definite sum against defalcations by an employee, is also undertaken on the system of payment of periodical premiums, the amount thereof being dependent on the nature of work assigned to him. Such business, though not coming within the scope of life insurance, may be of use to co-operative societies engaging paid men in responsible places.

Industrial Insurance:—Insurance business is divided into two branches called ordinary and industrial. The one described above is called ordinary, in which insurances can be effected for any amount, and policies below Rs. 500 or 250 at the least are not issued, and the premiums are generally payable at intervals of a year, half year or a quarter. In the case of industrial assurance, the insured amount is small, generally not exceeding Rs. 250 and the premiums are collected weekly by the company's agents who call for them door to door. The premium is uniform, generally a penny a week, but the sum assured varies according to age at entry. On account of the high cost of collection in this system, no bonuses or other benefits are paid to policy-holders. Some companies do both kinds of business. The Prudential Assurance Company of London has achieved a great success in industrial insurance. There are similar companies in America. If such a scheme can be introduced in India and made popular, the premiums will have to be collected month-

ly, as the industrial labourers receive their pay monthly in this country. The Rupee Policies on payment of a rupee per month as premium were tried by some companies, but they did not become popular, as the business was not worked on the agency system similar to that introduced by the foreign companies.

Post Office Insurance:—To extend Life Insurance among persons of small means, and encouraged by the success of the Post Office Savings Banks, the British Government introduced the system of doing business in life insurance through the Post Office. The limits fixed are £5 or multiples thereof up to £100. For want of canvassing, the business done is not extensive. The Indian Government has introduced the Postal Life Insurance system, and policies of Rs. 100 to Rs. 10,000 are issued, but the business is confined only to Government servants, or persons in the service of public bodies which are of a semi-government nature like municipalities, railways etc. Premiums are payable monthly, and are deducted from the pay of the persons concerned. Annuities and monthly allowances can also be purchased from the Post Office by payment of a lump sum or of monthly premiums.

State Insurance System in Mysore:—In Mysore, there is no Postal Life Insurance system; but the State has introduced public life insurance for all its subjects. The minimum and maximum limits of the policies are Rs. 100 and Rs. 5,000 respectively. Any person who is a native of Mysore, or a permanent resident therein, may obtain a policy on his or her own life for Rs. 100 or multiples thereof up to the prescribed maximum.

Group Insurance:—Besides insuring individual lives, a system of simultaneous insurance of a group of men is also introduced, as in the case of members of a society, club, or of those working in a factory. The amount of premium is based on the average age of all the men coming within the

group. A single policy is issued for the whole group, providing for the payment for a fixed sum on the death of each person in the group, on condition that such person was a member of the society, club etc., for at least 3 or 6 months, as may be laid down in the conditions. The policy is renewable every year according to the increase or decrease in membership, and the premium is adjusted accordingly. Medical examination can be dispensed with on the usual conditions attached to such exemptions.

The group system may with advantage be introduced in the case of members of Co-operative Credit Societies, on behalf of borrowing members. The amount of premiums may be paid by the Society, debiting a proportionate amount to each member. The introduction of such a system will benefit the society, the borrowers as well as their sureties.

Joint Life Insurance:—Lives of two or more persons may be jointly insured, making the amount of policy payable to the survivor on the death of any one of them.

Exemption from Income-Tax:—With a view to encouraging Life Insurance, Governments of all countries grant exemption from income-tax on the premiums paid for life insurance to the extent of one-sixth the income. Thus, if the minimum limit of taxable income be Rs. 2000, and if a person's income be Rs. 2100, by paying annually life insurance premiums of Rs. 120, the latter would be exempt from income-tax. Another result would be that, the income of the person in question being now reduced to 1980, and thus being less than Rs. 2000, he will be liable to pay no income-tax at all. If, on the other hand, the income of a person is liable to super-tax, and if by the payment of premiums on his life insurance his income is brought below the minimum prescribed for such tax, the whole income would be exempt from super-tax. These concessions are allowed under the English Income-Tax Act; under the corresponding Indian Act, however, only the premiums actually paid are exempt from in-

come-tax, but the amount of such premiums should be included in the income in calculating the liability of a person to income-tax or super-tax.

Co-operative Insurance Society of Great Britain:—Co-operative Insurance Societies for various purposes are formed in all the western countries, the most important being the one formed jointly by the two Wholesale Societies of Great Britain on behalf of the members of all the stores in the Kingdom. This Co-operative Insurance Society has its head office at Manchester and 13 branches at different centres. It undertakes all varieties of Life Insurance, Joint Life Insurance, Group Life Insurance, Annuities, Accident Insurance, Employers' Liability Insurance, Live-stock Insurance, Fidelity Insurance, Burglary Insurance, Motor Cars and Cycles Insurance, Fire Insurance, and so forth. There are different departments for the different kinds of insurance.

House Purchase Plan:—The Society has also a House Purchase Plan, under which the prospective purchaser of a house for his own dwelling has to take out an endowment policy. After payment of one year's premium, he may apply for an advance, which will be paid by the Society after making the valuation of the property, and examining the title deeds, and on the mortgage being executed in favour of the Society. The advance is to be repaid by instalments of £5 or its multiple at the convenience of the borrower. Interest is charged on the outstanding amount of the advance at 5½ per cent. payable half-yearly. The house should also be insured with the Society against fire. On the death of the borrower, before the policy matures, the balance of advance and the outstanding interest will be deducted from the sum assured, and the balance, if any, will be paid to the deceased's legal representative.

Co-operative Insurance Societies of Bengal and Bombay:—Recently a Co-operative Insurance Society has been register-

ed in Bengal and another in Bombay. For the present, both Societies have confined their business to Life Insurance of a simple character, and hope to develop other kinds of work later on. Both issue policies up to Rs. 500 only without medical examination, the minimum amount of the policy of the Bengal Society being for Rs. 50 and that of the Bombay Society for Rs. 150. Recently the Bombay Society has begun to issue policies up to Rs. 2000 after making a deposit of Rs. 25000 with Government.

Provident or Benefit Funds:—Several Co-operative Credit Societies or Banks, especially those started by employees in offices in Bombay and Bengal, have adopted a kind of provident plan for paying certain amounts to the members on their retirement, or to their heirs on prior death. The members who wish to take advantage of such benefits have to pay certain fixed sums monthly or on call on retirement or death of members. The system cannot be said to be sound, unless it is based on actuarial tables, for under the prevailing plans one is not sure how much one shall have to pay and how much one will receive. Sec. 41 of the Bombay Co-operative Societies Act enables societies registered under it to form a provident fund and to contribute to it some portion of net profits, and Sec. 24 prohibits the attachment of such fund under a decree of a court.

CHAPTER XXXVI

II. CATTLE INSURANCE

Agricultural Insurance—Cattle Insurance—The Method—Absence of Statistics—Nature of Risks—Indemnity—Reinsurance—State-help—Rebate—Other Risks of Cattle—Work in Burma—In other Provinces—Government Concessions in Bombay—Necessity of Insurance—Difficulties.

Agricultural Insurance:—The class of insurance which is most essential to the agriculturist is one which can recoup his losses from fire, famine and from death of his live-stock. In Western Countries, Co-operative Societies have been started to insure the agriculturists' crops against hail, frost and storms, his property against fire, and his live-stock against death. A number of neighbouring owners combine to form a society, agreeing to pay in advance annually sums called premiums, which will together be equal to the yearly average amount of loss sustained in respect of the things insured, and from which the society pays indemnities to the members for any losses incurred by them during the year. The premiums are calculated at a fixed proportion of the value of the things insured, and vary as the risk of loss is large or small. The success of the society depends on spreading the incidence of loss on as large a number of members as possible. But a society with a very large number of members might become unmanageable. The difficulty is overcome by forming a central society, known as the reinsurance society, which receives a portion of the premiums from the affiliated societies up to half, and bears a proportionate loss. Joint-stock companies in those countries also do a large amount of business even in villages with a small margin of profit, but in India, no such companies do business in villages, and there are no companies doing insurance work in respect of farm risks.

Cattle Insurance:—Of all these forms, cattle insurance is the most important to India. In Western Countries, such as Germany, France and Denmark, co-operative societies for insurance of live-stock are very common. There are nearly 3,000 live-stock insurance societies in Denmark, while France and Germany have each more than 10,000. Among such societies, those for the insurance of cattle and horses form the majority, and those for the insurance of pigs and sheep form a small number. In the case of life, fire and marine insurance, large scale societies or companies generally succeed, while in the case of live-stock insurance, especially intended for the benefit of farmers, small societies are required as they give the members a better opportunity of controlling one another, and of watching the insured animals.

The Method:—A society must have at the start at least 50 cattle to insure, and the number may go up to 200, which is the average per society in Denmark. The animals should be admitted after careful examination by the Committee with the help of a Veterinary Inspector. The society should keep an eye over the insured animals to avoid trickery, and should enforce the rules regarding the keeping of the animals in health. The expenses of the society should be kept as low as possible, and the committee must work gratuitously. In Denmark, the cost of administration is on an average 3 per cent. of the annual premiums. The maximum risk up to which an animal can be insured by a society must be fixed. This amount is fixed at about Rs. 200 for cattle, and about Rs. 300 for horses. Separate societies for the insurance of stud bulls or stud horses, which have a much higher value, are therefore formed. In India, the maximum value may be fixed at Rs. 100. The premiums are calculated at about 5 per cent. of the annual value fixed for each animal on the basis of the average cattle mortality in the locality. Each animal is valued every year within the maximum so

fixed, in other words the insurance is annual and is to be renewed every year. In the case of animals, after the age of 9 years, a slightly higher rate of premium may be charged, or a lower valuation may be fixed as in Europe. An extra premium may also be charged if the animal is used for heavier work outside the field.

Absence of statistics:—The main difficulty in cattle insurance in India is the absence of reliable statistics of death of animals. Though the figures of total deaths may be available, the statistics do not record the various causes of death, especially those from accidents and epidemics. Neither is the age of the animal at which death occurred recorded. These drawbacks render the task of the cattle actuary extremely difficult in ascertaining the amount of risk with any degree of accuracy. Under these circumstances it would be safe to fix the rate of premium at a slightly higher rate at the commencement, lowering it, if necessary, at a later period. Buffaloes are more susceptible to disease and therefore a higher rate is sometimes fixed in their case.

Nature of Risks:—Certain kinds of risks are avoided in the policy, such as death from war, riot, rebellion, theft, and the act of a third party who can be held liable to pay compensation. Risks of epidemics and contagious diseases are, however, accepted, but the society has to take all the precautions to minimise such risks by engaging the services of veterinary inspectors for giving timely aid to the members for the preservation of their cattle. Such aid, in fact, must extend to all the animals in the locality, whether insured or not, to avoid the chance of contagion of the disease. Generally, such services are rendered free by the staff of the Government Veterinary Department.

Indemnity:—The amount of indemnity in the case of human beings is the full value insured, on account of the assumption that they avoid death as far as they possibly can. But in the case of animals, a slightly lower propor-

tion is fixed, amounting to two-thirds to three-fourths of the estimated value. This is the principle adopted by societies started in India. All surpluses at the end of each year must be carried to the reserve as security against bad years and epidemics. Many cattle insurance societies in European countries pay full value of the insured amount. But in all cases the value of the skin of the diseased animal is deducted from the amount due to a member.

Reinsurance:—It may happen that the indemnities falling due in any year exceed the total amount of premiums collected in that year. This is not unlikely to happen in the early years of a society, when it may have very little by way of a reserve fund. In European countries, such a contingency is met by the Reinsurance Society, to which all the primary insurance societies are affiliated, paying to the former about half the insurance premiums collected by the latter, which pays annually proportionate risks to each society. When, however, the amount received from the Reinsurance society does not wholly cover all the indemnities payable in that year to each member, the amounts have to be proportionately reduced. A Reinsurance Society is possible where there is a large number of primary societies situated in different areas. Where no such central society is started, in cases of contingencies mentioned above, the primaries concerned will have to make an additional levy all round, or reduce proportionately the amount of indemnity payable.

State-help:—In Germany, Austria and France, the State gives considerable aid to all kinds of insurance societies organised by farmers, not only by way of expert advice, but also in the shape of funds. In India, such assistance seems to be quite essential, and also a guarantee in the case of a reinsurance society.

Rebate:—Animals are insured in Europe between the ages of 6 months and 14 years, but in India, between the ages of 4 to 12 years only. It is natural that the farmer whose

insured animals do not die within that period should feel disappointed when he finds that he has been paying all the while and yet receives nothing in return. To meet such cases, a system of paying a small rebate has been introduced in India in the case of a member who has submitted no claims. The rebate is payable out of the surplus after meeting all claims, either periodically or at intervals of 3 to 4 years, or at the end of the full term of 8 years.

Other Risks of Cattle:—The cattle insurance societies in India insure only against death, and not against accidents which, though not resulting in death, may render the animals permanently unfit for service. Such risks, however, are insured in European countries.

Work in Burma:—Cattle insurance was first introduced in Burma. The Veterinary Department rendered considerable help by collecting statistics and preparing the ground, and by rendering expert aid and advice to societies. Nearly 400 societies were started in the province, and a central Reinsurance Society or Union was also started, which accepted risks to the extent of one-third, receiving one-third the premiums. The societies did good work for a number of years, but latterly, in the course of the last 11 years, a large number of them began to deteriorate. The authorities think that there is no chance of reviving them, and it is proposed to cancel about 300 out of the total number of societies, including the Reinsurance Union.

In other Provinces:—Cattle insurance societies are started only in two other provinces, but their number is very small, there being only 8 in the Punjab and 6 in Bombay. The work in the former province at one time held out good promise, the number of cattle insurance societies having gone up to 42, and even a reinsurance society was formed. Since eight years, the number of societies began to decline. An investigation of the causes of decline in the three provinces, if carried out, will be of great use.

Government Concessions in Bombay:—The following concessions have been given in Bombay to cattle insurance societies:—(a) A grant-in-aid of establishment charges at the rate of 1 per cent. of the value of cattle insured, subject to the maximum of Rs. 100 per annum in the case of any one society for the first three years. (b) A guarantee for the risks insured by cattle insurance societies, up to a limit of Rs. 500 for a single society in one year for a period of first three years. (c) Remission of fees charged when veterinary assistant surgeons pay visits to villages to examine or to attend to insured cattle. (d) Remission of fees charged for inoculation of serum in the case of insured animals.

Necessity of Insurance:—Insurance, not only of cattle, but also of crops against risks, affords great relief to the farmer. One main cause of farmers' constant indebtedness is the failure of his crops and the death of his cattle, and the only sure relief against such risks is the system of insurance.

Difficulties:—There are difficulties in the way of cattle insurance societies in India, the chief one being the fatalistic bent of mind of the people. The Indian farmer is not by temperament well fitted to accept the principle that a provision against calculable loss is a better safeguard than leaving things to a chance. A change in mentality can only come from general education, and by understanding how the adoption of the methods of insurance in Western countries, has materially improved the economic condition of the farmers. On the other hand, sustained efforts must be made to improve the quality of cattle by an improvement in breed and feed, thus leading the farmer to value his cattle more and more, and to make him realise the benefits of insurance. Steps must also be taken to spread rudiments of veterinary science among the villagers, especially principles of animal husbandry, so as to minimise cattle mortality due to recourse to quack remedies, which are the only measures at

present known to villagers on occasions of diseases among their cattle.

CHAPTER XXXVII

OTHER KINDS OF SOCIETIES

I. SOCIETIES FOR PROMOTION OF HEALTH :—Anti-malaria Societies of Bengal—The Central Society—Work of the Primary Societies—Work in the United Provinces—Bihar and Orissa—Bombay.

II. EDUCATIONAL SOCIETIES :—Educational Societies of the Punjab—Compulsory Education Societies of the Punjab—Work in United Provinces—Educational Work by Credit Societies in Bihar and Orissa—Bengal—Bombay—Kashmir.

III. SOCIETIES FOR PROMOTION OF THRIFT AND PROVIDENCE :—Better Living Societies of the Punjab—Work in other Provinces—Arbitration Societies of the Punjab—Thrift Societies of the Punjab, including those among Women—Work in other Provinces—Mushti System of Bengal—Land Revenue Redemption Societies—Fodder Storage Societies and Crop Failure Relief Societies of Punjab—Grain Banks of Bihar and Orissa, Punjab, Coorg and Mysore.

IV. SOCIETIES FOR RURAL RECONSTRUCTION :—Brayne's work in Gurgaon—Mehta's work in Benares—Tagore's work in Bengal—Y. M. C. A.'s work in Ramnathpuram—Work in Madras and Bombay by Co-operative Institutes—Work in Bihar and Orissa—Rural Reform.

Their nature:—Joint effort, as the basic principle of co-operation, has now been applied to several matters which, though not relating to any business as such, have the effect of leading indirectly to economic betterment. Instances are common of villagers combining for the improvement of health and sanitation, for the advancement of education, for reducing improvident expenditure on ceremonials, for avoiding litigation and for the promotion of thrift. No

doubt, matters like these, according to the strict theory of co-operation, relate more to welfare work than to any improvement in the methods of business, yet in the long run they tend to have a wholesome effect on business and on the whole to improve rural economic conditions.

I. SOCIETIES FOR PROMOTION OF HEALTH

Anti-Malaria Societies of Bengal:—Ill health, with its devitalising effects, makes an indifferent and an inefficient farmer. Among the causes which lead to this result, malaria is the most subtle yet baneful. Malaria is a disease which does not so much kill as disables. Its ravages in certain districts of Bengal have almost led to the depopulation of the countryside. Village tanks were allowed for years and years to be silted up into shallow pools, overgrown with weeds and choking with the village rubbish, and thus they became the nurseries for the anopheles to breed. With a view to overcoming the evil, co-operative anti-malarial societies began to be started since 1918 and were registered under the Co-operative Act. These Societies are found only in Bengal. With a humble beginning their number has now risen to 662 with a membership of nearly 16,000.

The Central Society:—A Central Anti-malarial Society was established in 1921. Its object is purely to help and guide the village societies with propaganda and advice. It has got on its Board some leading citizens and leading medical men like Dr. Bentley and Dr. G. C. Chatarjee, and has enlisted as members several medical practitioners of Calcutta and the senior medical students of the medical college, for rendering free service by going to the villages for propaganda and giving instructions to the medical officer of the primary societies. It publishes a journal of its own. It raises donations, and makes monthly contributions to the societies in the villages, and in some cases lends money to carry on larger schemes of anti-malarial work. The Sani-

tary and Health Departments also give advice, and help the work of propaganda.

Work of Primary Societies:—In the case of the rural societies carrying on the anti-malarial work, each member pays a monthly subscription varying from annas 4 to Re. 1. Each society obtains some Government grant through the Local Boards. The work consists of cutting down the jungle close to the village, filling up cess-pools, clearing tanks and pools, improving the surroundings of the dwellings and distributing quinine. The work is done under the supervision of a secretary. Each society tries to maintain a medical man on the subsidy system, and he attends the families of the members free of any extra charges. A quarterly statement has to be sent to the Central Society showing the cash balance and the work done. In some villages, a small dispensary is started, the local medical officer attending it for an hour or two free of charge. A spleen census is also being taken occasionally to test the effect of the improvement. Besides attending to malaria, the societies take preventive and curative measures against epidemics like Kala-azar, cholera, etc. The Panihati Society is considered to be a model among these societies. Some societies have undertaken the improvement of the local water supply by sinking tube wells. The success of the societies depends not only on the local workers but on the interest shown by the District Board and the District Health Officers. Thus, by self-help the difficult problem of rural health and sanitation has to a certain extent been solved in several villages of Bengal, and the example deserves to be followed by other provinces.

Work in other Provinces:—In the United Provinces, village aid schemes are being introduced in well established credit societies and worked with the aid of health officers, the members being encouraged to pit manure, promote sanitation, to introduce trained dais, and to start small dispensaries.

In Bihar and Orissa, several banks and societies are interesting themselves in the work of sanitation and medical relief in villages, such as cleaning the villages, disinfecting wells, free distribution of medicines and organising Ayurvedic and Unani dispensaries.

In Bombay, several societies make money grants to dispensaries or for the free distribution of quinine and medicines. The Co-operative Hospital of Hubli, an important trading centre, though not registered under the Act, is a unique feature.

II. EDUCATIONAL SOCIETIES

Results of Illiteracy:—Illiteracy is another great drawback of the Indian villages, which, on the one hand, places the villager in a disadvantageous position in all his transactions, and, on the other, keeps him in utter ignorance of the happenings of the outside world. The apathy and conservatism of the villager are also due to the same cause, as also the waste that goes on in rural economy and the shortsight displayed in the various affairs of his life. All this can only be expected to be changed by education, bringing with it a wider diffusion of knowledge. No doubt, education is one of the responsibilities of Government, and now jointly of Government and Local Boards, but it would be interesting to know how the villagers are helped to undertake the work by co-operative methods.

Educational Societies of the Punjab:—Two kinds of societies are started, one for adult education, and the other for compulsory education of children. In the case of Adult Schools Societies, the members joining it pay a small entrance fee and undertake to pay a monthly fee for making up the pay of the teacher. Non-payments of fees is met by a small fine. Poor and deserving persons, however, are exempted from payment. Every member has to give an undertaking to attend the school. A teacher is employed for the conduct

of the school, and he is generally the school master of the primary school, receiving a small extra pay for the additional work. Such schools as are well conducted are later on taken over by the District Local Boards. The Educational Department has also started similar schools. There are more than 2000 adult schools started by the different agencies. The life of these schools started by the villagers as a society depends as much upon the enthusiasm of the students as on that of the teacher. A decent salary is a good stimulus to a teacher. It seems, therefore, that most of the schools languished on account of the poor pay paid to the teacher. There were 107 adult school societies in 1928 but the number went down in 1929.

Compulsory Education Societies of the Punjab:—These societies are started by parents for imparting compulsory education to their children. Fees are collected as in the case of adult schools for engaging a teacher, and the parents who join the society as members have to give an undertaking to send their children to the school, and to pay a fine on failure to do so. There were 140 such schools in 1929 with nearly 7,000 members. 10 of these schools are for girls. Tuition is imparted up to the fourth class, but only a small number of students go up to that standard. On the whole, the two types of education societies have been very helpful in promoting literacy in the rural Punjab.

United Provinces:—The United Provinces is gradually following the lead given by the Punjab. There were 29 adult Schools in the Province, 3 of them being for women. One peculiar feature of this work in the province is that, besides literacy, efforts are made to impart useful knowledge to the students. Officers of the Department of Agriculture, Education and Public Health visit the schools often and explain matters to the assembled villagers. Efforts are made to establish village libraries. The Registrar hopes to make the schools centres of communal life of the villages, and to

develop them as Youngmen's Associations. One Inspector is recently appointed to look after these schools. With a view to supplying the want of female teachers, a scheme is being tried of training the wives of teachers by offering them bonus of Rs. 40 or Rs. 50 each.

Educational Work by Credit Societies.

Bihar and Orissa:—Co-operative Credit Societies in the province are giving great impetus to primary education among the members. A number of Pathshalas are opened at different centres. About 70 such schools are opened every year. The Central Banks also make contributions to them, the total contribution in 1928 amounted to Rs. 10,000 out of a fund of Rs. 29,770 set apart for the purpose. It is regretted that the District Local Boards have not extended help to the schools to the same extent, the grant made by them having been decreased to Rs. 9,500 from Rs. 14,000 of the previous year.

Some Banks even make small building grants. In two cases, local members made free gifts of land for the school building. Some schools were raised from the lower primary schools to upper primary standard. A criminal tribe society started its own school with a teacher of their own class.

Bengal:—In Bengal, many societies spend on education and some of them maintain night schools. In one district alone, there are 38 such schools, two upper primary schools and one middle English School. The work of the Ganja Cultivators' Society in this direction deserves special mention. The society spends a large amount of its profits on education, which in 1929 amounted to Rs. 12,500 for helping three High Schools and 87 primary schools. The Vishwabharati Institute established by Dr. Rabindranath Tagore conducts educational work for the villages in the District of Birbhum.

Bombay:—Societies in Bombay spend large amounts on

education by making grants to schools and giving prizes and scholarships. In the Dharwar District, four Co-operative Education Societies have been started in villages, each of which maintains an Anglo-Vernacular school. They have collected foundation funds from well-wishers and make annual collections from their members. The Hulkoti Society is the best of the group. Credit Societies in other parts also have been making contributions for education.

Kashmir:—The State of Kashmir shows considerable educational activity through the co-operative movement. There are 8 compulsory education societies, 7 credit societies have adopted a rule enforcing compulsory education of the children of their members. There is also one Adult Education Society. The Registrar proposes to start 10 co-operative education societies every year if the Educational Department agrees to give a grant of Rs. 10 per month for each teacher.

III. SOCIETIES FOR PROMOTION OF THRIFT AND PROVIDENCE

Prevention of Waste:—Waste is the greatest hindrance to thrift, and more so where poverty is acute. Yet nowhere is waste more rampant than among the Indian villagers, paradoxical though its existence may appear. One of the worst forms of waste is the heavy expenditure incurred on ceremonials in connection with birth, death and marriage. The heavy expenditure is largely due to the caste dinners which custom compels the villagers to give on such occasions. Among the methods adopted for checking such waste one of the most successful is the organization of Better Living Societies as in the Punjab.

Better Living Societies of the Punjab:—These societies do a considerable amount of work of preventing waste among the members by inducing them to curtail ruinous expenditure referred to above. The Registrar of the Punjab says

that in places where these societies exist, beyond all doubt they save their members many thousands of rupees each year. They have had some effect on non-members as well. Where a non-member celebrates a marriage in his family according to the old custom, the members of the society refuse to attend it unless the wedding is celebrated on the standard prescribed by the society. The societies also have helped to promote sanitation. Some have levelled and paved and swept the village lanes. One society has repaired and roofed the village drinking well. Some have caused the villagers to improve the ventilation of their houses by making windows and ventilators. The societies do not collect any levy from members, except a small entrance fee. Violation of the rules is punishable with fine under the bye-laws. Common labour, when necessary, is provided by the villagers. These societies also prohibit all expenditure upon jewellery, on the ground not only of economy, but still more of personal security, as the wearing of jewellery is apt to lead to dacoity and murder on the part of miscreants. In Jullundur, many ladies have sold jewellery and deposited the proceeds in Co-operative Societies. Attempts are made to stop waste on the farms also. Some societies have introduced, and enforced, a rule that all manure should be pitted. In one society, the members have refrained from making dung-cakes. Many of these societies are restricted to a single caste. But some have a mixed membership. All the societies have been doing the work of "Rural Uplift" in their own way. There were 289 such societies with 11,000 members in 1929 in the Punjab. Ten societies in the Lahore District have organised themselves into a Union to obtain greater cohesion.

Other Provinces:—A few Better Living societies have been formed in the United Provinces. They carry on work as unregistered bodies for sometime before registration. Three such societies have been formed in Bombay. In many

Provinces the ordinary credit societies bring moral pressure to bear on their members in preventing or reducing waste and extravagance. In Kashmir, many credit societies adopt a by-law not to indulge in extravagant expenditure during social ceremonials, and enforce it by fines.

Arbitration Societies of the Punjab:—The societies are in a way intended to prevent waste—the waste caused by litigation. Cases are referred to arbitrators, if they cannot be compromised by the Committee. Even money-lenders find these societies a cheap, easy, and comparatively expeditious means of getting a fair settlement of their claims, and readily join them where they exist. Most of the cases dealt with are of a comparatively trivial nature. But cases relating to property are also said to have been dealt with to the satisfaction of the parties concerned. Besides land, the cases dealt with relate to cattle and money; ornaments and clothes; burglary and theft; wages and rent; breach of promise. Though the awards are enforceable in Civil Courts, in most cases such a course was not found to be necessary. In 1929, there were 44 such societies with 7,500 members. They decided 924 disputes, of these, only 18 awards were enforced through a Court. Village punchayats, formed on these lines and invested with powers to dispose of petty civil and criminal cases, should be able to reduce litigation among the villagers to no small extent.

Thrift Societies of the Punjab:—Thrift societies are being started, chiefly for the benefit of salary earners as well as wage earners in towns. Thrift has a great scope for development in urban areas, and in a country in which occasions demanding large expenditure constantly occur, thrift is the necessary condition of solvency. The system adopted in the case of such societies is to collect regular savings every month for a continuous period of two to four years, and invest the collected amount to the best advantage, and pay back to the subscriber his amount at the end of the term

with interest. The society thus performs only one part of a bank's function. In many societies, however, loans are advanced to members on the security of the deposit to the extent of, say, 9/10ths the saving. The society, however, loses its character as soon as the limit of a loan exceeds the amount of deposit, in which case it tends to become an ordinary credit society, as has been the case in some societies in Bengal.

In the Punjab, thrift societies have been considerably developed in urban areas. In 1929, there were as many as 962 societies with a membership of 17,000, and they together have collected Rs. 7.73 lakhs of contributions and deposits. The bulk of the members are school-masters, but every class of community is represented, including pleaders, artisans, shop-keepers, railway employees, musicians, policemen, etc. Of these, 124 societies are of women only, having a membership of about 2,000. They have together collected nearly a lakh. Many women have also joined societies formed by men. There is even a society for prisoners released on probation. Three societies are started in the Army and one among the Police.

There is money enough if we can only tap the sources. The Punjab Registrar's report gives the instance of a railway cooly at Hoshiarpur, who was carrying the baggage of an Inspector, requesting him to check the entries of his deposit of Rs. 900. A daily labourer in Multan has placed Rs. 275 in a society, and a Mirrasi Rs. 250.

The one great advantage of thrift societies in the Punjab is that they can redeposit their monies at about 7 per cent. at which rate a sum doubles itself by compound interest in 10 years.

Thrift societies for school boys are also being started in the Punjab. A novel experiment is being tried in one school. Boys are required on the way to and from schools, or in other spare time, to collect some wild growing forest pro-

duce, which is sold for them when a saleable quantity has been gathered.

Three conferences of thrift societies were held at 3 different centres in 1929. The programme included music, recitations and lectures, and many women spoke and took part in these functions.

In other Provinces:—There are 116 thrift societies in Madras, 14 in Ajmere Merwara, 12 in the United Provinces, and 6 in Bombay.

In Bengal, Bihar and Orissa and the United Provinces, the habit of saving is encouraged by the introduction of the system of Home Safes.

Thrift societies and Home Safes are useful mostly among the urban middle classes. Many of the thrift societies of Madras are working among the labouring classes with some degree of success.

Urban Banks also have helped to collect the savings of the towns-peoples by devising different methods of deposits and by affording facilities in various shapes.

Thrift among the rural classes can best be encouraged by making collections in kind by inducing them to part with a small portion of their produce during the harvest time.

The Mushti System of Bengal, which is the same as the Muthia System of Bihar and Orissa, introduced by the rural credit societies among their members, is proving useful by collecting savings in the shape of a handful of corn or rice every day. The Central Banks in Bengal are encouraging the introduction of the system among their affiliated societies. The following results are recorded in one district: In 1926-27 the value of the total collections amounted to Rs. 38,000, in 1927-28 to Rs. 61,000, and in 1928-29 to Rs. 83,000. The system, besides encouraging thrift among members, has helped to increase the owned capital of the societies, and, therefore, deserves to be introduced in other provinces.

The following three kinds of societies of the Punjab deserve some mention; the first belongs to the category of thrift, and the other two to that of provident societies for affording relief during partial or total failure of crops.

Land Revenue Redemption Societies:—There are 19 societies of this class. Their object is to accumulate, by contribution at each harvest, a capital whose interest will in the end be enough to pay the villagers' land revenue. Most of these societies are new and therefore do not call for remarks.

Fodder Storage Societies:—There are only 3 in number. The first essential for these societies is a year of comparative plenty that shall supply a surplus of fodder that may be stored for use during famine. Baroda had a number of fodder storage societies on the silage system, but only two of them are working now, the rest are on the point of being wound up.

Crop Failure Relief Societies:—Out of the 47 such societies 46 are in Hoshiarpur District. Each member has to contribute a specified quantity of grain at each harvest; the grain is sold, and the member is credited with the proceeds; all the money is invested in some society, and it cannot be drawn out by any member except in the event of failure of crop and by permission of the society.

Grain Banks:—Another variety of societies that is of great value in famine areas and for tracts inhabited by backward classes are Grain Banks or Golas.

The 83 Grain Golas of Bihar and Orissa have a working capital of 3½ lakhs, and made a profit of 45,000 in 1928. The better working of the Golas demonstrate the fact that for agriculturists of backward tracts grain loans are more suited than cash loans, which are exposed to the danger of being misapplied.

The 49 Grain Banks of the Punjab are all formed in the single district of Muzaffargarh. The grain is stored in

stacks, and most of it is disposed of at the next sowing season, when the price goes up high, by providing members with seed and food. Loans are made in grain only. Coorg has 60 Grain Banks, and Mysore 57.

There are grain banks in other provinces, but their number is small.

IV. SOCIETIES FOR RURAL RECONSTRUCTION

In many provinces schemes of rural reconstruction and village aid are being formulated, and worked with the help of paid officers. These schemes are intended to deal with the village as a whole, and the activities undertaken include better farming, better living, facilities for the education of children as well as adults, and in fact all the economic and social activities for the uplift of the villagers, including co-operative societies for credit, supply and sale.

Brayne's work in Gurgaon:—In the Punjab, Mr. F. L. Brayne, Deputy Commissioner of the district of Gurgaon, introduced schemes of rural uplift in the whole district under his charge comprising about 1400 villages. Two special schools have been established, the school of Rural Economy for training village guides, and the school of Domestic Economy for training lady workers. The whole work is co-ordinated by the Rural Community Council at Gurgaon. The Local Boards and Government make grants for the work. It is said that the work received a set-back after Mr. Brayne left India on his retiring from service.

Mehta's work in Benares:—A similar scheme, somewhat on a smaller scale, has also been started in the district of Benares, and was initiated by Mr. V. N. Mehta, the then Collector of the District.

The Vishwabharati or International University, established in Bengal by Dr. Rabindranath Tagore has a special department devoted to Rural Reconstruction which has

started six Rural Reconstruction Societies in the villages of the Birbhum District.

The Y. M. C. A. of Madras has introduced a scheme of village reconstruction in Ramnathpuram, and its work is well spoken of.

Madras and Bombay:—The Madras Provincial Co-operative Union is running 8 Rural Reconstruction Centres, Rs. 2,000 being spent on each centre annually, half of which is contributed by the Central Bank within whose area the centre is located, and the other half by the Madras Central Urban Bank, the apex bank of the province. The work at the Alamuru centre is well spoken of. The Bombay Co-operative Institute has also started work in two groups of villages through paid workers.

In Bihar and Orissa:—The paid staff of the Central Banks is doing the useful work of encouragement of agricultural improvements, sanitation, education and village welfare work in society areas. The banks make grants for the work and train their staff in the principles and practice of agriculture as well as of co-operation and village welfare.

Rural Reform:—The work of reform in Indian villages requires to be all-sided, comprising social, economic as well as educational advancement. Schemes of rural reconstruction comprising all these aspects worked with patience, perseverance and sympathy will have great potentialities for the welfare of the countryside.

CHAPTER XXXVIII

COMBINATIONS OF SOCIETIES OR FEDERATIONS

I. Federations for Banking or Central Banks.

In European Countries.

Combination is Strength—Higher Combinations—Central Banks in Germany—Central Banks in other European Countries.

In India.

Central Banks in India—Origin—Branch Banking—Progress of the Apex Banks and Central Banks—Constitution of the Banks—Functions of Central and Apex Banks—Exchange Business—Relations between Provincial Banks and Central Banks—Indian Provincial Co-operative Banks' Association.

Combination is Strength:—"Combination is strength and isolation is a source of weakness". That was the lesson taught by Æsop's old man on his death-bed to his quarrelling sons by the illustration of a bundle of sticks. That is also the basic principle of co-operation, and accordingly, weak people formed co-operative societies to gain economic strength. But the principle of combination has to be carried further, so that even a society may overcome its comparative weakness due to isolation by combining with other societies of its kind.

Higher Combinations:—A society formed by individual members is only the first stage in the co-operative structure, and is, therefore, known as a Primary Society. For obtaining larger results, the societies themselves have to combine to form bigger associations known as Unions, Federations or Central Institutions. In European Countries, such Federations are formed for various purposes; e. g.,

I. For the higher organization of Banking.

II. For wholesale trade:
  (a) For supply and sale, and even for manufacture on behalf of Agricultural Societies; and
  (b) For collective wholesale purchase, and even for manufacture, on behalf of Consumers' Societies.
III. For mutual control, guidance and instruction.

Some Central Organizations do more than one kind of business, as the Central Bank of Germany which was at one time doing the supply and sale business on behalf of its constituent societies. Such organizations, being of a mixed type, may be classed under one of the above categories on the basis of their main function, or a separate class for the mixed type may be added to the above.

Central Banks in Germany:—If local deposits are insufficient to meet the demands of local societies in some places, and if deposits tend to be abundant and demand insufficient at other places, a Central Bank is required covering these places to equalise the demand and supply between borrowing and lending societies, by taking over the surplus deposits from one, and lending them to another when required on a small margin of profit. Besides this work of balancing of local surpluses and deficiencies, it, further, plays an important part by tapping the city money market for capital, if required, through its relations with large banks, and by helping trading societies in the movement, whether local or central, to obtain loans on easy terms. Credit societies in which borrowers and lenders are much more evenly balanced, do not feel the need of a central bank, as in the case of Schulze-Delitzsch societies of Germany. Their financial necessities were balanced, where necessary, by a central committee, and later, arrangements were made with a joint-stock bank of Dresdner for cash credits and to receive deposits. In the case of Raiffeisen societies, the need of a Central Bank was soon felt, and one was started at Neuwied in 1876, under the title of Agricultural Central Loan Bank as a joint-

stock company, limited liability under the Co-operative Act not being allowed before the Act of 1889. It has 12 branches in as many union areas, each branch having an Advisory Board elected by societies, and a Sectional Committee similarly elected. Its seat was removed to Berlin in 1910. It is governed by representatives of each union area with a Managing Board and Supervising Board. Loans to societies are made on the basis of credit valuations renewed every year. The income-tax returns of members are also consulted; in Germany, all incomes are taxed and all classes have to declare their profits. All profits of the Bank, after payment of a dividend of 4 per cent. on shares, are carried to the reserve.

Other agricultural credit societies, such as those started by Herr Haas, have also their central banks and are affiliated to the Imperial Co-operative Bank established by Haas with Government aid at Darmstadt. Government has, on the other hand, started the Prussian Central Co-operative Bank in 1894 to form the financial apex of the movement, but the Raiffeisen Central Bank has kept aloof from it.

Central Banks in other European Countries:—Co-operative Central Banks are founded in other countries, except in France and Italy. There are about 50 regional Banks in France which discount the bills of, and make advances to, the local agricultural societies, generally at 3 per cent. per annum out of the large sums placed at their disposal for this purpose, free of interest, by the Bank of France under the orders of Government. In Italy, the Town Banks finance the village credit societies, and arrangements are made with joint-stock banks to discount bills. Advances are also made at a low rate of interest by the Savings Banks.

CENTRAL BANKS IN INDIA

Origin:—In India, Central Banks began to be started after the passing of the second Co-operative Societies Act of 1912,

as the earlier Act of 1904 did not allow one society to become a member of another society or bank. But in the case of rural credit societies, the need for more finance than they could locally raise having arisen much earlier, societies mainly for the purpose of advancing loans to rural credit societies began to be started under the name of urban banks in various provinces, and were converted into central banks after 1912. In Madras, Bombay and Burma, a single bank was started for financing the rural credit societies in the whole province. These three banks were later transformed as Provincial or apex banks of the province when Central Banks for smaller areas began to be started, but thereafter began to act the double role of financing directly the societies where no central banks are formed, and of an apex bank for the central banks where they are started. In Madras, Central Banks having now been started throughout the whole province, the Provincial Bank has ceased to do the work of direct finance of the societies, while in Bombay and Burma, that being not the case, the Provincial Banks still continue to finance the societies directly in areas for which no Central Bank is started. The Bombay Provincial Bank, however, does this financing work through its branches.

Branch Banking:—In most provinces, central banks are started even for a smaller area, than a revenue district, notably in the Punjab, Bengal, Bihar and Orissa and the United Provinces. In Madras and the Central Provinces, such smaller banks are started only in a few districts, the majority being banks for the whole districts. In Bombay, only one district viz., Sholapur has two central banks. On the other hand, most of the District Central Banks in this province have started branches for smaller areas, their total number in 1930 coming to 32. These branches as well as the 30 branches of the Provincial Bank have become as many banking centres for the areas they serve. In the case of the Provincial Bank, a local committee at the centre of each

branch advises the Agent of the branch regarding its transactions. The committee at some of the branches have been given powers to sanction loans up to a certain limit. Such branch banking has numerous advantages. Besides closer contact with societies and avoidance of delay in advancing loans, the system ensures a reduction in overhead charges, employment of efficient out-door staff, a capable management at the head office, and a larger field to draw the resources from.

Progress of the Apex Banks and Central Banks:—In 1929, there were 8 Provincial Banks in the major provinces except the United Provinces, and one each in the States of Mysore and Hyderabad. The total working capital of the former 8 banks amounted nearly to 8 crores, while that of the latter two to 62 lakhs. The number of the Central Banks in the 9 major and 4 minor provinces was 490 with a total working capital of 26½ crores, and their number in 9 Indian States was 93 with a total working capital of 2¼ crores.

Constitution of the Banks:—The central and the apex or Provincial Banks may be classified under three heads: (1) banks of which the members are both societies and individuals without any distinction regarding their status, (2) banks of which the membership is confined to societies only, and (3) banks of which both individuals and societies are members but giving a specific representation to societies. Those falling under the first category are of a capitalistic nature, but all those which originally fell under that class have now been converted either into the federal type falling under the second class or into the mixed type under the third. The Provincial Bank of Bengal and that of the Punjab is of the federal type, while those of Madras and Bihar and Orissa have approached that ideal by limiting the number of their individual members to a small figure and also by limiting the share holding of such members. Other Provincial Banks are of a mixed type. All Central Banks are of

a mixed type, except the few banking unions of the Punjab and one in Bombay which are of the federal type. The Banking Unions of the Punjab being confined to very small areas have found it hard to ensure an efficient management. It may be laid down as a general rule that banks serving a larger area are capable of entertaining efficient paid staff, which would not be possible for small banking institutions.

Functions of Central and Apex Banks:—Besides the duty of balancing the funds of societies and supplying capital, the central banks with the exception of those in the Punjab, Madras and Burma, perform the additional function of inspection of the societies financed by them. The out-door staff of the central banks in Bengal is now being divided into two sections, one for doing the work of inspection and the other that of supervision. The work of inspection is also done by the Provincial Bank of Bombay through its out-door staff in the case of societies financed by it, while the work of supervision of societies in the province is being done through the supervising unions. The banks in some provinces also do the work of training and organization of new societies. An important function performed by the banks, notably in Bombay, is the direct or indirect assistance to the work of sale of agriculture produce and of supply of agricultural requirements, such as seed, manure, and implements. The banks in the United Provinces and in Bihar and Orissa help the spread of primary education in society areas by making grants, while those in the latter province do the important work of helping agricultural improvements and sanitation and other rural welfare work in society areas, by advice and guidance and also by contributions.

Exchange Business:—Another important function which central and apex banks have recently begun to perform is the business of internal exchange by issuing or accepting cheques, drafts and hundis or bills of exchange. This business has been largely developed by the co-operative banks

in Bombay, chiefly by the Provincial Co-operative Bank, in spite of the difficulties placed in its way by the Imperial Bank by refusing free issue of Remittance Transfer Receipts for making remittances between centres where such business is carried on.

Relations between Provincial Banks and the Central Banks:—The Provincial Apex Banks, except in two cases, being not of a federal type, there is no organic relation between them and the central banks, such as would allow of mutual control. The only relation between them is that the Apex Bank acts as a balancing centre for the centrals, receiving the surpluses of such of the latter as have them, and granting credits and loans to those who require them.

Indian Provincial Co-operative Banks' Association:—An association under this name has been formed by the Provincial Banks in 1926. Its objects are: (a) The protection, furtherance and representation of common interests, especially in matters of finance, legislation and administration. (b) The development, strengthening and improvement of the member banks. (c) The advising and assisting the members in all co-operative, financial and economic matters. (d) The convening of periodical conference of the members of the Association. Its organs are the General Body which meets once a year, and a Standing Committee which meets twice or thrice a year. The Association holds biennial Conferences of the Banks, and two such Conferences have been held up to now.

CHAPTER XXXIX

II. FEDERATIONS FOR TRADE

In European Countries.

Federations of Consumers and Producers—Process of Development—Combination of Supply and Marketing in the Agricultural wholesale—Functions—Apparent conflict of interests—Reconciliation of interests—Need of International Organization—International dealings of British wholesales—Co-operative Rationalization—The work of I. C. A. in that respect.

In India.

Backwardness of Co-operative Trade—Slow Progress of Marketing—Existence of Vast Scope—Federations of Agricultural Supply—Instruction by Supply Organisations—Absence of Consumers' Movement—Small Chance of Reconciliation of Interests.

FEDERATIONS IN EUROPEAN COUNTRIES

Federations of Consumers and Producers:—In most of the countries of the West, Federations of the Consumers as well as of the Agricultural Producers have been formed, except in those where the consumers' movement being weak, as in Ireland and Canada, the producers' federations only are formed, or where the agricultural movement being weak as in England and Scotland, the consumers' federations only are formed. Federations of industrial producers are not so common as the two others are. The most remarkable instances of consumers' federations are the two wholesale societies of England and Scotland and the Centrosoyus of Russia. Similarly, as instances of federations of agricultural producers, we may mention those of Germany and Denmark and the Wheat Pools and Cotton Growers Exchanges of the United States of America and Canada.

Process of Development:—In Western Countries, the pro-

cess of development of a federation for trade, generally known as a Wholesale Society, formed for agricultural trade differs from that formed for consumers' trade. In the former case, smaller local unions or associations of societies are generally first organized, and they in their turn form a national federation, while in the latter case only a national federation is formed dealing directly with its constituent societies. This process is evidenced by the case of the German Agricultural Wholesale Society on the one hand, and on the other, by the English and Scottish Co-operative Wholesale Societies of consumers.

Combination of Supply and Marketing in the Agricultural Wholesale:—Another peculiarity to be observed in the case of an Agricultural Wholesale Society is that the business of supply of agricultural requisites is combined with that of marketing of agricultural produce in the same organisation. Agricultural marketing is generally seasonal, lasting for a few months after the harvest time, and without such combination there will be no work for the staff of the Wholesale and no case for its office premises after the marketing season is over. Consequently, the combination of the two functions of marketing and supply afford work throughout the year and reduces the overhead charges of both the businesses. There is, however, some difference of opinion whether the supply business should be confined to agricultural requisites only, or should be extended to household requisites also. The Agricultural Wholesale Society of Germany confines its supply work to the former only, unlike such Wholesale Societies in other countries. The German policy in this respect is said to be guided by political grounds with a view to preventing the hostility of the trading classes in rural areas, whose votes cannot be ignored.

Functions:—It goes without saying that trade forms the prime function of a Wholesale Society, whether formed on behalf of consumers or agriculturists. But it does not end

there. From wholesale trade to wholesale manufacture is an easy step, and scarcely any wholesale worth its name has failed to take it. The manufacturing activities of the two wholesales formed by the stores of England and Scotland are well known. The agricultural wholesales of Germany and other countries have similarly entered the domain of manufacture of agricultural requisites, such as implements, artificial manures on the one hand, and on the other, manufacturing processes to turn the agricultural produce into a better condition of marketing. The two Wholesales of consumers in Great Britain singly and together have even entered the domain of agricultural industry. But there seems to be little chance for them further to develop this activity as it is considered to be beyond its legitimate scope.

Apparent conflict of Interests:—Here a question naturally arises, if the agriculturists as producers are to form their own federation, and consumers their own, will not a conflict of interests arise between the two? For the former having formed a monopoly of producers might dictate terms to the consumers, demanding the highest price, and the latter having formed a combination of consumers might be in a position to demand the produce of the former at the lowest price.

Reconciliation of Interests:—Recent experience has, however, gone to show that the interests of consumers' and producers' co-operative organizations are not only reconcilable, but that the achievement of that unity is a necessary step in the progress of co-operative enterprise. Such reconciliation has been brought about, for instance, between the Reichsverband (National Union of German Agricultural Co-operative Societies), the Generalverband (General Union of German Reiffeisen Societies) and the Zentralverband (Central Union of German Consumers' Societies), as a result of their joint deliberations in the Economic Council of those bodies arrived at in 1921-22, the question, however, being

mooted so long ago as 1896. This Council is now a permanent body and deals with the various economic problems arising from time to time, and is assisted by Government and the co-operative movement of the country as a whole. In Denmark, there is similar collaboration between the Danish Co-operative Wholesale Society of Consumers and the co-operative association of farmers, brought about by the control committee formed by both the interests. In France, the Council of National Economics formed by the representatives of Trade Unions, Agricultural Co-operative Societies, Consumers' Co-operative Societies and industrial production, brings about the reconciliation between the different interests. Similar conciliatory efforts are being made in many other countries. On the other hand, the experience of Canada shows that though the producers have formed strong combinations like wheat pools, the absence of a corresponding central organization of consumers in the Dominion, owing to the weakness of the consumers' movement, has enabled the speculative traders to form rings, whereby they depress the market after harvest time to such an extent as to prevent the producers from obtaining the legitimate advantage of their combination. Even if a consumers' federation does exist and gets into trade relations with the producers, the problem of sale of surplus produce after meeting the local demand, not merely in Canada but in other countries as well, must lead to the consideration of forming a higher organisation to bring about co-operative trade relations between one nation and another.

Need of International Organisation:—It is clear therefore that the problem of co-operative organisation does not end with the formation of a local union or association of producers or a store of consumers, nor even with the formation of a national federation by either of them or both, but that an International Organization would be required for establishing co-operative trade relations between countries hav-

ing to export their surplus produce, and those having to purchase produce from abroad for local consumption. In other words, the great gain to the community at large must come not merely by the elimination of the local middleman and the speculator, but by a co-operative control of the trade between one country and another. It is one of the objects of the International Co-operative Alliance to bring about this understanding between different countries, and to bring the international trade under co-operative control, and the Association has been steadily pursuing this objective since 1921, so as to meet the economic problems accentuated by post-war conditions.

International dealings of British Wholesales:—It would be interesting to know something about the dealings of the two British Wholesale Societies with the Producers' Wholesales in other countries. Regular trade relations have been established with the National Co-operative Organizations in 20 countries. In 1929, the two Wholesales imported agricultural and dairy, and other products, to the value of nearly £44,000,000. The C. W. S. is the sole buying, shipping and indenting agent for many co-operative organizations in the Colonies and the Dominions. Another interesting aspect of these marketing operations is the return trade of the two Consumers' organizations to the Producers. Shipments are made of a variety of goods direct to the producers in Africa, and under an agreement primary agricultural products are exported from Australia in return for co-operative manufactures from England. Turning again to the question of finance, before 1920, the English C. W. S. lent a total of over £800,000 to National Co-operative Organizations in Europe for co-operative productive work, of which more than 50 per cent. still remains unredeemed. During the ten years ended January 1930, trade credits against bills of exchange amounting to over £480,000 were advanced to nine of the smaller National Movements, in some cases, and in view of

special circumstances, without interest, in others, on extremely easy terms. Trade credits to the organizations of U. S. S. R. during the past decade have amounted to nearly £2,250,000 sterling, while bank credits against bills of exchange to the Russo-British Grain Company and the Moscow Narodny Bank amounted to over £3,600,000, and against documents of title to the three organisations and the Bank of Russian Trade amounted to £31,000,000. The advances of the two British Wholesales to Centrosoyus of Russia in respect of tea purchases between 1925-29 amounted to £2,250,000. Loans to Producers' Organizations in Australia between 1924-29 amounted to £17,250,000.

Co-operative Rationalization:—The above facts go to show that if co-operators are to make any effective advance against the capitalistic monopoly in any field, they have to follow two main lines, first to get on with the extensive and intensive cultivation of their own movement, and second, to apply the principles of rationalization to all their developments, and strive to bring about international unity as the most effective means of realising their aims and of defeating the enemy. The efficacy of this step has been demonstrated by the unostentatious policy of the two British Wholesales. An *entente* between co-operatively organised producers and co-operatively organised consumers is the only effective solution of the economic problem which threatens to upset the balance of trade between the different countries of the world.

A similar international *entente* is required even between the Co-operative Banking Federations of different countries, for no trade on a large scale between them would be possible without the support of finance, as has been afforded by the Banking Department of the C. W. S. of England to the different countries as shown above.

The work of I. C. A. in that respect:—From the above statements, we can realise the importance of the move made by the I. C. A. for bringing about such an understanding be-

tween the different countries coming within its membership, and we may hope that India too one day might be able to take an active part in this important work as one of the members of that body.

FEDERATIONS FOR TRADE IN INDIA

Backwardness of Co-operative Trade:—Though India is one of the largest countries of agricultural producers, it is one of the most backward in the development of co-operative trade. The co-operative movement was introduced in this country only 25 years ago, and during the first decade after its inception, attention was directed only to the development of co-operative credit. Thus, though we have the Provincial Co-operative Banks in almost all the major provinces of the country, agricultural trade is in a backward state of development.

Slow Progress of Marketing:—Except in the Presidencies of Bombay, Bengal and the Punjab, the progress of co-operative marketing is very slow. In Bengal, two provincial organisations for agricultural marketing have recently been formed, one on behalf of the producers of jute and the other on behalf of the producers of rice. Though the volume of their present trade is not very large, they show signs of further development in the future. In Bombay, though there are a number of strong regional unions or associations for marketing of cotton on behalf of the producers, they are prevented from forming a provincial federation due to the fact that the quality of the produce raised in the different regions is not uniform.

Existence of Vast Scope:—There is vast scope for the formation of similar sale unions for various kinds of crops in the country. Oil-seeds of different kinds and also wheat to a large extent form money-crops in several provinces, being exported to foreign countries in considerable quantities, and the trade in them, being in an unorganised state,

there are vast possibilities of forming unions or federations to undertake the work on a co-operative basis. The absence of such organizations at present is mainly due to want of facilities in furtherance of their work, as pointed out in the Chapter on Agricultural Trade Societies in India. Such facilities being freely given in the Western Countries, are quite essential to a country where the farmers are most backward.

Thus, for reasons stated above, where provincial federations are absent, the possibility of forming a national federation for trade is very remote. But if strong provincial federations are formed, they would be able to establish direct contact with the co-operative federations of other countries.

Federations of Agricultural Supply:—The trade in agricultural supply in India is more backward than agricultural marketing. Societies formed for agricultural supply have not fared well. The marketing associations referred to above generally do the work of supply of seed. The sale and supply unions of Bombay do the business of marketing on behalf of their member societies, and also of supplying implements, manures and seed as well as a few domestic requisites like kerosine and salt, which are not produced locally. And though they have done good work up to now, they will have to undergo the test of time before they can be pronounced as successful.

Instruction by Supply Organisations:—One important element of success deserving notice in the case of supply organisations of Europe, especially those of Germany, France and Denmark, is the work which they undertake of instructing the farmers in the proper use of seed, manure and implements, with the help of officers specially trained for the purpose. The work serves a twofold object: it creates a wider demand for the articles supplied and at the same time affords guidance in their proper use.

Absence of Consumers' Movement:—As for co-operative stores, though there are a few in existence in all the provinces, they are so very weak and isolated that there is little chance of forming provincial or regional federations on their behalf even in the distant future.

Small Chance of Reconciliation of Interests:—Thus the consumers' trade as well as the agricultural producers' trade being in the hands of middlemen speculators, the question of national or international reconciliation of the two interests does not arise for the present so far as India is concerned. But this much is certain, that when the agricultural trade becomes co-operatively organised, even at some distant date, there is every chance of its being captured by speculators at the terminal market as in Canada, unless the consumers in the country, especially those living in urban areas, bestir themselves betimes and organise their trade co-operatively forming federations to deal directly with the organisations of producers.

CHAPTER XL

III. FEDERATIONS FOR CONTROL, GUIDANCE AND INSTRUCTION

In European Countries.

Unions of Germany—Funds of the Unions—Imperial Federation—The Co-operative Union of Manchester.

International Organizations.

International Co-operative Alliance—International Co-operation—The International Agricultural Institute—The International League of Agricultural Co-operative Societies—The Horace Plunkett Foundation.

In India.

Unions—District Federations—Provincial Federations—Membership — Administration — Funds — Functions — Decentralization of Work—All-India Co-operative Institutes' Association.

Unions of Germany:—Taking now the case of combinations for mutual support and instruction, we find that there are two principal Central Unions of primary societies, one established by Schulze-Delitzsch, and the other by Raiffeisen. The object of each is to organize, extend, develop, protect and instruct the local societies. Each Union has local branches, groups, sub-unions or District Councils comprising a small manageable number of societies for coming into closer touch with them. Its members are societies only. It renders service of various kinds to its members. The most important services are: (1) To hold regular audit and inspection of the accounts and work of every society under it through competent inspectors; (2) to organize new societies after preparing the ground through its officials; (3) to give regular instruction to employees of banks in accountancy and co-operative principles and practice, and to individual members of banks in the proper use of loans, or as

Raiffeisen called it, the arithmetic of credit; (4) to hold an annual congress for discussing problems of policy and principles, and for representing common interests; (5) to collect and publish co-operative statistics; (6) to publish a weekly co-operative gazette (each Union has its own gazette), leaflets and a Manual; (7) to maintain a library of co-operative and economic literature; (8) to maintain a printing press which prints account books and forms for the use of all its member-banks; (9) to maintain a provident fund for the use of all the employees in the banks; (10) The Raiffeisen Union further busies itself with the promotion of insurance of life and cattle and against disasters like hail, etc. It also supplies seeds, manures and implements to the member societies on receipt of indents, but latterly a separate wholesale society has been started for that work.

Funds of the Unions:—The subscription of the Raiffeisen Union is 15 shillings each per annum, and that of the Schulze-Delitzsch Union is 2 per cent. of the profits. In either case it includes the cost of the weekly newspaper. Central Banks and other central organizations contribute considerable sums to the Union.

Imperial Federation:—Besides the two Unions mentioned above, there are other unions in the different parts and States of the country, as in Bavaria, Baden, Wurtenburg, Saxony. There are also Unions of societies engaged in other kinds of business, such as dairying, sale, supply, etc. All these are affiliated to the organization known as Imperial Federation of German Agricultural Co-operative Societies started by Herr Haas. Its objects are similar to those of the unions already described, but on a larger scale, except audit and inspection which is the sole function of the Unions. It exercises great influence upon legislation affecting agriculture and co-operative interests, upon the extension and improvement of all branches of co-operative organization, upon agricultural education, insurance, banking, and upon

the establishment of means for bettering the social welfare of the rural classes. Raiffeisen organizations had formed a separate Federation known as the General Federation of Rural Co-operative Societies, but in 1905 the Raiffeisen Unions were allowed to join the Imperial Federation, the Raiffeisen Federation, however, being retained only to maintain the special Raiffeisen principle of moral aims of its societies, all important activities being however carried on in the former.

The Co-operative Union of Manchester:—It was first started as a Central Board in 1869 in the National (Co-operative) Congress held in that year, and was recognized as the Co-operative Union in 1889. It is a federation of societies for "protective, progressive and consolidating purposes", just as the C. W. S. is a federation for trading purposes. The Scottish and Irish Store Societies also have joined the Union, though they have their own federations for trade purposes. The Union does the work of education and propaganda on behalf of all the Co-operative Stores in Great Britain and Ireland. It upholds the principles of the movement by educating the members in them, and in the "Watching of the ethics of the Co-operative Movement". Its annual meeting known as the Co-operative Congress discusses various questions relating to the movement. Its government is conducted by the Central Board of 72 representatives holding 3 or 4 meetings in a year. It has appointed smaller committees for different kinds of work, one for general work, one for educational work and one for watching events in Parliament. The administrative and educational work of the Board is largely decentralized through Sectional Boards, whose members are elected from their own area, the whole being combined in the Central Board which meets at the Union headquarters in Manchester. Pamphlets and books dealing with various aspects of the movements are published by the Union. The Congress is held every year in different

parts of the Kingdom and lasts for three days. An exhibition of co-operative production is usually held in connection with the Congress. The educational work is carried on by establishing reading rooms and libraries, and by organizing training classes of various kinds in co-operative subjects. The details of its educational work fall under co-operative education, which is dealt with under that head.

INTERNATIONAL ORGANIZATIONS

International Co-operative Alliance:—Besides the national federations of the kind mentioned above, which are to be found in all the countries of the West, these in their turn have joined together in International Federations, the most important being the International Co-operative Alliance or I. C. A. It was founded in 1895, and is the first successful attempt to unite the national co-operative institutions of different countries in an International Union. Its membership in 1929 comprised 206 national or regional co-operative organizations in 40 different countries. The current business of the Alliance is conducted by the General Secretary, Mr. H. J. May, but the treatment of bigger questions and matters of principle are settled at the meetings, which, in addition to the triennial congress, are held in the course of the year by the Central Committee as well as by the Executive. The Alliance pays great attention to the international economic questions of universal interest, which have a close bearing on the Co-operative Movement. Among the important questions, dealt with in the organs of the Alliance, are the operations of Trusts and Cartels, and the most suitable methods applied against their menace to the consumers; and the business relations between the Agricultural Producers and the Consumers. Its official monthly journal is *The Review of International Co-operation.* It holds a congress every third year, and a Summer School every year, at differ-

ent centres. The International Co-operators' Day organized by it for the first time is celebrated every year by all the important co-operative institutions throughout the world. The Alliance has brought into existence the International Co-operative Wholesale Society, which has a membership of 26 National Co-operative Wholesale Societies. The objects of the Society are to collect and distribute information, and to foster and develop trade between Co-operative Societies in all parts of the world. The society itself does not undertake actual trading. The Alliance has also established an International Banking Committee, consisting of the representatives of 21 countries, with the object of studying banking questions of interest to the different organizations having co-operative aims. It has also formed an International Committee of Co-operative and Workers' Insurance Societies, with the object of considering the possibility of founding an International Reinsurance Institution. The Alliance has introduced the Co-operative Flag of rainbow colours, which is finding its way among co-operative institutions in all countries.

The International Agricultural Institute has its office at Rome, and collects and publishes agricultural statistics relating to various countries. It is supported by the contributions of seventy-four governments, for the purpose of supplying to the world accurate information with regard to the whole economic side of agriculture. It was founded in 1905, but commenced work from 1908. Agricultural co-operation is one of the chief subjects engaging its attention, and it has a fine library dealing with it. Since 1910, it publishes monthly, the "International Review of Agricultural Economics".

The International League of Agricultural Co-operative Societies was formed in 1907 under the leadership of Herr Haas, to which many countries have joined. It collects and publishes information relating to co-operative legisla-

tion and the results of agricultural co-operative action in different countries.

The Horace Plunkett Foundation has now assumed very nearly an International status. It was established in 1924 with its office in London. In July of that year, it convened a Conference in Agricultural Co-operation in the British Empire. In the following year its Co-operative Reference Library was transferred from the Plunkett House, Dublin, to the London Office. The library is considered to be the most complete collection of information on agricultural co-operation in the world. From 1927, it has been publishing a Year Book of Agricultural Co-operation. The membership of the foundation at present comprises 120 individual Associate Members and 100 co-operative organisations, some of them being federations of societies. The main work of the Foundation is to serve as a clearing house of information for individuals and organizations alike, and a training centre for those who are engaged in work connected with the economics of agriculture, and especially with the organization of co-operative business, community settlement and other rural enterprise.

FEDERATIONS FOR PROPAGANDA, ETC. IN INDIA

Unions:—In India, small unions of societies fast began to be formed from the year 1913. Guaranteeing Unions were started in Burma and Berars, and later in the various provinces of Bombay, the Central Provinces, Bihar and Orissa. Supervising Unions were formed in Madras. In Bombay, the former type was first tried but given up in favour of the latter. Other provinces, who tried the experiment of forming guaranteeing unions, soon gave up the idea, and have adopted methods of supervision suited to their local conditions. Each union comprises 15 to 30 societies within a radius of 5 to 8 miles. It undertakes the work of mutual control and guidance, and in the case of a guaranteeing

union the additional duty of a guarantee to the financing bank for the loans advanced by it to the societies comprised in the union. Though the objects of the union are framed to cover a wide ground, at present its functions are confined to helping the work of the member-societies, and of assessing their credit, and thus acting more or less as a link between the societies and the financing bank. The system of guaranteeing unions is now found to be unsatisfactory, and most of them, if not all, are, therefore, on the point of being cancelled in the provinces where they were formed. The detailed functions of both the types of unions are described in the Chapter on Supervision.

District Federations:—In Burma and Madras, the unions comprised in revenue districts have formed District Federations for the control and guidance of the Unions within their areas. In Bombay, District Supervising Boards or Committees are formed for the same purpose.

Provincial Federations:—Since 1918, a Provincial Federation, under the name of Institute, Union, Council or Organization Society, has been formed in every province and also in the leading Indian States. Its chief functions are co-operative training and propaganda by organizing conferences and publishing a journal. In Madras, the Provincial Union started in 1914 for propaganda only has latterly undertaken the work of training also. The Federations in the Punjab, Bihar and Orissa, Central Provinces and Berar, and Burma have also undertaken the work of primary audit of the societies, and some even that of the financing banks. A list of all the Federations together with the journals published by them is given in the Appendix.

Membership:—The membership of the Federation in most provinces is open to co-operative societies, including banks as well as to individuals, but in Bihar and Orissa and in the United Provinces, it is open to societies and banks only, while in the Punjab, it is open only to the Central Banks,

Unions and the Mortgage Banks. The Madras Provincial Union under its revised constitution has confined its membership to provincial societies, central banks, supervising and trading unions, and to primary non-agricultural societies having a working capital of over Rs. 20,000. Individual membership is confined to distinguished co-operators as honorary members, without subscription and without vote. In those provinces where audit forms one of the functions of the Federation, the Registrar and some of his assistants become under the constitution *ex officio* members.

Administration:—The general meeting of the Federation, which is known as the Congress in the two provinces of Bihar and Orissa and the Central Provinces and Berar, is the ultimate authority. It meets once a year to consider the report of work and statements of accounts. It appoints a body known as the Central Committee or Provincial Committee or Council, consisting of 30 to 50 members (about 120 in Bombay), which meets twice a year, and regulates the policy of the Federation. The Council elects a smaller body known as the Executive or Managing Committee, consisting of 8 to 10 members (16 in Bombay), which meets once a month or oftener, if necessary. One or two Secretaries are also appointed for attending to routine daily work, and a President and one or two Vice-Presidents to preside over meetings. In provinces where audit also forms the function of the Federation, the Registrar is the *ex officio* President. Latterly, in Burma and the Central Provinces, the constitution has been changed to allow of the appointment of non-official as the President.

Funds:—The funds of the Federation are formed by annual subscriptions; those payable by societies and banks are graded on the basis of their working capital. The local Government in each province makes an annual grant to it. Where audit forms one of its functions, the source of income is the audit levy, which is higher than the ordinary

subscription. In the Punjab, the audit levy is based on the net profits at 7½ per cent. of the amount; the rate is now raised to 10 per cent. It is collected from the primary societies also, for, though they are not members of the Federation, their audit is made by the Federation. In Bihar and Orissa, the Federation makes three levies, one for audit, the second for propaganda, and the third for co-operative training. The audit levy made in Bengal, Burma, Assam and the United Provinces is credited to Government, as audit is made by the Registrar's staff in these provinces. In Madras and Bombay no audit levy is yet imposed, but it is in contemplation in the former province, while in the latter, a corresponding levy to be known as supervision levy is contemplated for strengthening the work of supervision.*

Functions:—The Federation in every province is the chief exponent of non-official opinion regarding the policy of the movement. Its main functions are propaganda and education or training. The work of education is dealt with in the Chapter on Co-operative Education in India. Propaganda is carried on through conferences, publication of journals and literature, lectures and magic lantern shows, and of late, by the annual celebration of the International Co-operators' day.† A library of co-operative and economic literature is also maintained by each Federation. In Bihar and Orissa, it maintains a printing press also. The work of audit, which forms an additional function in the four provinces already mentioned, is done under the direction and control of the Registrar, through a paid staff. In the Punjab, this staff is being divided into two sections, one

* Since writing the above, Government of Bombay has rejected the above proposal made by the Provincial Co-operative Council, and has instead ordered an audit levy to be made from April 1931 on all societies of more than three years' standing.

† The date fixed by the International Co-operative Alliance for the celebration of this day is first Saturday in July. But, the All-India Co-operative Institutes' Association has fixed first Saturday in November for the celebration of the day in India.

confining its work to audit and the other doing the work of supervision. The Bombay Federation, known as the Provincial Co-operative Institute, has included the work of supervision among its objects, but at present it is confined to the appointment of a representative on the District Supervision Board. The publication of statistics and the work of framing the model by-laws are done by the Registrar, and in many provinces, a manual for the guidance of societies is also published by him. The account forms are also supplied by that officer. The work of organization of new societies is done by the Registrar's staff. In some provinces, notably in Bombay, he is assisted in this work by Honorary Organizers appointed by him, receiving travelling and daily allowances. The supervising unions and the financing banks also organize societies within their area.

Decentralization of Work:—The work of the Federation, in almost all the provinces, is carried on by its head office. In Bombay, however, it is wholly decentralized, being done through the Divisional and District Branches under the directions of the head office. The policy and the method of work is regulated by the Provincial Co-operative Council on which all the branches are represented. In Bihar and Orissa, the province is divided into five divisions, and a paid Propaganda Officer and an Assistant Officer are posted in each division under a Divisional Federation Board. The two divisions in the Central Provinces, viz., the Berar Division and the Jubbulpore and Nerbudda Division have formed their own Institutes or Federations for propaganda and training, the Provincial federation being responsible for similar work in the Central Provinces Division only, and for audit in all the divisions. Similarly, in Madras, three linguistic divisional federations are already formed for the Tamil, Telugu and Malayalam divisions, and two more are under contemplation. All the Divisional Federations have a representation on the Provincial Federation or Union. The Federation in

Assam is formed only for a part of the province, and is therefore known as the Surma Valley Co-operative Organization Society, and the Assam Valley, which is not easily accessible from the former, has recently formed its own Federation.

All-India Co-operative Institutes' Association:—A national federation under this name has been formed in 1929 having for its members all the Provincial Federations in British India and Indian States. Its object is to safeguard the common interests of the co-operative movement in the country. Its main functions are deliberative and educative, and to hold an All-India Co-operative Conference and to publish a Year Book, a Journal and bulletins. The organs of the association are the Conference held once in two years, and a Standing Committee which meets at least twice a year. The office-bearers consist of the President, two Vice-Presidents and two Honorary Secretaries, and they form part of the Standing Committee. The regular work of the Association began in 1929 and it has undertaken the publication of the Indian Co-operative Year Book and a number of monographs on important co-operative topics.

CHAPTER XLI

PROVINCIAL CO-OPERATIVE INSTITUTE, BOMBAY

Work of the Non-officials in the Movement—Genesis of the Institute—The beginning of Co-operative Education—Formation of the Institute—The activities undertaken—Night Schools—The constitution of the Institute—Changes in the Constitution—Objects of the Institute—The work of propaganda:—(a) Magazines—(b) Conferences—(c) Lantern Shows and Lectures—(d) Celebration of the Co-operators' Day—(e) Library and Reading Room—(f) Economic Enquiries—(g) Advice and Guidance—(h) Legal Advice—(i) Voicing non-official opinion—(j) Publication of Literature—Co-operative Education—Central Board of Education—Co-operative Schools—Branches of the Institute—Funds—Institute's Building—Utilisation of Funds—Membership of other Institutes—Organisation and Supervision—Rural Uplift Work—Sanction to donations for charities—Future work.

Work of the Non-officials in the movement:—The co-operative movement in the Bombay Presidency, as in other parts of the country, was no doubt started by Government through the Co-operative Department with the Registrar at its head. Yet the movement in Bombay, from the very inception, received considerable non-official help and support. Two factors were responsible for this outside assistance. The Registrar enlisted the sympathy of a number of persons likely to take interest in the movement, and appointed them as Honorary Organisers to help him in the work of organising and guiding new societies, and they receive only a travelling allowance from Government. The other factor was the organisation of urban banks, which received more attention in this presidency than in any other. The promoters of these banks came from the intelligent middle classes, and they began to take a keen interest in the spread

of the movement. The co-operators belonging to both these classes took an active part in the Provincial and Divisional Co-operative Conferences organised by the Registrar from time to time, and their activities soon began to take a definite shape as the non-official side of the movement.

Genesis of the Institute:—From the year 1912, a number of activities came to be undertaken by the non-official workers in the City of Bombay, which resulted in the foundation of the Bombay Co-operative Institute. In 1912, an English Weekly Journal known as "Commerce and Co-operation" was started. Though it was a proprietory enterprise, the contributions to the co-operative section came entirely from the local co-operators. In 1913, the Bombay Co-operative Housing Association was started for carrying on propaganda, and to give encouragement to co-operative housing societies. The Association organised a library of books on housing, held weekly public meetings for lectures and discussions, published a number of leaflets, and encouraged the starting of housing societies. Co-operative activities in directions other than housing also received attention. In 1914 a Co-operative Central Library was started, which formed the centre of many co-operative activities. Within a short time it enlisted a number of subscribers, issued some vernacular leaflets, got together a decent collection of books and a number of periodicals on co-operation, and published in 1915 a catalogue of books on co-operation. By the beginning of 1916, the Journal "Commerce and Co-operation" having ceased to exist, the Committee of the Library took upon itself the publication of a journal devoted exclusively to co-operation, and from the middle of 1917 began to publish the Bombay Co-operative Quarterly, which continues even to this day, but now as an organ of the Co-operative Institute. Thus, the Co-operative Central Library may be said to have led to the formation of the Institute.

The beginning of Co-operative Education:—Along with the above activities, co-operative education also began to be undertaken. Classes, of the duration of a week to ten days, were first organised in 1914 for the Secretaries of the Societies in Bombay City in 1914, and the experiment was repeated every year thereafter. From the third year, they received official recognition, and the Registrar began to send a contingent of secretaries of the societies in the mofussil to be trained in the Bombay classes. He also made a grant towards the cost of the classes, and lent the services of the officers of his department in the work of training.

Formation of the Institute:—Opinion among the co-operators began to crystallise to bring the above activities together under a single non-official body. Accordingly, pursuant to the discussion on a paper read by the present writer at the Provincial Co-operative Conference of 1917, a Committee was appointed to take necessary action, and as a result of its deliberations, the Institute was registered on July 19, 1918, under the name of "the Bombay Central Co-operative Institute".

The activities undertaken:—The Institute thereafter took over under its own control the various kinds of co-operative activities already being carried on, such as the editing of the Co-operative Quarterly, the conduct of the Secretaries' Training Class, and the Library and the Reading Room. The work of the Co-operative Housing Association was taken over in 1920.

Night Schools:—In 1918, the late Sir Vithaldas Thackersey started a scheme of opening night schools in villages, where co-operative societies existed. Each school was run for two years, and 40 schools on an average were conducted each year. All the cost was paid by Sir Vithaldas, and the work was placed in the hands of a Committee. It was made over to the Institute in 1921, but came to an ab-

rupt end two years later, after the death of Sir Vithaldas in 1922.

The constitution of the Institute:—The membership of the Institute is open to registered co-operative societies as well as to individuals. The business was at first conducted by a Board of Management consisting of 40 to 50 members, and sub-committees were appointed to conduct the different branches of work.

Changes in the Constitution:—As the work of the Institute began to develop in the mofussil through its branches, a change in its constitution was deemed necessary to suit the new requirements. Accordingly, a revision was brought about in 1926. Under the new constitution, the name was changed into Provincial Co-operative Institute, the President, who was uptill then His Excellency the Governor *ex-officio,* was thereafter to be a non-official to be elected by the General Meeting, the Board of Management was replaced by the Co-operative Council to meet twice a year, and an Executive Committee was formed to look after the routine work. The officers of the Institute now are the President and the Vice-President, elected by the General Meeting, and two Honorary Secretaries elected by the Council. The Branches in the mofussil were given a constitution with definite work assigned to them. Each District was allowed to have a District Branch, and each linguistic division a Divisional status. The Council consists of about 120 members, including the representatives from the District as well as Divisional Branches, 10 members nominated by the Registrar, 5 by the Provincial Bank, 5 by the Central Banks, 3 by the Urban Banks, 2 by the Housing Societies, 6 by the General Meeting and 5 to be co-opted by the Council itself. The Council meets normally twice a year. The Executive Committee consists of 16 members, of whom the Vice-President as the Chairman and the two Honorary Secretaries form three, two are nominated by the Registrar,

one by the Provincial Bank, and the rest represent the Branches. The Committee normally meets once a month. It may be mentioned that a larger representation on both the bodies is given to the society members under the new constitution.

Objects of the Institute:—The objects of the Institute, as defined in the revised constitution, are as follows:—(i) to further the spread of the co-operative movement, (ii) to promote the study of problems connected with co-operation, (iii) to strengthen and improve co-operative societies by supervision and other means, and to bring them together for common endeavour, and to create a community of interest among them, (iv) to ascertain and represent the views of co-operative institutions on questions of general or public importance affecting the movement, and (v) to bring about a moral and material improvement of members of the Institute and of co-operative societies.

The work of propaganda:—The work done by the Institute may be broadly classed under Propaganda and Education. Propaganda may be divided into two parts: continuous and special.

The continuous work is of the following kinds:—

(a) *Magazines:*—The Institute publishes five magazines, one in English known as the "Bombay Co-operative Quarterly" and four in the four vernaculars of the Presidency, which are all monthly. Two District Branches have commenced to publish a monthly journal of their own from 1930.

(b) *Conferences:*—The Conferences in the mofussil are organised by the Branches of the Institute, and their proceedings are conducted in the vernacular of the place. These Conferences are of different kinds, such as Taluka, District, and Divisional. The District Branches organise every year a number of Taluka Conferences in their area, and a District Conference.

The Divisional Conference is organised about once in two years by the Divisional Branches. In 1930, the branches held 21 Taluka Conferences, 5 District Conferences, and 3 Divisional Conferences. 7 Special Conferences were also organised for the consideration of subjects like marketing, supervision of urban banks, and the like. The Provincial Co-operative Conference was being organised by the Registrar in the earlier years. Since 1921, the work was handed over to the Institute. It was being held every year. Since 1927 it is being held once in two years to economise expenditure.

(c) *Lantern Shows and Lectures:*—These are held as often as possible by all the branches. Every branch is supplied with a magic lantern equipment and slides. The Institute has prepared four sets of lantern slides, and more are under preparation.

(d) *Celebration of the Co-operators' Day:*—This event is being celebrated every year since 1924 by all the branches and by the leading societies and co-operative banks.

(e) *Library and Reading Room:*—The Institute has a decent library of co-operative literature, and its reading room provides a number of magazines, Indian as well as foreign. Every branch in the mofussil has also similar equipment, though on a smaller scale.

The special work is of the following nature:—

(f) *Economic Enquiries:*—Several such investigations were held by the Institute and its branches, and a number of reports have been published.

(g) *Advice and Guidance:*—Numerous questions of principle and practice arise from time to time, on which the Institute gives advice and guidance.

(h) *Legal Advice:*—For affording facility to societies for

obtaining this service free of cost, a Committee of Legal Advice has been appointed in Bombay.

(i) *Voicing non-official opinion:*—The opinion of non-officials on questions affecting the movement is expressed after discussing them in the Executive Committee. Important questions are referred to the Provincial Co-operative Council or the Conference.

(j) *Publication of Literature:*—Co-operative dramas in vernacular have been composed and published, as also co-operative maxims and poems have been published. A programme of publication of books has been drawn up, and some books are already published, and others are under preparation.

Co-operative Education:—The work of propaganda described above helps the cause of co-operative education in various ways. But such education forms a distinct function of the Institute, and is imparted through regular classes organised therefor both at the Head Office and the Branches.

Central Board of Education:—This Board is formed under the new constitution of the Institute as revised in 1926. This Board regularises co-operative education, prescribes the curricula for different courses, holds the examinations, and grants certificates. The details are given in the chapter on Co-operative Education.

Co-operative Schools:—Three Co-operative Schools have been established at the 3 linguistic centres of the Presidency since 1928 for regular training of the Secretaries of the rural and urban societies, Bank Inspectors, Supervisors of Unions. The work of these schools is also described in the chapter on Co-operative Education.

Branches of the Institute:—One important feature of the Institute is the establishment of Branches in the Districts. At first, divisional branches were established on linguistic basis in Maharashtra, Gujerat, Karnatak and Sind. The

Marathi speaking division, being too large and possessing districts with varying conditions, had three divisional branches, one for the 3 Konkan districts on the western seaboard, the second for the two Khandesh districts and Nasik, and the third for the remaining four districts. The Bombay City has been accorded the status of a divisional branch. Later on, a branch has been started almost in each district, and is known as the District Branch. Every District Branch has a definite constitution with a working Committee and a general meeting, and is entitled to send representatives on the Provincial Co-operative Council in proportion to the number of societies in its area. It organises training classes for secretaries of the societies, Taluka Conferences in village centres, and District Conferences at different centres. Each Branch has engaged a paid Propaganda Officer, who helps the work of the classes and Conferences, and carries on propaganda throughout the district by lectures and magic lantern shows, and the celebration of the Co-operators' Day, and helps weaker societies by advice and guidance. In fact, the branches of the Institute have greatly helped the decentralisation of the work of the Institute and its spread throughout the presidency. They have stimulated local enthusiasm and helped to create local workers. Almost every District Branch has a representative on the Board of the local Central Bank, or of the branch of the Provincial Bank, and also on the Board of Supervision formed for guiding the work of Supervising Unions in the district.

Funds:—The funds of the Institute are made up of subscriptions from members and a Government grant. The annual subscription for individual members is Rs. 5, or a higher scale prescribed for different denominations. In the case of societies, a sliding scale is prescribed on the basis of their working capital. The total annual subscriptions now amount to about Rs. 32,000. About Rs. 8,000 are

received from other sources by way of contributions etc. bringing the total income to Rs. 40,000. Government had promised to make a grant equal to the amount of the Institute's income, but it has stopped at Rs. 30,000. An additional grant of Rs. 4,000 is made for the expenses of Provincial Co-operative Conference. The total funds are quite inadequate for the work of the Institute and its 27 branches. A few District Local Boards have commenced making small grants to the branches concerned. But the practice has not yet been general.

Institute's Building:—The Institute has got a building of its own at a cost of over two lakhs, of which Rs. 47,000 were raised by donations, and the rest have been borrowed from the Provincial Co-operative Bank. A portion of the building is retained by the Institute, and the rest is let out on rent, from which interest and other charges are met.

Utilisation of Funds:—The District Branches of the Institute collect the subscriptions and retain half the amount, pay one-fourth to the Divisional Institute where it exists, and an equal amount to the Head Office. Out of the Government grant, about Rs. 8,000 is spent on the 5 magazines, about Rs. 16,000 are distributed to the Branches for their work and for entertaining a paid propaganda officer at each Branch, and the rest is spent on education and other work.

Membership of other Institutes:—The Institute is a member of the International Co-operative Alliance, and of the All-India Provincial Co-operative Institutes' Association started in 1929.

Organization and Supervision:—The Institute does not take part in the work of audit or inspection. The former is being conducted by the Department through its auditors, and the latter by the Financing Banks through their Inspectors. The work of organization is being done by the Honorary Organizers, but it is confined to credit societies

only. Recently, Government has appointed a few Agricultural Organizers for organizing agricultural non-credit societies. The work of supervision is done through Supervising Unions. With a view to taking in hand the guidance of these Unions, the Institute had included the work of supervision among its objects. At present, this guidance is placed in the hands of local Committees which have been started at the headquarters of the different districts and are known as District Boards of Supervision, of which the Assistant Registrar, a representative of the Institute's Branch concerned, and one appointed by the financing bank concerned are the members. A proposal was made that the work of Organization should be handed over to the Institute together with the funds spent by the Department on it. But it did not materialise.

Rural Uplift Work:—Two experiments are taken in hand by a Committee for carrying on the work at two centres. The Institute makes an annual grant for the work.

Sanction to donations for charities:—The Bombay Co-operative Societies Act has given a distinct recognition to the Institute. Under Sec. 42 of the Act, the Institute's sanction is required to be taken by societies wishing to make donations for charitable purposes out of their profits. The responsibility of sanctioning such contributions and seeing that no mistakes are made in construing the purpose of the charities, has thus been transferred from the Registrar to the authorities of the Provincial Institute.

Future Work:—Schemes of rural uplift and of adult education in villages are formulated. Further extension of co-operative education and the publication of co-operative literature in vernacular are also in view. But all this work must depend upon the possibility of obtaining more funds. There seems to be little chance of obtaining an increase of grants from Government on account of financial stringency. If the Local Boards, recognising the importance of rural

work the Institute has been doing, and has in view, see their way to help the Institute in giving it a practical shape, they will be rendering substantial financial help in furthering the course of co-operation for the benefit of those who contribute to their revenues.

CHAPTER XLII

CO-OPERATIVE FINANCE

I. General Principles.

Object and Scope of Co-operative Finance—Short and Long Term Finance—Security for outside Funds—Margin of Safety—Share Capital in Unlimited Liability Society—Precautions regarding Share Capital—Need of Outside Capital for Rural Societies—Advantage of Deposits over Loans—Cash Credit and Overdraft—Regulation of the Deposit Business—Fluid Resource—The Reserve Fund and its Importance—Other Funds built from profits—Interest and its Rate—Dealings with Non-Members.

Object and Scope of Co-operative Finance:—The object of Co-operative Credit is to afford banking facilities to men of limited means requiring credit for all the productive purposes in the use of land and labour at their disposal. In order to afford full banking facilities for such purposes, the movement must have complete control over finance or capital through its banking institutions to the extent they can put it to use. An efficient system of Co-operative Finance must, therefore, depend on an effective banking system, so that it may be in a position to tap surplus capital where it is lying idle, and divert it for productive employment. We have, therefore, to examine how the Co-operative Banking edifice is built, how it derives its finance, whether it obtains a sufficient quantity of capital, and whether it

affords sufficient scope for all the productive use it can be put to by the members of Co-operative Societies.

Short and Long Finance:—For finance for long periods and also for large amounts, the movement uses the medium of the Land Mortgage Banks or Mortgage Credit, which deserves separate treatment; and for finance of short and intermediate term, say for one to five years, and generally of comparatively smaller amounts, the medium of the ordinary credit societies is used. It is this latter kind of finance which is the predominant factor in the Indian movement, and which we propose to keep mainly in view in the treatment of this subject, though reference will be made to the other kind whenever occasion arises.

Security for outside Funds:—The finance required for the movement is, to a large extent, raised by means of deposits and loans. But before either of these can come in, a society must offer security to the investors; in other words, it must be made clear to the public how the liability created by accepting deposits of loans will be met. There are two methods usually adopted of undertaking this liability, one is known as the unlimited and the other limited. A society assuming unlimited liability gives the joint security of the property of all its members; while, if it accepts limited liability, the society offers the security of some capital raised by itself in the form of shares. There is another scheme known as liability limited by guarantee, in which the members instead of paying the share capital, each of them gives a guarantee to pay his share of liability in case of liquidation. But this kind of limited liability is very rare, at any rate in India.

Margin of Safety:—It should not, however, be supposed that because the liability of a society is unlimited, it can raise funds to any extent. The limit is based on the assets of the members, and generally funds are allowed to be raised to the maximum extent of half or one-third the value

of the assets, which is known as the Margin of Safety. Even this limit is not allowed to be reached all at once at the commencement of a society's life. It is gradually raised to that limit, as the society is found to work satisfactorily. On the other hand, if the society goes on increasing its reserve fund, the limit of outside loans is allowed to be increased in proportion to the extent of that fund. It is therefore usual to make it compulsory in the case of an unlimited liability society, to carry all its net profits to the reserve, at least for a certain number of years, which is usually ten. In the case of a society of limited liability, there is no definite rule, regarding the margin of safety, but by experience, it is laid down at one-tenth at the lowest, or in other words, the highest outside liability is to be ten times the paid-up share capital and its reserve fund. Most societies keep well within the margin of say, 1 to 6 or 1 to 8. It is lower in the case of societies dealing with personal credit, higher in that of those dealing with real credit, i. e., land mortgage banks, where even the proportion of 1 to 25 is allowed. Changes in the limit of outside capital are always left to the general meeting to sanction.

Share Capital in an Unlimited Liability Society:—In the case of an unlimited liability society, it is usual to raise some initial capital by small deposits from the members themselves, repayable after 8 to 10 years, and to induce them to go on making further deposits from year to year. The object of this course is to increase the society's owned capital on the one hand, and to encourage thrift among the members on the other. This has been the policy followed up to now in the Bombay Presidency. Another method of collecting and increasing the owned capital of such a society is by means of shares. It must, however, be borne in mind that the mere introduction of shares in the case of an unlimited liability society, does not change or affect its liability, which remains unlimited all the same. The shares are

either of small value, or they are made payable by small instalments. The advantage of share capital over the deposit capital is that, whereas the latter is withdrawable at the end of the term, the former is not. Moreover, with the accumulation of the share capital, as of the reserve fund, the incidence of unlimited liability becomes less and less. On these grounds, the share system is now favoured in the Bombay Presidency and is being gradually introduced. In Sind, however, it was introduced from the very inception of the movement in that division. It must be noted, that the share capital is not introduced to replace deposits. The latter should be encouraged with a view to stimulating thrift, but they need not be for a long term of years, facility being given to members to withdraw them, whenever necessary.

Precautions regarding Share Capital:—The main objection to the introduction of share capital in an unlimited society is the danger of high dividend. It is, therefore, necessary that dividends should be kept down as low as possible, with a view to building a strong reserve, so that the society with its share capital, its reserve fund, and the members' deposits may be made self-reliant to meet all the financial needs of its members, without having to take recourse to outside capital, either in the shape of deposits or loans. As a rule, dividend in the case of an unlimited liability society with shares, is allowed to accumulate generally for ten years, and until the shares held by the members become fully paid up.

Need of Outside Capital for Rural Societies:—The rural society takes time to accumulate its own capital, and will, therefore, as a general rule, stand in need of outside capital for many years to come. That capital will take the form of deposits and loans.

Advantage of deposits over loans:—In the case of loans, the lender dictates the terms, while in the case of deposits,

the investors submit to the terms laid down by the society or the Bank receiving them, the terms being regulated by the prevailing conditions of the money market. As a general rule, an institution can secure deposits at a lower rate of interest than loans. Rural societies receive deposits locally, and loans from Central Banks, which on account of their central position, can raise capital at a cheaper rate, and lend it to the societies at a reasonable rate of interest.

Cash Credit and Overdraft:—When a society has to raise a loan from a Bank, instead of receiving the whole amount in lump, it is much better to make arrangements with the bank to draw in such smaller sums, as and when they are required. This arrangement is known as Cash Credit. Under this system the bank charges interest only on the debit balance, and receives amounts at any time towards the reduction of the balance. In other words, the debtor society operates on it as if it were a current deposit account to the extent of the credit allowed, the agreement being taken for the full amount. Cash Credits may also be allowed in favour of individual members in urban banks if proper security is furnished. An overdraft is permission to draw on a current deposit account, after the whole deposit amount is withdrawn. Such permission also requires security to be furnished, as in the case of cash credit.

Regulation of the Deposit Business:—The deposit business of a banking institution requires to be carefully regulated. Its credit will depend upon its ability to meet deposits when they become due. In the case of fixed deposits in rural societies, they should be so regulated as to make them repayable at harvest time. Deposits from non-members, and especially from persons outside the village, should be avoided by such societies, at any rate they should not be received without the consent of the Central Financing Bank. In the case of limited liability societies, the repayment of deposits should be made to coincide with the

repayment of loans advanced by them, and the dates should be spread over the whole year so that all deposits or a large number of them may not fall due at the same time. But this may not always be possible. Arrangements must be made to have a cash credit with a Central Bank for drawing upon when any deposits become due for repayment. Savings deposits, however, are more difficult to be so adjusted, as the term of repayment in their case is not fixed. But certain limitations are placed on them, such as, the total amount of deposit by a person should not exceed a certain sum, that withdrawal at a time should not exceed a certain amount, that not more than two withdrawals are to be allowed in a month, and that notice of 3 to 7 days should be given for a withdrawal. Current deposits are much more difficult to regulate, as no limitations, except on the total amount of deposit, are placed on them. They are withdrawable by cheques, which require a trained staff to deal with, well versed in the technique of cheque business. Such deposits should not, therefore, be introduced in village societies.

Fluid Resource:—Adjustment of the repayment of deposits and of loans to coincide with each other, is only one and not the only precaution necessary to be taken for punctual meeting of outside liabilities. The outstanding loans or many of them, may not be repaid by the borrowers in time, on account of unforeseen difficulties. On the other hand, the most essential principle of banking is the ability to meet every liability on the day it becomes due. Inability to do so on the date the demand is made, whatever be the cause, is considered to be an act of bankruptcy. It is, therefore, necessary that every banking concern, small or big, must not only maintain a due proportion between advances and deposits, but must have also some fund or resource at its disposal to meet its liability in time. At the same time, it must have also sufficient funds or resource to meet the legitimate demand of its borrowing members.

The resource which answers this purpose is known as the Fluid Resource. This resource may not constitute mere cash kept on hand, and indeed no banking institution keeps more cash on hand than is necessary, as such a course involves loss of interest. The fluid resource, especially that portion of it which is not immediately required, should be either maintained in the form of gilt-edged securities, which can be readily converted into money with the help of a bank, or in the form of a deposit in a bank, or a cash credit on the strength of available securities. The extent of the fluid resource required by a society or bank, differs according to the nature of the deposits, a larger proportion being required for the saving bank deposits than for the fixed, and a still larger proportion for the current deposits and those payable on demand. A rigid and uniform standard cannot be laid down for all the banking institutions, as is attempted to be done in the Report of the Maclagan Committee on Co-operation (1915). The extent must be governed by various conditions and considerations, such as the status and class of the depositors, the extent of their confidence gained by the banking institution, the monetary and trade conditions of the locality, and so on.

The Reserve Fund and its Importance:—The reserve fund is of great importance, both to the limited as well as the unlimited liability society. A strong reserve raises the credit of a society, because it is an indication of its strength, a source of safety and an index to efficient and vigilent management. With lax management, a society will make losses, or incur unnecessary expenditure, and will not be able to accumulate a strong reserve, which is to be built up out of profits. Every society, which aims at strengthening its position, must put forth all efforts to increase its reserve. With this object in view, the working expenses should be kept down as low as possible consistent with efficiency. At any rate, services in an unlimited liability soci-

ety should be gratuitous, except that of the Secretary. No society should pay a high rate of dividend on its share capital. The rate of dividend is an indication, whether the society is out for seeking profit, or rendering service to its members. The rise in the society's reserve, which is its own capital, is of greater value than even the share capital. For it has to pay dividend or interest on the latter, but not on the former. However, it would be a wise course to carry some interest to the reserve at the rate paid on fixed deposits. With the accumulation of the reserve, the society would be in a position to attract deposits at a low rate of interest. It is a safe course to invest the reserve or a portion of it separately. Societies generally deposit their reserve with the Central Banks, and the latter with the Provincial Bank, which again invests it in gilt-edged securities. It then answers partly the purpose of a liquid resource to draw upon to meet unexpected pressing demands. With a view to removing temptation, the reserve fund in co-operative concerns is made indivisible, making it impossible for members to share it out among themselves in case of dissolution of the concern.

Other Funds built from profits:—Besides the Reserve, it is usual to set apart out of the profits certain amounts to build up other funds, such as, (1) Bad and Doubtful Debts Fund, to meet contingent loss arising from any loans advanced proving to be irrecoverable; (2) Sinking Fund, to pay off the debentures, if any, issued by an institution, within the term of years for which they are issued, or to replace a building erected by an institution, within the natural life of that building; (3) Dividend Equalising Fund, to ensure the payment of dividend on shares at the usual rate, when the profits in any year may be found to be insufficient to pay the usual rate; (4) Building Fund, with a view to enable an institution to have its own building in course of time. These funds, especially the first, which in

the case of the Raiffeisen Societies is known as the second reserve, go to strengthen the Reserve Fund itself. But they are not necessary in the case of unlimited liability societies, which are expected to carry all the profits to the reserve.

Interest and its Rate:—Closely allied to the subject of the reserve fund, is that of the rate of interest paid on deposits and charged on loans. The former will be governed by the status of the depositors in the locality and the conditions of trade, as also on the credit of the institution. The rate on loans must be so regulated as to leave enough margin over that of deposits, and will be governed by the cost of the establishment, and other services to be rendered, which in the case of central banks take the form of inspection, and in the case of rural societies, that of supervision. The need of rapid building up of the reserve fund has also to be kept in view. In the case of rural societies, too low a rate of interest, even if it is enough to meet all the charges, is generally deprecated, for another consideration, which must weigh with them, and it is not to make credit too facile, as it might lead members to borrow beyond the limit of absolute necessity.

Dealings with Non-Members:—Dealings with non-members in the case of non-credit institutions are not generally discouraged, as they are, in the case of banking institutions. Loans by societies to non-members are strictly forbidden, because they cannot be regulated in accordance with co-operative principles. Loans even to individual members in the case of central banks are forbidden as these institutions are mainly created to lend to societies. Non-members as sureties for loans though allowable on principle, are excluded in practice as being beyond the pale of arbitration, which affords a cheap method of deciding disputes between societies and their members. Deposits are, however, allowed to be received from non-members. A question has often been raised why loans should not be advanced to non-

member depositors on the strength of their deposits, both as a measure of encouragement to them and of safe investment of capital when there is a surplus over the demands; but the question has not been yet answered satisfactorily in the movement. The banks in most provinces, however, have now commenced advancing such loans to non-member depositors on the security of their deposits. Dealings in bills of exchange and drafts by banks are now considered to be an advisable step for extending full banking facilities. But this step very often leads to dealings with non-members. Co-operators agree that this is a legitimate banking business that can be undertaken by co-operative banks and societies, as in European countries, and is one likely to promote co-operative trade, but Government seem to hold a contrary view, perhaps because it affects the business of joint-stock banks and of the Imperial Bank. Government, therefore, should be persuaded to afford to co-operative banking all the legitimate facilities for its full expansion. For, neither the joint-stock banks nor the Imperial Bank can undertake to finance the agriculturists, whose requirements are too small and for comparatively too long periods for these concerns to handle with any degree of success. It is this difficult task which co-operative finance has undertaken to shoulder, and we will proceed to examine how it fulfils its aim.

generally made repayable by instalments, monthly, quarterly or half-yearly, according to the nature of earnings of the borrower.

Period of Loans in Rural Banks:—In the case of a rural society, the period of repayment is governed by the purpose of the loan. If the loan is for current agricultural purposes, such as seeds, manure, etc., or domestic expenses, it is repayable within one year, i. e., out of the outturn of the crop; if for the purchase of iron implements, or bullocks, it is made repayable within two or three years by instalments; and if for large improvement works of land or for repayment of old debts, the loan is made repayable within a period of three to ten years, but by instalments to be paid from the surplus earnings of borrowers. Loans of this nature appertain to land mortgage banks, and though the bye-laws of agricultural credit Societies provide for the grant of such loans for periods not exceeding ten years, until recently only well-managed societies were permitted to handle this business out of their own or from borrowed capital. It must be borne in mind that the ability to repay these long term loans must be judged by the savings the borrower is likely to effect after meeting his current expenses, for which also he may have borrowed or is likely to borrow. These three kinds of periods are known as short, intermediate and long.

Amount of Loan:—The amount of a loan that can be advanced to a member will be governed by the funds at the disposal of a society and by the number of members wanting to borrow. The amount will be small at the earlier stages, but the limit will be raised with the increased resources of the society. The maximum amount in the case of rural society is about Rs. 500 to 750 as may be fixed by the bye-law, which limit, with the previous sanction of the Registrar, may be increased to any extent for repayment of old debts. Besides this, in the Bombay Presidency, special

methods in affording credit to the borrower, which must be of real use to him, automatically ensuring the return of the loan after its use. By such transactions, the society attracts sufficient credit for its requirements. Though much of this credit may come for a time from the Central Bank, the primary society should try to attract as much credit from local sources as possible, tapping all idle wealth, and creating new wealth by mobility of money, so that it may ultimately attain a position of independence. Co-operative societies are in a position to attract such capital as cannot be tapped by joint-stock banks, and thus to form a useful medium for multiplying the country's wealth.

Funds of the Society:—Societies for credit in villages are of the Raiffeisen type, and those in towns are of the Schulze-Delitzsch or rather of the Luzzatti type of Italy. The funds of the primary society are allowed to be raised by: (a) shares,(b) deposits, (c) loans, (d) donations and (e) entrance fees. The entrance fee is generally small, being about half a rupee to one in each case, and, therefore, does not count much in the formation of a Society's capital. It is generally used for preliminary expenses, and is thereafter added to the reserve fund. As for donations, very few societies count upon them, and fewer still get them at all. Thus, the only sources of capital are shares, deposits and loans, the first source being, however, eliminated in the case of the rural credit or unlimited liability society, unless it is based on the share system. Every society, serving either in a rural or urban area, is expected to accumulate local capital, as far as possible, firstly, from its own members, and secondly, from others in the area of its operation. But rural societies, not being in a position to raise enough local capital, stand in need of the services of a central bank for support.

Limit on Deposits and Loans:—In the case of every society, a limit is placed on the extent of deposits and loans to be received by it. In the case of a limited liability society,

the limit is about eight times the paid-up share capital and the reserve fund, and in the case of an unlimited liability society, the limit is based at the start on the total estimate of the requirements and the assets of its members, the limit being raised later, by an amendment of the bye-law sanctioned by the Registrar.

Terms of Outside loans:—Loans are raised by a society mostly from the financing bank, and the rate of interest paid thereon varies from 7 to 8 per cent. in the Bombay and Madras Presidencies, and from 9 to 12 in other provinces, where a higher rate is also paid on deposits. Penal interest is charged if the loan is not repaid punctually, unless sufficient cause is shown for the delay.

Terms of Deposits:—The rate of interest to be paid on deposits is fixed by the bye-laws and does not generally go much above 6 per cent., and is much lower in the case of town banks of good standing. The rate varies according to the class of deposits: current deposits bear interest up to 3 per cent., savings at 4 per cent., and fixed for one year at about 5 to 6; a fourth class, viz., cumulative or accumulating deposits, is also in vogue, involving continuous monthly deposits of a fixed amount for a stated number of months, bearing interest at 5 or 6 per cent. The town bank by attracting various kinds of deposits can become a powerful financing agency within a comparatively short time. In the case of rural credit societies, the fixed deposit is the rule, the savings class being found in a few societies of good standing.

Restrictions on Outside Deposits:—Receipt of outside deposits by a rural credit society, requires to be carefully guided. The Registrar of Bombay has laid down certain restrictions on such transactions. The dangers involved in the unrestricted receipt of such deposits by agricultural credit societies are: (1) Inability to maintain fluid resources; (2) Temptation to offer exorbitant rates of interest; (3) Diffi-

culty in controlling the credit of the society by the financial banks; and (4) the frustration of the object of preparing the normal credit statement. Societies must realize that the amount of loan from a bank can be drawn in such parts and on such dates as may be required, and its repayment can be made in part or whole, and at any time at convenience. Interest on loans will run from the date of their receipt, and will stop from the date of repayment of part or whole. No such facilities exist in the case of deposits. Receipt of such deposits, moreover, increases the chance of surplus funds remaining in the hands of a society till the date of their repayment arrives, and hence there are temptations for their misuse, or the issue of loans without proper enquiry and at odd season. Rural societies would, therefore, be well advised to avoid outside deposits.

Conditions of Loans to members:—Loans to members are governed by the following conditions: (a) Purpose, (b) security, (c) period of repayment, (d) limitation on the amount, and (e) interest.

Purpose of the Loan:—Loans as a rule are to be advanced for productive purposes only; but they are also advanced for ceremonial purposes, after strict scrutiny of the requirements of the borrower and his ability to repay.

Personal Sureties:—The security for a loan in the case of all types of credit societies is generally personal, two or more friends of the borrower being considered sufficient. A non-member may become a surety, and in a way he helps to enlarge the scope of credit, especially in a society of unlimited liability. But to bring any liability within the scope of arbitration proceedings in case of default, it is prescribed that the surety should be a member of the society. The liability of the borrower and the sureties is joint and several, i. e., the society being at liberty to recover the loan from any one or more of them.

Mortgage Security:—Sometimes a mortgage of the pro-

perty is taken as a collateral security. But where the amount of loan is large or is for payment of an old debt, a mortgage of the borrower's property is always taken. Credit societies should take care not to lock up their ordinary capital on landed property, as such business pertains to a special class of institutions known as land mortgage banks.

Security of Movables:—Town banks accept gilt-edged securities or shares of well established concerns, like Railways, Tramways, or bonds issued by local bodies, or a life insurance policy to the extent of its surrender value, either in lieu of or in addition to personal sureties. Security of jewels and other valuable property is not in vogue, but of late, it is being introduced in the case of urban banks with recognized safeguards as to their valuation and safe custody. Similar facilities have also been extended to members of primary societies affiliated to branches of the Bombay Provincial Bank. Advances on the security of agricultural produce deserve to be encouraged in the interest of farmers, and a beginning is made in that direction.

Shareholding of Borrowers:—Another device of obtaining indirect additional security resorted to in an urban bank is by requiring the borrower to hold a certain number of shares in the bank in proportion to the loan, generally of 1 to 10. It must, however, be remembered that a bank is prohibited from lending on the security of its own shares. The shareholding, therefore, forms an indirect contingent security. This practice of encouraging borrowers to hold shares further secures an automatic increase in the guarantee fund of a bank, and consequently in its borrowing capacity.

Period of Repayment of Loans in Urban Banks:—The period of repayment of a loan by a member in the case of an urban bank is generally one year, sometimes it may be shorter, and sometimes longer, according to individual circumstances. Whatever be the period, the loans are

generally made repayable by instalments, monthly, quarterly or half-yearly, according to the nature of earnings of the borrower.

Period of Loans in Rural Banks:—In the case of a rural society, the period of repayment is governed by the purpose of the loan. If the loan is for current agricultural purposes, such as seeds, manure, etc., or domestic expenses, it is repayable within one year, i. e., out of the outturn of the crop; if for the purchase of iron implements, or bullocks, it is made repayable within two or three years by instalments; and if for large improvement works of land or for repayment of old debts, the loan is made repayable within a period of three to ten years, but by instalments to be paid from the surplus earnings of borrowers. Loans of this nature appertain to land mortgage banks, and though the bye-laws of agricultural credit Societies provide for the grant of such loans for periods not exceeding ten years, until recently only well-managed societies were permitted to handle this business out of their own or from borrowed capital. It must be borne in mind that the ability to repay these long term loans must be judged by the savings the borrower is likely to effect after meeting his current expenses, for which also he may have borrowed or is likely to borrow. These three kinds of periods are known as short, intermediate and long.

Amount of Loan:—The amount of a loan that can be advanced to a member will be governed by the funds at the disposal of a society and by the number of members wanting to borrow. The amount will be small at the earlier stages, but the limit will be raised with the increased resources of the society. The maximum amount in the case of rural society is about Rs. 500 to 750 as may be fixed by the bye-law, which limit, with the previous sanction of the Registrar, may be increased to any extent for repayment of old debts. Besides this, in the Bombay Presidency, special

limits are allowed by the Registrar in favour of members possessing large holdings, and therefore requiring larger amounts for current agricultural purposes.

Scrutiny of Loans: Normal Credit Statements and Maximum Credit:—Agriculturists should neither be over-financed nor under-financed. Either way lies danger. The amount of a loan and the period of its repayment, therefore, require considerable scrutiny in the case of rural credit societies. This is done by means of a Normal Credit Statement to be prepared by the managing committee and checked and sanctioned by the general meeting of the Society. The normal requirements of each member for his current agricultural purposes, as also those for his household needs, including ceremonials, if any, are scrutinised and put down against each member's name in the statement. In addition to this, the Financing Bank requires a Statement of the property of all the members of the society, together with its normal valuation, to form the basis of the credit to be allowed to the society, the general limit of the loan being about one-third the total value of the property, and in special cases it may be raised to one-half. On the basis of both these statements, the Bank fixes the maximum credit to be allowed to the society for the whole year. The advantage of the fixation of maximum credit is that the society can draw from the Bank as and when required to the extent of the maximum, instead of taking the full amount of the loan at once—a course involving both risk and loss of interest. Central Banks which finance the primary societies are interested in seeing that the statements are correctly prepared.

Interest on Loans:—The general rate of interest charged on a loan made to members in the case of societies of all types in the Bombay Presidency is $9\frac{3}{8}$ to $10\frac{5}{16}$ per cent. per annum, which works out at $1\frac{1}{2}$ to $1\frac{3}{4}$ pies per rupee per month. In all other provinces, except Madras, it is $12\frac{1}{2}$ to 15 per cent. The higher rate of interest leaves a good

margin for rapidly building up the reserve fund, and for paying a reasonable share of the cost of maintaining a supervising union. There should, in fact, be no objection to the fixing of the same rate also in the Bombay Presidency in places where the borrowers are paying a much higher rate, at any rate, in the case of rural societies for some years at the start, gradually reducing it later on. The Maclagan Committee on Co-operation recommended in their Report (1915), that a wide margin should be kept between the borrowing and lending rates, to enable the society to accumulate permanent capital of its own.

A new system of charging the local Money-lender's Rate:—In the United Province, a novel system has been lately introduced, as an experiment, in the case of newly formed societies, of charging the members the rate of interest which they paid to their money-lenders, the excess being deposited in the borrower's name. Though the system may have certain advantages, it has the drawback of keeping out the better element in the rural population.

Avoidance of Facile Credit:—The main principle that should guide in fixing the rate of interest is, that credit should not be made facile, and every temptation to borrow more than is absolutely necessary should be discouraged. A rise in the rate, once fixed, becomes a source of discontent among the members. It is, therefore, safer to charge a slightly higher rate at the start and lower it later, than to adopt the reverse process.

Penal Interest:—Every society has a rule, enabling it to levy penal interest on the amount of the loan remaining overdue after the date fixed for repayment. It varies from 3 to 9 per cent. over and above the ordinary rate, and is charged from the due date. The charging of penal interest has not had a very wholesome effect on defaults or overdues which unfortunately are increasingly in evidence of late. Where defaults are due to inability to repay on account of mis-

fortunes, such as the failure of crops and the like, the society grants an extension of the period of repayment, and penal interest is remitted for such periods of authorised extension.

Rebate of Interest:—It is urged by many co-operators that penal interest is not the best method of correcting unpunctuality. If at all it is necessary, the rate should be not more than 2 or 3 per cent. above the ordinary. A better course seems to be, to give rebate of a portion of interest in the case of punctual payments. Reward for virtue has its own value, and if punishment for a fault is considered necessary, it should not be severe. The adoption of a slightly higher scale in the normal rate of interest, would be justifiable on this ground also, for the increase becomes nominal when the repayment of the loan is punctual, and real only in the case of wilful defaulters.

Reserve Fund:—Every society, which does banking business, must try hard to build up from its profits a substantial reserve fund, which not only adds to its strength, but becomes, as years roll on, an additional source of owned capital, on which it has to pay no interest. When the reserve fund is large enough, it enables the society to lower the rate of interest charged to its members.

Division of Profits:—In the division of profits, the reserve, no doubt, forms the first consideration after the special contribution, if any, to be paid to the Supervising Union. Dividend at a reasonable rate in the urban banks, will form the next charge on profits. The charge thereafter to be considered is education, both co-operative and general. Following the wise lead of the co-operative societies in Europe, those in India would be well advised to spend their surplus profits on education, which forms the greatest need in a country like India, where illiteracy is the rule in rural areas, instead of frittering away the meagre resources in all forms of so-called charities. Instead of spending away

each year's contribution, it would be advisable to build up a fund, as is done by the societies in the Madras Presidency. The accumulated fund will stand in good stead in promoting primary and adult education in villages.

CHAPTER XLIV

CO-OPERATIVE FINANCE

III. The Central Bank.

Scope and Functions—Banking Unions and Central Banks—Taluka Central Banks not possible—Constitution—Management—Conflict of Interest to be avoided—Business of the Bank—Capital of the Bank—System of Loans—Normal Credit—Needs of the Individual Members—Prompt and Adequate Finance—Branches of the Bank and their Importance—Interest on Loans—Penal Interest—Inspection and other services to member societies—Distribution of Profits—Number of Banks in the Country.

Scope and Functions:—The capital at the disposal of primary societies, especially those in rural areas, is often found to be insufficient to finance their members fully. To overcome this difficulty, the societies combine to form Central Banks, operating in areas, varying from a Taluka to a District. Such a Central Bank, being established in a town, and operating in a larger area, is able to command more capital than a village society can, both by attracting a better class of investors, and by tapping the central money market. It not only supplies the deficiencies of a society in need of funds, but takes over the idle balances in the hands of those who have surplus funds, and thus acts as a balancing centre.

Banking Unions and Central Banks:—In the Punjab, such banks as are established in small areas as of a Taluka, are known as Banking Unions. In the Bombay and many

other Presidencies, they are established for the area of a district, and are known as Central Banks, and in Bombay as District Central Banks. These Banks, in their turn, may again federate into a provincial bank, which institution will be referred to in the next chapter.

Taluka Central Banks not possible:—Central Banks for a smaller area than a district, say for a Taluka or Mahal, cannot be successfully worked, as they will not be able to raise sufficient outside capital, and to attract men of business capacity to conduct them. They can, however, be started as Book Banks, doing work as forwarding agencies. A better course is to establish branches of a district bank in taluka centres wherever possible, as is being done in Bombay.

Constitution:—All the central banks, whether district or Taluka, are of limited liability. In a central bank of a purely federal type, membership will be confined to societies only. But, almost all the central banks in India are of a mixed type, the membership being open to individuals also. The object of this course is to have on the board of management of the bank a few local men of influence, and trained business men, with a view to inspiring confidence among the investing public.

The number of federal type of banks will increase in course of time, as the primary societies will become stronger, both in point of management and proper appreciation of co-operative principles.

Management:—The managing board of a central bank consists of representatives of individual members and of societies, the latter generally forming a majority. The affairs are managed by a paid manager and a staff working under him.

Conflict of Interest to be avoided:—The conflict of interest, that is likely to arise between the directors representing individuals and those representing societies, should be avoid-

ed. The former may try to raise the rate of dividend, and the latter to lower the rate of interest on loans. Both ways lie danger, which should be guarded against. Societies should seek to reduce interest on the loans to their members solely on the strength of their own capital and reserve fund, and not on the causal reduction in the rate of interest of central banks. These loans are advanced mostly out of deposits received by the banks, and the rates of interest on them often fluctuate, and it would be a most inadvisable course to change rates of interests on loans from time to time on the basis of the fluctuating rates of interest on deposits.

Business of the Bank:—The main business of a bank is to advance loans, which are made only to societies, and not to individual members, except on the security of their deposits. These loans are advanced chiefly to rural societies, for, the urban banks generally become able to raise sufficient capital by deposits within a few years of their start. Some banks have commenced doing inland exchange business, which is, however, confined to towns only. Some banks have recently been interesting themselves in the business of joint marketing and supply on behalf of the affiliated rural societies, and the enterprise deserves every encouragement on account of its importance.

Capital of the Bank:—The capital of the bank is formed by shares (each of Rs. 50 to 100), and deposits of all kinds. In some central banks preference shares are issued, with a view to inducing individual members to subscribe to a larger number of them, to enable the bank to obtain sufficient share capital immediately after it is started. In the distribution of profits, preference shares have a prior claim for dividend over ordinary shares. In recent years, the practice of issuing such shares is not favoured, and it is absent in the Bombay Presidency. The Bank may raise loans from the Provincial Bank, where one exists, or from a joint-stock bank, and, whenever possible, arranges with

them an overdraft or cash credit, to afford liquid resources to meet the withdrawal of deposits when due. All the affiliated societies deposit their reserve fund or a part of it in the bank, as also their surplus funds, if any. These societies have also to hold some shares in the central bank, generally in the proportion of 5 to 10 per cent. of the loan borrowed from it.

System of Loans—Normal Credit:—In making loans to rural societies, the bank has to see that the needs of the members are neither over-assessed or under-assessed, and that the total amount is well within the margin of their collective assets. For this purpose, every financing bank has to see that the borrowing society has properly prepared the statement of normal credit of the members and the statement of their assets. The Supervising Union, wherever it exists, assists in the preparation of these statements, and in the Bombay Presidency, they are checked by an Inspector of the financing bank. The total amount will no doubt be based on the normal credit statement, but its maximum is limited in this Presidency to one-third the total valuation of assets. The bank does not advance the loan in lump, but fixes the maximum credit to be allowed to the society, from which the latter has to draw as and when the needs of the members arise. The society has usually to prepare quarterly forecasts of the requirements of the members, and forward them to the financing bank, so that the latter may keep the amount ready.

Needs of the Individual Members:—Though the total amount of loan to each society is based on its total assets, the amount to be lent to an individual member, need not depend on his assets, for he offers two sureties as security. The amount of loan to a member will, however, depend on the total assets of the borrower and of his sureties. The normal requirements of each member are entered in the statement of normal credits, and are based on the area of

his holding, and the possibility of his being able to repay the loan from the out-turn of his crop within one, two or three years at the most, which are generally the periods fixed for repayment. In the case of a loan for paying off old debts, its repayment by the member is based on the member's capacity to save. In such a case, therefore, the statements should contain the annual income and expenditure of the member concerned, all the encumbrances on his estate and their particulars. The loan is advanced on the mortgage of the members' property executed in favour of the society.

Prompt and Adequate Finance:—The most important principle guiding rural finance must be that it must be prompt and adequate. Adequacy or sufficiency of finance is secured by the preparation of normal credit statements already referred to, which also prevent the other extreme of over-finance. But in spite of all the precautions mentioned above, the distance of the bank from the place of the society often leads to delay, both in the transmission of papers to the bank, and the remittance of money by it. This want of proximity makes it difficult to gauge, with any approximation of certainty, the credit requirements and the credit-worthiness of the members of the societies. These difficulties can be removed by establishing branches.

Branches of the Bank and their Importance:—The system of establishing branches has already been adopted by several district central banks in the Bombay Presidency; but the process requires to be carried further till a branch has been opened at the seat of each supervising union, as is the practice in Germany. Though this would be an ideal, it could be reached earlier by the spread of education. At any rate, the process of decentralisation should continue until there is a branch in each Taluka or Mahal. By means of these branches, central banks will not only be able to control the finance of the societies, but also to bring their trade under co-operative control.

Interest on Loans:—The rate of interest on loans made by the central banks to societies is generally up to 8 per cent. in the Bombay and the Madras Presidencies, and 10 per cent. in other Provinces. Recently a system known as "a discriminating rate of interest" is being adopted in Bombay, whereby the bank charges half a per cent. less over the usual rate in the case of societies of A and B class and those which are punctual in repayment. But such discrimination is likely to be felt as invidious; because it is very difficult to lay down a fine line between the various degrees of unpunctuality. A better course would be to charge the higher rate to all societies, and give a rebate on punctual repayments. The invidiousness becomes more glaring when, as is the practice with some financing agencies, there is another sort of punishment for unpunctuality in the shape of penal interest.

Penal Interest:—Penal interest is charged in the case of unauthorised default made in the repayment of a loan. Whatever may be the merit of such a measure adopted by a society in the case of individual members, it would be considered to be a hardship when enforced *against* a society. For the latter becomes unpunctual, not because of its recalcitrancy, but because some of its members fail to repay the loans in time, either intentionally or due to unavoidable circumstances. Enforcement of penal interest in the case of societies, therefore, amounts to the punishment of the whole body for the faults of some of the members.

Inspection and other services to member societies:—It has been a recognised principle in the Bombay Presidency for the Central Banks to appoint an inspecting staff to supervise the work of preparation of statements of normal credit and of assets, to guide the banks in fixing the amount of loan to be sanctioned, and to render general help to societies. They also assist the co-operative education classes organised by the Branches of the Provincial Co-operative

Institute. The work of inspection becomes less onerous and more easy in the case of societies covered by supervising unions. The central banks, therefore, not only encourage and assist the formation of such unions, but also contribute a portion of the cost of maintaining them. In the Madras Presidency, the Central Banks pay half per cent. out of the interest recovered from societies towards the cost of supervision, another half being paid by the societies. No inspecting staff is entertained by the central banks of the Punjab, Madras, and Burma.

Distribution of Profits:—After the contribution to the reserve fund, and paying a fair rate of dividend, not more than one or two per cent. above the rate of interest paid on deposits, a certain amount may be set apart for rebate on interest paid by societies and distribute it periodically, say once in three years, as is done by the Provincial Bank in Bombay. But in no case should the directorate of a central bank fail to maintain an efficient inspecting staff, for, any false economy, effected in this direction with a view to increasing the volume of profits, is sure to react on the position of the bank by the increase of overdues of the loans advanced to societies, as is seen to be the tendency in recent years in some provinces. Co-operative education for the secretaries of the societies, for the supervisors of the unions, and for the inspecting and the office staff of the banks, is most important for raising the efficiency of the workers in the movement, and thereby that of the financing banks themselves. Co-operative education must, therefore, have a claim upon a share of the profits of the central banks.

Number of Banks in the Country:—Central banks are established in every province, and their total number in 1929 was nearly 500. In the Bombay Presidency out of the 26 districts, 18 have each a local central bank, and one District viz., Sholapur has two central banks. The other districts,

except those in Sind, are served by the branches of the Bombay Provincial Co-operative Bank.

CHAPTER XLV

CO-OPERATIVE FINANCE

IV. Provincial Bank.

Its scope and function—Apex Bank for India—Formation of the Provincial Bank—Constitution—System of Working.

The Bombay Provincial Bank.

Functions of the Bank—Exemptions—Sources of Capital—Share Capital—Debentures—Jurisdiction of the Bank—Branches of the Bank—Total Working Capital—Loans to Societies—Method of Loans—Terms of Maximum Credit—Loans to District Central Banks and Urban Banks—Land Improvement Loans—Surpluses in the Bank—Constitution—Distribution of Profits—Inspecting Staff—Purchase and Sale Work—Drafts, Bills and Cheques.

Its Scope and Function:—The establishment of Central Banks in the Districts is only a second stage in the co-operative financial structure. As with the primary units, so with the secondary banks, it becomes necessary for them to combine to form a higher federation or apex bank in each province, known as the Provincial Bank. This apex bank is intended to further mobilise capital by balancing the surplus or deficiency in the capital of the Central Banks, and also by tapping capital from sources outside the movement, and thus linking up the whole organization with the central money market. In order to function properly, the apex bank should also forecast and arrange for the provincial requirements as a whole, and thus be the financial centre of all the co-operative banks and societies in the province. Its further and more important duty would be to maintain

a central reserve of fluid resources, so that the centrals in the districts might be assured of its support, in times of stress and difficulty.

Apex Bank for India:—The Provincial Banks can also unite to form a larger federation for the whole country, but the need for such a stage has not yet arisen. The Indian Committee on Co-operation in their Report (1915), suggested the starting of a State Co-operative Apex Bank for India, specially for re-discounting co-operative paper, such as Promissory Notes and Bills of Exchange endorsed by Central Financing Agencies, but the suggestion did not materialise. All the Provincial Banks have joined together in starting an Association of Provincial Banks for purposes of deliberation and organising Conferences.

Formation of the Provincial Bank:—The natural gradation, in the formation of the financial structure, is for the primaries to form the Central Bank in each District or for a smaller area, and for the centrals in their turn to join and form the Provincial Bank. But this sequence has not been followed in all the Provinces in India. In Bombay and Burma, the Provincial Bank was started in 1911, long before any District Central was started, and it began to finance the primaries in the whole province. When the District Centrals were started the area of its operation to finance primaries was gradually curtailed, confining the work of direct finance in those areas where no central banks are started. In Madras, though the Provincial Bank was similarly started at an early date, it has now ceased to finance the societies, as the whole province is covered by Central Banks. In the Punjab and Bengal, the Central Banks alone began to be formed and developed, and the Provincial at the apex was started at a later stage.

Constitution:—The Provincial Banks of Bengal and the Punjab are purely of the federal type, the membership of each of them being confined to the centrals and primary

societies, to the exclusion of individuals. The Provincial Banks in other provinces have for their members both individuals and registered bodies viz., Central Banks and Societies. All the provinces have now got a Provincial Bank, except the United Provinces. Among the Indian States, Mysore and Hyderabad have each an apex Bank, and their constitution also includes individual members. In the Madras Provincial Bank, no individual is now allowed to hold more than one share. In the Bombay Provincial Bank, the extent of individual share holding is of no consequence, as no member is, now under the local Act, entitled to more than one vote, irrespective of the extent of shareholding.

System of Working:—The method of working of all the apex banks is very nearly the same, and we propose to describe here in detail the system of working of one of them, namely, the Bombay Provincial Co-operative Bank.

THE BOMBAY PROVINCIAL BANK

Functions of the Bank:—The Bombay Central Co-operative Bank, (now called the Bombay Provincial Co-operative Bank since 1923), was registered on 11th October, 1911. Its history dates from the year 1906, when the Bombay Urban Bank was started to finance rural societies, and this was converted into the Central Bank in 1911. Its chief function is to finance primary societies direct in districts where no District Central Banks exist, or where the funds of such Banks are insufficient to meet all the calls upon them. It gives these societies loans proportionate to the credit which they have to offer, to the extent of a maximum of one-third of the assessed assets. It acts as a balancing centre, and offers slightly higher rates of interest on deposits from societies than from individuals.

Exemptions:—The bank has been exempted under G. R. No. 4149 of May 1st 1913, from the purview of Section 5

(b), which limits the individual share holding of a member to Rs. 1,000; and of Sec. 14 (1), which restricts the transfer of shares. As a result of the removal of these restrictions, the members of the Bank are excluded from the privileges under Sec. 21, which makes shares not liable to attachment, and those under Sec. 22, which allows a member to transfer his interest in the bank to a nominee. In view of the sinking fund to be built by the Bank for its debentures, it is exempted from the operation of Sec. 33 requiring one-fourth the profits to be carried to the reserve. These sections are of Act II of 1912.

Sources of Capital:—The Bank derives its funds from (1) Shares, (2) Debentures carrying a Government guarantee for payment of interest under certain terms mentioned below, (3) Deposits, and (4) Outside loans, or Cash Credit for temporary accommodation.

Share Capital:—The shares are of the face value of Rs. 50 each, fully paid up. The General Meeting has power to increase the share capital to any amount, not exceeding Rs. 50 lakhs, shares worth 15 lakhs being issued up to now, of which amount 12 lakhs and odd was subscribed up to the end of 1930. Of these shares nearly two-thirds were held by 808 individuals, and the rest by 1632 co-operative institutions, namely, by Central Banks, Urban Banks and other societies, nearly in equal proportion. Voting power was at one time in proportion to share holding, but now each member has only one vote by the operation of the Bombay Act, 1925. Transfers of shares are registered on payment of a fee of As. 2.

Debentures:—The debentures of the Bank are secured on its general assets, and carry interest at the rate of 4 per cent. per annum payable half-yearly. The payment of interest at this rate, until redemption of debentures, is guaranteed by Government. Debentures are bearer-bonds of the face value of Rs. 1,000 each, and may be issued to the

extent of three-times the paid up share capital, subject to a maximum of 20 lakhs. The debentures have a floating charge over the general assets of the Bank. All debentures are redeemable within a maximum period of 41 years of the date of issue. Under Indian Act XXI of 1917, these debentures are made admissible for the investment of Trust Funds under Sec. 20 (c) of the India Trust Act (II of 1882). Nearly eight lakhs worth of debentures are issued by the Bank, including two lakhs recently purchased by Government for assisting the land mortgage banking business.

Jurisdiction of the Bank:—When the Bank was started in 1911, there were no District Central Banks in the Presidency. Consequently, the Bank was intended to afford finance to the primary societies which stood in need of it in the whole province. From 1916, District Central Banks began to be started, but their progress was slow till 1920. From the latter year, many districts started Central Banks, and in 1923, the Bombay Central changed its name into the Provincial Co-operative Bank as the apex bank for the Presidency. Nevertheless it continues to finance the primary societies in seven districts where no Central Banks are started, or having been started were since cancelled as in Thana and Ahmednagar.

Branches of the Bank:—The Bank has established 21 branches in these districts. It has also 9 other branches in five other districts served by Central Banks, but in areas which the latter are unable or unwilling to finance. In all except two of these 30 branches, local advisory committees of 7 to 9 members are appointed to assist the branch manager in the work of the branch, including assessment of the credit-worthiness of the borrowing societies. One or two members of these Committees are nominated by the Bank, and the rest are elected by the societies concerned. These Branches have brought banking facilities very near the doors of the borrowing societies, and have tended to es-

tablish intimate contact with them for affording prompt and adequate finance. Powers to sanction loans have recently been delegated to some of the local committees. The District Banks have also begun to follow this example of establishing branches in areas served by them.

Total Working Capital:—The aggregate working capital of the Bank in 1930, amounted to more than a crore and a half, including about 13 lakhs of share money, nearly eight lakhs of debenture capital, about a crore and a quarter of deposits, nearly 68 lakhs of which were from societies and Central Banks, and the rest from individuals. The Bank has also been financing 3 land mortgage banks started in the province, out of the two lakhs of debentures purchased by Government specifically for the purpose. The business will later on be transferred to a Central Land Mortgage Bank when started. The cash credit of 8 lakhs ganted by the Imperial Bank was discontinued since 1927, apparently because it was not operated upon.

Loans to Societies:—The working capital derived from all sources, including debentures, is used in financing co-operative societies situated in the Bombay Presidency, in areas already indicated above. The rate of interest on such advances may not exceed 8 per cent. The bank has adopted a discriminating rate, charging $7\frac{1}{2}$ p. c. to societies of A and B class, and 8 p. c. to others. The total amount advanced in 1930 came to 90 lakhs.

Method of Loans:—The usual procedure is at the commencement of every season to sanction credit limits, within which loans can be drawn as required from time to time. No credit is granted without the sanction of the Registrar. The period of the actual loans may not exceed 10 years, but the Bank has power to renew such loans, if so desired for a further period of 10 years. This long period is allowed generally in the case of debt redemption loans; for current agricultural purposes the period of repayment is one to three

years. All applications for credits should be made in the prescribed form, accompanied by a statement of Normal Credit and that of the assets of the members, on the basis of which the Bank sanctions the maximum credit within which the society may draw from time to time. No borrowing society is required to take more than one share of the Bank.

Terms of Maximum Credit:—The terms on which maximum credit is sanctioned to rural societies are as follows:—

(1) Forecasts of loan requirements and programme of repayments to be submitted in advance.

(2) Withdrawals to be made on one week's notice; though this condition is generally waived, the Bank retains power to refuse loans under exceptional circumstances.

(3) The limit of maximum credit to be revised by the Bank annually.

(4) Loans are to be repaid within definite periods; i. e.
  (a) Four months: for land revenue and irrigation dues.
  (b) One year: Seed, manure, and other current agricultural expenses and petty trade.
  (c) Two years: purchase of bullocks, sugarcane plantation, minor land improvements, ceremonial expenses, etc.
  (d) Three years: for garden crops.

(5) Interest to be debited once a year on March 31st or other suitable date, at the rate fixed.

(6) Loans to be secured by demand promissory notes as well as by supplementary bonds.

Loans to District Central Banks and Urban Banks:—There are 19 Central Banks in the Presidency. Of these the 6 in Sind deal with the Central at Karachi as their apex bank. Of the remaining 13, many have sufficient funds, and few borrow regularly from the Provincial. All, however, make arrangements for cash credit or overdraft. Overdrafts against Government securities are charged 1 p. c.

over the Bank rate, while fixed loans are allowed at the usual rate, and those against their own fixed deposits are charged 1 p. c. over the deposit rate. Urban Banks are also allowed to draw or borrow on the same terms.

The total amount of maximum credit allowed by the Bank to District Central Banks is Rs. 12½ lakhs, out of which Rs. 3.13 lakhs were drawn. The total amount of cash credit against general assets, Government Securities and Fixed Deposits sanctioned to these Central Banks in the year was Rs. 15.48 lakhs, out of which Rs. 3.34 lakhs were drawn. Overdraft of Rs. 7.16 lakhs was sanctioned to 19 Urban Banks against Government Securities, Fixed Deposits, etc., out of which Rs. 1.69 lakhs were drawn. Cash Credit was allowed to 13 Urban Banks against general assets, for fluid resource and for facilitating exchange business. Out of Rs. 2.19 lakhs sanctioned for this purpose, Rs. 1.04 lakhs were drawn. Rs. 23,000 were advanced to an urban bank against agricultural produce.

Land Improvement Loans:—Tagai loans by Government under the Land Improvement Loans Act to members of societies are made through the Provincial Bank, the total amount sanctioned every year for the purpose being placed with the Bank for distribution on the sanction of the Registrar. On advances made out of these amounts, the Bank pays 5½ p. c. to Government and charges 5¾ p. c. to Central Banks for loans to their affiliated societies, and 6 p. c. to societies borrowing direct from the Bank. Interest at 6¾ p. c. is charged to individual borrowers. A sum of Rs. 5,48,000 was advanced under this head up to end of March 1930. No maximum is prescribed for the amount of a loan under this head, but that for the period of the loan is 10 years.

Surpluses in the Bank:—When the Bank has any idle surplus in its hands, it is partly invested in Government Securities, and partly as deposits in approved joint-stock banks,

including other provincial co-operative banks. The surplus at the end of 1930 was about half a crore of which about 10 lakhs were invested with Provincial Co-operative Banks.

Constitution:—The shares are held partly by co-operative societies, but mainly by the ordinary public in the proportion of about one to two. The Shareholders annually elect the Board of Directors, in whose hands lies the control of the Bank's business. The Directors formerly numbered 9, but the number has now been increased to 14, the maximum number allowed being 15. According to the latest scheme adopted, 4 members of the Board are elected by the District Central Banks investing 10 per cent. of their share capital in the shares of the Bank, one each of these being assigned to the linguistic divisions of the Presidency, 1 Director by Urban Banks with a working capital of fifty thousand and above being the members of the Bank, and the General Meeting elects 2 to represent the primary borrowing societies on the basis of recommendations made by local advisory committees, and 7 to represent the individual shareholders. The qualification for a seat on the Board for the last group is the holding of at least 20 shares. By convention one of these 7 is an office-bearer of the Provincial Co-operative Institute, Bombay.

Distribution of Profits:—In view of the guarantee given by Government on the debentures issued or to be issued by the Bank to the extent of 20 lakhs, the Bank has entered into an agreement with the Secretary of State. Under this agreement (Clause 8), the first charge on the Bank's profits is the sinking fund for the debentures issued. The rate of contribution to the sinking fund varies under the following circumstances. One per cent. if the rate of interest charged by the Bank be 7 per cent. or less, and two per cent. if the rate be 8 per cent., the additional 1 per cent. being in proportion to the rise of interest between 7 and 8. The

total of the sinking fund in 1930 amounted to nearly Rs. 3,69,000.

In addition to the sinking fund, the Directors have power to carry such portion of the profits as they think fit to reserve or to the Bad and Doubtful Debts account. The total of these funds amounted to Rs. 1,30,000 in 1930.

The second charge on the profits is the dividend. If the net profits earned are more than sufficient to pay a dividend of 6 per cent., one half of the excess is available for distribution to shareholders, while the other half is distributable in the form of a rebate to societies which have borrowed loans from the Bank during that period, the rebate being distributed triennially in proportion to the interest paid by them to the Bank. The bank has paid an annual dividend of 6 per cent. to shareholders from the commencement, which was gradually raised to 6½, 7, and 7½, and since 1926 to 8 per cent.

Inspecting Staff:—When the Bank was started Government lent the services of three officers designated as Special Mamlatdars to inquire into applications for loans made by societies and to value their assets. When guaranteeing unions began to be started, these bodies were expected to do the work of inspection. From 1921, the Bank began to have its own field staff, and there are now 30 inspectors engaged by the Bank, including one Special Mamlatdar and his two assistants for the Bhil tract in Dohad in Gujerat. The inspecting staff also assists the Co-operative Institute and its branches in the conduct of the co-operative classes for Secretaries and Committee-men.

Purchase and Sale work:—One of the important activities of the Bank is the direct and indirect assistance given in the work of agricultural purchase and sale through its branches. In some centres the work has been later taken over by independent Purchase and Sale Unions, separately registered, e. g. in West Khandesh, Nira Canal, Kolhapur for

the Varna Valley tract, Kurduwadi, and Malegaon; two more are under formation in Kalol and Halol in Gujerat. Three shops on the old basis still continue to be run by the Bank at its branch centres at Kopergaon, Belapur and Akluj, dealing mainly in jaggery, oil-cake manures and fertilisers for sugar crops. The constituent societies are responsible for the profit or loss of the business. The Bank is also assisting several groups of weavers' societies by collectively purchasing yarn for them and helping the sale of their finished goods through some of its branches in areas where there is a demand for the articles.

Drafts, Bills and Cheques:—The Bank gives facilities for issuing drafts and discounting them. This facility is availed of mostly by urban banks. The Bank is prepared to rediscount short dated trade bills on behalf of urban Banks. The Bank also does this business throughout its branches. Up to the end of March 1930, the branches of the Bank issued 9,849 drafts and hundis of the total value of Rs. 66 lakhs and discounted 6,764 drafts of the total value of Rs. 62 lakhs and forwarded them to the Head office for collection. The Bank has given a good lead to the circulation of cheques through its branches, and has introduced the system of cheques in vernacular. The average of cheques presented daily is 300 and their value is about Rs. 4 lakhs. The Bank is a member of the Bankers' Clearing House in Bombay.

CHAPTER XLVI

CO-OPERATIVE FINANCE

Its Problems.

Place of the Money-lender—Small extent of field covered by Co-operation—Want of prompt Finance—Inadequacy of Finance—Prior Debts—Agriculturists' Trade still in private hands—Surplus Funds with Co-operative Banks—Facilities for the Movement of Finance—Overdues of Loans and their causes—Weak economic position of Agriculturists—Case of Backward People—Areas of Chronic Bad Seasons—Load of Prior Debts—Disorganised Agricultural Trade—Internal Causes of Recalcitrancy of borrowers or slackness of Committees—Unproductive Purposes.

Place of the Money-lender:—The first question that confronts co-operative finance is—what is its relation to the money-lender, does it propose to displace him? The answer would be that co-operative finance is not intended to displace *him* so much as his *usury*. If he adopts a fair rate of interest, he has every chance of continuing as an integral part of the rural economy, and may even join hands with the Co-operative Movement with advantage to both, as has been the case in some places. At present, the co-operative movement, for the reasons set out below, occupies comparatively a weaker position to offer an effective challenge to its rival the money-lender.

Small extent of field covered by Co-operation:—Firstly the movement has not yet gained sufficient ground in the country. In the Bombay Presidency only 20.4 p. c. of the villages have got co-operative societies up to now, and if we refer to the whole country, out of nearly seven lakhs of villages less than a lakh or 14 p. c. of them only have been served by co-operative societies. There has been a

setback in the increase of the number of previous years, and with the present slow pace it might take more than a century to cover the whole ground. The Co-operative Department in most provinces is busy taking stock of the previous work, and devising measures for consolidating the position, and does not show a disposition for rapid expansion. But to relegate even favourable tracts for future consideration would not be quite consistent with caution. The refusal of Government to increase the staff to cope with the increase of work as a result of expansion, is largely responsible for the situation. It may, however, be stated that wherever a credit society has successfully worked, it has brought down the local money-lender's rate of interest, but whether he makes this up by other methods deserves to be investigated.

Want of prompt finance:—Secondly, the existing societies have not been able to afford prompt finance. The money-lender's finance has continued to be attractive because it is prompt. The society's finance is delayed because it is preceded by a written application, two sureties, and consideration by the Committee, and time to get the amount from the Central Bank. There is some improvement in the last cause of delay since the central banks in Bombay commenced opening branches, but the pace requires to be accelerated till all or most taluka centres are served by branches. The delay due to other causes has also been lessened by bringing the societies under supervising unions and by the adoption of the system of normal credit statements, but it cannot be avoided altogether. The money-lender's credit and co-operative credit differ fundamentally in their methods. The latter is regulated and controlled credit, and control is generally unsavoury. It is by persistent education and careful supervision of the Supervising Unions that members of societies will have to learn the value of disciplined and controlled finance. So long as these principles are not under-

stood and appreciated, the money-lender will continue to hold the field.

Inadequacy of finance:—The third drawback of co-operative finance is its inadequacy. It arises from various causes: (1) Want of proper forecasting the requirements, or unexpected contingencies happening after the forecast; the normal credit statements being based on normal conditions make no provision for such eventualities. The difficulty can be overcome by the Central Bank engaging a competent staff of inspectors and by enforcing their prompt visits to certify legitimate additional demands. (2) Demand for fresh finance when the previous loan has remained in arrears by reason of unforeseen disaster, such as scarcity, adversity, pest or pestilence. This is a question of latitude which the Central Banks have begun to exercise, but a definite policy has not yet been adopted. (3) Requirements of certain members, such as large holders, being above the bye-law limit, are not met. The Registrar in Bombay has commenced sanctioning special limits in such cases. Whether a separate society should be started in each taluka for the big holders of all the villages comprised in it is a question which deserves consideration. (4) Loans for domestic ceremonials. This is a complicated question. Though the purposes are unproductive, the villagers look upon them as more obligatory than their agricultural needs. Societies are, therefore, allowed to sanction such a loan if the borrower is in a position to repay it, but at the sacrifice of the co-operative principle, which requires loans to be advanced only for productive purposes. The difficulty can only be overcome by general education, enlightened public opinion and by the inculcation of the principles of thrift, all of which require time and perseverance.

Prior Debts:—The fourth drawback of co-operative finance is that it has not liquidated the old debts of the members who are merely financed for their current agricul-

tural purposes. Those who carry the load of such debts are, therefore, obliged to serve two masters—the society and their money-lender. No doubt, a beginning has been made in the direction of organizing a machinery for the clearance of such debts by the establishment of land mortgage banks. But it is still an experiment, and it will take a long time before it can hope to tackle the problem of old debts on any large scale. Meanwhile, some well-established societies are also allowed to liquidate old debts of manageable magnitude capable of repayment within ten years. This process, too, for obvious reasons must be slow, for large amounts cannot be made available for such purposes out of short term deposits. The anomalous position will, therefore, remain for a long time to come.

Agriculturists' Trade still in private hands:—The fifth and the most important drawback is that the trade of the agriculturists in respect of supply and sale is still largely in the hands of the money-lenders. The societies in our country are for the single purpose of credit, unlike those in Germany, where the movement made vast progress because it tackled both credit and the trade of the agriculturists simultaneously. This is another reason why the farmer is obliged to serve two agencies—the money-lender for his trade and the society for credit—with the result of undermining his loyalty to the latter. No doubt, a beginning is made to bring the agriculturist's trade under co-operation, but the pace is very tardy, and unless it is accelerated, co-operative finance will continue to labour under a severe handicap.

Surplus Funds with Co-operative Banks:—It is a paradoxical position of co-operative finance that while on the one hand there is a complaint that agriculturists are inadequately financed, on the other the Provincial and Central Banks, in many provinces including the Bombay Presidency, should apparently be burdened with surplus funds having to invest them outside. These surpluses have accumulated

mainly because the expansion of the movement has failed to keep pace with the expansion of the Banks' funds. If, however, all the Banks were conjointly to launch a wide scheme of co-operative trade for the benefit of the agriculturists, not merely by temporary advances to tide over a period of slump, but by enabling the produce to reach the central market, much of the surplus is sure to find a remunerative investment. It may be observed that even the primary societies in Italy and Germany have accumulated large surpluses, which helped them not only to be independent of outside capital, but have enabled them to build a strong co-operative trade and even to undertake the work of manufacturing agricultural requirements.

Facilities for the Movement of Finance:—The main feature of modern banking is the adoption of various devices for the movement of finance without handling the cash, by means of cheques, drafts, bills of trade and hundis and promissory notes. No doubt, a wider use of cheques has been facilitated by the abolition of stamp duty thereon; but unless Government allows a free and liberal use of R. T. Rs., i. e. remittance transfer receipts, through Government Treasuries, and introduces the system of postal drafts in favour of the co-operative movement, as is done in many European countries, notably in Germany, co-operative banks will not be able to mobilise trade bills and cheques to the extent they are capable of. Arrangements must also be made for discounting promissory notes of co-operative societies endorsed by central banks, or for granting cash credit or overdraft on the security of such notes through the agency of the Imperial Bank. The growth of co-operative banking will be much hampered unless a liberal policy is adopted favouring its all-sided growth. Co-operative Banks in European Countries invest their funds in loans represented by bills and pro-notes and other negotiable instruments, which can at any time be realised in the open market.

Private banks in India have not yet recognised the value of co-operative paper. It is, therefore, quite essential that Government, which has organised the co-operative movement, should take the step of inducing the Imperial Bank to give similar recognition to co-operative paper endorsed by central banks, for without such a step, co-operative finance is likely to receive a serious set-back in the future when the movement begins to expand in its attempt to bring agricultural trade under its control.

Overdues of Loans and their causes:—In no other country is co-operative finance confronted with so many complex problems as in India. The problems are further complicated by the stumbling block of overdues to be met with in all the provinces and arising from a variety of causes, though they may not be identical in all cases. They may be summarised as follows:—

Weak Economic Position of Agriculturists:—In the first place, co-operative finance has virtually assumed the form of agricultural finance by reason of the fact that more than three-fourths of the country's population are engaged in that industry. The majority of these farmers cultivate small plots of land, often scattered and fragmented, yielding scarcely sufficient income to maintain themselves. No subsidiary industries occupy their spare time and add to their income. Yet these farmers stand in no less a need of finance to carry on their occupation than their more substantial brethren, and it is still an open question how far credit facilities alone unaccompanied by other remedial measures will improve their lot, without adding to the dead weight of overdues.

Case of Backward People:—Then again, there are the people known as backward or aboriginal classes, who have recently come within the pale of civilization, and who cannot therefore be helped with co-operative finance without some protective measures to be adopted with the help of

Government, and even then without adding to the figures of overdues.

Areas of Chronic Bad Seasons:—Thirdly there are those areas over which nature herself is constantly frowning, visiting them with chronic bad seasons, ravages of pests among the crops, of pestilence among the cattle, and epidemics among the people. The loans advanced in such areas will generally fall in arrears. At the same time, total denial of further finance in such cases would be a more dangerous course. The previous loans require to be carefully nursed by the grant of easy instalments. Cases of overfinance, due to grant of loans beyond reasonable requirements, also similarly deserve to be nursed. They mostly occurred before the systematic introduction of normal credit statements, and are likely to be prevented in future by the wider use of such statements.

Load of Prior Debts:—Then there are the prior debts in the case of most of the agriculturists, with the result that the creditors carry away the produce of the debtors, leaving in the lurch the co-operative societies who financed them. Liquidation of the old debts is engaging the attention of the movement, but the process for various reasons will be slow.

Disorganised Agricultural Trade:—Another cause which is adversely operating on the farmers is the disorganised condition of their agricultural trade, partly because it is conducted through unco-operative agencies like savkars or dalals (money-lenders or agents), and partly on account of the violent fluctuations of prices in the market. No effective and comprehensive measures are yet adopted to bring agricultural trade under co-operative control, and meanwhile the overdues will mount up.

Internal causes of Recalcitrancy of borrowers or slackness of Committees:—There are again the internal causes which are no less responsible for overdues, such as the presence of

undesirable members, recalcitrancy of the borrowers, and slackness on the part of Committee members. The first is due to the indiscriminate admission of members, either at the start or subsequently, and is largely the legacy of defective formation of societies in the earlier days of the movement. Recalcitrancy, though deserves to be met by a prompt step for recovery, yet the tendency itself should be removed if brought about by a suspicion that further loans will be denied during partial failure of crops or other calamities. The slackness of Committee members, if due to indolence, can be remedied by overhauling and revivifying the management; but it deserves a more severe handling if it is due to the defaults of loans taken by Committee members themselves.

Unproductive Purposes:—Lastly there is the cause of borrowing for unproductive purposes leading sooner or later to defaults. Vices in the case of villagers are rarer than in that of the working classes in towns. Litigation at times takes a toll of the villagers' earnings. But the universal cause arises from the rigid observance of social and religious ceremonials and rituals, considered to be obligatory by the unwritten law of heredity and custom, and the irresistible fear of social degradation if expenditure on a certain accepted scale be not incurred, whether means permit or not. The Indian farmer can never be accused of being a spend-thrift, yet he scarcely gives a thought to thrift as is understood in Western Countries. He is uncommonly generous on ceremonial occasions, and even on ordinary occasions he is afraid of being considered ungenerous. No beggar need fear to be turned away from his door even on a day he has not enough for his own full meal. During the harvest season the professional beggars, who form the pest of the country, come in swarms, and take away a good slice of the crop. On ceremonial occasions he would tremble at the idea of even courting their frown. Thus,

superstition nursed by ignorance and illiteracy is the real disturbing cause of rural economy, and the remedy lies in the spread of general culture by means of adult education.

CHAPTER XLVII

THE PRINCIPLES OF ORGANIZATION

Economic relief to be the basis—Common interests—Area of operation—Honesty and Industry—Financial Position—Initial Capital—Sufficient Trade for a Trade Society—Reliable men for Committee—Propaganda—Training of the Secretary—Knowledge of Co-operative Principles and Practice—Moral Aspect of Co-operation—Society not a Government concern—Touch with the Financing Bank—Supervision of the Society—Collection of Capital—Instructions to the would-be Committee—Explaining the Act, Rules and Bye-Laws—Preparation of the ground before Registration—Application for Registration—Procedure after Registration—Organisation and Education must vest in the same body—Need of paid staff for organising work.

Economic relief to be the basis:—The organization of a society is the process of bringing it into existence. This process will depend upon the nature of the society to be started. Since a co-operative society is intended to afford economic relief, the first thing the organiser has to ascertain is, whether the economic condition of the people for whom the society is to be started justifies its organization. If the people are paying usurious rates of interest on loans borrowed by them, they stand in need of a credit society, as is the case with the generality of agriculturists. If they are paying exorbitant prices on the purchase of the necessities of life, it is the store that is required, and so on.

Common interests:—The organiser should next ascertain if there are common interests to bind together the persons or most of them to be benefited by the society; such as those

following the same occupation like agriculture, or some craft or trade, or belonging to the same caste or creed, or serving in the same office or works.

Area of operation:—In the case of a rural credit society, the area should not ordinarily exceed that of a single village, so that the members may be well acquainted with each other and be in a position to exercise an effective mutual control. The limit to the number of members in this case should also be fixed, say, at 50 or so. In some provinces, the average number of members in a rural credit society does not exceed 40. The area and the number of members do not, however, form important factors in the case of other kinds of societies.

Honesty and Industry:—The organiser should then satisfy himself about the general reputation of the people, their honesty and industry, the two essentials being necessary in the case of a credit society.

Financial Position:—Another factor to be ascertained in the case of a credit society is, whether the financial position of the would-be members is not so embarrassed as to make their extrication by loans hopeless.

Initial Capital:—After satisfying himself about the existence of the above conditions, the organiser should next ascertain whether the people concerned can raise some initial capital by means of shares or by deposits, the latter course being followed in the case of rural credit societies not based on the share system.

Sufficient Trade for a Trade Society:—If the proposed society is for sale or purchase, it should be ascertained whether a sufficient amount of trade can be brought under its control. In the case of such a society, if a single village will not be able to furnish enough trade, a number of neighbouring villages will have to be brought under it. The area of a Union, where it exists, might afford sufficient scope for such a society.

Reliable men for Committee:—The next important fact to be ascertained, especially in the case of a rural society, is whether there are reliable men available from among the would-be members to take up the office of the Chairman and the Secretary, and to form a committee of management. The Secretary must have enough education to be in a position to maintain the accounts and the books of the society, and the Chairman should be able at least to read and write to enable him to keep control over the affairs of the society and over the work of the Secretary.

Propaganda:—The above are the main elements which are essential for the success of a society; and having satisfied himself about them, the organiser should next carry on some propaganda in the village or the place concerned, by talks, lectures, and, if possible, by magic lantern shows, explaining the principles, objects and the advantages of the proposed society, and the concessions given under the Act and by administrative orders and the object of such concessions.

Training of the Secretary:—The Secretary should be asked to attend at the earliest possible opportunity a co-operative class organised by the Co-operative Institute, to obtain sufficient training in accounts and his other work.

Knowledge of Co-operative Principles and Practice:—In some places, too much emphasis is laid on the learning of the "Ten Main Points" of credit co-operation. But this is not enough. The members should be made to grasp the principles underlying those ten points, and the methods of bringing those principles into practice.

Moral Aspect of Co-operation:—One important point to be impressed upon the members is the moral aspect of the co-operative movement. The members must be made to understand that a Co-operative Society is meant, not so much for obtaining loans at cheap rates of interest, or for transacting any other business on advantageous terms,

as for the promotion of the moral and social well-being of the members, who are therefore expected to serve each other in promoting thrift and providence, and in making them in every way better men than before. Members must also be made to understand the difference between the methods of business of the Savkar and of the society, and why the apparent facilities afforded by the former are really temptations in their way to make them perpetually subservient to him, and why the restrictions placed by the society are meant for their ulterior emancipation.

Society not a Govt. concern:—Members of many rural societies are under the impression that their society is a concern run by Government for helping them with cheap loans. The members of every prospective society should, therefore, be made to understand that the society is not a Government concern, that self-help is its underlying principle, and that its success must depend on their own exertions.

Touch with the Financing Bank:—The Financing bank, the District Central or the Provincial, as the case may be, within whose jurisdiction the society is to be started, should be informed of the prospect of forming a society, so that it may send over its Inspector to assist in the final stage of organization.

Supervision of the Society:—If the proposed society falls within the area of a Supervising Union, the work of organization as well as of supervision will be carried on primarily by the Union Supervisor. If not, the Organiser should undertake or devise steps for the supervision of the Society after it is formed.

Collection of Capital:—The next step to be taken is to collect the initial capital promised by the members, either in lump or by instalments, as may be convenient. Temporary receipts should be given to those who pay the amounts. The collections, immediately after they are made, should

be deposited in a Bank and should not be allowed to lie in any one's hands.

Instructions to the would-be committee:—The organiser should next get together about a dozen picked men, including the members of the proposed managing committee, and give them detailed instructions regarding the management of the society. It is most important that these original members should be carefully selected. For it is they who choose future members and set the standard of the Society. Care should, therefore, be taken to exclude persons of doubtful character.

Explaining the Act, Rules and Bye-laws:—Having prepared the ground so far, the organiser should explain the main provisions of the Co-operative Act, of the rules framed thereunder, and the bye-laws of the proposed society. The Registrar has prepared model bye-laws for different types of societies and published them as leaflets with an introductory note on each. Copies of them can be obtained from the office of the Registrar, the Assistant Registrar and of the Institute and its branches.

Preparation of the ground before Registration:—Too much emphasis cannot be laid on the proper preparation of the ground before the papers are sent up for registration. Most of the defects to be found in the present movement are due to defective or hasty organization in the earlier years.

Application for Registration:—After making the necessary modifications* in the model to suit local conditions and filling in the blanks left for inserting the rates of interest, etc., the organiser should get 4 copies of the bye-laws and two application forms signed by at least ten of the original members, and forward three of the former, (See Rule 2 framed under the Bombay Co-operative Societies' Act VII

*Where the modifications or the changes made in the model are too many and too sweeping, it would be advisable to consult the Registrar in advance regarding them.

of 1925) and one of the latter to the Registrar through the Assistant Registrar concerned. The remaining copy of the bye-laws and the application form should be retained as office copies.

Procedure after Registration:—After the registration of the society, the Registrar sends back one copy of the bye-laws under his office seal and signature, and the certificate of registration. The signatories who form the first members of the society should hold a meeting which has all the powers of an annual general meeting. Care must, therefore, be taken that at this meeting, as in the case of all other general meetings, there is a quorum prescribed under the bye-laws. The first act of the meeting is to adopt the bye-laws received from the Registrar, which then form the binding bye-laws of the society, (See rule 5 of the Bombay Act). The meeting should then proceed with the business prescribed to be transacted at the annual general meeting under the bye-laws.

Organization and education must vest in the same body:—The work of organization in most of the provinces in this country is done by the officers of the Co-operative Department. The financing banks and the Supervising Unions, where the latter exist, have also been authorised to assist in the organization of credit societies within the areas of their operation. In the Bombay Presidency the work is being done by a body of workers known as Honorary Organisers, appointed by the Department, which pays the travelling allowance and daily expenses, within a certain limit. The Committee on Co-operation has laid down (Page 19 of the Report) that the Registrar should register no society, unless he is satisfied that the proposed members have really assimilated the principles of co-operation. In other words, the work of co-operative education and that of organization must be in the same hands. At present the former is being done by the Co-operative Institute; the latter must also be

assigned to that body by handing over to it the funds spent on Honorary Organisers. It will then be in a position to appoint paid officers to do both the work of organization and education through a well organised agency, gradually eliminating the Honorary Organisers. It may be noted that this proposition is borne out by the report of the Royal Commission on Agriculture (Page 451), which forms the latest pronouncement on the subject, with this difference that the Commission recommends that the paid staff should be placed under the Registrar, for the simple reason, that the work of co-operative education is carried on in many provinces by the Department, while we urge that it should be placed under the Co-operative Institute, which in this Presidency is carrying on the work of education.

Need of paid staff for organising work:—There is another important reason why a paid staff should be appointed to carry on the work of organization. At present, the Honorary Organisers organise credit societies only. There is a crying need in the movement for the organization of non-credit societies of various types. This work can only be entrusted to men specially trained for that work, and this would only be possible if paid men were engaged, as they can be appointed after they acquire the necessary qualification by being trained in the line. It may, therefore, be hoped that the work of organization will be soon systematised in the manner indicated here.

CHAPTER XLVIII

THE MANAGEMENT OF A SOCIETY

The two organs of the Society—The Committee and Officers—Objects not to be transgressed—Amendment of Bye-Laws—General Meetings—Committee Meetings and Business—The Minute Books—Gratuitous Administration—Balance Sheet—Points to be noted in Credit Societies—Education.

As in the case of organization, the management of a society varies according to the type. But the main principles, which are common to all or to most of them, are indicated here.

The two organs of the Society:—The two organs of a society are the General Meeting of all the members, and the Managing Committee of a small select number of members appointed by the General Meeting. The societies in India do not appoint a Supervising Council as in Europe. In Central Banks and bigger societies, the Managing Committee is known as the Board of Directors. The number of Committee members generally varies from 7 to 12, according to the size of the society. In the rural societies, the whole Committee retires at the end of the year, and in some, especially the urban societies, half or one-third, retires by rotation, the retiring members being eligible for re-election. Though the Committee is directly responsible for management, the general meeting, which elects the Committee, bears the responsibility for management indirectly. It is, therefore, essential that every member of the society should make it a point to attend the general meeting and exercise his best discretion in electing the Committee members. The selection should be based on grounds of competency only. The responsibility does not

end there. Every member of the society should also try to satisfy himself that its affairs are well managed.

The Committee and Officers:—The Managing Committee is the body entrusted with the administration of the society, and the persons who bear the brunt of the work are the Secretary and the Chairman, who are known as the Officers of the society. In some bigger societies additional Officers are appointed, such as a Vice-Chairman, a Joint or Assistant Secretary, a Treasurer, etc., and a paid staff consisting of a Manager with clerks under him. But such additional appointments should not be made, unless they are provided for in the bye-laws. The bye-laws of most societies provide for the appointment of the Secretary by the general meeting, and that of the Chairman by the Managing Committee. The Secretary is placed in charge of the work of the society, and the Chairman supervises his work and gives directions. To manage a society properly, is to follow carefully the provisions of the Act, Rules and the Bye-laws, and to see that the business is conducted in accordance with them. Both the Secretary and the Chairman must therefore acquire an intimate knowledge of them.

The important points to be borne in mind in the management of the society are the following:—

Objects not to be transgressed:—The objects of the society as laid down in the bye-laws should not be transgressed, e. g., a credit society should not do sale and purchase business, nor a store society do the business of banking. If such additional business is considered quite necessary, the bye-laws should be first amended.

Amendment of Bye-laws:—The procedure laid down in this respect in the bye-laws, rules and the Act should be carefully followed. The important points to be observed are that proper notice of the amendment should be given, that the quorum necessary for the meeting must be present, and that the amendment should be carried by at least two-thirds

the majority. After it is carried by the meeting, the amendment should be forwarded to the Registrar for sanction together with the above information and a copy of the resolution. The amended bye-law takes effect only after the sanction of the Registrar is received.

General Meetings:—Notice of general meetings should be given in time so that it may reach the members within the time prescribed by the bye-laws, and it should state the date, hour and place of the meeting and the business to be transacted. The fact that a notice, after it is posted, does not reach any particular member, does not vitiate the proceedings of the meeting. There must be a quorum before the proceedings commence, except when making a motion for adjournment for want of a quorum. The bye-laws of some societies provide that a general meeting, proceeding with its business with an initial quorum, may transact business even after the discovery of a want of quorum later on by reason of any members leaving the meeting. The proceedings must commence with the appointment of the Chairman as provided in the bye-laws. The notice of the meeting must be read by the Secretary, either before or after the appointment of the Chairman. The minutes of the previous meeting are then to be read and confirmed. If the minutes of the previous meeting were written at the meeting itself and read out and signed by the Chairman, they need not be confirmed at the subsequent meeting. It is safer to follow this procedure in the case of rural societies. The regular business goes on thereafter as stated in the bye-laws. The bye-laws of almost all societies provide that business, not notified in the notice, may be transacted with the consent of two-thirds of the members present, if it does not affect rates of interest or suggest changes in the bye-laws. However, business of a serious nature, or affecting the financial position of the society, or removal of a member, should not be allowed to be so introduced without notice. This liberty of

introducing business not mentioned in the notice does not apply to special general meetings or to adjourned meetings.

The detailed procedure of meetings is not laid down in the bye-laws, and must, therefore, depend upon the general knowledge of such procedure and the discretion of the Chairman.

Committee Meetings and Business:—No meeting of the Managing Committee can transact business unless there is a quorum. The rule of adjourning a meeting for want of a quorum, and transacting the business at the adjourned meeting, though there be no quorum, does not apply to committee meetings. If a committee transacts business beyond its powers, or beyond the objects of the society, the members of the Committee render themselves personally liable for any loss accruing therefrom. The Committee should secure the economical working of the society's business, and safeguard the society against all risks. No funds of the society should be allowed to lie idle in the hands of any member, be he an officer or otherwise. The Committee should see that the Cash Book is written from day to day and the other books are kept up to date. It should also examine the balance at every meeting. These precautions on behalf of the committee are more necessary in the case of rural than urban societies, as this essential duty is likely to be neglected by the Secretary. Indifference of Committee members is likely to lead to mismanagement, and even mishandling of funds.

The Minute Books:—The minutes of the Committee meeting should be written at the meeting itself, and should be read out and signed by the Chairman and two members present. The minutes of the general meetings may also be read and confirmed at the very meeting. If they are not, they must be confirmed at the next general meeting. The minutes whether of Committee or of General Meetings should contain the names of the members present.

Gratuitous Administration:—Except the Secretary, who may be paid some remuneration for the clerical work done by him, the administration of a society should be honorary, as in the case of similar societies in Europe and America. The cardinal principle of Raiffeisen banks is absolute gratuitousness of administration. The Italian Savings Banks are managed by Committees of trustees, who not merely give their services gratuitously, but run all the risks of loss, and subscribe a guarantee fund without a penny of remuneration; the foundation principle of the great English Trustee Savings Banks is similar; in America, the Building Societies, of the smaller type, are managed even to a large share of account and clerical work, by unpaid directors. Wherever the true co-operative principle is found, there is to be found gratuitous or nearly gratuitous management. It is not merely a question of economy, but of radical principle.

Balance Sheet:—The Annual Statements of accounts should be prepared carefully and in time, and only profits actually earned should be taken into account. In urban societies it is usual to take into account interest which is due but not overdue for more than six months. In rural credit societies there is no question of dividend except where the share system is adopted, and in urban societies the dividend should be fixed as low as possible.

Points to be noted in Credit Societies:—In the case of credit societies, which form the bulk in our country, admission of members to the society must be carefully scrutinised by the Committee. In the case of non-credit societies admission to membership may be given to any person who undertakes to abide by the rules. But in the case of credit societies, personal character should form the test for admission, and if it is a rural credit society, mutual acquaintance and knowledge of circumstances is essential, and the membership should be confined to a small local area. Inter-

est on loans to members is fixed by the general meeting, and the temptation to lower it beyond a reasonable limit, say Rs. 9-6-0 per cent. per annum, should be resisted until a strong reserve is built. Deposits to be received should be properly regulated, so that the society may have sufficient funds when the time of repayment arrives. The rate of interest on them must be well regulated, so as to leave a good margin of profit. In the case of rural credit societies, the statements of assets and of normal credits of the members should be carefully prepared. Loans should be advanced on the basis of these statements, and the period of repayment should be such as to enable the borrowing members to repay out of the produce of the fields. Punctuality in repayment should be strictly insisted upon, and the Committee members themselves should set a good example in this respect. Extensions may be allowed where crops have failed or real distress exists, but unauthorised overdues should be promptly referred to arbitration, if persuasion and moral force have failed to have the desired effect.

Education:—Every society should see that its officers, especially the Secretary, have been properly trained in co-operative principles, and should not grudge the necessary expenditure for this purpose. Efforts should also be made to have a class for adult education, especially in places where it is difficult to find literate members to serve on the Committee. A share of society's profits to the full extent allowed by the Act may well be spent on this object, instead of being frittered away on charities of doubtful utility. This work can be more appropriately taken in hand by a Supervising Union, wherever it exists.

CHAPTER XLIX

PRINCIPLES OF SUPERVISION IN EUROPEAN COUNTRIES

Necessity of Supervision—The Council of Supervision in German Societies—Duties of the Council—The Italian Board of Conciliation—External Supervision or Inspection by Unions—Inspection differentiated from Audit—Inspector's work—Inspection of Rural Banks—Qualification of Inspectors—Control of Societies by Government and by Union.

Necessity of Supervision:—It is a universal rule in the case of all societies in Europe and America, dealing with thrift, providence and credit of the masses, that they should be assisted and hedged in with all sorts of safeguards supposed to be unnecessary in the case of ordinary trading companies. Such safeguards are more necessary in the case of societies started for poor and ignorant people in villages than in the case of the towns folk. The most essential safeguard is supervision, which in the case of European Societies is both internal and continuous, and external or periodical. The former is exercised by the Council of Supervision, appointed by every society in the general meeting from among its members. The external supervision is exercised by the Inspector of the Union of the Societies, and is quite different from the inspection, which in some Presidencies is being only partially done by the Inspector of the Financing or Central Bank, the former being more exacting, thorough and systematic than is the case in India.

The Council of Supervision in German Societies:—The Council of Supervision controls the work of the society and also does the work of internal or continuous audit of its

accounts. The Executive or Managing Committee consists generally of three Directors, and is controlled in all their work by the Council of Supervision. The German Law prescribes the appointment of such a Council both in the case of rural and urban Co-operative Banks, and even in the case of commercial banks. The members of the Council are not allowed to have any pecuniary interest in the results of the society's operations, and cannot delegate their powers; on the other hand, no director can get an advance or stand surety for an advance without the express consent of the Council. The Council may temporarily suspend any director pending a general meeting, which should at once be convened, and in the meanwhile, the Council must take steps for the conduct of the business. The members of the Council are bound to act as honest men of business, and are equally liable with the directors to severe criminal penalties in cases of lapses and defaults.

Duties of the Council:—The Council has to prepare the *Credit-list,* which is a statement showing to what extent each member can take a loan or stand surety and to see that these limits are not exceeded by the executive. The Council has to make searching inquiry into the affairs of the bank, its books, cash-boxes, etc., at any time. To assist it in such work it frequently employs expert accountants. In other words, the Council has to watch over the interests of the society in every matter, to take steps that the directors act in accordance with the articles (Bye-laws), and carry out punctually all resolutions whether of the Council or of the general meeting. It examines the accounts and securities of the society, and demands the production of the cash in hand. If it discovers any dereliction of duty by any director, it takes care to safeguard the society's interests. In the case of the Schulze-Delitzsch banks, where this system of supervision is more exacting, the Council meets every week, and in many matters the directors are to act conjointly with

the Council. In the Italian system, the members of the Council (bearing the name of *Sindaci*) watch by turn the affairs of the bank and the work of the executive. The Belgian system is similar to the Italian. In other words, the Executive authority is carefully checked, whatever be the designation of the body doing the work of checking.

The Italian Board of Conciliation:—The Italian Banks have another institution, known as *probiviri* for promoting peace. Three men, exercising summary jurisdiction, are elected by the general meeting, to act as arbitrators or conciliators in any case of dispute that may occur concerning the affairs and work of the bank. Whatever the case brought before them may be, their judgment is final.

External Supervision or Inspection by Unions:—Besides the internal supervision of the Council, there is a very effective external supervision or rather inspection, in the case of German Co-operative Societies, exercised by the Inspectors of the Union. The Union inspection does not supersede internal or local supervision, which is considered to be the mainstay or the key-stone of the whole fabric, but merely supplements it by expert advice. This inspection is compulsory under the German Act of 1889. Such inspection, in other countries, is exercised by Government Officers. Italy, however, proposes to introduce the German system of inspection through the Union. The Raiffeisen and Schulze-Delitzsch societies have their separate Central Unions. These Unions have formed groups or branches for smaller areas to protect the interests of the societies within such areas. However efficient the work of the Supervising Council may be, it is apt to become mechanical in course of time. The trained inspectors of the Union with their practised eye, and with the experience gained by inspecting different societies, detect mistakes at a glance, and they are not swayed by local interests. This thorough outside inspection has given a status to German Banks, justifying

public confidence, as the penalty of any bank falling below the approved standard, is expulsion from the Union, resulting in serious consequences to the bank concerned.

Inspection differentiated from Audit:—The Union also audits the accounts of the societies through its Auditors. But inspection is quite distinct from audit. Audit puts figures straight, and testifies that there is a voucher for every entry. But it does not tell that business has been properly conducted, that in every instance adequate security has been taken, that limits as to time and amount have been duly observed, that the quality of sureties has been inquired into, and their signatures have been verified, that members' loans have been kept within the figures of the "Credit-list", that the business is conducted in accordance with the rules and the provisions of the Act, that the employees are bound by fidelity guarantees, and so on. All these things attended to by the Union Inspector are really of far greater practical importance to the Bank than the precise agreement of figures on one side of the balance sheet with that on the other. The Auditor sees that there is correct book-keeping and accountancy, but the Inspector has to satisfy himself that there has been sound administration of business, and whether personal considerations have been set aside.

Inspector's Work:—The Union Inspectors are well qualified men. They have ample powers. The inspection is conducted in the presence of the Committee and the Council or their representatives, and the recommendations of the Inspector are carefully considered and discussed by the two bodies together, and a report is to be made to the Union Office to what extent they have been complied with. The Inspector not merely examines the work of the bank, but gives it the benefit of his personal experience. In addition to the ordinary detailed report, the Inspector also makes a confidential report to the Head Office. Special inspection

through the Inspector may be held at any time at the request of the Central Bank.

Inspection of Rural Banks:—The inspection of the village banks of Germany is more onerous as they do also the business of supply. This business consists not merely of the supply of feeding stuffs, machinery, fertilisers etc., but also, though in rare cases, of groceries and household requisites. These transactions are kept distinct in the books and also in the balance sheets, as having their own separate assets and liabilities each.

Qualification of Inspectors:—Before appointing Inspectors, the Chairman of the Union must be satisfied that the candidates have a thoroughly good reputation in every respect, that they shall not be members of any societies to be examined, that they shall have thoroughly grasped the co-operative principles and practice, and that they shall be physically capable of enduring the fatigues of rural inspections. The final training of the candidates takes place under the supervision of the Union Chairman, and before being sent on independent inspections, they should have made a series of such examinations under an experienced Inspector, until they have proved themselves thoroughly capable. Their final appointment is made only after a practical and thorough examination by the Union Chairman. A chief Inspector is also appointed for supervising and controlling the Inspectors. At the Annual Congress of the Union, the Inspectors hold a special meeting or two to compare notes and discuss different points which may have arisen.

Control of Societies by Government and by Union:—Co-operative Societies dealing with credit, thrift and providence are in all countries subject to Government control to a greater or less extent; but the societies in Germany are free from such control for the reason that they have perfected their system of supervision and inspection. Though the

German Co-operative Law provides for Government control, if supervision and inspection from within the movement is found to be slack, the very reason that Government had up to now no opportunity for the exercise of such control, speaks volumes in favour of the efficacy of the German system. Co-operative leaders of that country are averse to Government control for various reasons; it negatives self-control which is the essence of co-operation. On the other hand, inspection by the Government Inspector tends to become mechanical and of a routine character, and also formal and perfunctory. There will not be in him that independence and sense of responsibility as in a Union Inspector. His arbitrary exercise of power tends to give umbrage. His responsibility ends with his work. He has no responsibility in the bank. The Union Inspector comes not as an intruder, but as one of the co-operators. He is an adviser as well as a judge, and his advice is trusted and welcome. Disregard of Government Inspector's advice might be met with fines and penalties, but disregard of the advice of the Union Inspector would have more serious consequences by publicity at the Union Congress, and the chance of the erring bank being turned out of the Union. The Union Inspector on his part carries a high sense of responsibility, for his position in the Union would be imperilled, if any bank under his inspection goes wrong due to his neglect of duty. On the other hand, he recognises the limits of toleration beyond which he will not allow his inquiry or criticism to go, and that is the reason why his work is nowhere resented but is everywhere appreciated, as he brings with him a sense of security and valuable instruction. If a proof of the effectiveness of the German system is needed, it will be found in the fact that there are very few losses in the Co-operative Banking system of that country.

CHAPTER L

SUPERVISION, INSPECTION AND AUDIT IN INDIA

The Initial Stage—Separation of the functions in four Provinces—Introduction of Supervision in the Punjab and Bengal—Group System of Supervision in Central Provinces—Inspection by Central Banks—Delegation of Audit work to Federations—The Three-fold System of Bombay—Audit—Inspection—Supervision—The three functions distinguished—Supervision as defined by the Committee on Co-operation—Supervision should form part of Propaganda and Education—Assignment of the functions to three different agencies—Different Agencies for the three functions—Isolation of the Union.

The Initial Stage:—There is no internal supervision in the case of societies in India. But some kind of external supervision and inspection was being carried out at the initial stage by the members of the Registrar's staff, when they visited societies once a year for performing the statutory function of audit.

Separation of functions in four Provinces:—For a long time, no distinction was made between supervision and inspection, and these two functions came to be distinguished some time after they began to be performed by co-operative institutions. The distinction was first made in Bombay, when supervision began to be exercised by the local unions, and inspection by the financing banks. In Madras, though supervision was entrusted to supervising unions much earlier, the work of inspection continues to be done by the Registrar's staff as a part of the work of audit. Of late, the question of entertaining an inspecting staff by the central banks is under consideration. In Burma, supervision has been entrusted to Guaranteeing Unions, and inspection

remains in the hands of the Registrar's staff. In Bihar and Orissa, supervision was being carried out by the Guaranteeing Unions of the Burma model, and inspection by the outdoor staff of the Central Banks. But the system of Guaranteeing Unions both in Burma and Bihar has been found to be unsatisfactory; the Calvert Committee on Co-operation in Burma has recommended that their work be taken over by the Registrar's staff. In Bihar, the work of inspection is now being done by the outdoor staff of the Central Banks, and that of supervision by their Directors and the paid Manager. In course of time, the Directors' work will have to be replaced by that of paid staff to ensure efficiency.

Introduction of Supervision in the Punjab and Bengal:—In the Punjab, the work of primary audit is assigned to the non-official federation known as the Punjab Co-operative Union, and is being done by its outdoor staff of Sub-Inspectors, along with the work of inspection. In Bengal, the work of inspection is being done by the Central Banks since they began to entertain an outdoor staff. In both these provinces, inspection was not distinguished from supervision, but recently they have found it desirable to separate the two functions. Accordingly, in the Punjab since 1926, the outdoor staff of the Provincial Union is being divided into two sections, one for doing exclusively the work of audit and the other that of supervision. Similarly in Bengal, the outdoor staff of the Central Banks is being divided into two sections, one for doing the work of inspection and the other that of supervision. The separation of these functions is, no doubt, a step in the right direction, but it would perhaps be much better that the same body be not made responsible for more than one function at the present stage of the movement.

Group system of Supervision in Central Provinces:—In the Central Provinces and Berar, a new system of supervi-

sion has recently been devised. Societies affiliated to each Central Bank are divided into convenient groups of 30 to 40, and each group is placed in charge of the Assistant Manager of the Bank, an Inspector or Assistant Inspector of the Co-operative Department, and a Federation Auditor or local Instructor. Each officer visits a society at least twice a year and helps in holding general meetings, in fixing credit limits and in recoveries. Monthly meetings of group officers are held for discussion and for settling the programme of visits.

The supervision of the rural societies is proposed to be systematised by strengthening the group system, by appointing paid group officers and by giving them thorough education in co-operative principles and practice under the revised scheme of education.

Inspection by Central Banks:—The Central Banks in Burma, Punjab, and Madras, entertain no outdoor staff for the inspection of the societies under them. The Banks in all other provinces entertain such staff. Recently, in the United Provinces, the staff of the Central Banks has been transferred to the Provincial Federation known as the Co-operative Union.

Delegation of Audit work to Federations:—The work of primary audit is made over to provincial federations in the four provinces of the Punjab, Bihar and Orissa, Central Provinces and Berar, and Burma, and is being done through the outdoor staff entertained by them. In other Provinces audit continues to be done by the Registrar's staff though audit fees are levied in all the provinces except Madras.

The Three-fold system of Bombay:—Thus, it will be seen that in Bombay, the three functions are not only separated but are being performed by three separate bodies, audit by the Registrar's staff, inspection by the staff of the financing banks, and supervision by that of the Supervising Unions. These Unions in each district are now brought under the

District Board of Supervision, and the latter will, it is hoped, be brought under the Provincial Co-operative Institute. For a proper understanding of the relative position of the three functions, it is necessary to go into some details of their nature.

Audit:—Audit is nowhere defined in precise terms. Sec. 17 (2) of Act II of 1912 states that "Audit shall include an examination of overdue debts, if any, and a valuation of the assets and liabilities of the Society". The corresponding Sec. 22 (2) of the Bombay Act VII of 1925 adds the words "the verification of Cash Balance and Securities". According to Diksee on Auditing, "an audit is the examination of the accounts of a business and certifying of their accuracy". The author says, that in order to find out the correctness of the accounts, the Auditor is not merely to content himself that the balance sheet is in accordance with the books, but must see that the books are properly written and that the balance sheet is properly drawn; he must examine the vouchers and see that they are checked and certified, and compare them with the cash book and the Bank Pass-Book; he must also see whether the accounts are punctually posted and balanced and must ascertain the correctness from its first source. Under the Co-operative Act, the Auditor must further ascertain that the assets and liabilities are properly valued, and we may add, that he must see that payments are authorised and that balances are properly invested or accounted for.

Inspection:—Inspection is closely related to audit. Audit is intended to ascertain the exact financial position of a society, while the object of inspection is to find out that the work of the society is efficiently and properly carried out. For instance, in the case of a Credit Society, the inspector must see that the credit of every borrower is properly assessed, that loans are covered by sufficient assets, that no undue preference is given to any of the borrowers, that

instalments are properly fixed, that receipts and payments are properly forecasted, that recoveries are timely made, and that the creditors and depositors are timely paid. Audit is held only once a year but inspection must be held oftener. An Auditor need not go beyond books and papers, while an inspector has to examine not merely these, but has also to examine the members. Audit is done on behalf of the Registrar, while inspection must be resorted to by the Financing Banks to safeguard their interest. At the earlier stages of the movement, when very few Financing Banks existed, and those that existed were not in a position to entertain an efficient inspecting staff, the auditor was required to do a large part of the work of inspection during his visit for audit, and he still continues to do it where inspection is weak or does not exist. It is, therefore, natural that the Committee on Co-operation in its report published in 1915 should assign the work of inspection (see para 92 at page 56 of the Report) to the Auditor, calling it as an additional enquiry to be done by him (see para 162 at page 93 *ibid.*). For the same reason, the Bombay Registrar's leaflet X, which forms chapter XXV in Mr. Ewbank's Manual for Co-operative Societies (Second edition of 1919), is styled Inspection and Audit, making inspection a part of the work of audit. It is now well recognised that inspection is the function of the Financing Banks, because of the large financial stake they have in the efficient management of the societies they finance; consequently that work is provided for in their very bye-laws in the Bombay Presidency.

Supervision:—Supervision stands on a different footing. It is a continuous work, unlike that of inspection which is periodical, be the latter done twice in a year or oftener. In addition to the work of an Inspector, a Supervisor has to see that the officers of a society have a knowledge of their work, that the provisions of the Act, rules and bye-laws are complied with, that meetings are held in time, that their

business is transacted with a quorum, that the books are properly written and from time to time, and that papers are properly filed. A Supervisor's work is more onerous than that of an inspector, for he has not merely to inspect, but also to rectify mistakes, and also to prevent them from recurring and occurring. He has to advise, guide and teach, and has, therefore, to remain in close touch of the society.

The three functions distinguished:—The Auditor does his work as an Officer charged with the work of examination of accounts; the Inspector does it like one concerned with the details of the work relating mainly to the financial stability of the institutions; while the Supervisor is like a pastor or minister identifying himself with the societies under his charge. By his constant watch and ward, the burden of the work of both the Auditor and Inspector is considerably lessened, enabling them to do their duty for a larger number of societies. All the same, the three agencies are necessary, and must do their duties efficiently for the proper functioning of the movement. For, an efficient audit gauges the credit of the society, an efficient inspection safeguards the interest of the creditors, while an efficient supervision enhances and strengthens the credit of the society. An auditor is the watch-dog of the Registrar, and an Inspector is the watch-dog of the Financing Bank, while the Supervisor, as the deputy of the Institute, is the friend, philosopher and guide of the Society.

Supervision as defined by the Committee on Co-operation:—The Committee on Co-operation describes supervision in the following words:—"The work of 'Supervision' covers many of the points which have already been included in audit*, but in addition it implies the duty of instructing

*We may say rather inspection, which the Committee has added to the work of the audit, as has been explained above.

the members in co-operative principles and the propagation of the movement by the organization of new societies. Even where it covers the same ground as audit, however, it differs from it in that it aims not merely at testing the efficiency of a society, but at helping it to be efficient, and it comprehends the further task of seeing that the defects noted at audit have been remedied. The supervisor is concerned to see that the work of the society is not only businesslike and up to date but genuinely co-operative. While satisfying himself that the accounts are in good order and that business is being conducted regularly and prudently, he would refrain from verifying the figures in detail, and would set himself to test the knowledge of the Committee and members, to advise them with regard to difficulties and disputes, to explain and remedy mistakes and to impress upon them the principles which societies should always have before them. These functions should in our opinion rightly devolve on the co-operative institutions themselves".

Supervision should form part of Propaganda and Education:—Propaganda and education go together. The work of a propagandist is to create faith in his creed, to enlist more votaries to the creed, and to strengthen the faith of those who follow that creed. The nature of the work is the same, whether that creed is political, religious or economic; but here we are concerned with the co-operative creed which is a part of economics. The propagandist does his work by means of literature, pamphlets, journals; by lectures, discussions and conferences; and also by ocular demonstrations. Thus, by appealing to the mind, ear and eye, he seeks to create and sustain interest in his creed. The work of education is done by the teacher by inculcating the principles and practice, the methods of work, and the history and law of the creed. The teacher does his work for a stated period, be it short or long, the efficiency of his teaching being generally tested by an examination. The

propagandist strengthens the work done by the teacher, and the supervisor supplements it in the case of the flock under his care.

Assignment of the functions to three different agencies:—It follows from the above analysis that supervision must be assigned to the Institute, which at present has been doing the work of propaganda and education, so that it may specialise and expand its work; that of inspection must be the work of the Financing Banks, and that of audit must remain with the Registrar. To concentrate all the three functions in a single body would tend to jeopardise their efficiency. No doubt, we are often prone to quote European models in support of the idea of concentration, but we have to remember that the initiation and expansion of the co-operative movement in European countries was wholly the work of the people, who had, therefore, themselves to devise and take in their own hand the measures for the exercise of the different functions under consideration. Moreover, though the movement was started in those countries by a few educated public spirited men at a time when illiteracy prevailed among the masses, its present strength is due to the establishment of universal compulsory education by the State among the masses, whereby educated men are available even among villagers to carry on all the work on behalf of the societies. The conditions in India are quite different.

Different Agencies for the three functions:—The prevailing deep illiteracy of the masses demands that the work of Supervision, Inspection, and Audit must at present remain in the hands of the three different agencies already indicated. A time might, however, come when Unions have grown to be strong and efficient, the work of Inspection could be handed over to them under the supervision of the Institute. That work, when taken in hand, must be based on the German model so that it may combine both Inspec-

tion and primary Audit, the Official Audit being then allowed to be done once in two years, taking the shape of Super-audit.

Isolation of the Union:—One weak point of the present Supervising Union is its isolation. The District Supervising Board of Bombay is more or less an advisory body, and exercises no effective control over the unions or their officers. Without such control, the efficacy of the union system will ultimately suffer. The supervisor of a Union will not be able to exercise an effective control over the societies, unless he is controlled by an outside body. Nor can he be expected to have sustained enthusiasm unless he can look for higher prospects beyond the limits of his union. In Madras the difficulty is to some extent being got over by the formation of District Boards of Supervision, which pool all the supervision fees in each District, and control the Supervisors, and afford better prospects for efficient men. In the Bombay Presidency, the presence of the branches of the Co-operative Institute practically in each District renders unnecessary the creation of separate District Boards of Supervision, as such a step will lead to the duplication of the machinery. By entrusting the work of supervision to the Co-operative Institute, the Unions as well as the Institute will be made stronger and more useful than at present.

CHAPTER LI

GUARANTEEING AND SUPERVISING UNIONS IN INDIA

Supervision by Unions—Guaranteeing Unions—They were found unsuited to Bombay—The old methods of Supervision—Objects of the Supervising Union—Preparation of Normal Credit Statements—Committee of the Union—Funds of the Union—Importance of the Union System—Necessity of District Federations—Illiteracy an Impediment.

Supervision by Unions:—Internal Supervision through a Council or Committee of Supervision is not possible in India on account of the general illiteracy of the people, which makes it impossible even to find competent men to serve on the managing Committee. We have therefore to rely entirely on external supervision, which in four Provinces, is exercised by Unions formed by a number of neighbouring societies. It is necessary to have some idea of the system of such Unions.

Guaranteeing Unions:—There are two kinds of Unions, one is known as the Guaranteeing Union, and the other as the Supervising Union. Though supervision is also exercised by the former, guarantee forms its important feature, and it is therefore known by that name. This guarantee is to be given to the Financing Bank for the repayment of the loans advanced by the latter to the societies which join the Union. The Union as such is not in a position to undertake such financial liability, for it has no assets of its own, beyond the small subscriptions collected by it. But each society, before joining the Union, must, at its general meeting, pass a resolution undertaking to guarantee the re-

payment of the loan of any defaulting society in the Union, to the extent fixed by the meeting, that each member will be liable for a certain sum, say, about Rs. 50 or 100 per member as may be fixed in the bye-laws of the Union. The total loans advanced to the societies in the Union are fixed on the basis of the total guarantee undertaken by the members of the societies with this limit, that the former amount shall not exceed, say, 6 times the latter. Thus, if the total guarantee be Rs. 5,000, the total loans that can be raised by all the societies together from outside should not exceed Rs. 30,000, which is deemed to be the maximum guaranteeing power of the Union. The extent of the loan to each society, however, need not be six times the amount of its guarantee, but it may be more or less, according to its needs and position, but should not exceed 12 times its guarantee. The amount to be loaned to each society will further depend upon the maximum credit to be ascertained and fixed by the financing Bank. The guarantee comes into force only if any society in the Union makes default in repaying the loan, and is liquidated and wound up. If after this process, any deficit remains, the amount is to be recovered from other societies in the Union, calculated at a definite sum per head on each of their members.

They were found unsuited to Bombay:—The Guaranteeing Unions were first started in Burma, and thereafter the model was adopted in the Central Provinces, Bihar and Bombay. But later on, it did not find favour, especially in our Presidency, and the Supervising Unions alone began to be started thereafter. Even the old guaranteeing Unions began to be converted into the new type. The main reasons against the older type are, that though it affiliates a smaller number of societies to ensure closer touch, the result is that sufficient fund required for the work of the Union cannot be raised from the member-societies. Secondly, since the liability of the societies joining the Union is un-

limited, and the loans advanced to each are well within the value of its assets, a further guarantee by the Union is unnecessary. Thirdly, when any society under a Guaranteeing Union goes wrong, the work of all the societies under the Union so far as it relates to fresh finance by the bank comes to a standstill, till the rot is removed either by mending the erring society or by ending it by cancellation.

The old methods of Supervision:—The work of Supervision was not systematised in the Bombay Presidency in the earlier years of the Movement. In the beginning, the Auditors of the Department, and the Honorary Organisers, and later the Financing Banks, were looked upon to do the work. And even after the Guaranteeing Unions began to be started, the Taluka Agricultural Associations were allowed to do the work of Supervision through an Inspector or Supervisor appointed for the purpose. The position was clarified by a Committee appointed for the purpose by the Provincial Co-operative Conference held in 1923. That Committee recommended that the Department should not do more than bringing the work of the Honorary Organisers into correlation with that of other units in the movement; the Taluka Agricultural Associations are unsuited to undertake the work of supervision; and that the duties of Inspectors employed by Financing Banks should mainly be to scrutinise the accounts of societies, to value assets, to assist in the fixation of normal credit of members, to watch over the proper use of loans, and to stimulate recoveries. The Committee recommended the formation of Supervising Unions instead of Guaranteeing Unions for the work.

Objects of the Supervising Union:—The main objects of the Supervising Unions are:—(1) to supervise and control and assist the rural credit societies; (2) to organise, develop and guide the societies within the area of the Union; (3) to ascertain the financial needs of the societies, assess their credit by the preparation of statements of assets and

normal credit of the individual members of each society; (4) to give advice to the societies regarding their efficient management and to further their interests and to represent their views and settle matters of common interest; (5) to provide for the training in co-operation and education of the members; (6) to assist, wherever possible, in the work of sale and supply; and finally (7) to serve as a connecting link between the agricultural primary societies on the one hand and the financing bank and the Bombay Provincial Co-operative Institute on the other.

Preparation of Normal Credit Statements:—Though the union does not assume any financial liability, one of its important functions is to assist the work of ascertaining the exact financial assistance required by each member, to prevent over-finance as well as under-finance. From the statements of normal credit, giving the extent of the financial aid normally required by each member of the society, and the statement of their assets, the financing bank fixes the maximum credit that can be allowed to each society. From this credit, the society can draw from time to time the amount required by its members. All this work is important, and the Union has to give the necessary guidance to the societies within its area.

Committee of the Union:—The Committee members of each society in the Union form the General Body of the Union, and they in their meeting elect a small board of management consisting of 5 to 7 members. Besides these, a representative of the financing bank and another of the District Branch of the Co-operative Institute have a seat on the Committee. A paid officer is appointed as Supervisor, and he does also the work of the Secretary of the Union, if it is not in a position to appoint a separate person for that work. The efficiency of a Union depends much on the efficiency of its Supervisor. The Institute has, therefore, opened a class in the Co-operative Schools started in

the three divisions for the proper training of supervisors, the training being spread over a period of a year.

Funds of the Union:—At present, the subscriptions collected by the Union from the societies—the rate being As. 8 per cent. of the working capital—is not sufficient to meet the expenses fully in the case of most of the Unions. The financing banks have, therefore, undertaken to pay a part of the expense up to a maximum of one-third. Even this arrangement was found to be inadequate to meet the situation. The Registrar has recently formulated a scheme in consultation with the Provincial Co-operative Institute to levy a fee of As. 8 per cent. on the working capital of every rural credit society in lieu of the privilege of free audit given to it. The amount collected in each District is to be administered by a Committee known as the District Supervision Board, consisting of the Assistant Registrar, the Chairman of the District Branch of the Institute, and two representatives of the Union. A representative of the financing Bank will also have a seat on the Committee if it agrees to contribute to the fund. The scheme is under the consideration of Government.*

Importance of the Union System:—Whatever may be the cost, there can be no question about the need of ensuring the efficiency of the work of Supervising Unions with a view to bringing under them all the rural societies within their area. If once the Union system covers all the rural societies and becomes efficient, it will have immense possibilities before it. The Unions on the one hand will strengthen the position of the societies under them, and on the other, stimulate the important work of sale and supply. They might also afford the basis for organising the Institute as a Provincial Co-operative Federation, the District Branches being con-

* Since writing the above, Government has turned down the above proposals and has ordered a levy of audit fee to be made with effect from 1st April 1931, from all Primary Societies.

verted into local federations of Unions within their area. In fact, the success of the co-operative movement will largely depend on that of the Union system.

Necessity of District Federations:—The mere starting of Unions is not an end in itself. It is just the beginning of the work of supervision. The Unions themselves will require to be supervised till they become efficient. This work, to a large extent, pertains to the District Federations which should be formed in the Districts covered by the Union System. Till they are started, the District Branches of the Institute have to assume this role. The Branch officers should not only frequently visit Union Centres, but organise further Unions to cover all village societies. Every year, a meeting of the Supervisors and Chairmen of all Unions in each District should be convened to discuss problems of common interest and to compare notes. Such a step will stimulate interest, promote harmony in work, and afford opportunities for improvement.

Illiteracy an impediment:—The main difficulty in the way of progress of the Union system in particular and of the Co-operative Movement in general, is illiteracy. Unless this drawback is removed, the Unions might become mere one man's show, as in the case of many societies. Every Union must, therefore, encourage Adult Education by starting special classes therefor at least in different centres by turn till a sufficient number of persons are educated in the whole area. It is only then that the societies as well as the Unions will be able to show better results and imbibe the true spirit of Co-operation.

CHAPTER LII

CO-OPERATION AND EDUCATION

Co-operative Education in European Countries.

Two forms of Education—Co-operation as a Factor of Education—The Society as a source of Education—Agencies for Education—Work of Federations:—(1) Personal Instruction by Officials—(2) Publication of Printed Literature—(3) Lectures by the Travelling Agent—(4) Libraries and Reading Rooms—(5) Classes for Co-operative Instruction—Co-operative School and College—Education Committees of Societies—Women's Co-operative Guilds—The National Co-operative Men's Guild—Educational work of International Co-operative Alliance.

Two forms of Education:—Education for the promotion of co-operative activities must take two forms—education for co-operation, and the general education of co-operators. In considering education for co-operation, it must be noted, in the first place, that the co-operative movement itself is an educational agency giving those who take part in it an insight into business methods and a training in social ethics.

Co-operation as a Factor of Education:—The educational advantages derived from the practice of co-operation are very important. Firstly, it teaches self-reliance, and through associated effort, it fosters a spirit of mutual confidence. Secondly, it draws out the business and administrative capacity, which is latent in many a man, but rarely brought into use. Thirdly, it leads people to appreciate the advantages of honest dealing and fair distribution of wealth. Fourthly, as co-operative business expands and comes into contact with public affairs, members of societies gain a true sense of the duties and responsibilities of good citizen-

ship. The members of many a co-operative society have taken a keen interest and an active part in the general welfare of the town or district in which the society has flourished.

The Society as a source of Education:—That the co-operative movement has accomplished results of this kind to a greater or lesser degree has been chronicled by many writers who have been keen students of its results. The very process of election of the membership of a society ensures the educational effect aimed at better than anything else. There are cases of persons mending their ways in order to become eligible for the membership of a society. And once they are members, there is every incentive for them to become peaceable, industrious, diligent and provident. The administration of the society affords further opportunities for education. The election of the Committee depends on character and soundness of judgment, and the emulation to come on the committee makes the members to put forth their best. The general meeting is yet another occasion which brings into prominence the democratic constitution of the co-operative society. The principle of one man one vote, the exercise of that vote in the general interest of the society, brings forth the spirit of "each for all and all for each". A co-operative society has, therefore, been truly described as a "State within the State", affording education to its members in the true principles of democracy and citizenship in all their stages.

Agencies for Education:—The efficiency of the Co-operative movement as an instrument of education must, however, depend upon the work of the advisory and propagandist federations known as Unions or Institutes. Such federations not merely organise and supervise co-operative societies, but place continually before them the proper practice and ideals of their movement, and also organize instruction for secretaries, managers and committee-men with a view

to fitting them to carry on efficiently the business of the societies and to foster the ideals of the movement.

Work of Federations:—Education for co-operation is of a technical nature, and the work falls into the following divisions: (1) Personal instruction given by officials and agencies of the federation to members and employees of societies during personal visits for supervision; (2) Publication of printed matter of all kinds, e. g. leaflets, pamphlets, books, magazines and newspapers; (3) Lectures by travelling agents chiefly with the help of magic lanterns; (4) Institution of libraries and reading rooms; (5) Holding of classes, either at local centres or in the form of short courses in schools at a convenient centre, or in a permanent educational institution. The details of these different items of work may be briefly noted as below:

(1) *Personal Instruction by Officials:*—This has been best done in Germany by the Inspectors of Unions in the course of their inspection of the societies. The Inspectors are very efficiently trained men, who not only inspect the affairs of the societies, but give every guidance and instruction to the members of the Managing Committee and of the Supervising Board. The general standard of education of the latter men is also very high due to the efficient system of general education of the people in the country.

(2) *Publication of Printed Literature:*—This work has been done on a large scale in Germany, and next in England. Italy and France come third. The superiority and extent of the German literature on co-operation are due to the fact that it has been written by men competing for degrees in the leading Universities.

(3) *Lectures by the Travelling Agent:*—His work is twofold; one is to convert outsiders to the co-operative faith, and the other to confirm the faith of the existing co-operators. Besides the magic lantern, an effort is

made to use the Cinema for the purpose. It is also suggested that recourse should be had to the radio for the purpose.

(4) *Libraries and Reading Rooms:*—Many store societies in England have a reading room of their own, and have created useful libraries for the instruction of their members. The same has been attempted in most European Countries. At one time, the libraries and reading rooms contained general literature, but now, on account of the spread of cheap literature, and free public libraries, those established by the co-operative societies stock technical literature on co-operation and economics. The International Institute of Agriculture in Rome and the Musée Social in Paris have the largest libraries on these subjects. The Co-operative Reference Library situated in the Plunkett House in Dublin—now transferred to London—is both a very big library and a research bureau. It received large financial assistance from the Carnegie Trustees. Its purpose is to form a complete collection of works dealing with co-operation and allied subjects, to make the information contained therein accessible to students, and to publish extracts and results of research work for the benefit of the wider public. A quarterly journal is maintained and supplemented by occasional pamphlets, and readers at the library are welcomed and guided. It has attracted students from far off countries.

(5) *Classes for Co-operative Instruction:*—In Germany, they are held both at local and union centres, the latter imparting more intensive education. Similar work is done in England by the Co-operative Union through its Central Educational Committee. A syllabus is published every year. An 'Adviser of Studies' has been appointed to unify and extend the work of the

Committee. The classes held are adult classes, week-end schools, reading circles, young people's circles, and junior classes. Besides the classes held throughout the year at the Holyoake House, instruction is also given through correspondence classes, lectures and summer schools. The curriculum for the courses include, in addition to the history and principles of co-operation, technical subjects like auditing, book-keeping, management, and secretarial work specially intended for the employees in the stores, other subjects, such as Industrial History, General Economics and Civics, are also taught. Certificates are given to successful students who qualify in the necessary examinations. A magazine, known as *'Co-operative Educator'*, is published.

Co-operative School and College:—Besides the courses organised by the various Unions, an Agricultural Co-operative school was established in Germany in 1904. In England, a Co-operative College has been recently set up in Manchester.

Education Committees of Societies:—In England, each society, besides paying its subscription to the Co-operative Union, also appoints its own Education Committee and finances its work by a small grant from the surplus profits. The rules of the society make it compulsory for every society to contribute a certain percentage of the profits for education. The rule dates back to the time of the Rochdale Pioneer's Society. The amount is intended to be spent in the education of the members of the society. As a matter of fact, most societies use the amount on amusement for the members of the society, no doubt of a healthy and useful kind. It must, however, be mentioned, that many societies arrange for weekly or fortnightly meetings, at which lectures or debates are held. Children's circles are sometimes held having a varied programme including singing,

drill, or other forms of recreation, as well as simple lessons on co-operation, or talks for emphasising the importance of the movement.

Women's Co-operative Guilds:—Mention must be made of the Women's Guild and its work in the spread of Co-operation. The Rochdale Pioneers had determined that in their society both sexes should have equality in all matters pertaining to membership. Though this principle was adopted by all the societies, for many years, women had comparatively few opportunities of becoming members of co-operative committees. To remove this defect by creating a keener interest among women, a section of the Co-operative News was specially reserved for matters of interest and importance to women co-operators, under the heading "Women's Corner". Later, in 1885 was established the Women's Co-operative Guild in England for organising meetings of women co-operators for consideration and discussion of co-operative matters of interest, and for the spread of co-operation. The motto of the Guild "Of whole heart cometh hope" is expressive of the spirit in which it conducts its co-operative and public work. The membership of the Guild and its activities have steadily increased. Branches were opened in various districts, and in 1928 there were 1384 branches, with a total membership of nearly 65,000, most of whom are married working women in the country. The Guild has helped to educate women in the ideals of Co-operation, and in regard to their duties and responsibilities as citizens. It has been playing an important part in rousing women co-operators to a sense of their responsibilities, and in training them to take a share in the general work of the movement, and to take an active part in public life. As a result of this work, a number of working women have been taking an active part in the committees of stores, and are also rendering valuable service as members of boards of guardians, local educational authorities,

town and rural district councils, and other public bodies. Each branch manages its own affairs, and elects its own committees and officers, while the branches in each district section elect the district and sectional committee and officers; a representative is elected by each district section to serve on the central Committee of the Guild, and the whole Guild is governed by an annual meeting or congress of delegates from the branches, the central committee working as its executive body. District Conferences are held to discuss questions of local interest. At the branch meetings, besides the transaction of the usual business, a paper is read by one of the members and discussion is held thereon. A short course of lectures on some subject is also arranged. The Guild also arranges a special educational programme for its members through two-days schools and summer schools. These classes are organised by the Educational Committee of the Co-operative Union, with which the Guild works in close co-operation. In 1892, Scotland formed the Scottish Co-operative Women's Guild, which has also formed numerous branches, which in 1928 numbered 362 with a membership of over 26,000. The Irish Co-operative Women's Guild has been recently formed, but it is small at present, yet it has a membership of 4000. The work of these Guilds is on similar lines to that of the English Guild.

The National Co-operative Men's Guild was formed in 1911 under the auspices of the Central Educational Committee of the Co-operative Union. Its objects are "to arouse, maintain and increase interest on the part of men-co-operators of all sections in the workings and development of the Co-operative Movement, and to make known the principles of co-operation, and assist towards their universal application of human affairs". The Guild comprises branches working in connection with a local co-operative society, the membership being open to all men over 16 years

of age, who are members of the local co-operative society. In 1928, the number of branches was 221 with some 6000 members. The motto of the Guild is "Unrestricted co-operation for all purposes of social life". Scotland has also formed a Co-operative Men's Guild and has 41 branches. The Men's and also the Women's Guilds have been doing immense work in the spread of co-operative education. All these Guilds have formed the National Guild of Co-operators.

Educational Work of International Co-operative Alliance:—The work of education in Co-operation is being conducted in other countries also. The International Co-operative Alliance has also been organising a Summer School every year for about a fortnight, wherein co-operators from different countries give to the students the benefit of their experience regarding their own movement. These classes are held in different countries by turn, one being held at the place where the Triennial Congress meets. The Association also publishes a monthly journal known as "Review of International Co-operation".

CHAPTER LIII

CO-OPERATIVE EDUCATION IN BOMBAY

Initial Stage—Observations of the Maclagan Committee and Linlithgow Committee—Educational Work in Bombay—Further Development—Central Board of Education—Courses of Study—Co-operative Schools—Classes by District Branches—Practical Training—Subjects Taught—Co-operative Instruction of the Members and Masses—Literature—Training of the Registrar's Staff, Bombay—Training Classes by Financing Banks—Drawbacks.

Initial stage:—At the initial stage of the movement, co-operative education in all provinces of this country was in

the hands of the Registrar, who, as the chief executive officer of the Co-operative Department, was responsible for the initiation of the movement. For sometime, office circulars, explanatory leaflets, and in some cases manuals issued by the Registrar, with a few existing standard books, formed the only source of instruction. Co-operative Conferences organised in different provinces, and the papers read and the discussions held thereat, afforded also some useful and practical instruction, but only to those who attended them. No definite steps were taken for the training of the Committee-men and the Secretaries or officers of societies and banks.

Observations of the Maclagan Committee and Linlithgow Committee:—The Maclagan Committee on Co-operation, appointed by the Government of India to examine the progress and working of the movement in the country, in their report published in 1915 made the following observation on the importance of co-operative education. "We cannot too strongly urge the necessity for careful teaching both before and after registration. Most of the faults which we have found in societies are due to the lack of such teaching, and the importance of the point can scarcely be exaggerated. The work of instruction is trying and uninteresting, and there is generally a tendency to scamp it. Pamphlets and formal lectures are good in their way, but are of very secondary importance compared with actual personal isntructions by the organising or supervising staff in the villages themselves. District and Provincial Conferences are also valuable in stimulating interest and a healthy rivalry, but do not afford the solid instruction that is required." The Royal Commission on Agriculture in their Report (1928) made the following remark on the same subject in the Chapter dealing with Co-operation. "From the evidence placed before us we are of opinion that one of the main causes of the failures is the lack of requisite education and of adequate supervision and guidance". The Committee,

therefore, recommended that every effort should be made for the promotion of co-operative education.

Educational Work in Bombay:—Co-operators in Bombay realised the importance of the subject even as early as 1914. A Secretaries' Class organised by Mr. G. K. Devadhar, with the help of his friends in that year for the benefit of the societies in the Bombay City, became thereafter an annual function for a week, to which the secretaries of the societies in the districts were encouraged by the Registrar to attend by payment of their travelling and daily allowances. After the work was taken over by the Bombay Co-operative Institute in 1918, it was developed, decentralised and systematised. Two courses were organised for secretaries, one being a Junior Class for a week, and another a Senior Class for 12 days. Both these classes were held at three linguistic centres of the Presidency through the Divisional Branches of the Institute in the local vernaculars. The Training Class at the head office of the Institute began thereafter to be held in English for 12 days for the benefit of the co-operators in general; and the senior students of the Colleges in Bombay reading for economics, also attended them in large number. From the following year (1921) additional lectures were arranged for the benefit of the junior Honorary Organisers deputed by the Registrar to attend the class, and for the Managers of Central and Urban Banks. The bank students after the close of the course received practical training for a month in the Provincial Co-operative Bank, coupled with another series of lectures on banking practice and accounts. They had then to visit at least two central banks, two urban banks, and ten rural societies under some senior officer of the Department or of the Provincial Bank, the whole course thus lasting for three months. At the end of all these courses, an examination was held and certificates were issued to the successful students.

Further Development:—A further development made in

the work of training was the institution in Bombay from 1921 of a continuation class, known as the Diploma Course, for an intensive study of co-operation, lectures being arranged twice a week throughout a year, except during vacations. In the districts, an additional intensive course was arranged from 1925 at four centres in the local vernaculars, for training the supervisors of the Supervising Unions and the candidates for that place. The period prescribed was of three months; in the first month, the students attended a series of lectures, three to four every day; then they received practical training for three weeks in audit and supervision under an Auditor of the Department, and for three more weeks under a Senior Inspector of the Provincial Bank in the work of inspection, assessment of credit, preparation of normal credit statements, and treatment of loan applications. This was followed by another series of lectures for two weeks, the whole course ended with a written examination of four papers and a *viva voce*.

When the District Branches of the Institute began to be formed, the work of organising the Junior Secretaries' Class was taken over by them, and they also organised a number of Managing Committee Classes, lasting for a day or two, without an examination, at various rural centres. The Divisional Branches thereafter confined their educational work to the holding of the Senior Class and the Supervisors' Class.

In the conduct of all the above courses, the Institute and its branches have been receiving considerable help from the officers of the Department and of the financing banks, from the Honorary Organisers and Professors of Colleges.

Central Board of Education:—After progress on the above lines was made for some years, it was felt that the standard of examination conducted at the different centres was not uniform and that the period of training of the Senior Secretaries' Class and Supervisors' Course was rather too short

to allow of sufficient training being obtained. It was further felt that facilities for the training of the officers of the Urban Banks and of the Inspectors of financing banks, should be created at the Divisional centres, instead of in Bombay. Accordingly, under the new constitution of the Institute as revised in 1926, a Central Board of Education was created for prescribing the courses of studies for the various classes, and for the conduct of examination under uniform standards.

Courses of Study:—The Board has prescribed the following courses for the various classes of students:—

(I) Elementary Course for the Managing Committees lasting for a couple of days;
(II) Rural Secretaries' Class for 3 months;
(III) Urban Secretaries' Class for 3 months;
(IV) Urban Banks Secretaries' Class for 6 months;
(V) Bank Inspectors' Certificate Class for one year;
(VI) Supervisors' Diploma Class for one year;
(VII) Refresher Course or Co-operative Certificate Course for 15 days;
(VIII) Co-operative Diploma Course for one year;
(IX) Bank Officers' Diploma Course for 6 months.

Co-operative Schools:—Of these courses the first is conducted by the District Branches of the Institute. Nos. II to VI are taught in the Co-operative Schools established at the three linguistic centres, Dharwar, Poona and Surat. Each school has a staff, a Principal and three lecturers, receiving honorarium from the Institute. The District Branches are allowed to hold their own classes for courses II and III at centres convenient to them, but the students trained thereat wishing to get certificates have to appear for the examinations conducted by the Board. These examinations are held at the places where the schools are conducted, and are also held at other centres where ten or more students are likely to appear.

Courses Nos. VII to IX are conducted in English at the Bombay centre. Written examinations are held for all the courses except No. I, and certificates and diplomas, as the case may be, are granted. Prizes are also awarded wherever possible, to the students standing first in the examinations.

Classes by District Branches:—In 1929, besides the courses held in the three co-operative schools, the District Branches of the Institute held 19 classes for Secretaries for a period of one month or so, and 84 Elementary Training Classes for members of Managing Committees of Societies. Almost all the District Branches have appointed a Propaganda Officer who, besides taking part in the work of training, carries on co-operative propaganda in the areas of the respective district.

Practical Training:—Candidates attending the Supervisors' Class have to undergo practical training at the end of their theoretical course for one month under an Auditor, and for another month under an Inspector of a Financing Bank, and thereafter they are examined *viva voce*. Candidates attending the Bank Inspectors' Class have to put in six months' service in a Bank and must visit the Provincial Bank, one of its Branches, and also a recognised Central Bank, and study their working.

Subjects taught:—A detailed graded curriculum stating the number of papers for the different examinations is drawn up for the different courses, but the subjects come under one or the other of the following heads:—

1. Elementary Rural Economics;
2. Origin and History of Co-operation in Bombay, India and Abroad.
3. Principles of Co-operation, Theory and Practice.
4. Types of Co-operative Organisations including Federations.
5. Details of Prevailing Types, such as Agricultural

Production, Supply and Marketing, Consumers' Co-operation, Producers' Co-operation, Co-operative Housing.

6. Organisation and Supervision.
7. Office Management of Societies and Banks.
8. Co-operative Law—Act, Rules and Bye-laws, and the principles underlying them.
9. Arbitration and Liquidation Procedure.
10. Co-operative Accounts.
11. Co-operative Finance—Its Structure and Functions, with special reference to Short-term, Long-term or Mortgage, and Intermediate Credit.
12. Banking Law and Practice.
13. Banking Accounts.
14. Elements of Auditing.

Subjects Nos. 11 to 14 are taught in the higher courses only, and the other subjects are taught in an elementary form in the Secretaries' classes. It will be seen from the list of subjects that it does not include principles and organisation of agriculture, but there is a proposal to include the subject, after making arrangements for teaching it through the Agricultural Department.

Co-operative Instruction of the members and Masses:—Co-operative instruction of the masses, including members of societies, is sought to be imparted through lectures and lantern shows, each District Branch being provided with a magic lantern and slides with key lectures. The celebration of the Co-operators' Day, performed at most of the centres and by important societies and banks, affords another opportunity for propaganda. The Co-operative Journals published by the Institute, one in English and four in the vernaculars of the Presidency, afford considerable scope for instruction and propaganda. Two District Branches have recently started the publication of journals of their own. The various Co-operative Conferences afford additional

sources of instruction and information. Besides the Provincial Co-operative Conference organised by the Institute, the Divisional Branches hold Divisional Conferences, and the District Branches District and Taluka Conferences. These last are held at rural centres. The number of conferences held in 1929 were 21 Taluka Conferences, 5 District and 3 Divisional Conferences.

Literature:—Each District Branch has its library of co-operative literature. Many of them issue pamphlets and leaflets. The Institute has under preparation some books in vernacular suited to the students attending the classes. The main difficulty the Institute has to contend against is that the work has to be carried on in as many as 5 languages, including the four recognised vernaculars of the province.

Training of the Registrar's Staff, Bombay:—A Committee constituted by the Government of Bombay examines and issues certificates to candidates wishing to qualify themselves as Accountants and Auditors of Joint-Stock Companies. The certificates are known as G. D. A. or Government Diploma in Accountancy. From 1918, the Registrar arranged with the Committee through Government to examine the members of his auditing staff and issue certificates known as G. D. C. A. or Government Diploma in Co-operative Accountancy. Some of the subjects prescribed for the G. D. A. relating to certain branches of Commercial Law were omitted, and subjects relating to Co-operation were substituted therefor in the case of G. D. C. A. examination, with the result that the candidates for the latter Diploma are examined in the following subjects:—

Paper No. 1, General Accounts; No. 2, Special Accounts; No. 3, Auditing; No. 4, Mercantile Law, relating to the Contract and Arbitration Acts; No. 5, Co-operative Law; No. 6, Co-operative Theory and Practice.

The Committee does not arrange for the training of the candidates of either class. In the case of those appearing for the G. D. A. examination, the candidates, other than graduates, have to undergo training for two years in one of the recognised Commercial Schools, there being several well established private institutions in Bombay for that purpose. Some of these schools also give tuition by correspondence to graduates. The Sydenham College of Commerce also holds an evening class for the benefit of students wishing to appear for the examination. As for those appearing for the G. D. C. A., the candidate to be examined has merely to produce a certificate from the Registrar that he has put in two years' service in the auditing line under a qualified auditor. A candidate who has qualified himself for the G. D. A. may also appear for the G. D. C. A. As for the study of the various prescribed subjects, the candidates for the G. D. C. A. somehow shift for themselves, with the result that the passes are only 15 to 20 per cent. But no candidate is confirmed as an auditor unless he passes the examination, nor is he entitled to the graded scale of pay.

Training classes by Financing Banks:—In 1930, the Provincial Co-operative Bank held two classes, each for a week for the special training of its junior inspecting and office staff at its branches. They concentrated on banking procedure and practice, accountancy and management, valuation of assets and assessment of credit. Many District Central Banks deputed their inspectors for being trained at the classes. The experiment is proposed to be repeated every year.

Drawbacks:—From the above description of the system, it will be seen that Co-operative education in Bombay is deficient in two respects: no provision is made for imparting a knowledge of even elementary principles of agriculture as in other provinces, nor of the principles of citizen-

ship as is being done in the system introduced by the Co-operative Union of Great Britain. Moreover, in the classes organised in the other provinces, chiefly in the Punjab, the Officers of the various departments of public utility take an active part in the work of teaching, such as those of Agriculture, Veterinary, Sanitary and Education, but not in Bombay.

CHAPTER LIV

CO-OPERATIVE EDUCATION IN OTHER PROVINCES

Punjab:

Efficient System of Training—Training of the Departmental staff—Training of Sub-Inspectors—The Subjects Taught—Educational Inspectors—The Inspectress—Agricultural Training—Refresher Courses—Training of the Officers in Societies and Banks—Education through Conferences and Lectures—Demonstration Train.

Other Provinces:

Bihar and Orissa:—Co-operative Federation—Two Training Institutes for Staff—Levy for meeting Expenses—Other Training Classes—Madras:—Training Schools in Madras—Bengal:—Classes for Secretaries—Classes for Supervisors—United Provinces:—Classes by the Union—Class for Officers—Bank Managers' Class—Training of School Teachers—Central Povinces and Berar:—Co-operative Rallies—Divisional Federations—Revised Scheme of Education in the Province—Burma—Assam—Common work in all Provinces—Illiteracy a hindrance to co-operative education.

Punjab: Efficient System of Training:—The co-operative movement in the Punjab is known for its efficient development. The reason is largely due to the thorough training of the whole staff of the Department from the Registrar himself down to the inspector. Every officer, before being appointed as Registrar is first placed in the Department as

an understudy to the Registrar, and is enabled to study the movement in his own province and also in the foreign countries by the grant of study leave. In most of the other provinces, the Registrar, when he assumes the charge of his office, is quite new to the movement, and by the time he acquires experience, he is transferred to some other department in another sphere of work.

Training of the Departmental Staff:—The co-operative training of the Registrar's staff in the Punjab dates from 1920, when an Educational Inspector was appointed for the purpose. The number of such Inspectors has now been raised to three. The staff is selected from among the young men of the agricultural communities who have received University education. The Inspectors of the Department receive careful training, both theoretical and practical, for a period of fifteen months. As soon as a candidate, who is either a graduate in economics or in agriculture, is selected, he is sent off to an experienced Inspector for three months, and is made to read a few introductory books, and in this period he gets an insight into the movement. The next three months are devoted to a special class in rural economics and co-operation. This period has been recently increased to four months as an experimental measure with a break at Christmas. The class is at times attended by officials of neighbouring provinces. The teaching is as much by discussion as by lectures. Thereafter, the candidate commences his field work under a Senior Inspector, visiting primary societies as well as Central Banks. At the end of this course, he has to pass an examination of the M. A. standard in the Law, Theory and Practice of Co-operation. There are two papers in the first two subjects, and a third and a *viva voce* in the third. If he has passed the examination, the candidate is given a post as Sub-Inspector under the Punjab Co-operative Union, which he retains until a vacancy for an Inspector's post occurs. Under the Union,

he does audit and general work with societies for at least nine months.

Training of Sub-Inspectors:—Candidates for the posts of Sub-Inspectors under the Punjab Co-operative Union, which is charged with the work of audit of societies, receive six months' training, one month in the class, the period having been increased to two months from last year, and five months in the field, somewhat on the same lines as in the case of Inspector candidates. Candidates are paid actual railway fares to and from the place where one month's course is held, and are paid subsistence allowance of Rs. 15 while attending the course. Generally Matriculates from among the agricultural communities are selected for this grade.

The subjects taught:—The subjects taught at the classes are very nearly the same as are prescribed by the Bombay Central Board of Education, with the variation that in Bombay, Urban Banking is emphasized in certain classes, while in the Punjab, rural economics play an important part, and field work is more thorough and occupies a longer period and therefore takes a more practical turn than in Bombay.

Educational Inspectors:—Three officers known as "Educational Inspectors" form a part of the Registrar's Department. Their main duties are to give an intensive training in rural economics in the classes, held for the training of the candidates for Inspectos' posts, and to hold classes for training Sub-Inspectors.

The Inspectress:—An Inspectress has been appointed to work among the women folk of the province. The Inspectress is a graduate of the Punjab University, and before her appointment had worked as a professor for some years. Like other Inspector-candidates, she has undergone a course of practical training under Circle Registrars, and attended the Gurdaspur training class for a period of 3 months. She sat for the terminal examination for Inspector-candidates,

and was confirmed and detailed for independent work on obtaining the requisite percentage of pass marks fixed for Inspector-candidates. In addition to the above training, she had to attend the school of Domestic Economy at Gurgaon.

Agricultural Training:—Apart from the above training, most Inspectors undergo one month's training in rural economy at the Agricultural College, Lyllpur. The Sub-Inspectors every year, in batches of ten or more, undergo six months' training given in the vernacular in practical agriculture at the same college, so that they can teach and explain it to the villagers while on audit duty. The whole staff visits the agricultural farms once or twice a year, to keep in touch with improvements etc. A similar course of six months has recently begun to be held at Gurdaspur.

Refresher Courses:—One of the most valuable forms of training is the series of refresher courses for the staff lasting for eight days. They are held once a year at eight or nine different centres in the Assistant Registrar's circle, and are attended by Inspectors and Sub-Inspectors. These classes afford them an opportunity of becoming acquainted with the practical difficulties of the officers in the execution of their duties. Refresher courses are also held for the Industrial staff by the Assistant Registrar in charge of industrial societies.

Training of the officers in Societies and Banks:—Training of the Secretaries of Societies and of the Managers and the staff of the Central Banks and Banking Unions in the Punjab has not yet attained the level to be met with in Bombay. The classes for Secretaries of Societies for a week began to be held from 1919. They are now organized by the Punjab Co-operative Union, through its Sub-Inspectors, the number of such classes in 1929 being 48 including a class for the Secretaries of Banking Unions. The experiment of giving managers and accountants of Central Banks

a month's training in Lahore is reported to be a failure, mainly because nearly all who attended were too ignorant of banking for so short a course to be of use.

Education through conferences and lectures:—Co-operative conferences are so organised as to afford opportunities for the spread of education. In these conferences, various kinds of problems from the causes of poverty, illiteracy and infant mortality to the prevention of disease, child welfare measures, and the pitting of manures, are discussed, and they form yet another agency of education for the rank and file of the Punjab co-operators. At the general meetings of central institutions, too, problems of common interest for co-operators are discussed. They are attended by officers of the Agricultural, Veterinary, Education and Health Departments. At such meetings co-operative singing, dramas, lantern lectures and practical demonstrations in agriculture, dairying, etc., are held.

Meetings and shows are also held under the auspices of Rural Community Councils and District Boards, at which lectures on various topics by officers of several Government Departments are given, and dramas and lantern lectures on subjects of interest to peasants and rural folk generally are held. The distribution of vernacular pamphlets on co-operation and other subjects in the various dialects and scripts, as also of the publicity of the annual report of the Co-operative Department in vernacular and the formation of libraries of more than 50 rural unions, are also contributing factors of no small importance in the education of the members of co-operative societies.

Demonstration Train:—A demonstration train was organized in the Punjab in 1929 in which several departments including that of co-operation took part. It visited various important rural centres in its course and attracted large crowds.

WORK IN OTHER PROVINCES

Co-operative Federation in Bihar and Orissa:—Co-operative education and propaganda in Bihar and Orissa is now carried on by the Co-operative Federation of the Province, which is also in charge of the work of audit of the Societies. The Federation has appointed 5 Propaganda Officers and 5 Assistant Propaganda Officers, and they are placed in the 5 divisions of the province.

Two Training Institutes for Staff:—A Training Institute has been established at Sabour which works for six months in a year, and its annual establishment cost is estimated at Rs. 24,000. Another Training School has recently been started at Cuttock. Probationers for the staff of Central Banks, as also the inspectors, clerks and managers of the Banks, the supervisors of unions, and the auditors under the Federation receive training in these two centres.

Levy for meeting expenses:—The expenses of the schools are met by a levy of ¾ths anna per cent. on the working capital of all Societies. A propaganda levy is also made at ⅓rd anna on the working capital of the central institutions, and 2 annas per cent. on that of the primary Societies. Government makes an annual grant of Rs. 2500 for the former work, and Rs. 5000 for the latter. It may be incidentally mentioned that the audit levy is a third levy and is intended to defray the cost of that work, and is also helped by a Government grant. But as there is a wide margin between the lending and borrowing rates of interest in the case of societies and banks in the province, these levies cause no great burden to them.

Other Training Classes:—The training classes for the secretaries and panchas of the societies are organised by the Central Banks for 5 to 6 days with the help of the Propaganda officers of the Federation. Where any Central Banks are not in a position to pay the cost, it is met by the Provincial Bank out of a training fund created for the pur-

pose from an annual contribution of Rs. 5000 made out of profits.

It is worth noting that no affiliated society in the province can appoint any salaried servant, excepting menials, without a license granted by the Co-operative Federation.

Madras:—The Townsend Committee appointed to examine the movement in the Presidency in their report (1928) made the following observations: "We have been very much impressed by the lack of knowledge of even the commonplaces of co-operation shown, not only by the members of primary societies, but also by office bearers, and even by the staff employed by the various non-official agencies. We believe that many of the unsatisfactory features in the present condition of the movement are directly attributable to this ignorance. Even the official staff is, we consider, in many respects insufficiently trained for the proper discharge of its duties. Too much importance cannot be attached to the necessity for adequate education in co-operative principles of all concerned in the movement." This defect will, it may be hoped, be soon removed in a great measure by the training schools or institutions recently established in the presidency.

Training Schools in Madras:—There are now six training institutions—three in the Telugu, and three in the Tamil districts. Each runs a school for training supervisors, inspectors, and others in the theory of co-operation, bookkeeping, banking and auditing; and is in charge of a local committee drawn from the 3 to 5 districts included in the area of operation of each. The Superintendent-Secretary is in each case a Sub-Deputy Registrar, while the Deputy Registrar is usually on the Board. The Registrar and the President of the Provincial Co-operative Union are ex-officio members of the Board of each. A committee of the Provincial Co-operative Union will control the lines on which these schools work. There is a central school

in Madras conducted entirely by the Government. Even this school may be expected to be controlled by the Union in course of time.

Bengal: Classes for Secretaries:—Co-operative education in Bengal was, at first, conducted only by the Registrar's staff, but now the Co-operative Organization Society of the province renders considerable assistance in the work. Two classes were held last year for two weeks at the agricultural farm at Dacca for the secretaries and assistant secretaries of the Central Banks and auditors of the department.

Classes for Supervisors:—Three classes for the supervisors of the Central Banks were also held for about a fortnight, and officers of various departments took part in the classes. Practical training in agriculture was given to supervisors in all those three classes, such training being considered an integral part of their education. Auditors and Inspectors of the department, after their first appointment, are placed under senior officers for a few months, and are subjected to a departmental examination. They are also encouraged to attend the classes organized for supervisors. Two refresher courses were held in the year, and were attended by some members of the departmental staff and by some members of the paid staff of the Central Banks. The Bengal Organization Society arranged Provincial and Divisional Conferences and lectures and magic lantern shows through two paid lecturers, and also celebrated the Co-operators' day. It organises agricultural and industrial exhibitions during the sessions of conferences. It also took a prominent part in the Demonstration Train organised for the third time by the Eastern Bengal Railway in 1929 in collaboration with other departments.

United Provinces: Classes by the Union:—The Co-operative Union established in 1928 does the work of propaganda and that of audit. The supervisors working under the Union are trained by the Registrar's staff of

Inspectors. The subjects taught include agriculture, sanitation, hygiene, besides the principles and practice of co-operation. Officers of other departments concerned take part in the work of training. The period of training was of three months, including one month's training in agriculture and another month's practical training under the Inspector. It has now been extended to one year.

Class for officers:—The training classes for co-operative officers in the province were started in 1916, but were remodelled in 1928 when an Educational Inspector as in the Punjab was appointed. The period of training lasts for six months. Besides the co-operative subjects, training is given in agriculture, sanitation, scouting and rural reconstruction. After this period of training candidates are placed under Circle Inspectors for practical training for a period of three months. The training work is conducted under the direction of the Registrar.

Bank Managers' Class:—A two and half month's training for Bank accountants and managers was held last year and the experiment is proposed to be continued every year.

Training of school teachers:—In Benares, school teachers are being trained to become village guides. The experiment deserves to be followed by other provinces.

Central Provinces and Berar:—Co-operative education did not receive much attention in this province for a long time. The Co-operative Federation established in 1923 has begun to hold classes for the secretaries and panchas of societies lasting for about a week. Classes for Managers and Inspectors are held for about 3 months, and those for instructors and secretaries for six weeks. Refresher courses are held for Circle auditors and the superior staff of banks for about 8 days. An Educational Inspector has recently been appointed by Government to assist in the work of training.

Co-operative Rallies:—Since 1926, the Registrar has de-

vised a new system of education, known as Co-operative Rallies or village conferences for a day, with the help of directors of Central Banks. General lectures on co-operation are given and the working of each society is examined. Doubts and apprehensions in the minds of members are cleared and the moral aspects of the movement are emphasised. The number of such rallies held in 1928 was 355, and the number is increasing every year.

Divisional Federations:—Berar has established its own Co-operative Institute, so also the Jubbulpore and Nerbudda Division has got its own. Both the Institutes hold classes for training the literate members of societies and a refresher course for auditors and managers.

Revised scheme of education:—In 1929, the whole system of co-operative education in the province was thoroughly revised by a Committee specially appointed for the purpose, the additional funds, required for this work as well as for strengthening the work of supervision, being proposed to be raised by a levy from societies, supplemented by a grant from Government. The Group system, now placed under a Central Board, will undertake a large part of the educational work in society areas.

Burma:—The work of co-operative education is being done by the Burma Co-operative Council through classes held for a week to a month. A regular Co-operative school was maintained for 2 years, but its work was suspended for want of funds. The Council holds examinations for auditors and supervisors twice a year.

Assam:—The Surma Valley Co-operative Organisation Society organises training classes of 6 to 8 teachers for secretaries and committeemen of rural societies.

Common work in all provinces:—In all the provinces co-operative conferences are held and the Co-operators' Day is celebrated, and these occasions afford further opportunities for the spread of the knowledge of co-operative princi-

ples. Co-operative journals also are published in almost all the provinces in vernacular as well as in English.

Considerable progress in co-operative education has also been made in the Indian States, especially in Mysore and Baroda.

Illiteracy a hindrance to co-operative education:—It will be seen from the above resumè that the work of co-operative education has not yet assumed so extensive and intensive a magnitude as in Germany and England. The chief difficulty in the way of spread of co-operative education in this country, besides the multiplicity of languages in some provinces, is the illiteracy of the people, with the result, that the work of imparting knowledge of co-operative principles and practice has to be done more by word of mouth than through written literature, and therefore demands the employment of a larger number of teachers. And though it would be possible to instil principles of co-operation among persons who are not literate, yet, unless there is some background of literacy, the teaching proves to be of little value when these persons have to apply the principles learnt in practice as chairmen, secretaries or members of Committee.

CHAPTER LV

II. EDUCATION FOR CO-OPERATORS

Need of General Education—Educational Activities of the British Societies—Folk High Schools of Scandinavia—Objects of the Schools—The personality of the Teacher—Union of Folk High Schools—Illiteracy in India—Educational work by the Co-operative Movement—Importance of Adult Education—Adult Education Societies of the Punjab—Nature of Adult Education—The Suggested Adult School—Funds—Contributions from villagers—Contribution by Financing Banks—Contribution by Local Boards—The aim in view.

Need of general education:—For the proper development of the co-operative movement, education in co-operation, however intensive, will not alone be able to do even half the work it has in view, unless there is a grounding of general education among the members. In England and Germany, at the start of the movement, illiteracy, no doubt, prevailed among the masses to a great extent, but some facilities for education did exist, such as those provided by the clergy and other private agencies. After the State undertook the work of free national education, the co-operative movement ceased to face the difficulties arising from illiteracy among the members, and began to make great strides. The efficient conduct of a co-operative society, whatever be its type, presupposes some educational qualification, at least in the case of those entrusted with its management, and where general illiteracy prevails as in India, there is hardly any scope for the selection of even a few men on the managing committee who can understand business. No movement stands in greater need of general education among its followers than does the co-operative movement.

Educational activities of the British Societies:—It must be noted in this connection, that the co-operative store societies of Great Britain have made it a point, from the very inception of the movement, to set apart a certain sum out of their profits for educational work among their members. In the earlier days of the co-operative movement, when the State had not taken upon itself the work of national education, most of this money was spent in assisting members or their children in receiving some sort of elementary education. After the national system of free elementary education of children was established, the societies devoted a part of their educational funds to the provision of secondary school scholarships for members' children, or the payment of fees for members who attended technical or other classes. Now that the State has taken upon itself the responsibility of this further education, the societies spend their educational funds on the intensive education of the members and of their families in matters affecting them, not merely as co-operators but as citizens. Education for citizenship takes the form of training men and women to take part in the work of social reform, and of fitting them to take an intelligent part in municipal and other public organizations and affairs, and of making them interested in the welfare of their fellow-beings.

Folk High Schools of Scandinavia:—The success of the co-operative movement in Denmark is largely due, not merely to the spread of free elementary education among the masses, but also to the efficient general education of the grownups provided by the Folk High Schools which have become important educational institutions in the three Scandinavian countries, and therefore deserve special attention. The movement was started by Grundtvig who was a priest. Though general education had been introduced from 1814, Grundtvig thought that the peasants required special attention to broaden their minds and stir up their

national sense. He introduced for them a new type of school, in which teaching was to be given not so much through books, as through speech, discussion, and song. Adult pupils only were to be admitted, and he stoutly opposed the secondary and continuation school as not fitted for the peasantry. The first Folk High School was opened in Denmark in 1844, in Norway in 1864, and in Sweden in 1868. The movement soon spread throughout the three countries, and there are now several schools in each of them, and about one-fourth the rural population is passing through these schools every year, being the approximate number of youths and girls reaching the age of 17.

Object of the schools:—The principal object of the schools is not so much to impart information, as to awaken the adult mind, to teach the young man (or woman) to use his eyes and ears, to understand what he sees and hears, and to wish to understand and know. There is no teaching of religion, though the teaching is permeated with ethical and national feeling. Debates and discussions are often held by the students under the guidance of the teacher. They examine the administration of their village, the constitution of the provincial and national Governments, and the laws which affect themselves and their normal occupations. The education has an intense rural bias, and the pupils educated in the schools return to their farm and cultivate the land. In addition to these two forms of education by instruction and discussion, they learn also by song in a way that arouses generous emotion and awakens dormant feelings of brotherhood. The main course is of six months, an extra couple of months being allowed to those who wish to remain longer. Women are admitted by the bigger schools, but are housed and for the most part educated in a separate wing; a few schools are for women only. Their curriculum includes domestic training, hygiene and farm-yard subjects. The majority of schools conduct also short courses, from one

to three months, in the summer time when men cannot be spared for long from their farms. The ordinary age of admission is seventeen, and none are admitted before that age; persons of middle age occasionally join. Latterly, there have been created a few advanced Folk High Schools having three annual courses of six months.

The Personality of the Teacher:—The personality of the teacher is a great element making for success in these schools. Many of them are started by individuals who are animated by a sense of duty of national uplift, assisted by junior teachers recruited from the Universities. Patriotism and the feeling of brotherhood guide their work. There are no marks or examinations, though a certificate of attendance is usually given to a pupil at the end of the course. The schools are subject to a periodical State inspection, since they receive a State grant. The income of the schools is derived from fees, and a lump grant is made by Government, which also pays half the pay of the teachers, after the budget of the school is approved.

Union of Folk High Schools:—The Union of Danish Folk High Schools is formed by the teachers. Its object is to arrange discussions on questions of common interest, to maintain a Provident Fund (to which the State subscribes an amount equal to the teachers' contributions), to fix scales of pay, and to hold courses for young teachers. The State also makes a grant to the teaching department.

Illiteracy in India:—The illiteracy of the masses in India has become a great hindrance to the progress of the co-operative movement in the country. The selection of half a dozen literate men in an Indian village to take up the work of management of a society becomes, as a rule, well nigh an impossible task. In the case of a large number of rural societies, it is even difficult to get hold of a single literate person to do the Secretary's work, which has, therefore, to be entrusted to a school teacher or a village revenue official

if there be one, and where none of them are available, a group or circle secretary is appointed to work for two or more neighbouring societies. Thus, there being none on the spot to check his accounts and work from time to time, he often becomes the master of the situation with the resulting evils which we so often read in the various Registrars' administration reports. Though most of the local Legislatures have recently passed measures for facilitating free compulsory education on the principle of sharing the cost between Government and local bodies, the actual work undertaken so far has been very small on account of the frequent inability of the former to prepare a scheme for want of funds or the inability of the Government to pay its share. Thus, at the present pace of progress, it might take several decades to spread education among the whole mass of people.

Educational work by the Co-operative Movement:—Meanwhile the co-operative movement, in spite of the scanty resources at its disposal, is taking measures for the spread of literacy among the children of the members. Many societies in almost all the provinces are spending some portion of their profits on this object. In Bihar and Orissa, several societies have established Pathashalas or vernacular schools for the children in society areas. The Central Banks make grants to the schools. In Bombay, several societies make grants and contributions to schools or award scholarships and prizes. In Bengal, many societies spend on education, and some maintain night schools and even higher schools. In the Punjab, societies are formed for imparting compulsory education to the children of the members who pledge themselves by their bye-laws to send their children regularly to school and in default to pay a small fine. The United Provinces have commenced to follow in the footsteps of the neighbouring province.

Importance of Adult Education:—Laudable as these efforts

are, it must be recognised that primary education of the children will take more than twenty years to be of direct use to the movement, and it would be unjustifiable to wait for such a long period without being able to produce men within the movement to help it. Adult education, on the other hand, will have an immense potentiality to co-operators for supplying the deficiency in their mental equipment.

Adult Education Societies of the Punjab:—In the Punjab, when the societies for the compulsory education of children proved to be a success, those for Adult Primary Schools on co-operative lines were started, and their example has been followed by the educational authorities. The Co-operative and the Educational Departments now work in friendly emulation, and grants are given to both types of schools by the local authorities or the provincial Government. There are now more than 2,000 adult schools in the province, the majority of the students being rural. Their course, however, covers only the three R's, with simple mensuration and is therefore finished within six months.

Nature of Adult Education:—But the education which has for its object the preparation of men for leadership in co-operative and other social work, should not confine its scope merely to the three R's. The minds of the men to be trained ought to be opened up by imparting general education through courses of lectures on such subjects of interest as will bring them in contact with the larger events and possibilities of the world. And for this purpose, the two of the three R's—writing and arithmetics—may well be relegated to a secondary place, concentrating the effort on enabling the students to learn to read as early as possible, so as to help themselves in the further quest of knowledge. The methods of the Scandinavian Folk High Schools are eminently suited to our country, bearing, however, in mind the fact that the people in those countries start with the initial advantage of free primary education provided by the State, while we have

to begin with it, but we must confine it to the bare requirements, making it a foundation for a higher stage.

The Suggested Adult School:—The adult school must be started in a big rural centre. An intelligent school teacher with a little extra training should be able to take up the initial work. This must be supplemented by lectures on select subjects delivered by the teachers of the nearest High School, and by the members of the staff belonging to the Departments of Health, Agriculture, Co-operation, and such others as are willing to take part in the work. Quality rather than quantity must be aimed at. There must be no hurry, therefore, in multiplying the number of such schools, but all efforts must be concentrated in increasing the efficiency of the few schools that might be started in some select districts.

Funds:—The funds at our disposal for the work of education are no doubt very scanty, but we must make the best of the resources that are or that may with some effort be made available. The Co-operative Societies Act of 1912 allows societies to set apart 10 per cent. of their profits for educational and charitable purposes. The Bombay Act of 1925 has gone further by increasing the percentage to 20. Societies in general, no doubt, have been taking advantage of this power allowed by the Act, but the funds are at present frittered away in various charitable directions. Charity should always begin at home, and the best form it can take, especially in the case of rural societies, is the education of the members of the societies and of their adult neighbours who may be expected to join them sooner or later. Where the profits of each year are insufficient, as in the case of smaller societies, they must be allowed to accumulate till they assume a decent figure to start the work. Another alternative is for a group of neighbouring societies to pool their shares of profits for starting an adult school at different centres by turn. This can best be done in the

areas of the Supervising Unions through the agency of the Union.

Contributions from villagers:—It should be possible to collect some amount from the villagers concerned, if the collection be made in kind instead of in cash. Collections made in this way during the harvest time may assume a decent shape for being utilized for the purpose of education.

Contribution by Financing Banks:—The Central Financing Banks should also make it a point to contribute liberally towards the cause of adult education in areas financed by them. Since the profits made by them are derived from loans advanced to rural societies, there is every justification for using a portion of them in the cause of adult education of the members of those societies. It will be the best investment the banks can make, as it will result in the intelligent and efficient participation of the work of the societies. It may also be suggested for consideration that a small levy, say $\frac{1}{8}$th per cent. may be made on the loans advanced to societies to augment the contribution made by the banks. In Bombay, a portion of the rebate of interest paid by the Provincial Co-operative Bank may also be used for the purpose.

Contribution by Local Boards:—The two main sources of the funds indicated above will be insufficient to run efficiently even a few schools in the districts. The District Local Boards in the Bombay Presidency, have each been spending annually on education more than two to five lakhs of rupees including the Government grant. They must be induced to apply at least 1/10th per cent. of their educational budget on adult education either by spending it themselves on the object or by handing over the contribution to the Central Banks or to a Joint Adult Education Board, to be formed in each District, of the representatives of the Local Board, the Central Bank and of the District Branch of the Co-operative Institute.

The aim in view:—The success of a few schools run on the lines indicated above is sure to create a demand which the villagers themselves will in course of time try to meet as far as they can, requiring the support of outside funds to a smaller extent. Thus, by a concentration of resources and efforts, a beginning can be made in supplying a vital deficiency in the existing rural structure. Educational work of this nature will not only raise the level of the co-operative movement, but will also lead to agricultural improvements and to social amelioration to the lasting benefit of the country-side.

CHAPTER LVI

CO-OPERATION AND THE STATE

I. Attitude of the State towards Co-operation.

The two aspects—State help by legislation and concessions—Facilities by the State to Agriculture—State Subventions—State Control—Objections to State Control—Powers of the Registrar in England—Powers of the Registrar in India—Financial aid in Europe—Financial Aid in India—Reasons for State-Aid.

II. Attitude of the Co-operative Movement towards the State.

Neutrality in Politics and Religion—Attitude of Politicians—Conditions in Italy and Belgium—Conditions in Germany—Influence of Socialism—Conditions in Great Britain—Sir Horace Plunkett's Opinion—Religious and Political Neutrality in India—Further Relations.

I. ATTITUDE OF THE STATE TOWARDS CO-OPERATION

The two aspects:—The relation of Co-operation and the State must be examined from two points of view; that of the attitude of the State towards the Co-operative Move-

ment, and that of the attitude of the movement towards the State. We will first examine the former aspect of the subject.

State help by legislation and concessions:—The Co-operative Movement in European Countries, like England, Germany and France, was initiated by the people themselves, without the intervention of the State. The Stores movement was started by the people themselves, and though the Credit and Productive movements were initiated by philanthropic idealists, they held no commission from Government. All that the State did was by providing special legislation, and waiving fees payable to the State, in respect of stamp duty, registration, and remitting income-tax on profits. In England and Germany, the co-operators have always repudiated State help beyond this stage. All that they asked was "a fair field and no favour".

Facilities by the State to Agriculture:—In the modern development of agriculture, a second form of State help is very noticeable, as in Denmark, Ireland, New Zealand, Canada, the United States, and very many countries, where the State has played a great part in performing or assisting functions which neither voluntary association nor individual enterprise could alone perform: in providing technical education, expert advisers, exhibitions and prizes; in distributing information in all forms; in finding out markets, controlling railway rates, subsidising steamboats, and even grading, branding, warehousing and refrigerating produce, and maintaining trade agents abroad. These things have not been done for co-operative societies alone, but for agriculture in general; but co-operation has been chiefly benefited, and much has been done expressly to encourage the formation of associations of cultivators and provincial and national federations of such associations; and government departments of agriculture are found acting through such bodies, and with their advice and assistance.

State Subventions:—The third form of State help by direct subventions is considered to be most questionable, though much has been done in this way for agricultural and industrial co-operation in some countries. Many authorities while admitting the great dangers from money subventions, have acknowledged that advantages overbalance them, if self-help is not throttled, and initial difficulties, which would otherwise be insuperable, are overcome. Experience shows that government, especially in poor countries, can do a very great deal for agricultural co-operation, in so far that self-help and private initiative are not stifled. In the matter of organizing the mortgage credit of agriculturists, the Governments of all countries have given help in one form or other; so also in the matter of co-operative housing for the benefit of the working classes in towns and cities. In Ireland, the agricultural banks have been financed at 3 per cent. by the Irish Department of Agriculture and the Congested District Boards.

State Control:—In some countries the State has gone further, and seeing the backward condition of agriculture and the importance of agriculture to the nation, has sought to create an organisation where none previously existed. From this has arisen a tendency to paternalism. In Austria and in France particularly, this has been pushed to such great lengths as to have almost destroyed the possibilities of free co-operation in many directions. There is hardly a society in Austria which does not owe its origin in some measure to governmental assistance, with its corresponding obligation to accept governmental control. In France, the whole "Credit Agricole" system has been built up by State loans, and is officially supervised, the free Raiffeisen banks started by M. Durant being in a very small minority. Of recent years, a similar attempt has been made in Germany in regard to agricultural co-operation. With Government encouragement, Herr Haas formed the great Imperial Fede-

ration to embrace all German agricultural societies, though the Raiffeisen societies held aloof from it, having formed their own Federation. The Prussian Central Co-operative Bank was formed, state-subsidised and state-controlled, seeking to act as the apex of the whole co-operative system. Neither the Raiffeisen nor the Schulze-Delitzsch banks have joined it. In Italy, though financial aid by the State is very extensive, it is judiciously regulated, without rigorous control.

Objections to State Control:—The objections to state-control are based on the ground that it strikes at the root of the principles of freedom and independence on which the movement is based. It is urged that Government supervision lacks both sympathy and enthusiasm, and is not concerned with consequences, and that an Auditor or Supervisor appointed by Government has no personal interest for the movement, and discharges his duties mechanically in a way to please his superiors and maintain his position and salary. Official control and interference weakens the spirit of self-reliance and self-assertion, and creates a tendency to call always for official assistance, without realising the value of personal effort. A movement fostered under such conditions shows signs of utter helplessness when the control is slackened, and therefore affords little chance for its complete removal even after attaining age.

Powers of the Registrar in England:—In most European Countries, the registration papers of a society are filed with some Civil Officer or in a Court of Law. In England, however, there is a special officer under the name of Registrar, who, with two assistants under him, is charged with the duty of registering societies, and of insisting on their conforming to the requirements of law, and on the production of audited annual and periodical returns. He does not exercise the functions of audit and inspection of the societies, but has the power of inquiry and cancellation, and in

certain circumstances, to take penal action against the members and officers concerned.

Powers of the Registrar in India:—In India, the Registrar with his staff has the powers, not merely of registration of the societies, but also of audit and inspection, and of enquiry, cancellation and liquidation. The Bombay Act has further given him the penal powers on the analogy of the English Acts. The wider powers of the Registrar in India are justified on the ground of illiteracy of the masses for whom the co-operative societies are mainly intended. At the time when the movement was initiated, there were no organisations which could take up any of these functions; but now that such organisations have come into existence, the non-statutory functions of education, propaganda and organisation are being performed by them, and in some provinces those of supervision and audit also.

Financial aid in Europe:—In England, the co-operative store movement has been able to create sufficient funds for all its work without extraneous help. The co-operative housing movement, on the other hand, in that country has received financial aid, and to a greater extent after the war. The post-war policy of all the European Governments, and recently even in England, has been to render financial aid to agricultural co-operative societies of all kinds, and in some countries, even to industrial and store societies. This feature has been conspicuous in Italy, France, and some other countries.

Financial aid in India:—In India, Government at the initial stage used to make a grant up to Rs. 2,000 to every society, equal to the capital raised by it, repayable in ten annual instalments at a low rate of interest. But the grant was discontinued when the societies were able to obtain loans from other sources, and later on from the central banks when they began to be established. In the case of house building societies, Government loans of long-term

have begun to be granted in many provinces. Government has also commenced to give financial aid to mortgage banks in three provinces, by purchasing their debentures or guaranteeing the interest thereon up to a certain limit. But agricultural non-credit societies and industrial societies which stand in need, not merely of cheap loans but also of subsidies and technical advice, especially at the initial stages, receive very sparing support from Government. Railway concessions, provision of technical education, and finding out of markets are conspicuous by their absence in India. If Government initiative and control of the movement were considered to be necessary on account of the illiteracy of the people concerned, these facilities may be justified with greater force on account of the poverty of those very people.

Reasons for State-Aid:—The co-operative movement in countries where it took its birth was in its initial stage under the shadow of Government suspicion, and even of open hostility. But all Governments now acknowledge that the movement has the effect of stabilising agriculture, industry, and trade, and thus indirectly has the effect of stabilising the State itself. The greatest danger to every State has arisen from the increase in the ranks of the property-less proletariat, as a result of the modern methods of centralisation of trade and industry. And when it is recognised, that the co-operative movement has been actively helping the proletariat in coming by and owning property, that wherever such results are achieved the people so helped are unwilling to lend their hand to any movement likely to endanger their stake in the stability of their Government, every State will and must come forward to give its full support in all possible ways to a movement whose work has the greatest possible influence in ensuring the peace and prosperity of the country.

II. ATTITUDE OF THE CO-OPERATIVE MOVEMENT TOWARDS THE STATE

Neutrality in Politics and Religion:—The attitude of the Co-operative Movement in most countries has been to keep away its followers in their capacity as co-operators from taking an active part in party-politics or in religious movements, if there are religious and political parties in the country. This attitude is quite necessary to prevent disunion and quarrels in their own ranks and maintain harmony and continuity in their work. Societies which have imported such political and religious differences in their midst have perished woefully, testifying to the fact that union in the conduct of co-operative business is the prerequisite of strength. The Irish Agricultural Organisation Society has remarkably succeeded in maintaining this neutrality from its inception, in spite of the distracted condition of the country up till recent years. In the same way, the store movement of Great Britain until recently kept aloof from politics, until Government's own attitude forced its hands.

Attitude of Politicians:—On the other hand, politicians, both within and without the movement, have made repeated attempts to capture it for their own ends. Though such attempts have not succeeded in England and Ireland, the same cannot be said of Italy and Belgium.

Conditions in Italy and Belgium:—In Italy, there are three distinct sections—the Catholic, the Socialist, and the Neutral or Liberal. In some places, there are three credit societies, one representing each of these sections, working with jealousy and suspicion between them. In Belgium the country is divided into two parties, the Catholics and the Socialists. The former predominate among the rural population, and the latter among the urban artisans. The rural societies are monopolised by the Catholics, being assisted by the clergy, and the town societies by the Socialists.

Conditions in Germany:—In Germany, political theory

more than politics has played some part in the history of German co-operation, and is responsible for the greater number of federations than is necessary. This is partly also due to the attitude of the State which is anxious to play a paternal role in the movement.

Influence of Socialism:—The spread of education and the extension of franchise have given strength to labour in every country in the spread of the ideas of socialism. These developments have reacted on the co-operative movement. For a long time the Co-operative Movement of Great Britain was content to leave its interests watched by its Parliamentary Committee which was able to speak through one or two members of Parliament. This attitude was maintained in the face of great influence that was brought to bear on co-operators by men with distinct socialistic views, but the War conditions brought about a distinct change in their outlook. In spite of their strong support of Government during the crisis, they were neglected and passed over in favour of middlemen, their societies were subjected to Excess Profits Duty. Consequently, a National Co-operative Representation Committee was created with the express object of securing direct representation in Parliament and other administrative bodies for co-operators, the societies undertaking to contribute to the political fund for making grants in support of candidates and for political propaganda. The co-operative representatives now, not merely watch the interests of the movement, but take an active interest in the promotion of State Socialism of the Fabian Society as advocated by Mr. Sidney Webb, (now Lord Passfield) and Mrs. Webb.

Conditions in Great Britain:—In spite of the above political turn, the co-operative movement in Great Britain on the whole is neutral towards religion and politics, and the prudent resolve made to that effect by the Rochdale Pioneers is universally accepted. The need for such neutrality has

been frequently emphasised at the Congresses of the International Co-operative Alliance. In a paper read at the Twelfth Congress held in 1927, Mr. Albin Johanson, Director of the Swedish Co-operative Wholesale and Union, remarked: "The Twenty-eight Weavers had assuredly other interests besides their Co-operative Bantling; they lacked nothing in political fervour. But they saw that these two interests must of necessity be kept apart—they would not mix. They were moved partly by a natural desire to avert squabble and dissension among the members. .... If such discretion and impartiality were necessary in those days, the reasons for holding fast to that view and position are much stronger now. .... Infinite mischief would be wrought if, for instance, Denmark's farmers should make their Co-operation serve as handmaid to the political party to which individually they all belong, or if Sweden's workers should demand that Swedish Co-operation should support the party to which, separately or collectively, most of them are attached. ... The result of this neutrality is that men from very different social strata have become interested in the movement. ... If co-operators, in their co-operative meetings, debated political issues and excited themselves into resolutions thereon, these critics might, perhaps, for a little while, be happy. Their burblings ask merely for wrangling and division in Societies, for the members who are keen politicians would as vigorously argue and prefer their views, grouping with kindred spirits for the purpose. The opponents of co-operation stigmatise the Movement as Socialist. ..... They know that if only they can convert or pervert the Co-operative Movement into a religious or political coterie its progress will cease. ... In some countries where Labour dominates there is greater difficulty in maintaining full neutrality. The co-operative programme is even here so well conceived that where it is respected no one member can ever trespass on the equal privileges of another."

Sir Horace Plunkett's Opinion:—The veteran co-operator, Sir Horace Plunkett, who has made co-operation his life-work, says "since their organisations must include men and women of all political opinions, co-operators must give a wide berth to party politics". The success and, indeed, the survival of the Irish Co-operative Movement during the life of a generation, may reasonably be attributed to the faithful observance at all meetings of societies of a non-political and non-sectarian pledge, which is in the constitution of all societies.

Sir Horace, however, makes it plain that this abstinence from politics does not mean that co-operative societies require no state aid. He emphatically states that they may legitimately demand technical instruction; agricultural experiments and research; useful information for adults (by lectures, leaflets and broadcasting); a redirection of general education in the rural schools; the extension of credit facilities to Co-operative Societies and the consequential audit of their accounts; the regulation of transport, so as to prevent discrimination (either in freights or facilities) against agricultural consigners; the marketing and branding of graded produce, and similar aids to farmers conceded by continental governments.

Religious and Political Neutrality in India:—The policy of neutrality enunciated above has been followed by the co-operative societies in India and has also been made obligatory by the Rules framed by some Local Governments under the Act. The membership of the societies is made up of people of various religious creeds, and of various classes consisting of the peasants as well as people serving in various public and government offices. On the same grounds, co-operative institutions refrain from taking part in the elections of representatives of the Local Boards, Municipalities and Legislative Councils. But no restraint is placed on individual members of such institutions in

taking part in religious discussions or political controversies or elections, so far they do so in their individual capacity. Nor has there been any bar to the admission of any person to a co-operative institution solely on the ground of his particular religious or political creed.

Further Relations:—When the co-operative movement in any country develops on a vast scale and assumes national proportions, it is likely to touch more closely than at present the policy of the State in matters of facilities to industry and trade. The conflict will be keen if the capitalist interests have a larger voice in the Government. When, however, the movement seeks to become international by establishing trade relations between the co-operative organisations of different countries, it will have to face more complex problems touching the policies of the different governments comprised within the sphere of its action, in regard to each country's administration of tariffs, excise, subsidies, exchange and labour. Even the International League and its Court established by the leading Governments themselves have tried to keep aloof from these internal questions. How far the co-operative movement in its wider scope of work proposed to be established between different countries, will be able to tackle these problems is difficult to answer. If the League, however, were to take the International Co-operative Alliance into its confidence, the latter would be able to help the nations concerned to a proper understanding of these bigger problems, leading ultimately to amicable and satisfactory solution.

CHAPTER LVII

PROGRESS OF CO-OPERATION

Europe—Japan—India—Progress in different Provinces—Predominance of Credit Societies—Inadequacy of capital in the movement—Land Mortgage Banks—Agricultural Sale, Purchase and Production—Agricultural Improvements—Co-operative Insurance—Results of co-operative work in Rural Areas—Slow progress among backward classes—Women and the Movement—Rural Welfare—Urban Credit—Co-operative Stores—Industrial Production—Co-operative Housing—State Conduct of the Movement—Financing Banks—Co-operative Federations—Government Subventions—Examination of the Progress by Different Committees—Defects and Drawbacks—Deeper Causes of the defects—Future of the Movement.

Europe:—The Co-operative Movement has made remarkable progress in most Western countries. Without going into detailed figures, it may approximately be stated that the movement embraces, directly or indirectly, about one-half the population in those countries with sufficient capital for carrying on their business without any difficulty. Each country, however, has specialised in that line of co-operative activity which is best suited to local requirements and conditions of the people. Thus, consumers' co-operation and co-operative housing is specialised in Great Britain, credit co-operation and agricultural co-operation in Germany, industrial producers' societies in France and Italy, the labourers' societies and joint farming societies in Italy, agricultural co-operation specialised in animal husbandry in Denmark, and co-operative sale of agricultural produce in Canada and the United States of America.

Japan:—Among the eastern countries, the movement has made good progress in Japan, though it was started as late as 1900. The number of societies in 1928 were nearly

15,000 with a working capital of 1,200 million yens and a membership of 4 millions. Taking 5 persons as constituting the family of each member, the movement touches 20 million persons, or one-third the population of the country. Though credit co-operation predominates, most of the societies have sale and purchase business annexed to them. The movement is, however, wholly officialised as in India. The Central Union started in 1905 is occupied in the work of propaganda and education.

India:—In India, the movement was initiated by Government in 1904, and though it spread rapidly during the last quarter of a century, the pace was slackened after the first twelve years with a view to consolidating the work already done. Besides British India, the movement has spread in many of the leading Indian States. From the Statistical Statements of the Co-operative Movement in India published by the Government of India for 1928-29, it appears that in 1929 the number of societies in India including Indian States was more than one lakh, the total working capital amounted to Rs. 82 crores and membership to 40 lakhs. However imposing these figures on the face may appear to be, they assume a small proportion when compared to the vast population of the country which forms one-fifth the total of the whole world. Taking 5 persons to form the family of each person, the movement has not yet comprised more than 6 per cent. of the whole population or not more than 8 per cent. of the rural population.

Progress in different Provinces:—Taking the provinces individually, it is not possible to gain an idea of the spread of the movement merely from the number of societies registered in each of them, as the average number of members per society varies considerably in different provinces. Taking, however, the total number of members of societies in the different provinces and comparing them with their population, and taking 5 persons to form the family of each

member, the movement comprises 14 per cent. of the population in Bombay, 13 in the Punjab, 10 in Madras, 6.5 in Bengal, 5.4 in Burma, 3.5 in Bihar and Orissa, 2.7 in Central Provinces and Berar, 1.8 in the United Provinces. Among the Indian States, Travancore has a percentage of 22, Bhopal 13, Mysore and Gwalior 8.8 each, Cochin 8.7, Baroda 7, Cashmere 6.5, Indore 4, and Hyderabad 2.2.

Predominence of Credit Societies:—In considering the progress in the different branches of the movement, it will be found that Credit Co-operation predominates the whole movement. In the total figures quoted above for the whole of India including the States it is found that out of a lakh of societies of all kinds, more than 88,000 were agricultural societies with a working capital of 32 crores, 593 Central Banks with 28 crores, and 10 Provincial Banks with 8 crores. The number of non-agricultural societies was only 9,000 with a working capital of 14 crores. Even out of these, about 6,000 belong to the credit group, and only 3,000 being made up of producers' societies, stores, and other kinds of urban societies. Again, among the agricultural societies those for credit alone numbered 80,000, the remaining 8,000 included societies for production, purchase and sale, and other miscellaneous societies in villages. Since the Central and Provincial Banks mainly cater for the agricultural credit societies, the predominance of these societies becomes further emphasised.

Inadequacy of capital in the movement:—Out of the 32 crores held by the agricultural co-operative societies and the 36 crores held by both the Central Banks and the Provincial Banks, nearly 19 crores represent loans borrowed by the societies from the said banks, and about 4 crores represent the loans borrowed by the Central Banks from the Provincial Banks and the deposits held by the latter banks from the former. These amounts being included in the working capital of the Central and Provincial Banks respectively,

their total amounting to 23 crores has to be deducted from the 68 crores, and thus the actual working capital of the movement representing agricultural co-operation is Rs. 45 crores. Even this amount cannot wholly be utilised for loans as some portion has to be kept in reserve by the banks as a fluid resource against the capital raised in the shape of deposits for their timely repayment. Whatever capital is placed at the disposal of the societies, it is utilised for advancing loans to members mainly for current agricultural purposes. The total amount annually required by the agriculturists in the country may be estimated at about three to four hundred crores, of which nearly 75 per cent. is borrowed. Thus the present working capital of the agricultural section of the movement will be required to be multiplied about 10 times to meet the current agricultural requirements of the cultivators in the country. The situation can be partially eased by Government requiring the Imperial Bank to discount agricultural paper in the form of pronotes passed by the societies in favour of the financing banks and to allow cash credit to the banks at least to the extent of the fluid resources required by them.

Land Mortgage Banks:—There are again the old debts due by the agriculturists to money-lenders which are estimated at rupees six to seven hundred crores for the whole country. The major portion of this burden is secured by mortgage of the borrower's property. Some well managed societies have been helping their members to redeem old debts by means of loans obtained from the financing banks for terms varying from 5 to 10 years. But such transactions have a limited scope as the amounts are small. Recently, separate land mortgage banks are started in several provinces, the work being done on a somewhat large scale by means of long-term debenture capital raised with the help of Government in the three provinces of the Punjab, Madras and Bombay and in the State of Mysore. But the

total capital involved in these transactions in all the provinces does not exceed rupees one crore, which shows the immensity of the task still lying before the movement.

Agricultural Sale, Purchase and Production:—Agricultural sale, purchase and production have yet made little advance. The total working capital of the societies started for these purposes consists of a few lakhs, and their total trade is still in the neighbourhood of only 3 crores in the whole country. These facts show that not even a decent fraction of the membership within the credit movement has yet been helped in this line of agricultural co-operation. The provinces which have made some advance in this direction are Bombay in respect of supply of manure and implements and sale of cotton and jaggery, Bengal in respect of sale of jute, paddy, and production of milk for supplying to towns. In the latter Presidency provincial organisations have been started for the sale of jute and rice. Those in Bombay are doing good trade, though they have not yet assumed provincial magnitude. It is too early to visualise the date when the movement would be in a position to capture through such organisations in different provinces an appreciable portion of the country's agricultural export trade, which amounts to about 300 crores every year, or of the internal trade which is of a far greater magnitude.

Agricultural Improvements:—The annual loss to the country through failure to take full advantage of the productive possibilities of the soil is estimated at Rs. 500 crores. An intensive propaganda is necessary to induce the agriculturists to adopt measures calculated to increase the productivity of the soil and to prevent wastage of various kind. But this would be possible only with the closer co-operation of the agricultural and Co-operative Departments, which the Royal Commission on Agriculture in India so eloquently pleads for. Some work of agricultural improvement is being done by societies specially started for that purpose. Among

them, those deserving mention are the societies for Consolidation of Holdings and Better Farming Societies of the Punjab, the Taluka Development Associations of Bombay, and the Irrigation Societies of Bengal.

Co-operative Insurance:—The insurance of agricultural risks is entirely absent in India. Cattle insurance, which at one time held out a good promise in Burma, is now on the decline. Two Co-operative Life Insurance Societies are recently started, one in Bengal and the other in Bombay. They may succeed in urban areas, but their success in rural areas seems to be problematical in view of the illiteracy and ignorance of the people.

Results of co-operative work in Rural Areas:—Though the movement has touched only a fringe of the rural population, and has not developed non-credit co-operation to any appreciable extent, it is acknowledged that it has produced good results wherever it has succeeded. The societies have enabled their members to obtain loans on reasonable terms, and have helped to reduce the general rates of interest in the areas served by them. There are cases of members, who having redeemed all their debts are enabled to develop their means with a better heart and increased resources, and thus to lead a hopeful life. With the awakening created by the movement, the members of several societies have shown a keen desire to take measures for the advancement of education and sanitation in their villages, and are spending a portion of the society's profits on such objects, supplemented in some cases by voluntary contributions. Though results like these cannot be ascribed in the generality of cases, they, nevertheless, show the possibilities of a well managed and successful society.

Slow progress among backward classes:—Even the progress of credit co-operation has not been uniform among all the classes concerned. The people in the backward areas, such as aborigines like the Bhils, and even in the normal

areas, the agricultural labourers and the tenants-at-will like the Haris in Sind, are to a very small extent affected by the movement. Special efforts, are, however, being made in some of the provinces to bring these classes within the co-operative fold. The Provincial Co-operative Bank of Bombay has opened two branches in aid of the credit societies started for the Bhils of the Panch-Mahals District, and Government has appointed a special officer to help the work of the societies. Another agency working in the interest of these people is the Bhil Seva Mandal organised by Mr. A. V. Thakkar, which is spreading education through a number of schools started for the people. In Madras, a special Labour Department has organised a large number of credit societies for the "depressed" classes, and is helping the work of the societies in various ways. In the Mysore State also, much good work is being done for the depressed classes. Nearly 300 credit societies are started among them at various centres, and many members are helped by grants of land. A Building Co-operative Society has also been organised for them at Chikmagalur. Thrift is being encouraged among them by distributing brass home-savings boxes. An interesting experiment recently started is the establishment of the Cottigere Adi Karnatak Colonial Society. Members, who settle in the Colony, are being helped by Government grants to build their own houses. This scheme of the Colony is said to be full of promise, and has recently led to the formation of another colony at Byrapur.

Women and the Movement:—One important feature, which distinguishes the co-operative movement in the West, is the active part taken in it by the women. The stores movement of Great Britain owes its success to a great measure, not only to the shopping done by the women for their households, but also to the active part taken by them in the affairs of the societies. In Japan, too, women have

commenced to take much interest in the movement. But in India, women are in the background. In Southern India especially in the States of Cochin and Travancore, women are not merely enlisting themselves freely as members of societies, but are taking an active part in many a society. This is largely due to the higher level of education amongst them than in the other parts of the country. In Bombay, the women folk have commenced to take interest in the movement, but the feature is observable only among the middle classes. In Northern India, however, the Purda system as well as lack of education prevent women from taking any part in the movement. But signs of awakening are visible. In the Punjab, a special Inspectress is helping the organisation of thrift societies among women, about 124 having already been started. In Bengal, the Suraj Nalini Dutt Memorial Association has organised a few women's societies or samitis; in the United Provinces a few co-operative adult school societies are started by women; and in Bihar, a Ladies' Co-operative Conference was recently held.

Rural Welfare:—No country has neglected its rural welfare to a greater extent than India; yet no country deserves to give more attention to the subject than India on account of the predominance of rural interests comprising nearly 90 per cent. of the population. It is natural that the co-operative movement, being the only effort made to create rural awakening, should try to comprise within its sphere, matters of rural welfare other than those relating to mere business, such as health, education and social well-being. Punjab led the way in the matter of education, by starting societies for the education of adults, and also those for the compulsory education of the children of the members. In the United Provinces, rural credit societies themselves have started several Pathshalas or schools for children. Similar work is in evidence in other provinces to a greater or less extent. The antimalarial societies of Bengal deserve a

special mention as having promoted the health of the villagers by co-operative effort. Rural reconstruction societies or associations, aiming at comprising all-sided activities relating to rural welfare including co-operation, are also being tried in many provinces, but the experiments are on so small a scale, due to want of an adequate financial support, that they will take a long time before they can make a permanent impression on the countryside.

Urban Credit:—Turning to the urban aspect of the movement, it is found that here, too, credit co-operation predominates, as has been already pointed out. Urban Banking has made tolerably good progress in Bombay and to some extent in Madras and Bengal. Credit Societies of employees in offices and factories are also to be found, chiefly in these provinces, and to a greater extent in Bombay.

Co-operative Stores:—The stores movement in India has on the whole proved to be a failure, with the exception of a small number of societies started in some offices, colleges or schools. In Madras, the Triplicane Store has, however, achieved remarkable success, as also a few smaller concerns in that province and in the Mysore State.

Industrial Production:—Co-operative effort in industrial production cannot be said to have achieved any marked success in India. Most of the societies started are among the weavers, and the chief difficulty regarding the sale of finished products has not been overcome. The central sale organisations started in Bengal and the Punjab on behalf of such societies are of recent date. Labourers' societies are not in evidence, except in one or two provinces where a small beginning is made.

Co-operative Housing:—Bombay has achieved remarkable success in Co-operative Housing in both the systems of co-partnership and individual ownership. Madras and Mysore come next with their loan societies for house build-

ing as a feature. The Punjab has one big society comprising a small township. Industrial housing through co-operation is entirely absent. The two housing societies started in the rural areas of Bombay deserve a mention under this category.

State Conduct of the movement:—The Co-operative Movement in India was started by Government and is also conducted by it. The Registrar, as the head of the Department in each province, wields large powers of control, supervision and inspection of the societies. For a long time, he exercised also the non-statutory functions of propaganda and instruction. Though the latter functions have been taken over by non-official bodies, the Registrar still continues to be the guide, philosopher and friend of the movement.

Financing Banks:—Regional Banks known as Central Banks, and Apex Banks known as Provincial Banks, have been started in each province, and also in many Indian States, with the object of acting as balancing centres for the primary societies, and also with that of forming a link between the money-market and the movement. These institutions have helped to de-officialise the finance of the movement, and have also in all the provinces, except four, taken up the work of inspection or supervision of the societies financed by them. They also organise new societies within their areas, and help the work of propaganda and education. Though a Government representative is appointed as one of the Directors of the Board of Management of the Central Banks in some provinces, he exercises no special powers beyond those exercised by other Directors.

Co-operative Federations:—Non-officials were being associated with the movement in most provinces in the work of organisation, and supervision from the commencement. Since 1918, a non-official organisation under the name of Institute, Federation, Union, or Organisation Society, has

been started in each province and also in the co-operatively advanced Indian States. They have undertaken the work of propaganda and co-operative training, and in four provinces also that of primary audit.

Government Subventions:—At the initial stage of the movement, Government used to make loans to credit societies at a low rate of interest up to Rs. 2,000. But this was discontinued after 4 or 5 years. Such grants have continued to be given in aid of societies started by backward classes or of industrial societies. Long-term loans are being given to housing societies, and in the case of Land Mortgage Banks, facilities are given in the shape of guarantee of interest on debenture loan or subscription of some portion of the loan. The system of Tagavi loans for land improvement, which was introduced even before the co-operative movement was started, has still continued, loans being advanced direct to agriculturists in most provinces, and through co-operative societies in Bombay. Grants are also made to Provincial Co-operative Federations or Institutes started for the work of co-operative propaganda and training, but these grants, except in the Punjab, are made on a very inadequate scale without regard to the extent or importance of the work undertaken.

Examination of the Progress by different Committees:—The progress of the co-operative movement was reviewed in detail in a comprehensive resolution of the Government of India dated 17th June 1914. It was subsequently examined by different Committees appointed at different times, and their reports containing their observations and recommendations have been published. The Maclagan Committee appointed by Government of India published its report in 1915 after examining the movement in the whole of British India. A few years thereafter, some of the Local Governments appointed Committees to examine the movement within their respective provinces, and they too have published their

reports. They are, the King Committee's report (1922) of the Central Provinces and Berar, the Oakden Committee's report (1925) of the United Provinces, the Townsend Committee's report (1928) of Madras, and the Calvert Committee's report (1930) of Burma. The States of Mysore, Baroda and Indore had also appointed Committees to examine the movement within their jurisdiction. Then came the Royal Commission on Agriculture in India presided over by Lord Linlithgow. Its report (1928) deals with the co-operative movement as forming a part of the agricultural conditions in the country. Lastly, the Provincial Banking Enquiry Committees appointed by all the local Governments have published their reports in 1930, making special reference to the co-operative movement as a component part of banking. It may be noted that this last group of reports have considered the financial requirements of the urban artisans and small industries as well as those of agriculturists. As for the Central Banking Enquiry Committee, it is still in session and its report cannot be expected to be out for some time yet.

Defects and Drawbacks:—These reports have pointed out various defects and drawbacks in the movement, some of which are of local nature, and those common to the whole movement are mainly the existence and growth of overdues of loans in the case of rural credit societies, mismanagement in some cases, and the absence of efficient management in others. These are ascribed to various causes, such as defective organisation, the absence of efficient supervision, want of a system in finance, etc. The remedies suggested are the efficiency and increase in the strength of the Registrar's staff, systematic training in the principles and practice of co-operation, proper assessment of credit before advancing loans to societies, regulation of periods of loans on the basis of purposes, and adequate inspection and supervision of societies. They further suggest that efforts should

be directed towards the consolidation of the movement before undertaking further expansion.

Deeper causes of the defects:—No exception can be taken to these recommendations, but they do not cover all the causes which are at the root of most of the defects. It is well known that the earning capacity of the average farmer in this country is very small, and he has no subsidiary occupations to keep him engaged during the 4 to 6 months he is out of work. Secondly, frequent bad seasons in several parts of the country upset his normal economic position. Thirdly, the absence of organisation of the farmers' trade of sale and supply makes him dependent on the middleman, who is often also the money-lender himself. Fourthly, the existence of old debts due by him to the money-lender, detracts from his allegiance to the society. And lastly, the total illiteracy of the rural population has made it necessary in many cases to engage an outsider for doing the Secretary's work of two or more societies, whereby the efficiency of all the societies under him is impaired. It is for these reasons that many writers have been urging the project of rural uplift as a whole, without confining the work to a single aspect of rural well-being.

Future of the movement:—The co-operative movement in India has a great future before it, if worked on sound lines and pushed on in all possible directions as in European countries, so as to embrace the manifold economic and social activities of the rural as well as the urban population in need of help. But if the movement is to make any headway, and benefit a larger section of the people, they should be so educated as to take the work of initiation, organisation and supervision in their own hands, instead of trusting to some outside agency of *deu ex machina* to undertake it for them. Without such a step, the movement will lack the vital force of enthusiasm and self-reliance on the part of those within the movement. A peoples' movement cannot

always be worked with success through a Government agency, though its initiation may have come from that source. To achieve the end in view, there must be a wide diffusion of co-operative education and also of general education. With such essential concomitants, the movement in the country may surely be expected to yield far greater and lasting results than has been the case hitherto.

APPENDIX I.

LIST OF FEDERATIONS, INSTITUTES OR UNIONS, DOING THE WORK OF PROPAGANDA, ETC. IN THE DIFFERENT PROVINCES IN INDIA. (SEE PAGE 328.)

1. Madras Provincial Co-operative Union, (1914) Royapettah, Madras.
   Publishes the *Madras Journal of Co-operation* in English.
   The Madras Co-operator is published by the Madras District Bank.

Regional Federations of Madras.

(*a*) Andhra Sahakara Sammelanam, Bezwada,
Publishes "*Andhra Sahakaram*" in Telugu,

(*b*) Tamil Nadu Co-operative Federation, Coimbatore,
Publishes "*Kotturavu*" in Tamil,

(*c*) South Kanara District Co-operative Council, Mangalore,
Publishes "*Kannada Sahakari*" in Kanarese,

(*d*) The Malabar District Co-operative Federation, Calicut,
Publishes "*Paraspara Sahayi*" in Malayalam,

(*e*) East Godavari Federation, Alamuru,
Publishes "*Andhra Sahakara Sammelana Patrika.*"

2. The Bombay Provincial Co-operative Institute, (1918) 9 Bakehouse Lane, Fort, Bombay.
   Publishes journals as follows:—

(*a*) *The Bombay Co-operative Quarterly* in English,

(*b*) *Sahakari Mitra* in Marathi,

(*c*) *Sahakara Patrika* in Gujarati,

(*d*) *Sindh Co-operator* in Sindhi,
two other journals are published by the Branches, one in Marathi and the other in Gujarati.

3. The Bengal Co-operative Organisation Society (1918), Norton Building, Lal bazaar, Calcutta.

Publishes the following journals:—

(a) *The Bengal Co-operative Journal* in English,

(b) *Bhandar* in Bengali.

4. Bihar and Orissa Co-operative Federation, Patna, (1918).
Publishes the following journals:—

(a) *Bihar and Orissa Co-operative Journal* in English,

(b) *Satyog Samachara* in Hindi.

5. The Punjab Co-operative Union, Lahore, (1918).
Publishes the journal "*Co-operation*" in Punjabi.

6. The Burma Co-operative Council, (1918), Mandalay.

7. The Central Provinces and Berar Co-operative Federation (1913), Sehora Road, Jubbulpore,
Publishes "*Grama*" in Hindi.

Regional Federations in the Province.

(a) The Berar Co-operative Institute, Amraoti (1923).
Publishes "*Sahakari Vidarbha*" in Marathi.

(b) The Jubbulpore-Nerbudda Divisions Co-operative Institute, Jubbulpore, (1923).

(c) Chhatisgarh Division Institute, Chhatisgarh, (1928).

(d) Nagpur Division Co-operative Institute, Nagpur, (1929).

8. The United Provinces Co-operative Union (1928), Lucknow.
Publishes the United Provinces Co-operative Journal in English and also another Co-operative Journal in Vernacular.

9. (a) The Surma Valley Co-operative Organisation Society, (1925), Silchar, Assam.
Publishes "*Samabay*" in vernacular,

(b) The Upper Assam Co-operative Organisation Society (1929).

10. The Coorg Co-operative Union, Mercara, Coorg.

Federations in the Indian States.

11. The Mysore Co-operative Propagandist Institute (1924), No. 1, Albert Victor Road, Chamrajpet, Bangalore City.
    Publishes "*Mysore Sahakara Patrike*" in Kanarese.
12. The Hyderabad Central Co-operative Union, Hyderabad, Deccan, (1925).
    Publishes "*Sahakara*" in Kanarese, Urdu, Telugu and Tamil.
    (a) British Administered Area Central Co-operative Union, Secunderabad, (1927).
13. Shree Sayaji Sahakara Sevaka Sangh (1926), Government Old Pedhi Building, Baroda.
    Publishes a Gujarati journal.
14. The Travancore Co-operative Institute, Trivandrum.
15. Cochin Central Co-operative Institute (1924), Jos Building, 45/46, the Round, Trichur.
16. The Indore Co-operative Central Association, King Edward Hall, Indore (Holkar's State).
17. Puddukottai State Co-operative Institute, East Main Street, Puddukottai, (1925).

APPENDIX II.

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Mysore Economic Journal.
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