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**REVIEW**  
**OF THE**  
**CO-OPERATIVE MOVEMENT**  
**IN INDIA**  
**1946-48**



**BOMBAY**  
**1950**



**REVIEW**  
**OF THE**  
**CO-OPERATIVE MOVEMENT**  
**IN INDIA 1946-48**



**BOMBAY**  
**1950**



## FOREWORD

This is the third Review of the Co-operative Movement in India published by the Reserve Bank of India and covers the years 1946 to 1948. It may, perhaps, be felt that even this Review is somewhat belated like the previous one. But the reason mentioned in our last report holds good in the case of this one also. It is, however, hoped that the usefulness of this publication will be viewed in the light of the fact that the Review endeavours to sum up the progress of the Movement in the country as a whole, and some delay in such an attempt is inevitable.

It may be mentioned here that though the partition of India took place in August 1947 and consequently the year 1946-47, strictly speaking, falls under the pre-partition period, the figures for the provinces affected by partition, viz., the Punjab, Bengal and Assam for the year 1946-47 given in the Review are actually those relating to the institutions located in the partitioned provinces of the Indian Union, viz., the East Punjab, West Bengal and Assam, as it was impossible in the nature of things after the partition for the Registrars to get the information from societies located in the Pakistan territory.

M. G. MEHKRI,  
*Deputy Governor.*

RESERVE BANK OF INDIA,  
AGRICULTURAL CREDIT DEPARTMENT,  
BOMBAY.

*The 26th April, 1950.*



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## CHAPTER I.

### INTRODUCTORY.

The period covered by the present Review is of significance in more than one respect. For one thing, it relates to independent India, a factor which perhaps means more to the Co-operative Movement than to any other aspect of our economy. Co-operation has come to occupy a place in the development plans of all the component parts of the Indian Union as well as the Centre itself.\* Though the effect of this is not measurable in terms of figures in the immediate present, the possibilities of great developments cannot be treated too lightly. What we have actually experienced in the two years of democratic rule that is covered by this Review is itself sufficient to show that the Movement has a future before it. For another, several important and eventful developments have taken place, which have a bearing on the course of the Movement. One of the most important among them is the fact that our country's liberation was accompanied by partition with serious repercussions on the Movement particularly in the border areas concerned. It created the problem of rehabilitation of several displaced millions in which cause the Movement has been called upon to shoulder its share of responsibility. Secondly, during the years 1946-48, the demobilisation of servicemen was taking place, a feature which did not figure very prominently at the time of the last Review, and their settlement in civilian occupations was engaging the attention of the various Provincial and State Governments; the Co-operative Movement was asked to contribute its mite in this field also. Thirdly, the food situation also became serious, the country having had to face a severe shortage of foodgrains which called for an all-out drive to increase production of food and its equitable distribution by the combined efforts of both the Governments and the people. Though the Movement has not received an appreciable measure of recognition in this respect, there has been a growing realisation of its potentialities in responsible quarters. The province-wide scheme of procurement entrusted largely to the Co-operative Movement in Madras and the work of distribution of controlled goods assigned to the co-operatives in several areas are instances in point. And, lastly, the period had also a taste of what peacetime conditions could be like. Controls were relaxed for a time to watch the reactions though the experiment was rather unsuccessful, and the period naturally continued to be characterised

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\*The old nomenclature of "Province" and "State" has been retained in the present Review as it relates to a period before the present constitutional set-up came into existence.

by war-time conditions such as rationing and control of essential food articles and consumers' goods, particularly cloth, sugar, kerosene, etc. The shortage of housing was also felt very keenly, house-building activity having been almost at a standstill during the war years and only slightly revived during the two years 1946-48.

Looking at the statistical data appended to this publication one would see that there has been an improvement in several aspects of co-operative activity, though it was not noticeable in all areas to the same degree. The credit side of the Movement continued to hold its predominant position, credit societies constituting nearly 66 per cent of the total number of primary societies in the Movement. At the same time, non-credit activities were also forging ahead. Among the latter, particular reference may be made to co-operative housing, co-operative milk-supply, industrial co-operatives and, above all, consumers' co-operative stores which, as can be seen in detail elsewhere in this Review, have received commendable encouragement in several provinces. It is true that the Movement has fallen on evil days in several provinces, but efforts are being made to reorganise the same. It is pleasing to note that Madras and Bombay are continuing to occupy the same prominent position in India as before in respect of Co-operation.

Commenting on the spectacular growth of the Movement during the war years, we stated in our previous Review that it was largely a product of abnormal and artificial conditions engendered by the war and that its permanency would be dependent upon the innate strength gained by the institutions during the years of favourable incubation and the earnest efforts made by co-operators to conserve it. On the basis of the experience of the two years 1946-48, however brief it might be, one may venture to say that the Movement has not failed to take pains to conserve the war-time gains. It is, however, too early to predict the shape of things to come. But the growing awareness on the part of the co-operators of the potentialities of the Movement and the increasing interest evinced by the Governments in this regard justify an earnest hope that the Movement will not only consolidate its war-time gains but proceed from strength to strength and take its rightful place in our national economy.

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## CHAPTER II.

### THE PROGRESS OF THE MOVEMENT DURING THE PERIOD UNDER REVIEW AND ITS PRESENT POSITION.

#### (i) AGRICULTURAL CREDIT CO-OPERATION.

In the Review for 1939-46, we stated that in spite of the very substantial developments on the non-credit side, especially during the period of World War II, agricultural credit societies still continued to maintain a preponderant position. The figures now compiled reveal that the statement made above is correct even to-day. Credit societies constitute 66.4 per cent of the total number of primary societies in India in 1947-48 as against that of 72.7 per cent in 1945-46.

Data in respect of the two years covered by this Review are given below :

|                                      | 1947-1948    |            | 1946-1947    |            |
|--------------------------------------|--------------|------------|--------------|------------|
|                                      | In thousands | Percentage | In thousands | Percentage |
| <i>Agricultural Societies :—</i>     |              |            |              |            |
| Credit ..                            | 85.26        | 66.4       | 83.77        | 67.3       |
| Non-credit ..                        | 20.78        | 16.2       | 20.49        | 16.5       |
| Total ..                             | 106.04       | 82.6       | 104.26       | 83.8       |
| <i>Non-Agricultural Societies :—</i> |              |            |              |            |
| Credit ..                            | 6.51         | 5.1        | 6.37         | 5.1        |
| Non-credit ..                        | 15.86        | 12.3       | 13.84        | 11.1       |
| Total ..                             | 22.37        | 17.4       | 20.21        | 16.2       |
| <b>GRAND TOTAL .</b>                 | 128.41       | 100.0      | 124.47       | 100.0      |

*Note.*—The figures are only approximate as the table has been compiled from various sources such as Registrars' Reports, Statistical Statements and Review Notes. Moreover, figures for 1946-47 have been used for 1947-48 in the case of a few provinces and states as figures for the latter year are not available.

#### **Operations of Agricultural Credit Societies.**

Unlike in the previous publication when all agricultural societies were clubbed together for the purpose of our analytical study, we have this year been able to compile figures separately for agricultural credit societies which, as already indicated,

constitute the pivot of the whole Movement in India. A table is given below prepared from the data available with us to show the position of the agricultural credit societies during 1946-48 as compared with the figures of undivided India. The figures for the pre-partition period of 1945-46 have been given for purposes of comparison and also for serving as a kind of background for recent developments. It may be observed that the period to which the present Review relates was characterised by severe stress and strain following partition and the Movement was deeply affected in the two partitioned provinces of West Bengal and the East Punjab and also in Assam.

(Rupees in lakhs)

| Year       | Number of societies | Membership | Owned capital | Percentage of owned capital to total working capital | Deposits | Borrowings |
|------------|---------------------|------------|---------------|--|----------|------------|
|            | (1)                 | (2)        | (3)           | (4)  | (5)      | (6)        |
| 1945-46 .. | 112,951             | 3,575,470  | 1,329.08      | 51.3   | 391.38   | 868.65     |
| 1946-47 .. | 83,771              | 3,175,389  | 1,042.81      | 48.3   | 310.64   | 806.25     |
| 1947-48 .. | 85,260              | 3,482,852  | 1,134.95      | 47.6   | 304.29   | 947.45     |

| Year       | Working capital | Fresh advances | Recoveries | Outstandings | Overdues | Percentage of (11) to (10) |
|------------|-----------------|----------------|------------|--------------|----------|----------------------------|
|            | (7)             | (8)            | (9)        | (10)         | (11)     | (12)                       |
| 1945-46 .. | 2,589.11        | 823.10         | 759.19     | 1,583.17     | 583.20   | 36.8                       |
| 1946-47 .. | 2,158.47        | 902.91         | 678.67     | 1,400.99     | 378.83   | 27.0                       |
| 1947-48 .. | 2,386.69        | 1,045.14       | 815.39     | 1,601.55     | 393.23   | 24.6                       |

It will be seen from the above table that there were 85,260 agricultural credit societies with a membership, owned capital and working capital of 3.48 millions, Rs. 11.35 crores and Rs. 23.87 crores respectively in 1947-48, as against 83,771 societies with a membership, owned capital and working capital of 3.18 millions, Rs. 10.43 crores and Rs. 21.58 crores respectively in 1946-47. The owned capital formed 47.6 per cent of the working capital in 1947-48—not far different from the figure of 48.3 per cent in 1946-47.

As usual, deposits formed a comparatively small part of the total working capital; they amounted to Rs. 3.04 crores in 1947-48 out of a total working capital of Rs. 23.87 crores, the corresponding figures for 1946-47 being Rs. 3.11 crores and

## AGRICULTURAL CREDIT CO-OPERATION

Rs. 21.58 crores. Borrowings stood at Rs. 9.47 crores in 1947-48 as against Rs. 8.06 crores in 1946-47 and were far higher than even the figure of Rs. 8.69 crores for undivided India. It may be recalled in this connection that in the last Review it was stated that a serious defect in the working of the Co-operative Movement in India was that the element of thrift was not conspicuous in it. This position unfortunately continues to be the same, for, the owned capital and borrowings constitute even now the bulk of the working capital, while deposits form only a minor part. Indeed, there has been a fall in the percentage of total deposits to total working capital from 14.4 in 1946-47 to 12.7 in 1947-48. This is perhaps accounted for by the increased cost of living and of cultivation.

Fresh advances made by the societies went up by nearly 21 per cent over the pre-partition figure, that is, from Rs. 8.23 crores to Rs. 10.45 crores in 1947-48, while the outstandings increased from Rs. 15.83 crores in 1945-46 to Rs. 16.02 crores in 1947-48. These figures have some significance in relation to the much-debated subject, namely, the effect of the rise in agricultural prices on the farmer's economy. They show that the agriculturist felt the need for fresh finance in the period 1946-48 to a greater extent than before. The reasons may be twofold: the first is that there has been some increase in the cost of cultivation and of living, particularly in regard to the agriculturist on the margin of subsistence. The second reason lies in the somewhat halting tempo of the rise in agricultural prices which would appear not to have fully caught up with the cost of living and of cultivation.

The position regarding recoveries continued to be satisfactory. It would appear that defaults show a tendency to decline, and if still overdue are fairly high in 1947-48, they must in some measure be due to the difficulties of the agriculturists on the margin of subsistence. In relation to outstandings also, overdue showed a decline. They formed 24.6 per cent of the loans outstanding while the corresponding percentages for 1946-47 and 1945-46 were 27.0 and 36.8 respectively.

Though all the provinces and states have not supplied us with particulars showing the purposes and periods for which loans were advanced, it is seen from the data available with us that the major portion of the loans advanced by the societies was for agricultural operations and that too for short terms not exceeding two to three years.

As stated in the previous Review, the conditions created by the war gave a fillip to non-credit activities on the part of agricultural credit societies also. The progress made in this direction in the period under review is revealed by the following table which

shows that in recent years, agricultural credit societies have taken to non-credit activities on an increased scale. The distribution of controlled articles such as kerosene, sugar, foodgrains and cloth formed the main part of the business.

**Non-credit Activities (All-India).**

| Year          | No. of societies engaged | Sale of goods (Rs. lakhs) | Purchase of goods (Rs. lakhs) |
|---------------|--------------------------|---------------------------|-------------------------------|
| 1945-46 .. .. | n.a.                     | 482.22                    | 241.29                        |
| 1946-47 .. .. | 5,292                    | 798.15                    | 376.76                        |
| 1947-48 .. .. | 5,477                    | 783.16                    | 404.33                        |

n.a. = Not available.

In the above paragraphs we have given only a general picture for India as a whole. We have given statistical details province-wise in Appendix I from which it will be possible to gather more details particularly in regard to those provinces which were affected by partition such as West Bengal and the East Punjab.

As regards West Bengal, readers may be aware that the position of the Co-operative Movement even in undivided Bengal was none too happy and that, realising the gravity of the situation, the Government appointed in 1945 a Banking Expert to the Co-operative Department, who was also to work as the Managing Director of the Provincial Co-operative Bank. The bad condition of the Movement was well brought out in his Report submitted in 1946 to which a reference was made in the previous Review. The partition of the province made the position still worse, as will be seen from the details given in the chapter on "Rehabilitation and Reorganization." The total loans outstanding in 1947-48 amounted to Rs. 59.37 lakhs of which Rs. 37.89 lakhs (i.e., about 64 per cent) were overdue. In 1946-47 the corresponding figures were Rs. 58.54 lakhs and Rs. 41.70 lakhs, the percentage of overdues being 71.2. Some slight improvement is discernible in respect of other items such as number and membership of the societies, deposits, owned capital, working capital and loans advanced but till satisfactory conditions are brought about, we cannot venture to offer any opinion on the future of the Movement in this area.

The East Punjab is the other province affected by the partition where the Movement has not yet regained its lost vitality, in spite of small increases in membership and owned capital. The deposits from members and non-members declined from Rs. 84.88 lakhs and Rs. 55.57 lakhs in 1946-47 to Rs. 75.99 lakhs and Rs. 49.62 lakhs in 1947-48. The working capital

declined from Rs. 3.57 crores to Rs. 3.43 crores while fresh advances dwindled from Rs. 85.44 lakhs to Rs. 45.80 lakhs. About 25 per cent of the loans outstanding was overdue at the close of 1948 as against 24 per cent in the previous year. It would appear that the regular business of co-operative societies is largely handicapped by the existence of differences between the East and the West Punjabs in regard to co-operative and other matters, which have not been fully settled.

Another province where the Movement continued to remain in a precarious position was Assam. Efforts to rehabilitate the Movement on entirely new lines are being made, details of which are given in our recent publication entitled "Co-operation in Assam (A new experiment)." Even though these developments do not strictly come within the traditional definition of Co-operation, a few words about the scheme may not be out of place here. New institutions called primary trading co-operatives are the units which form the foundation of the new experiment. The trading co-operatives are the multi-purpose societies of the future in embryo and expect to include the whole population in their respective areas as members by a system of indirect compulsion. These units are federated into regional central trading co-operatives which are closely connected with the regional branches of the Apex Bank, the new financing agency of the whole Movement. The existing co-operative institutions will be eliminated either by liquidation, voluntary or otherwise, or by amalgamating them with the new set-up.

In Bihar, where the Movement is undergoing a process of intense rehabilitation since 1941, there was a continuance of the trends noticed in the Review for 1939-46, namely, a decline in working capital and in outstandings. The progress made in implementing the Credit Agricole Scheme is given in the chapter on "Rehabilitation and Reorganization." The success of the Scheme depends to some extent upon the monopoly enjoyed by the Provincial Bank in the distribution of chemical fertilisers and the distribution work of other articles such as seeds and manure. How far this will help the Bank in its rehabilitation work when the monopoly ceases and when trading conditions revert to normal, still remains a problem.

The above picture is no doubt somewhat discouraging. In refreshing contrast are the pictures in Madras and Bombay where good progress is noticeable. The improvement shown by Madras is striking. There has been a commendable increase in the number of societies, membership, owned capital and working capital. Fresh advances and recoveries during 1947-48 have shown almost a 30 per cent increase, while outstandings at the end of the year have gone up by about 25 per cent from Rs. 4.45

crores to Rs. 5.56 crores. When we compare these figures with those for 1939-46 given in the last Review, we find that the progress has been much more impressive than is the case between the years 1946-47 and 1947-48. Activities connected with the non-credit side have shown a very marked increase—the value of purchase and sale of goods having increased from Rs. 27.96 lakhs and Rs. 92.49 lakhs in 1946-47 to Rs. 91.06 lakhs and Rs. 1.03 crores in 1947-48.

Similarly, Bombay has shown striking results in all the main aspects of the working of the agricultural credit societies in the course of the period under review. What deserves special mention, however, is the fact that the value of purchase and sale of goods which were already high at Rs. 1.69 crores and Rs. 2.19 crores respectively in 1945-46, have increased to Rs. 2.50 crores and Rs. 3.37 crores in 1947-48.

These developments in Madras and Bombay are very heartening and come as a welcome relief after seeing the somewhat sombre picture of the Movement in many of the other areas in the Indian Union.

### **Operations of Multi-purpose Societies.**

The need for the extension of the functions of the credit societies beyond the domain of credit to the sphere of non-credit business and the organization of multi-purpose societies for the purpose have been stressed in the last Review. Already certain provinces such as Madras, Bombay and the United Provinces have made considerable progress in this direction.

In Madras, the policy followed is to develop multi-purpose activities in rural credit societies and not necessarily by organizing multi-purpose societies so-called. As it was felt that a great deal can be done in this direction with an increased supervising staff, the Government have sanctioned a subsidy of Rs. 1.27 lakhs per year for a period of two years, since the close of 1948, to be distributed to the central banks to strengthen their supervisory staff. It is expected that this would go a long way towards converting the existing credit societies into 'multi-purpose' societies. The Provincial Government have also directed that all the existing rural credit societies should be converted into multi-purpose societies within a period of two years. They also want the organization of more such societies so as to serve 50 per cent of the villages and 30 per cent of the rural population as suggested by the Co-operative Planning Committee.

In Bombay, efforts were made to organize more multi-purpose societies in accordance with the recommendations of the Agricultural Credit Organization Committee (1947) which sug-

gested that the normal policy should be to organize multi-purpose societies only, and to convert the existing village primaries into multi-purpose societies, preferably on the same liability. The Committee stated that such societies should satisfy the normal cultivation needs of their members as well as supply of credit for agricultural needs. They should also serve as agencies for supply and sale, and as they develop their capacity, in course of time, should also act as consumers' societies. As regards the pace of development in the rural areas, the Agricultural Credit Organization Committee endorsed the target recommended by the Co-operative Planning Committee that an attempt should be made to bring 50 per cent of the villages and 30 per cent of the rural population within the ambit of the reorganized primary societies during a period of ten years, in two five-year periods but remarked that this should not be done at the expense of sound organization. Regarding these recommendations, the Government have held the view that the ten-year period would be too long and have accordingly issued orders to the effect that every effort should be made to accelerate the pace of development so as to reach the target within a period of seven years.

The number of multi-purpose societies in the Bombay Province rose from 414 in 1946-47 to 655 in 1947-48 while membership increased from 35,082 to 54,142. There was a satisfactory increase in deposits both of members and of non-members, loans from financing agencies, share capital, reserve and other funds and working capital. The total value of sales of agricultural produce and domestic and other requisites increased from Rs. 1.08 crores to Rs. 1.40 crores between 1946-47 and 1947-48. Although there was a rise in the amount of overdues from Rs. 2.55 lakhs to Rs. 3.49 lakhs, the percentage of overdues to the total loans outstanding has gone down from 17.6 to 16.3 while the amount of loans outstanding has gone up from Rs. 14.50 lakhs to Rs. 21.41 lakhs.

The most important developments in multi-purpose activities, however, are noticed in the United Provinces under the Development Co-ordination Plan which came into operation in April 1947. The objective of the Plan is the speedy and satisfactory provision of the primary needs of the people through the Co-operative Movement. A co-ordinated and coherent machinery has been evolved for the attainment of this objective. The Plan also seeks to enlist the support in its day-to-day working of the leading public workers of the locality. The agency for implementing the Plan will be the multi-purpose society whose main object will be to increase the production of food and cloth, without concentrating on credit. With this end in view it will devote its careful attention to activities such as better farming, dairying, spinning and weaving, organization of other cottage

industries and distribution of consumers' goods and will try to embrace in its fold at least every head of the family in the village. A compact block of 15 to 20 villages round about each seed store of the Agriculture Department of the Government in the district will be selected for the organization of the multi-purpose society in each of them. The multi-purpose societies of each block will, in due course, have a Development Union which will take over the seed store, will have a godown and will stock implements, "charkhas," consumers' goods, etc., for distribution among the members.

A District Development Association has been formed in each district to secure co-ordination and efficiency in the execution of the various development schemes, to look after the development work and to make suggestions and proposals. This Association consists of leading non-officials of the area and Government officials connected with development activities. There is also a Provincial Development Board to work as a kind of consultative and advisory body to assist the Government. At the highest level, there is the Development Council which acts as a co-ordinating sub-committee of the Cabinet and takes major decisions regarding planning and policy.

The New Development Plan was put into operation in April 1947 and for the next seven months, the Department was busy in selecting development blocks and organizing multi-purpose societies in the villages coming within them. The number of blocks selected for development during 1947-48 was 909 and the total number of villages in them was over 14,000. In 4,000 of these villages, co-operative societies of the old type were functioning. These societies were reorganized into multi-purpose ones and new societies were organized in the remaining 10,000 villages. As a rule no society was registered unless about 70 per cent to 80 per cent of the families in the village joined the society. In order to provide a stimulus to the organization of multi-purpose societies, instructions were issued to give priority to the needs and requirements of such societies even to the exclusion, if necessary, of villages where such societies were not formed and of individuals who did not join a society where it had been formed. During 1947-48, there were 15,894 multi-purpose societies in the United Provinces with a membership of 3.85 lakhs and a working capital of Rs. 1.67 crores.

Multi-purpose societies also exist in West Bengal, Bihar, C.P. and Berar, Ajmer-Merwara and a few of the states such as Baroda and Travancore. Statistics showing their activities in the provinces and states which have supplied us with the necessary information are given in Appendix II. We have very little data as regards the states as will be seen from the Appendix. The

table given below illustrates the progress made by multi-purpose societies in general.

|  | 1946-47   | 1947-48   |
|--|-----------|-----------|
| Number of societies .. .. .                            | 9,650     | 18,162    |
| Number of members .. .. .                              | 3,44,512  | 5,77,386  |
|  | Rs. lakhs | Rs. lakhs |
| Working capital .. .. .                                | 178.43    | 279.28    |
| Deposits from members .. .. .                          | 15.15     | 21.05     |
| Deposits from non-members .. .. .                      | 6.22      | 12.34     |
| Loans made during the year .. .. .                     | 119.75    | 197.24    |
| Recoveries .. .. .                                     | 79.67     | 141.58    |
| Loans outstanding .. .. .                              | 107.19    | 170.63    |
| Overdues .. .. .                                       | 9.88      | 21.64     |
| Percentage to the total loans out-<br>standing .. .. . | 9.2       | 12.7      |
| Purchase of goods .. .. .                              | 79.13     | 163.13    |
| Sale of goods .. .. .                                  | 212.08    | 351.87    |

It will be seen from the above table that multi-purpose societies have made rapid strides during the period under review. The working of these societies shows general improvement in most directions and indicates the shifting of emphasis from the credit to the non-credit side.

#### Classification of Societies.

The audit classification of primary societies is shown in Appendix III. It will be seen therefrom that improvement is noticeable only in certain provinces such as Madras, Bombay and Delhi. In Madras the percentage of 'A' and 'B' class societies rose from 25.0 in 1946-47 to 26.3 in 1947-48, while the corresponding figure for 1945-46 was 22.8. In Bombay, the percentages of societies under 'A' and 'B' class societies increased to 57.6 in 1947-48 as against 53.4 in 1946-47 and 49.1 in 1945-46. Delhi witnessed an increase under 'A' and 'B' class societies from 47.3 per cent in 1945-46 and 54.5 per cent in 1946-47 to 55.8 per cent in 1947-48. The province of Coorg also deserves special mention, as it is found that the majority of the societies are under 'A' and 'B' class, but, comparatively speaking there is a slight decline in the number of societies under this class during 1947-48. The percentage of 'A' and 'B' class societies in 1947-48 was 91.7 as against 92.3 in 1946-47; but showed an increase over that of 1945-46 when it was 90.9. In respect of other provinces and states the percentages of societies under 'A' and 'B' class constitute only a very small proportion of the total number of societies.

As regards the position of societies under liquidation as revealed from Appendix IV it will be seen that there was a slight improvement during the period under review. In 1947-48, about

5.72 per cent of the total number of societies were in liquidation as compared to 6.41 per cent in 1946-47. The amount likely to be realized rose to Rs. 46.19 lakhs from Rs. 30.06 lakhs in 1946-47 while the amount involved in societies under liquidation recorded a decline from Rs. 1.69 crores in 1946-47 to Rs. 1.57 crores in 1947-48.

### (ii) AGRICULTURAL NON-CREDIT CO-OPERATION.

A somewhat detailed reference was made in the Review for 1939-46, regarding the progress made by agricultural non-credit societies during the period of the war. The progress made in this direction by the various types of agricultural non-credit societies during the period to which the present Review relates, namely, 1946-47 and 1947-48, is indicated briefly in this section.

#### (1) Co-operative Marketing Societies.

Co-operative marketing societies form the most important group among the agricultural non-credit societies and the progress made by them in some of the provinces and states is narrated in the following paragraphs.

*Bombay.*—Co-operative marketing has made steady progress in this province. Following a planned development of this type of activity, there has been an increase in the number of sale societies and unions. It is stated that efforts were also made during the period under review to link up crop finance with marketing of agricultural produce as a result of which twelve more purchase and sale societies came to be organized during 1947-48. Further, a beginning was made during 1947-48, in evolving an efficient machinery for proper supervision over the working of the purchase and sale societies by the organization of a Federation of Sale and Supply Societies in Kaira during the year 1947-48.

The progress made by the co-operative sale societies, purchase and sale societies and unions would be evident from the statistics given below :—

| Year          | No. of societies | No. of members   |                | Work-<br>ing<br>capital | Value of agricul-<br>tural and<br>other<br>requis-<br>ites<br>sold or<br>supplied |           | Profits |
|---------------|------------------|------------------|----------------|-------------------------|---|-----------|---------|
|               |                  | Indivi-<br>duals | Socie-<br>ties |                         | Rs. lakhs   | Rs. lakhs |         |
| 1947-48 .. .. | 224              | 73,639           | 2,989          | 159.11                  | 784.38  | 11.53     |         |
| 1946-47 .. .. | 207              | 62,185           | 2,813          | 149.79                  | 601.32  | 14.74     |         |
| 1945-46 .. .. | 197              | 57,432           | 2,610          | 103.88                  | 417.65  | 9.12      |         |

Some of these societies undertook the sale of jaggery of their members and non-members, while some others were engaged in the supply of manures, wholesale distribution of yarn and sugar, etc. These societies were extensively utilized by the Supply Department of the Government to work as their agents in the scheme of distribution of controlled and rationed commodities. Some of the societies were also helpful in the Government's scheme of procurement of foodgrains. A few co-operative purchase and sale societies have been entrusted with the work of supply of foodgrains, jaggery and edible oils to the foodgrain shops of the G.I.P. Railway.

There are also separate types of sale societies known as single commodity societies dealing with particular commodities such as cotton, fruit and vegetables, arecanut, chillies and salt. Of these, the work done by the cotton sale societies deserves special mention. These societies assisted the agriculturists in popularising improved varieties of cotton and in arranging for the sale of their produce. The societies in the East Khandesh, the West Khandesh, the Surat and the Dharwar districts did useful work. The societies in the East Khandesh district, numbering sixteen, were organized under a scheme for marketing and "agmarking" of the pure "jarilla" cotton of the members and other approved cotton growers. They undertook purification operations in addition to ginning and pressing, etc. They were also appointed as approved societies for the distribution of good pedigree jarilla cotton seed.

Cotton sale societies in the Dharwar district organized "reserved areas" for multiplication of improved strains of cotton seed evolved by the Agricultural Department of the Government. The two ginning and pressing societies situated in the Surat district also worked satisfactorily during the period under review. Some of these sale societies were entrusted with the retail distribution of foodgrains, cloth, sugar, etc.

Mention may also be made of the activities of the societies for the marketing of fruits and vegetables. The twelve co-operative fruit sale societies in the East Khandesh district where such societies are prominent, sold plantains worth Rs. 21.23 lakhs and earned a commission of Rs. 1.11 lakhs in 1947-48.

The Government of Bombay have assisted the marketing societies in various ways. Some of the purchase and sale unions were provided with departmental trained officers to work as managers, free of cost or subject to certain conditions, while some co-operative societies were sanctioned loans and subsidies during 1948-49 amounting to about Rs. 30,000 for the construction of godowns. Again, co-operative societies dealing in

agricultural produce and desiring to make arrangements for the storage of produce are given facilities for the construction of godowns in the form of loans and subsidies, the amount of subsidy being 25 per cent of the total actual cost of the godowns. The Registrar has also been empowered to sanction assistance to the extent of Rs. 9,000; applications for assistance in excess of this amount have to be sanctioned by the Government. Moreover, according to the provisions of the Bombay Agricultural Produce Markets Act of 1939, co-operative organizations enjoy the privilege of representation on the market committees of the Regulated Markets to the extent of one-third of the members of the committee on behalf of agriculturists.

The Bombay Provincial Co-operative Marketing Society continued to render useful service as the apex marketing organization in the Province. The society's main activities are confined to the sale of fruits and vegetables, jaggery, turmeric, cotton seeds and pulses and supply of consumers' goods such as paper, tea, umbrellas and medicines. It continued to function as the wholesale distributor of rationed commodities in Bombay City among some consumers' societies and also supplied manure to co-operative societies. It also continued to work on behalf of the Government as their despatching agent for groundnut oilcake and made payments for the transport of yarn and cloth bales allotted by the Provincial Textile Controller to co-operative societies. The working of the society resulted in a net profit of Rs. 21,492 in 1947-48 as against Rs. 5,080 for the year 1946-47 and Rs. 1,317 in 1945-46.

During 1947-48, the Second Provincial Co-operative Marketing Societies' Conference was held under the auspices of the Provincial Marketing Society. Among the various resolutions that were passed at this Conference mention may be made of the proposal to form a Bombay Provincial Co-operative Marketing Societies' Association to co-ordinate the work of co-operative marketing societies and to promote uniformity in trade practices and to take steps for provision of adequate marketing finance to member societies and for such other matters as may be necessary to promote the common interests of marketing societies. Finally, a mention may be made of the Bombay Warehouses Act (1947) which was introduced with a view to providing adequate warehousing facilities. The Act seeks to set up licensed warehouses for the purpose and co-operative societies are allowed to function as licensed warehousemen.

*Madras.*—Another province where co-operative marketing has made some progress is Madras. At the close of 1947-48, there were 192 sale societies, five marketing federations and a Provincial Marketing Society functioning in the province. The statement

given below shows the financial position and the volume of business done by the 192 sale societies:—

|   | 1947-48   | 1946-47   | 1945-46   |
|---|-----------|-----------|-----------|
| No. of societies .. .. .  | 192       | 193       | 189       |
| No. of members .. .. .  | 1,15,483  | 1,07,543  | 96,191    |
|   | Rs. lakhs | Rs. lakhs | Rs. lakhs |
| Paid-up share capital .. .. .                                     | 18.16     | 16.14     | 12.67     |
| Loans and advances issued during the year .. .. .                 | 188.20    | 131.79    | 118.64    |
| Value of stock at the beginning and that received during the year | 303.64    | 286.14    | 362.15    |
| Value of stock released without sale .. .. .                      | 71.39     | 94.64     | 157.34    |
| Value of produce marketed .. .. .                                 | 152.85    | 143.23    | 124.60    |

It will be seen from the above table that there was a slight improvement in the working of these societies during the period under review. This is said to be due to the relaxation of controls in certain spheres. There was an improvement in the issue of loans and advances and a reduction in the value of stock released without sale from Rs. 157.34 lakhs in 1945-46 and Rs. 94.64 lakhs in 1946-47 to Rs. 71.39 lakhs in 1947-48.'

Some of these societies were permitted in accordance with the recommendations of the Co-operative Planning Committee, to make outright purchases of their members' produce to a limited extent and subject to certain restrictions. The value of goods so purchased and sold during the year 1947-48 came to Rs. 58.14 lakhs and Rs. 67.82 lakhs respectively.

The successful working of a marketing society and its ability to provide efficient marketing service depends to a large extent upon the storage facilities available. The small progress made in this direction would be evident from the fact that till the close of the year 1947-48, out of 192 sale societies, only 31 had put up 36 godowns costing about Rs. 5.36 lakhs despite the Government assistance available for the construction of godowns. The financial assistance provided by the Government in this connection included loans repayable in 30 years to meet not more than 75 per cent of the cost of construction and subsidies up to 25 per cent of the cost of construction in a few deserving cases. The high cost of building materials and the rather unattractive nature of the existing concessions granted by the Government are reasons attributed to the lack of enthusiasm on the part of sale societies to construct godowns. The Government have been requested to grant subsidies to the extent of 50 per cent of the cost of construction of the godowns if the societies

are able to raise funds by way of donations, share capital or otherwise to meet the remaining half of the cost. A Warehouse Act is also stated to be engaging the attention of the Madras Government.

During 1947-48, 21 sale societies were entrusted with the work of procurement of foodgrains both for consumption within the district and for export to deficit areas. They procured 27,982 tons of paddy and rice valued at Rs. 50.86 lakhs and 24,813 tons of millets worth Rs. 52.37 lakhs. Only a few sale societies undertook processing work.

An interesting feature in the working of the sale societies was that some of them were able to enter into trade connections with the co-operatives in Ceylon which provided a good market for certain agricultural products such as onions, turmeric and chillies. Some of the sale societies continued to do good business in the purchase and distribution of compost manure manufactured by certain municipalities and panchayat boards. Such societies are given subsidies by the Government of India.

Mention may next be made of the working of the Controlled Credit Scheme, a reference to which has already been made in the last Review. Under the scheme, which is intended to develop the marketing activities of sale societies, loans are advanced by a rural credit society for growing specified crops on the condition that the produce raised with the loans should be delivered for sale to the sale society to which the rural credit society is affiliated. When the crops are harvested, they are brought to the sale society for disposal and the loans advanced for cultivation are recovered by the sale society out of the sale proceeds. To ensure transport of produce to the sale society from villages where loans have been given under the scheme, marketing panchayatdars have been appointed by the rural credit societies. These panchayatdars receive besides the remuneration paid by the credit societies, also commission from the sale societies. Provision in their bye-laws for appointment of such panchayatdars was made by 517 credit societies. It is stated that owing to the operation of controls, the scheme could not be worked to any appreciable extent in respect of food crops while some progress was made in respect of commercial crops. During 1947-48, 47 sale societies worked this scheme through 578 rural credit societies as against 63 sale societies and 602 credit societies in the previous year. The loans disbursed under the scheme amounted to Rs. 6.80 lakhs in 1947-48 as compared to Rs. 9.32 lakhs in 1946-47 and Rs. 10.65 lakhs in 1945-46. The value of produce brought to the marketing societies for sale was Rs. 4.15 lakhs in 1947-48 while the value of produce delivered to and marketed through the societies was Rs. 24.04 lakhs

in 1946-47 and Rs. 13.13 lakhs in 1945-46. The value of goods delivered by the marketing panchayatdars stood at Rs. 2.27 lakhs in 1947-48 as against Rs. 3.16 lakhs in 1946-47 and Rs. 6.99 lakhs in 1945-46.

The five marketing federations which were organized as a kind of co-ordinating agency for collecting produce and offering it for sale on a large scale had 1,462 members and a paid-up share capital of Rs. 1.63 lakhs. The Marketing Federations at Tanjore and West Godavari did considerable business in procurement and export of paddy to deficit districts.

There are also special types of marketing societies for fruits and vegetables. At the close of the period under review there were 16 such societies with a membership and paid-up share capital of 3,423 and Rs. 87,992. They advanced loans to the extent of Rs. 1.21 lakhs to their members for meeting the cultivation expenses and for the purchase of manure. They marketed fruits and vegetables worth Rs. 7.18 lakhs and earned a commission of Rs. 46,223.

Mention may also be made of the 14 sugarcane growers' societies and unions with 7,320 members and a paid-up share capital of Rs. 1.37 lakhs. One of the functions of these organizations is to arrange for the marketing of the members' produce to their best advantage.

The Madras Provincial Co-operative Marketing Society functions as a central organization co-ordinating the activities of the sale societies. It had 426 members and a paid-up share capital of Rs. 50,120 at the end of 1947-48. This society, which incurred heavy losses during the war period is stated to have improved its position to some extent. The losses which stood at Rs. 62,112 on 30-6-1947 were reduced to Rs. 25,780 at the end of 1947-48. This was made possible mainly due to the work of distribution of pulses entrusted to it by the Provincial Government. It also stocks and sells products of cottage industries co-operatives.

#### *United Provinces.*

In the United Provinces where co-operative marketing has made substantial progress in respect of commodities such as sugarcane, cereals, oilseeds and ghee, the work is done by marketing unions and their affiliated primaries. With the inauguration of a new plan known as the Development Co-ordination Plan in 1947 referred to previously, a large number of the marketing unions has come within the "development blocks" and work as development unions if they are situated at the headquarters of the seed stores.

The subjoined table illustrates the work done by the central and primary societies during the period under review :—

(Rupees in lakhs)

| Year            | No. of societies | MEMBERSHIP  |           | Paid-up share capital | LOANS ISSUED DURING THE YEAR |           | Sales made during the year |
|-----------------|------------------|-------------|-----------|-----------------------|------------------------------|-----------|----------------------------|
|                 |                  | Individuals | Societies |                       | Individuals                  | Societies |                            |
| <i>Central—</i> |                  |             |           |                       |                              |           |                            |
| 1947-48 ..      | 826              | 9,64,194    | 9,208     | 34.10                 | 59.26                        | 110.72    | 2,468.24                   |
| 1946-47 ..      | 386              | 8,85,839    | 7,786     | 23.15                 | 68.51                        | 40.95     | 1,437.02                   |
| 1945-46 ..      | 299              | 8,41,461    | 6,562     | 17.09                 | 45.89                        | 30.09     | 946.04                     |
| <i>Primary—</i> |                  |             |           |                       |                              |           |                            |
| 1947-48 ..      | 1,879            | 3,68,198    | ..        | 1.13                  | 15.59                        | 2.21      | 11.85                      |
| 1946-47 ..      | 1,993            | 3,21,579    | ..        | 1.44                  | 16.45                        | 3.48      | 13.32                      |
| 1945-46 ..      | 1,884            | 3,13,029    | ..        | 1.33                  | 13.47                        | 3.39      | 16.36                      |

One of the most important types of marketing societies in the Province relates to sugarcane marketing. The main objects of the cane marketing unions are to popularise improved varieties of cane, introduce better farming practices and better methods of cultivation, to take measures against pests, to ensure proper price and correct weighing to the members and to regulate supplies. There is practically one union for each sugar factory in the Province. The cane-growers are admitted directly as members in the unions in the western districts and are given representation in their meetings. A similar practice prevails in the eastern districts only in areas where there are no primary societies of the growers in the villages, but in a number of places there are primary societies of producers which are affiliated to the unions. In 1947-48, the unions supplied about seventeen lakhs maunds of improved varieties of sugarcane, three lakhs maunds of cakes and fertilisers and fourteen thousand implements to the members. The co-operatives supplied nearly 86.8 per cent of the total quantity of cane crushed by the factories. Ninety-nine unions were engaged in the supply of cane. They had a membership of nearly ten lakhs and covered about 24,000 villages.

These marketing unions, in addition to their marketing activities, undertake social welfare work such as improvement of village roads, repair of culverts, upkeep of village sanitation, etc.

Mention may next be made of the 905 ghee societies, whose chief functions are to purchase ghee from their members on a contract system, to sell it at the best possible price and generally to develop the ghee industry for the benefit of both the producers and the consumers. Every person who owns a milch cow or she-buffalo (preferably the latter) or intends to purchase one is eligible for membership. There is no system of collecting share capital, but every person joining the society has to pay an entrance fee of Re. 1. The society enters into a contract with the members for a fixed quantity of ghee and pays the contract money in a lump sum.

There are also 14 central ghee sale unions, to which the ghee societies are affiliated for arranging for the collection and sale of ghee of the member societies and for co-ordinating their functions. In 1947-48, they handled about 6,000 maunds of ghee valued at nearly Rs. 12 lakhs. The ghee received in the union is weighed, tested and filled in tins. The major portion of the ghee is generally sold on cash payment to the ghee merchants in the *mandies*. The need for extending the benefit of co-operative ghee supply to consumers has been recognized and a beginning in this direction has been made by three sale unions by opening co-operative retail shops in the cities.

At the top of the co-operative marketing structure in the Province, there is the Provincial Development and Marketing Federation which was established in 1943 to co-ordinate and improve the activities of the marketing societies and also to undertake the distribution of controlled articles such as sugar, cloth, oilcakes, etc. In 1947-48, it had a share capital of Rs. 1.48 lakhs and reserve and other funds amounting to Rs. 13.87 lakhs. Its membership consisted of 212 central co-operative institutions of various types. During the period 1943-48, it completed business of over Rs. 6 crores.

It is stated that with the progress of the Development Plan referred to before, the Federation has become a representative co-operative marketing organization. The most important activity of the Federation at present is the distribution of controlled cloth. It was appointed as an importer of cloth in 30 districts and it handled about 30 per cent of the whole allotment of cloth in the Province. Till the 21st December 1948, the value of cloth purchased by the Federation amounted to Rs. 3.11 crores. For lifting the bales from the mills, the Government advanced a sum of Rs. 70 lakhs to the Federation.

It is stated that there is a plan to expand the activities of the Federation so that it will arrange for inter-provincial exchange of goods produced by co-operatives or their members, export of surplus produce to areas outside the Province, bulk supply

of consumers' goods, agricultural requisites, storage of food-grains, transport of goods belonging to co-operatives and the provision of supplementary finance for district federations and unions.

*Other Provinces and States.*

A brief mention may be made of the position of co-operative marketing in some of the other provinces and states.

The marketing set-up in Bihar consists of 59 cane marketing unions, 3,683 cane growers' co-operative societies, one vegetable growers' co-operative union and 21 vegetable growers' co-operative societies. It will be seen that cane growers' societies are the largest among the marketing societies. The Government of Bihar have sanctioned about Rs. 30 lakhs for the construction of godowns at select places all over the province for the storage of seed, manure, etc., to the Credit Agricole Section of the Bihar Provincial Co-operative Bank.

In the Central Provinces and Berar, there were 87 primary marketing societies with 21,720 members at the close of 1947-48 as compared with 88 societies with 17,904 members in the previous year. They had a paid-up share capital of Rs. 6 lakhs—the same as in the previous year. The value of purchases and sales made by them amounted to Rs. 96 lakhs and Rs. 84 lakhs respectively as against Rs. 86 lakhs and Rs. 1.03 crores in 1946-47. The amount of loans issued during 1947-48 increased to Rs. 63 lakhs from Rs. 49 lakhs in 1946-47. Most of these societies were also engaged in the work of procurement and distribution of food-grains. A Provincial Marketing and Supply Society was registered in August 1948.

The Government have given some assistance to the marketing societies in the matter of godowns. In addition to the godowns placed at the disposal of three marketing societies, one society was also granted a loan for the construction of godowns. Again, under the post-war co-operative development schemes, the Government have provided facilities by way of loans at 3½ per cent for construction of godowns to four marketing societies operating the schemes. Out of the four societies, only one actually availed of these facilities. Mention may also be made of the Central Provinces and Berar Warehouse Act passed in 1947 with a view to setting up a chain of licensed warehouses in the Province.

In Orissa, there were 55 marketing societies in 1947-48 as compared with 48 societies in 1946-47. The societies had a membership and paid-up share capital of 16,138 and Rs. 1.24 lakhs in 1947-48 as against 9,484 and Rs. 1.10 lakhs in the previous year. The value of purchases and sales made by the

societies amounted to Rs. 4.77 lakhs and Rs. 5.08 lakhs in 1947-48, the corresponding figures for the previous year being Rs. 9.47 lakhs and Rs. 9.58 lakhs respectively. During the period under review, three societies undertook procurement of foodgrains.

The Orissa Government extended some assistance to these societies. During 1947-48, they sanctioned Rs. 30,000 as subsidy for the construction of godowns.

Coorg had 18 co-operative marketing societies at the close of the year 1947-48 as against 19 in the previous year. Of these, 13 were paddy marketing societies, three cardamom marketing societies, 1 orange-growers' co-operative society and the other that of honey and wax producers. The membership and share capital of the thirteen paddy marketing societies rose to 2,936 and Rs. 30,437 in 1947-48 from 2,714, and Rs. 23,874 at the close of the previous year. During 1947-48, they advanced loans amounting to Rs. 1.77 lakhs against deposits of paddy, the corresponding figure for the previous year being Rs. 89,870. All these societies were also doing business in ammunition, agricultural implements, sugar, kerosene and other controlled articles. They also worked as sub-agents of the Coorg Provincial Co-operative Marketing Federation for procurement of paddy. During the period under review, the Government of Coorg sanctioned free grants of Rs. 3,000 each to two marketing societies as a 50 per cent subsidy for the godowns constructed by them. The Coorg Provincial Co-operative Marketing Federation was organized in 1943 with the main object of co-ordinating the activities of all the marketing societies in the Province. It had 144 members on its rolls and a paid-up share capital of Rs. 14,220 at the close of 1947-48 as compared to 107 and Rs. 6,640 respectively in the previous year. Its business included the procurement and supply of paddy to the Mysore Government, transactions in agricultural implements and ammunition, supply of iron and steel, etc.

Among the states only Baroda and Mysore have made some progress in respect of co-operative marketing. In Baroda there were 269 co-operative marketing societies with a membership of 47,463 at the end of the year 1947-48 as compared to 256 and 43,612 respectively in the previous year. Their paid-up share capital rose to Rs. 13.77 lakhs in 1947-48 from Rs. 12.68 lakhs in the previous year. The value of stock received by them during 1947-48 for storage, however, showed a decline from Rs. 1.36 crores in 1946-47 to Rs. 1.27 crores in 1947-48. But the value of sales rose to Rs. 1.41 crores during the year from Rs. 1.31 crores in 1946-47.

In Mysore, there were 48 primary marketing societies and one provincial marketing society at the close of 1947-48. The membership and paid-up share capital of the primaries were 6,645 and Rs. 1.75 lakhs as compared to 6,857 and Rs. 1.64 lakhs in the previous year. The value of purchases and sales made by them amounted to Rs. 2.99 lakhs and Rs. 3.18 lakhs in 1947-48 as compared to Rs. 1.98 lakhs and Rs. 4.12 lakhs in 1946-47. As regards the Provincial Co-operative Marketing Society, it had a membership of 405 societies and 149 individuals in 1947-48 while the corresponding figures for 1946-47 were 318 and 145 respectively. The society undertook the distribution of coffee seeds, mill cloth, agricultural implements, etc., as before. The sales of manure and agricultural implements were valued at Rs. 25,853 and Rs. 18,946 in 1947-48. The society also sold coffee seeds for Rs. 2.58 lakhs on cash basis and for Rs. 5.15 lakhs on credit basis.

During the period under review, the primary societies were given a subvention of Rs. 3,400 while the amount given to the Provincial Co-operative Marketing Society came to Rs. 5,000. The Co-operative Department in Mysore is stated to have drawn up schemes for the development of societies for marketing of eggs, setting up of agricultural marketing and district wholesale societies, etc. A Warehouse Bill is also said to be under the consideration of the Mysore Government.

The brief survey of the arrangements for co-operative marketing in India given in the preceding pages would indicate that while some progress has been made by individual areas such as Bombay, Madras and U.P., the general picture taking the country as a whole is disappointing. The need for concentrated efforts to develop an integrated structure of co-operative marketing which would ensure orderly marketing and would free the agriculturist from dependence upon exacting middlemen has been repeatedly emphasized by various committees and conferences, but the question does not seem to have received the attention it deserves. An aspect of marketing to which we should like to invite the attention of the Governments here is the need for enacting suitable warehousing legislation on the lines recommended by us in our Draft Warehouse Bill prepared in 1944. We followed this up by preparing a set of model rules for warehouses and circulated them to the Provincial and State Governments in 1948. Establishment of licensed warehouses would remove a serious lacuna in the marketing structure in India and would at the same time open up an avenue for financial accommodation from the Reserve Bank of India under Section 17(4) (d) of the Reserve Bank of India Act. It may also be observed that even in those provinces which have passed Warehouse Acts such as Bombay and the Central Provinces and Berar

it is reported that up till now no co-operative society has taken advantage of the provisions of the Act and set up licensed warehouses. The reasons for this state of affairs deserve to be carefully examined by the administrations concerned.

### **(2) Better Farming Societies.**

Better farming societies for the improvement of agricultural technique exist in a few provinces. A large number of such societies are to be found in the East Punjab where, however, consequent upon partition, their number recorded a fall from 261 in 1945-46 to 127 in 1946-47 and 132 in 1947-48. Their membership and working capital in 1947-48 were 2,750 and Rs. 4,800 as compared to 2,716 and Rs. 4,029 in the previous year. The acreage under improved cultivation rose to 7,133 in 1947-48 from 3,913 in 1946-47. In Bombay, 89 societies were engaged in this work in 1947-48 as compared to 76 in 1946-47. They have been taking part in disseminating knowledge of improved methods of agriculture, supplying improved seeds and manures, cattle breeding and constructing bunds, etc. In future, it is proposed to discourage the formation of such societies for purposes other than development and improvement of land by large-scale farming, irrigation or prevention of soil erosion, etc. Bombay had also 16 land improvement societies which were able to effect improvements in 3,137 acres. Taluka Development Associations which numbered 123 in 1947-48 and had a membership of about 16,000 comprising both individuals and societies, are also engaged in similar activities, namely, propaganda work relating to improved methods of cultivation under the direction of the Department of Agriculture and the District Rural Development Boards. They also supply improved seeds, manures and controlled commodities such as iron, cement, cattle feed, etc. In 1948, it was decided to style these associations as Taluka Development Boards and to reorganize them so as to increase their utility to the agriculturists. Although there are no societies under this nomenclature in Madras, similar functions are, however, being discharged by Agricultural Demonstration and Agricultural Improvement Societies. There were 64 such societies in all, with a membership of 6,362 at the close of 1947-48. The 16 development associations in Baroda continued to interest themselves in agricultural improvement work.

### **(3) Consolidation of Holdings Societies.**

The progress made in this direction is slow for the reason already stated in the last Review, namely, that consolidation of holdings in a village requires a good deal of time for preparing the ground by propaganda, and for drawing up a plan satisfactory to all concerned. The only province, namely, the East

Punjab, which had a fairly good number of such societies during 1945-46, witnessed a shrinkage in their number from 2,003 in 1945-46 to 1,563 in 1946-47 and 1,573 in 1947-48 owing to the effects of partition. Their membership also declined to 2,19,841 in 1947-48 from 2,57,913 in 1945-46. In the total area dealt with, consolidation operations have resulted in the reduction of the number of blocks from 18.24 lakhs to 2.86 lakhs. Out of about 21,881 villages in the East Punjab, consolidation operations were completed up to the end of 31st July 1948 in 1,552 villages. Consolidation through the Revenue Department is also attempted in the East Punjab, but the work was stated to have been impeded by the disturbed conditions in the Province.

Among other provinces, the Central Provinces and Berar and the United Provinces have used a certain measure of legislative compulsion for consolidation, as referred to in the previous Review. In Bombay, a Consolidation of Holdings Act has been passed in 1947 for preventing the splitting up of holdings below a certain minimum and the co-ordination of existing fragments into suitable units. The United Provinces have also attempted consolidation through the co-operative method, there being as many as 350 societies for consolidation of holdings with a membership of about 6,000; the area consolidated by them so far is about 1.20 lakh acres. Among other areas, mention may be made of Madras, with 22 consolidation of holdings societies. The total extent of land consolidated by them is only 1,463 acres. Delhi had 53 societies with 6,971 members; the total area so far consolidated in the Province in 56 villages is 44,328 acres. Among the states Kashmir and Baroda have attempted this type of activity to some extent. Kashmir had 235 consolidation of holdings societies in 1946-47 which brought under consolidation an area of 8,692 acres. The five societies in Baroda are reported to be in a state of stagnation.

#### **(4) Joint Farming Societies.**

The importance of joint cultivation which would facilitate large-scale and scientific farming and would prevent further sub-division has already been stressed in the last Review. It was also suggested that schemes for land colonisation and the re-settlement of ex-servicemen might be tried on an experimental basis through co-operative societies for joint cultivation. Attempts in this direction are being made in some areas such as Bombay, Bihar, Madras, the Central Provinces and Berar, the United Provinces, Orissa, Mysore and Cochin. A brief survey of the progress made by these areas in this respect is made in Chapter III of our recent publication entitled "Co-operative Farming."

### **(5) Miscellaneous Agricultural Societies.**

There are also miscellaneous types of agricultural societies engaged in discharging varied functions useful to agriculturists. Land reclamation, for instance, is being done by co-operative societies organized for the purpose in the East Punjab where there were 436 land reclamation and anti-erosion societies in 1947-48 with 16,491 members; the area reclaimed by them during the year was 1,60,705 acres. In Madras, 20 rural credit societies are engaged in this work. They reclaimed 514 acres of waste land in 1947-48. In Bombay, crop protection societies give protection to crops of their members from damage by wild animals, theft, etc. There were 90 such societies in 1947-48 as compared to 81 in 1946-47. There are also co-operative forest societies for managing village forests in the East Punjab. About 55 of them were in existence in 1947-48 and the area under their management was 51,989 acres. Irrigation societies in Madras numbered 19 in 1947-48. They executed irrigation works valued at Rs. 17,792 and provided extra irrigation facilities to a total area of 3,105 acres. Similar societies are found in West Bengal and the United Provinces also. The former had 1,006 societies of this type in 1947-48. Baroda had 8 power pump societies and they helped the members irrigate their crops by installation of power pump sets. In Travancore 9 lift irrigation societies were engaged in this work in 1947-48.

In the sphere of stock breeding and veterinary aid the East Punjab has made a useful contribution. Societies organized in this connection help the members to purchase good quality cattle, ensure adequate fodder supply, assist scientific cattle breeding by maintaining good stud bulls and arrange for veterinary aid. In 1947-48, there were 648 stock breeding societies and 208 veterinary first aid centres, the corresponding figures for the previous year being 602 and 204 respectively. A sprinkling of cattle breeding societies is also found in a few other areas such as Bombay.

### **(6) Better Living and Health Societies.**

As stated in the last Review, the objects of the better living societies, in general, are the eradication of social evils such as extravagance on ceremonial occasions, the promotion of thrift, improvement of sanitation and hygiene, etc. The existence of such societies is noticeable only in a few provinces such as the East Punjab, Bombay, the Central Provinces and Berar, Delhi and Ajmer-Merwara. The United Provinces too had several better living societies.

In the East Punjab, these societies are known as "Dehat Sudhar Societies." There were 1,345 societies of this type in 1947-48 having a membership and working capital of 66,605 and

Rs. 1.86 lakhs. Their function included, among other things, the provision of educational facilities. The Registrar states that although the programme of work of these societies is comprehensive, most of them have become dormant.

In Bombay 36 societies were doing this work while the Central Provinces and Berar, Delhi and Ajmer-Merwara have also a few societies of this type. In West Bengal, these societies are in a moribund condition. In addition to better living societies, there are also societies for providing health services on co-operative lines in a few areas such as West Bengal, the East Punjab and Baroda. In our publication entitled "Health Co-operatives" we have made a brief survey of the work done by these societies. The publication also contains a few hints for the future organization of health co-operatives in India.\*

### (iii)—LONG-TERM CREDIT AND LAND MORTGAGE BANKS.

Though land mortgage banking did not make any spectacular progress during the period under review, the war-time trends of restricted demand for loans and larger repayments, about which mention was made in the last Review, showed a distinct reversal. A reference to our previous Review will show that one of the main features of war-time land mortgage banking was the increased prosperity of substantial agriculturists who were able to pay off their debts either out of their increased income or by the sale of a part of their lands. There were even instances of advance repayments to land mortgage banks in many provinces. During the period under review, even though agricultural prices continued to show an upward trend and land values were at least as high as before, there was a reversal of the trend noticed in the previous Review, viz., contraction in land mortgage banking. There were several reasons for this. Firstly, though high prices of agricultural produce improved the financial condition of agriculturists and alleviated the burden of their past debts, the need to borrow funds on their part became greater than during the actual duration of the war on account of higher cost of living and soaring prices of the numerous requirements of the farmers such as agricultural implements, bullocks, fertilisers, etc. Secondly, with the introduction of active debt relief measures in various provinces and states, the private sources of credit practically dried up and the agriculturists had to look mainly to co-operative organizations for their long-term as well as short-term credit requirements. On account of these and similar other reasons, fresh loans advanced by land mortgage banks during the period as well as loans outstanding showed an upward

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\* Health Co-operatives—Agricultural Credit Department Publication No. 10. The bulletin entitled "Co-operation and the Community" (Agricultural Credit Department Publication No. 5) also deals with the same subject.

trend in most of the provinces and states. We give below a brief review of the progress made in the field of land mortgage banking during 1946-48. A statement showing the operations of land mortgage banks during 1946-47 and 1947-48 is given in Appendix V.

Madras continues to occupy the most predominant place in the field of land mortgage banking. The Madras Co-operative Central Land Mortgage Bank which was established in 1929 had 120 primary land mortgage banks affiliated to it. Its working during the period under review showed all-round progress. New loans issued in 1947-48 amounted to Rs. 61.55 lakhs which is the highest on record as against Rs. 47.66 lakhs in 1946-47 and Rs. 42.80 lakhs in 1945-46. Repayments of loans in 1947-48 amounted to Rs. 27.55 lakhs as against Rs. 24.94 lakhs in 1946-47 and Rs. 26.68 lakhs in 1945-46. The loans outstanding showed a similar rise from Rs. 2.42 crores at the end of 1945-46 to Rs. 2.65 crores and Rs. 2.99 crores at the end of 1946-47 and 1947-48 respectively. Large-scale advance repayments which were a marked feature during the war period showed a decline from Rs. 13.94 lakhs during 1945-46 to Rs. 9.69 lakhs during 1947-48. There were no arrears from the primary land mortgage banks either under principal or interest except from one bank, viz., Tadepalligudem Bank whose registration has been cancelled. A feature deserving special mention is that during the period under review the rate of interest on loans to the ultimate borrower was reduced with the approval of the Government from 6 per cent to  $5\frac{1}{2}$  per cent, the Central Land Mortgage Bank charging the primary banks  $4\frac{1}{2}$  per cent as against 5 per cent before. The total loans issued by the bank since its inception to the end of 1947-48 amounted to Rs. 5.65 crores out of which a sum of Rs. 2.66 crores was repaid, leaving a balance of Rs. 2.99 crores outstanding from primary banks as at the close of 1947-48. Though most of the loans were advanced for repayment of prior debts as in the previous years, loans for improvement of land were also encouraged. This is indeed an encouraging feature.

As stated in the previous Reviews, the bank raises the funds required by it mainly by issue of debentures which are guaranteed by the Government of Madras for principal and interest. The limit of this guarantee reached the figure of Rs. 4.50 crores after the close of 1947-48. It has been subsequently further raised by Rs. 100 lakhs and now stands at Rs. 5.50 crores. The Government guarantee for its debentures has enabled the bank to obtain funds at fairly low rates of interest and pass on the benefit of the same to the agriculturists. In fact, on account of the support the bank has been receiving from institutional investors such as insurance companies and co-operative banks, it has succeeded on several occasions in obtaining funds on more favourable terms than even the Provincial Government. However, this has

also resulted in a restricted market for the debentures as all those who invest in them are institutional investors who look to the investment aspect only but are not interested in selling them before their redemption date. It may be safely said that the time has now come for the bank to create a wider market for its debentures for which object steps have to be taken to popularise them among the public, particularly among the small investors.

With the continuous expansion of the business of the Madras Central Land Mortgage Bank, the question of the continuance of Government guarantee for its debentures gains special significance. Land mortgage banks in India have not been organized for the purpose of giving merely temporary relief. They are permanent institutions organized for advancing long-term loans to the agriculturists. Though Government guarantee for their debentures might have been necessary in the initial stages of their working, in the nature of things, it may not be extended to an indefinite period nor for an indefinite amount. A stage must come when land mortgage banks should stand on their own legs and endeavour to float debentures on their own credit. In fact, in the case of a well-managed and efficiently-run bank like the Madras Central Land Mortgage Bank, we feel that Government guarantee may not be necessary, if efforts are made to acquaint the investors with the real nature of security behind the debentures, namely, lands which are worth at least double the amount of the loans.

The Madras Central Land Mortgage Bank floated during 1946-47 debentures to the extent of Rs. 38.79 lakhs at  $2\frac{3}{4}$  per cent which is the lowest rate of interest offered so far, lower than even what the Provincial Government has been giving on its loans, while during 1947-48 it floated debentures to the extent of Rs. 50 lakhs at 3 per cent. Debentures to the extent of Rs. 3.42 crores were outstanding at the close of 1947-48 carrying rates of  $3\frac{1}{2}$  per cent, 3 per cent and  $2\frac{3}{4}$  per cent respectively. The average rate of interest paid by the bank on debentures comes to 3.13 per cent.

The Madras Central Land Mortgage Bank has constituted sinking funds for redeeming the debentures on maturity. It used to credit all principal recoveries to these funds with the result that the amount to the credit of such funds exceeded the amount required, affecting thereby the income of the bank adversely as the yield on sinking fund investments was lower than the one obtainable on loans. The Provincial Government, therefore, consulted us in the matter and our advice was that they might invest the excess amount in fresh loans provided the period of maturity of these loans fell within the period of the debentures concerned. Presumably on this advice they have permitted the

bank to utilize the excess amount in its own business. The sinking funds are invested in Government securities and in the debentures of the bank. The Government have also permitted the bank to cancel the debentures held in the sinking fund, thus enabling it to reduce the amount of debentures outstanding.

The question of recognizing these debentures as cover for advances under Section 17 (4) (a) of the Reserve Bank of India Act was under our consideration for a long time and we have now decided to recognize the debentures of that bank for the purpose of making advances under Section 17 (4) (a). The Reserve Bank has also agreed to subscribe to a portion of the new issues of debentures floated by the land mortgage bank as a token of their interest in these debentures.

During 1947-48, the bank worked at a net profit of Rs. 2.34 lakhs as against a profit of Rs. 2.74 lakhs during 1946-47 and Rs. 3.42 lakhs during 1945-46. The bank is required to bear to the full extent the cost of four Deputy Registrars and to half the extent the cost of 35 co-operative Sub-Registrars engaged for the supervision of the land mortgage banks there. The contribution made by the bank towards the cost of these officers during 1946-47 amounted to Rs. 1.26 lakhs.

There were 120 primary land mortgage banks in Madras Province. One primary bank, viz., Tadepalligudem Bank, had to be liquidated on account of certain frauds committed by its secretary and others. Loans outstanding from the members of all primary banks at the end of 1947-48 amounted to Rs. 3.01 crores of which arrears amounted hardly to Rs. 0.48 lakh. Twenty-three primary banks worked at a loss while the rest worked at a profit. The Madras Central Land Mortgage Bank gives subsidies to weak primary land mortgage banks to meet losses in their working. In this connection, it may be observed that certain primary banks have been found to be working at a loss continuously for more than three years while certain others have shown deterioration from the profits side to loss. It would be better if their affairs are subjected to close scrutiny.

Next in importance in the field of land mortgage banking is Bombay. The Provincial Land Mortgage Bank was organized in that Province as early as 1935; still the progress made by it has been halting. The number of primary banks in the Province at the end of 1947-48 was only 15, the same as in 1945-46. The bank has been raising funds for financing primary land mortgage banks by issue of debentures, the total so far issued consisting of four series of debentures at rates varying from 3 per cent to  $3\frac{1}{4}$  per cent. The debentures outstanding on 30th June 1948 amounted to Rs. 39.50 lakhs. These debentures have been guaranteed by the Government of Bombay both as regards principal

and interest. The bank has constituted sinking funds for redemption of debentures on maturity. Advances are made to primary banks and through them to the agriculturists. But in those areas where primary land mortgage banks have not been organized, loans are advanced to agriculturists, either direct or through central financing agencies. The bank also advances loans to those persons (adjusted debtors) who have secured awards under Section 55 of the Bombay Agricultural Debtors' Relief Act.

Fresh advances during 1947-48 showed a sharp decline on account of the application of the provisions of the Bombay Agricultural Debtors' Relief Act to the whole of the Province and amounted to Rs. 1.84 lakhs as against Rs. 3.90 lakhs in 1946-47 and Rs. 3.32 lakhs in 1945-46. Total outstandings at the end of 1947-48 amounted to Rs. 28.01 lakhs, out of which loans under the Bombay Agricultural Debtors' Relief Act amounted to Rs. 0.34 lakh. Overdues at the end of 1947-48 totalled Rs. 0.37 lakh. With a view to expanding the scope of its business, the bank has recently amended its by-laws so as to provide for grant of loans to housing societies on the security of the first mortgage of immovable property. It may be mentioned in this connection that particularly when the land mortgage bank depends for its finances on Government guarantee, the funds so raised are better spent on purposes for which the debentures were floated, namely, helping the agriculturists for the redemption of their debts or for improvement of land.

In the Central Provinces and Berar there is no central land mortgage agency, the Provincial Co-operative Bank continuing to finance primary land mortgage banks. Most of the banks have proved to be uneconomic units, and they are being gradually amalgamated with the central banks. At the end of 1947-48, there were 14 land mortgage banks doing exclusively land mortgage banking business, while 7 central banks with which 7 land mortgage banks were amalgamated have been advancing both short-term and long-term loans. The Provincial Bank raises long-term finance by issue of debentures which were outstanding at Rs. 15 lakhs at the end of 1947-48. The loans advanced during 1947-48 showed a sizable increase and amounted to Rs. 4.58 lakhs as against Rs. 3.37 lakhs in 1946-47 and Rs. 2.50 lakhs in 1945-46. Loans outstanding at the end of 1947-48 amounted to Rs. 16.75 lakhs as against Rs. 13.67 lakhs and Rs. 12.42 lakhs at the end of 1946-47 and 1945-46 respectively. The overdues amounted to Rs. 0.25 lakh at the end of 1947-48.

The Orissa Provincial Land Mortgage Bank was organized in 1938. It operates through its two offices situated at Berhampur and Cuttack and finances agriculturists directly. It has floated debentures for financing agriculturists and the outstandings of such

debentures stood at Rs. 4.00 lakhs at the end of 1947-48. Loans due to Government on that date amounted to Rs. 2.00 lakhs. Loans outstanding from agriculturists on 30th June 1948 amounted to Rs. 6.08 lakhs. There were no arrears.

Among other provinces, land mortgage banks or societies exist in West Bengal, the United Provinces, Assam and Ajmer-Merwara, but the progress made by them is almost insignificant. In West Bengal, there were 2 primary land mortgage societies which were being financed by the West Bengal Provincial Co-operative Bank. The loans outstanding from their members amounted to Rs. 4.80 lakhs at the end of 1947-48. In the United Provinces, there were 6 primary land mortgage societies and they had loans of Rs. 2.11 lakhs outstanding from their members. They raised their funds by way of deposits from the public and loans from central banks. In Assam, there were 2 land mortgage societies and they had loans of Rs. 0.27 lakh outstanding from their members. The entire dues were in arrears. In Ajmer-Merwara there were 12 land mortgage societies with outstandings of Rs. 0.65 lakh at the end of 1947-48. All of them were small institutions raising funds by way of deposits from the public and loans from central banks.

Among the Indian states, land mortgage banking has made appreciable progress in Mysore. The Mysore Central Land Mortgage Bank which was organized in 1929 finances agriculturists through the primary land mortgage banks which numbered 80 at the end of 1947-48. The funds required by the bank are raised by the issue of debentures which were outstanding at Rs. 30.55 lakhs at the end of 1947-48. The debentures carry the guarantee of the Government of Mysore both as regards principal as well as interest. They were issued at rates varying from 3 per cent to 3½ per cent. Unlike other land mortgage banks, the bank has not constituted any sinking fund for redeeming the debentures on maturity. The loans are advanced to primary banks at 5 per cent, while the rate charged to the ultimate borrowers is 6 per cent. In addition to granting long-term loans, the bank grants short-term loans in special cases to those borrowers who have been granted long-term loans. Such loans at the end of 1947-48 amounted to Rs. 0.15 lakh. Total loans outstanding at the end of 1947-48 amounted to Rs. 38.65 lakhs of which overdues amounted to Rs. 0.08 lakh only. Overdues in the primary societies amounted to Rs. 0.31 lakh.

In Cochin, a co-operative land mortgage bank was organized in 1935 for financing the agriculturists directly. The funds are raised by issue of debentures which were outstanding at Rs. 10 lakhs at the end of 1947-48. The loans outstanding from

members amounted to Rs. 13.53 lakhs of which Rs. 0.20 lakh were in arrears.

There were also two land mortgage banks in Baroda State at Baroda and Navsari. Both of them had issued debentures which were outstanding at Rs. 6.50 lakhs at the end of 1947-48. Loans outstanding amounted to Rs. 9.31 lakhs of which arrears amounted to Rs. 0.03 lakh.

Though not registered under the Co-operative Societies Act, the Travancore Credit Bank has been functioning as an independent land credit institution in Travancore. It was established in 1938 under a special legislation. It supplies long-term finance to agriculture as well as to other industries. Its sources of finance consist of share capital and deposits. Its paid-up share capital on 30th June 1948 amounted to Rs. 24.67 lakhs, a major portion of which has been subscribed for by the Government of Travancore. Fixed deposits came to Rs. 20.49 lakhs while current deposits amounted to Rs. 2.56 lakhs. Loans outstanding from the borrowers on 30th June 1948 stood at Rs. 41.27 lakhs. The bank worked at a net profit of Rs. 0.75 lakh during 1947-48. It has not issued debentures so far, though it has been contemplating to do so since a long time.

From the above review it is clear that with the exception of Madras, the working of land mortgage banks in India has not made much headway. Even in Madras, though it is showing signs of revival from the set back it suffered during the period of war, it can in no sense be called dynamic. The reasons are not far to seek. The land mortgage banks in India were primarily organized during the period of depression to save the lands of the agriculturists from passing into the hands of their creditors on account of the inability to meet their obligations. The land mortgage banks by providing funds to pay off the dues of the creditors rendered yeoman service to the farmers during that critical period. However, in the changed circumstances prevailing at present, the burden of indebtedness of the landowners has become reduced on account of the high prices of land and their debts have been scaled down under various debt relief measures. Thus, the utility of land mortgage banks in that sphere has become very much restricted. However, their utility in other fields and more particularly in the field of land improvement for which there is practically an unlimited scope remains as great as ever if only they will shape their working in that direction. To-day the urgent need of the country is to produce more from the land for meeting the growing needs of the country for food and raw materials, and this can be achieved by enabling the farmers to undertake improvements in land and methods of cultivation. Land mortgage banks have certainly a worthy role to play in this sphere. Though large

schemes of land improvement such as land reclamation schemes and multi-purpose river projects can be undertaken only by the State, there are numerous other schemes of modest size which farmers either individually or jointly can undertake and thus increase production from their land. The land mortgage banks can supply finance for carrying out such schemes. If land mortgage banks are to succeed in achieving that object, they will have to be a part of a wider plan for increasing production from land in this country. At present they have no machinery to examine the various schemes of land improvement. Though farmers are generally keen to undertake improvement in their land, they are faced with numerous difficulties in that sphere. They require expert advice from officers of the Agriculture, Revenue, Public Works and Co-operative Departments. If development plans are carefully drawn up and the co-ordination of the several departments secured, land mortgage banks will play a great and worthy part in helping the farmers of the country to increase production from the land and in making the country self-sufficient in the matter of food.

(iv) NON-AGRICULTURAL CO-OPERATION—THE URBAN CREDIT MOVEMENT

A mention was made in our previous Review of the fact that the urban credit movement catering for the needs of town dwellers, such as traders, artisans and employees, though it serves a much smaller population than the agricultural movement, had reached larger proportions than the latter from the point of view of working capital and business turnover. It was also noticed that conditions arising out of World War II such as the rise in urban incomes gave an all-round stimulus to the urban credit movement. The comparative position during the period 1946-48, to which the present Review relates, is indicated by the accompanying table.

It should be noted, however, that comparisons between 1945-46 and 1947-48 based upon the statistics below regarding agricultural credit co-operation and non-agricultural credit co-operation are apt to be misleading. This is because the agricultural credit movement, spread out as it was throughout the whole of undivided India, was naturally more affected by the partition of 1947 than the urban credit movement for the simple reason that the latter was confined mainly to a few provinces in the Indian Union as it has taken shape to-day and was consequently not so much affected by partition. Nevertheless, the conclusion is justified, as is quite clear from the table, that the progress made by non-agricultural credit societies is striking



in every respect when compared to the agricultural credit societies during the period 1945-46 to 1947-48. From the point of view of loans and deposits held, working capital and transactions in the shape of loans issued and outstanding, the non-agricultural credit movement far out-distances the agricultural credit movement.

### 1. Urban Banks and Credit Societies.

These form the most important group among the non-agricultural credit societies. They are organized on the basis of limited liability with a fairly wide area of operations generally extending to the whole of a town. A brief mention of the functions of urban banks and urban credit societies was made in the previous Review. To recapitulate, their principal functions are to promote thrift by attracting fixed, current, savings and recurring deposits from members and non-members and to advance loans on personal security or on the pledge of gold and silver, produce, merchandise, life insurance policies, Government securities and real property. They also provide banking facilities such as the issuing of drafts and the collection of cheques, hundies, drafts, bills and dividend warrants. Some of them have been authorized to receive payments for local bodies and insurance companies. Most urban banks also employ paid managerial staff and also "Surveyors" for appraising the value of property offered as security for loans. Their own resources are generally sufficient to meet their requirements.

The progress made by urban banks in India during the period under review is indicated by the table on page 36.

It will be seen from the table that though the number of urban banks in India has declined slightly, improvement is noticeable in respect of their business turnover. The membership has increased from 6.55 lakhs in 1945-46 to 6.98 lakhs in 1947-48. The owned capital and working capital have also increased from Rs. 5.32 crores and Rs. 23.43 crores in 1945-46 to Rs. 5.64 crores and Rs. 26.90 crores respectively. Loans advanced during 1947-48 stood at Rs. 8.22 crores as against Rs. 5.94 crores in 1945-46. The percentage of overdues to the total loans outstanding was 6.8 in 1947-48 as compared to 10.8 in 1945-46 and 5.3 in 1946-47.

From the same table it will be seen that urban banking is most developed in Madras and Bombay. The rise in the number, membership, owned capital and working capital in these two areas is noteworthy. The loans outstanding have also risen considerably since 1945-46. The percentage of overdues to the total loans outstanding in Madras stood at 12.5 in 1947-48 as compared to



14.4 in 1945-46 and 10.7 in 1946-47. In the case of Bombay, the corresponding figures for the three years from 1945-46 stood at 10.4, 6.3 and 6.6. These banks are also known to have played a part in the distribution of foodstuffs and other controlled articles, particularly in Bombay and Madras ; in the latter area for which alone figures are available, their sales and purchases in this line amounted to Rs. 2.17 lakhs and Rs. 1.68 lakhs during 1947-48 as against Rs. 0.05 lakh and Rs. 0.02 lakh in 1945-46.

The urban banks in the Bombay Province carried on banking functions on a growing scale, and as a result there was a continuous increase in the deposits of these banks. Consequently, the limits of outside borrowings, prescribed in Rule 8 under the Bombay Co-operative Societies Act, were exceeded in many cases. Under the provisions of the amended Rule 8 under the Bombay Co-operative Societies Act, societies with limited liability can borrow in excess of the limit laid down in the rule with the previous sanction of the Registrar on such conditions as may be laid down by the Government. The conditions to be prescribed in this behalf are stated to be under the consideration of the Government.

## **(2) Other Credit Societies—Employees' Societies and Millhands' Societies.**

Among other urban credit institutions the societies of salary earners and millhands deserve special mention.

The progress of the employees' societies was on the whole satisfactory during the period under review. Towards the end of 1947-48, there were 2,189 such societies as against 2,127 at the end of 1946-47. Their membership, working capital and deposits showed an increase from 3,00,229, Rs. 4.48 crores and Rs. 2.39 crores at the end of 1946-47 to 3,16,991, Rs. 4.71 crores and Rs. 2.52 crores at the end of 1947-48. The total loans issued by the societies during 1947-48 was Rs. 3.51 crores as against Rs. 3.17 crores during 1946-47. The percentage of overdues to the total loans outstanding continued to be on the increase in many cases, the reason that may be attributed for the same being the rising cost of living and the inability of the borrower to keep up his obligations to the creditor. The percentage of overdues to the total loans outstanding was 9.5 in 1947-48 as against 6.4 in 1946-47.

In our last Review we had referred to the unsatisfactory condition of the employees' societies in the Central Provinces and Berar. The same condition continued in the Province during the period under review, probably owing to the same reason, namely,

the high cost of living, and the rise in prices necessitating extension of the number of instalments for repayment of loans. A large number of employees' societies is found in the provinces of Bombay and Madras, where they seem to have rendered valuable service to the members. In addition to catering for their credit needs and encouraging the habit of thrift among them, many of these societies have undertaken the joint purchase of domestic requirements through fair price shops and ration shops. In Madras, during 1947-48, the value of purchases and sales amounted to Rs. 4.02 lakhs and Rs. 4.60 lakhs as compared to Rs. 1.58 lakhs and Rs. 2.26 lakhs in 1946-47 and Rs. 0.74 lakh and Rs. 1.61 lakhs in 1945-46.

Employees' credit societies can be successfully worked only if the heads of departments or offices agree to collect the instalments from the monthly salary bill. There should also be strict supervision over these societies, as otherwise there will be a persistent tendency for most members to borrow far beyond their repaying capacity.

Similar to the employees' societies are the societies for wage-earners or millhands. Information available with us shows that there were only 267 societies of this type in India in 1946-47; of these the major number were in Bombay, where there were 195 such societies at the end of 1946-47, with a membership and deposits of one lakh and Rs. 0.35 crore respectively as compared with 156 societies with a membership and deposits of 0.94 lakh and Rs. 0.31 crore a year before. A few societies are also found in Ajmer-Merwara, C.P. and Berar, Mysore, Baroda, Madhya Bharat and Travancore.

Besides, there were other types of non-agricultural credit societies such as Fishermen's Societies, Scheduled Class Societies, Communal Societies, etc.,\* numbering 2,266 at the end of 1947-48 as against 2,347 at the end of 1946-47. Their membership and working capital were 1,42,250 and Rs. 1.31 crores at the end of 1947-48 as against 1,43,695 and Rs. 1.39 crores at the end of the year 1946-47. Such societies in Madras carried on distribution of foodstuffs and their sales amounted to Rs. 4.85 lakhs in 1947-48 as against Rs. 12.16 lakhs at the end of 1946-47. The decline in the value of sales is probably due to the decontrol policy temporarily adopted during the latter part of 1947-48.

A table showing the operations of all the non-agricultural credit societies in India is given in Appendix VI.

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\* Their classification and details of their financial structure are not available.

(V) NON-AGRICULTURAL CO-OPERATION—THE URBAN NON-CREDIT MOVEMENT

1. Consumers' Societies.

Readers of the previous Review may be aware that we had made a reference therein to the growth of consumers' co-operation in India during the period of the Second World War, a growth which may be considered as rapid when compared to the halting and somewhat disastrous career it had prior to that period. Various factors contributed towards such development like conditions of short supply and defective distribution which gave rise to black marketing in its worst form and which compelled people to resort to consumers' co-operative societies to an increasing extent for meeting their day-to-day requirements in foodstuffs and other essential articles. Again, the increased ability of people to pay cash for purchases and the official control of prices removed two serious obstacles in the way of the development of consumers' stores. Also, the stores movement came in usefully for providing a satisfactory agency for the execution of Governments' schemes for the fair and equitable distribution of foodstuffs. They utilized its services in this work and encouraged them by various measures such as granting of licences and allotment of quotas. However, with all the opportunities created by the war, the progress made could not be called very satisfactory. It was not of uniform excellence, a few areas such as Madras and Bombay only being ahead, while others were lagging far behind. Again, whatever progress was achieved even in these two provinces was confined largely to urban areas.

The progress made by consumers' co-operation during 1946-48 is briefly indicated in the following paragraphs while the sub-joined table shows the main statistics. It may be added that in this period also the war-time factors such as short supply and black-marketing continued to remain and they shaped the course of consumers' co-operation as in the war period.

*Madras.*—Madras continues to be outstanding in the matter of consumers' co-operation as in several other spheres of co-operative activity, thanks to the warm support extended to it by the Government. The temporary removal of controls in the latter part of 1948 had, however, a somewhat discouraging effect on the pace of development, yet there was no serious setback. Indeed, there was definite improvement in many respects.

The set-up of the consumers' co-operative movement in Madras consists of primary stores and wholesale or central stores. We will deal with the primary stores first. There were 1,740 of

## OPERATIONS OF PRIMARY CONSUMERS' STORES.

| Province or State             | Number of societies |         | Membership |           | Paid-up share capital |           | Reserve fund |           | Value of annual purchases |           | Value of annual sales |           |
|-------------------------------|---------------------|---------|------------|-----------|-----------------------|-----------|--------------|-----------|---------------------------|-----------|-----------------------|-----------|
|                               | 1946-47             | 1947-48 | 1946-47    | 1947-48   | 1946-47               | 1947-48   | 1946-47      | 1947-48   | 1946-47                   | 1947-48   | 1946-47               | 1947-48   |
|                               |                     |         | Rs. lakhs  | Rs. lakhs | Rs. lakhs             | Rs. lakhs | Rs. lakhs    | Rs. lakhs | Rs. lakhs                 | Rs. lakhs | Rs. lakhs             | Rs. lakhs |
| Madras                        | 1,688               | 1,740   | 5,73,260   | 5,59,500  | 99.67                 | 105.15    | 27.30        | 42.49     | 1,718.55                  | 1,863.36  | 1,814.93              | 2,353.76  |
| Bombay                        | 515                 | 612     | 1,33,400   | 1,82,876  | n.a.                  | n.a.      | n.a.         | n.a.      | 592.17                    | 517.31    | 600.19                | 540.55    |
| West Bengal                   | 229                 | 285     | 37,000     | 39,000    | 4.15                  | 4.42      | 1.34         | 1.74      | 53.22                     | 61.09     | 60.30                 | 52.49     |
| Bihar                         | 12                  | 21      | 7,982      | 9,086     | 2.00                  | 1.88†     | 1.57         | 1.68      | 28.63                     | 43.68     | 35.21                 | 45.90     |
| Orissa                        | 176                 | 211     | 18,953     | 21,553    | 2.38                  | 2.82      | 0.36         | 0.50      | 36.31                     | 39.79     | 40.02                 | 42.90     |
| The United Provinces          | 222                 | 243     | 24,299     | 26,643    | 5.08                  | 5.31      | 0.62         | 0.94      | n.a.                      | n.a.      | 37.51                 | 50.85     |
| East Punjab (S)               | 18                  | 20      | 3,987      | 4,263     | 0.87                  | 0.87      | 0.05         | 0.07      | 14.51                     | 2.70      | 13.43                 | 4.01      |
| The Central Provinces & Berar | 425                 | 479     | 36,402     | 31,471    | 6.00                  | 6.00      | 0.68         | 0.76      | 55.00                     | 93.00     | 65.00                 | 121.00    |
| Assam (F)                     | 1,009               | —       | 1,06,754   | —         | 29.30                 | —         | 0.80         | —         | 500.20                    | —         | 500.30                | —         |
| Ajmer-Merwara                 | 26                  | 27      | 4,786      | 4,782     | 0.65                  | 0.58      | 0.42         | 0.43      | 5.41                      | 5.91      | 5.23                  | 5.92      |
| Coorg*                        | 21                  | 19      | 5,877      | 6,463     | 0.34                  | 0.31      | n.a.         | n.a.      | 3.74                      | 4.21      | 3.23                  | 3.88      |
| Delhi (R)                     | 39                  | 39      | 7,524      | 7,732     | n.a.                  | n.a.      | n.a.         | n.a.      | 17.02                     | 12.94     | 16.83                 | 15.12     |
| Mysore                        | 152                 | 155     | 31,614     | 30,891    | 8.60                  | 9.00      | 3.00         | 3.00      | 53.50                     | 80.00     | 54.00                 | 81.50     |
| Baroda                        | 190                 | 199     | 34,847     | 38,501    | 11.27                 | 12.24     | 0.84         | 1.22      | 108.60                    | 75.00     | 122.20                | 81.17     |
| Madhya Bharat                 | 52                  | 65      | 3,395      | 2,374     | 0.75                  | 0.96      | 0.20         | 0.22      | 8.82                      | 12.33     | 5.89                  | 12.25     |
| Kashmir (F)                   | 40                  | —       | 11,532     | —         | 1.45                  | —         | 0.07         | —         | 16.54                     | —         | 16.27                 | —         |
| Travancore                    | 261                 | 372     | 34,763     | 35,431    | 4.54                  | 6.08      | 1.08         | 1.43      | 92.94                     | 164.86    | 96.63                 | 78.58     |
| Cochin                        | 51                  | 55      | 6,186      | 6,975     | 1.09                  | 1.42      | 0.14         | 0.21      | 13.77                     | 25.49     | 17.75                 | 29.75     |

(S) Taken from the Statistical Statements—1947-48.

(F) Figures for 1947-48 are not available.

(R) Figures from the Registrar's Report.

\* Particulars given relate to Stationery Stores, All Coorg Teachers' Co-operative Stores and Cloth and Provision Stores, taken from the Registrar's Report for 1947-48.

n.a. Not available.

† Not complete. Figures from some big stores are excluded due to non-receipt of particulars from them.

them at the end of 1947-48. Their working is indicated by the following table :—

|   | 1947-48     | 1946-47     | 1945-46     |
|---|-------------|-------------|-------------|
| Number of primary stores actually working .. .. . | 1,740       | 1,688       | 1,346       |
| Number of members .. .. .                         | 5,59,500    | 5,73,260    | 4,47,000    |
|   | (Rs. lakhs) | (Rs. lakhs) | (Rs. lakhs) |
| Paid-up share capital .. .. .                     | 105.15      | 99.67       | 66.54       |
| Working capital .. .. .                           | 228.22      | 233.53      | 156.82      |
| Purchases during the year .. .. .                 | 1,863.36    | 1,718.55    | 1,266.54    |
| Sales during the year .. .. .                     | 2,353.76    | 1,814.93    | 1,357.55    |
| Net profits .. .. .                               | 29.88       | 40.96       | 22.54       |

The effect of the lifting of the controls in the latter part of 1947-48 is seen in the reduction in membership and in profits between 1946-47 and 1947-48 especially of the rural stores, many of which could not make profits with the disappearance of controls. However, there was an increase in the paid-up share capital and the total value of purchases and sales. It is stated that about one-third of the total sales were made to members and the remaining two-thirds to non-members. In the case of purchases of foodgrains, the primaries were helped by the Civil Supplies Department of the Government. The societies were faced with the problem of disposing of the grams and pulses purchased by them at the instance of the Civil Supplies Department on the eve of the removal of controls. The Government, however, agreed to consider individual cases for compensation on their merits after the stocks had been disposed of. Some of the stores did business on consignment basis, the goods sold in this way being valued at Rs. 13.58 lakhs in 1947-48. Some of the stores also supplied foodgrains and other consumers' goods to Government and local board hospitals, educational institutions, etc.

An important aspect of the work done by these stores is procurement work which gathered momentum in the period under review in spite of the withdrawal by the Government of their intensive procurement drive during the latter half of 1947-48. The value of foodgrains procured and sold by the stores in 1947-48 was Rs. 3.07 crores and Rs. 3.29 crores as compared to Rs. 68.29 lakhs and Rs. 70.98 lakhs in 1946-47. Some of the primaries were also engaged in the work of stocking and distributing imported foodgrains. Again, during the period when province-wide rationing was in force, 256 stores were doing statutory rationing, the value of foodgrains distributed by them being Rs. 3.55 crores; 827 stores did informal rationing work—they had 1,460 ration shops with 8.36 lakhs of cardholders and they distributed foodgrains valued at Rs. 4.21 crores.

Mention was made in the previous Review of the fact that a noteworthy feature of the consumers' co-operative movement in Madras was their penetration into the rural areas. This still remains true. Thus, of the 1,740 primary stores in the Province, as many as 1,099 were in the rural areas. It has to be noted, however, that the bulk of the total business was done by the urban stores only. Mention may also be made of the stores separately organised for industrial labour and for Government and other employees. On the 30th June 1948, there were 70 such stores for industrial employees, 87 for other employees and 10 communal stores. The stores for industrial labourers are helped with godowns, free services of clerks, annual subsidies, etc., from the management of the mills concerned.

Conspicuous among the primary stores is the Triplicane Urban Society to whose outstanding achievements during the war-time we had made a reference in the previous publication. It continued to render very useful service to the community. As on the 30th June 1948, it had a membership of 14,900 and a paid-up share capital of Rs. 1.66 lakhs. The total sales made in 1947-48 amounted to Rs. 89 lakhs, an increase of about Rs. 12 lakhs over the figure for the previous year.

In our previous Review, we referred to co-operative wholesale or central stores in Madras which were formed to co-ordinate the purchasing activities of the primaries so as to enable large-scale purchases at the principal production centres. On 30th June 1948 there were 22 wholesale stores in Madras. Most of them have been entrusted with the work of procuring foodgrains. They have also been able to establish contacts with marketing federations, thus linking up the producers and consumers. The following table gives some details about their working :—

|  | 1947-48     | 1946-47     | 1945-46     |
|--|-------------|-------------|-------------|
| Number of wholesale or central stores. | 22          | 21          | 21          |
| Number of members .. .. .              | 10,694      | 10,288      | 9,427       |
|  | (Rs. lakhs) | (Rs. lakhs) | (Rs. lakhs) |
| Paid-up share capital .. .. .          | 34.53       | 33.01       | 29.18       |
| Working capital .. .. .                | 258.69      | 365.77      | 242.61      |
| Value of purchases during the year ..  | 1,391.22    | 1,818.57    | 1,148.48    |
| Value of sales during the year ..      | 1,627.59    | 1,945.34    | 1,266.58    |
| Net profit .. .. .                     | 25.61       | 31.01       | 17.30       |

There was a fall in the business of the wholesales owing to the removal of controls. However, none of them sustained any trading loss. Borrowings from central banks and others and the

total working capital also declined. Some of them had difficulty in disposing of stocks of pulses and grams and sustained losses to that extent. The Government were approached to make good the losses and they agreed to consider the question on the merits of each case after the stocks were cleared. Purchases through the Civil Supplies Department of the Government accounted for about Rs. 6 crores out of the total value of purchases of Rs. 13.91 crores while out of Rs. 16.28 crores representing the value of sales, nearly Rs. 7 crores worth of goods were supplied to the members. Some of the wholesale stores did business on consignment basis on behalf of other co-operative institutions and private merchants. The value of such sales amounted to Rs. 1.31 lakhs in 1947-48. Several of them also supplied goods to public institutions such as hospitals and schools.

One of the most noteworthy activities of the wholesale stores is procurement and import of foodgrains. The following table reveals the magnitude of these operations in 1947-48 :—

|                             | PROCUREMENT                    |                            |                                |                            |
|-----------------------------|--------------------------------|----------------------------|--------------------------------|----------------------------|
|                             | Paddy and Rice                 |                            | Millets                        |                            |
|                             | Quantity<br>Tons<br>(In lakhs) | Value<br>Rs.<br>(In lakhs) | Quantity<br>Tons<br>(In lakhs) | Value<br>Rs.<br>(In lakhs) |
| Procured during the year .. | 1.45                           | 288.38                     | 0.19                           | 34.13                      |
| Sold during the year ..     | 1.42                           | 326.18                     | 0.21                           | 41.43                      |

|                             | IMPORTED FOODGRAINS            |                            |                                |                            |
|-----------------------------|--------------------------------|----------------------------|--------------------------------|----------------------------|
|                             | Paddy and Rice                 |                            | Millets                        |                            |
|                             | Quantity<br>Tons<br>(In lakhs) | Value<br>Rs.<br>(In lakhs) | Quantity<br>Tons<br>(In lakhs) | Value<br>Rs.<br>(In lakhs) |
| Imported during the year .. | 1.97                           | 585.39                     | 0.49                           | 82.34                      |
| Sold during the year ..     | 1.75                           | 570.31                     | 0.48                           | 110.34                     |

It has to be noted that though these figures are impressive, there was, owing to the lifting of the controls, a decline in the volume of procurement business done by the wholesale stores by as much as Rs. 2.10 crores when compared to the previous

year. The Government of Madras provided Rs. 2 crores to the wholesales for undertaking procurement work through the Madras Provincial Co-operative Bank while the Co-operative Department provided the required staff for the work.

Apart from procurement work, some of the wholesale stores engaged themselves in processing or manufacturing activities. During 1947-48, for instance, 12 wholesale stores hulled paddy worth Rs. 1.32 crores into rice and 9 of them converted grams worth Rs. 5.67 lakhs into "dhall."

The picture of the consumers' stores movement in Madras will not be complete without a reference to the school and college students' stationery stores, the producers-cum-consumers societies and the distribution work undertaken by other types of societies. As regards school and college students' stationery stores, they numbered 279 in 1947-48 and had a membership of 22,836 (excluding 30,380 associate members or students below the age of 18). The total value of their purchases and sales amounted to Rs. 10.38 lakhs and Rs. 10.23 lakhs in 1947-48.

The producers-cum-consumers societies were formed in 1946-47 to take up the work of procurement and distribution of foodgrains on an extensive scale in Malabar and the four Circar Districts of East Godavari, West Godavari, Krishna and Guntur. The procurement licences of these societies in the Circars were subsequently cancelled by the Government and they set up an inquiry committee to examine the suitability of these societies for intensive monopoly procurement work. The Committee submitted their report and orders have been passed by the Government regarding the reorganization of these societies by converting them into one or other of the usual types of co-operative societies. As on the 30th June 1948, there were 168 producers-cum-consumers societies in the four Circar Districts and 2 in the Chingleput District. These 170 societies had a paid-up share capital and working capital of Rs. 1.10 crores and Rs. 1.19 crores respectively in 1947-48. They purchased goods worth Rs. 1.37 crores and sold goods valued at Rs. 1.65 crores. The administrative control of these societies in the Circar Districts was transferred from the Civil Supplies to the Co-operative Department during 1947-48. The 107 producers cum-consumers societies in the Malabar District are still under the administrative control of the Revenue Department. They had a share capital of Rs. 47.96 lakhs. They procured 82,595 tons of paddy as against 133,544 tons in the previous year.

A large number of rural credit societies and employees' credit societies also continued to deal in consumers' goods. As many as 1,034 societies were engaged in this work out of which 940 were rural credit societies which purchased goods worth

Rs. 91.06 lakhs and sold goods worth Rs. 1.02 crores. As a measure of caution, these societies were allowed to utilize their funds in this trading business only to the extent of their owned capital.

*Bombay.*—Bombay is another area where consumers' co-operation is coming into increasing prominence mainly owing to the Government's policy of giving preference to co-operative organizations in the distribution of controlled commodities. The policy of the Department is to encourage the formation of consumers' stores only in predominantly urban areas. The work of distributing controlled articles in the rural areas is entrusted to credit, multi-purpose and purchase and sale societies. The following table shows the position of consumers' societies:—

| —                         | 1947-48     | 1946-47     | 1945-46     |
|---------------------------|-------------|-------------|-------------|
| Number of societies .. .. | 612         | 515         | 465         |
| Number of members .. ..   | 182,876     | 133,400     | 132,590     |
|                           | (Rs. lakhs) | (Rs. lakhs) | (Rs. lakhs) |
| Working capital .. .. .   | 70.52       | 62.79       | 55.11       |
| Total sales .. .. .       | 540.55      | 600.19      | 542.07      |
| Total purchases .. .. .   | 517.31      | 592.17      | 525.02      |
| Profits .. .. .           | 7.76        | 7.66        | 8.41        |

The above figures show an increase in the number of consumers' stores, their membership and working capital during the period under review. The profits remained more or less stationary between 1946-47 and 1947-48, while the value of total sales and purchases declined owing to the policy of decontrol which was temporarily adopted in January 1948. A circular was issued by the Department indicating the steps to be taken by the stores societies for safeguarding their position against losses due to decontrol. They were advised to consider the desirability of either amalgamating with other institutions in the area or forming federations or unions of their own to strengthen their position.

In addition to the consumers' societies, a number of credit institutions in urban and rural areas continued to operate fair price shops and ration shops for the benefit of members and non-members, under the rationing schemes of the Government. Thus, out of 3,910 distribution centres in 1947-48, as many as 1,531 were managed by co-operative institutions.

*Other Provinces and States.*—Madras and Bombay are the only areas which have made a major contribution in the sphere of consumers' co-operation. However, we may make a brief mention of the position in other areas.

In the Central Provinces and Berar, the number and membership of consumers' stores increased from 277 and 26,369 in 1945-46 to 425 and 36,402 in 1946-47. In 1947-48, the corresponding figures were 479 and 31,471. The value of sales which stood at Rs. 41.54 lakhs in 1945-46 rose to Rs. 65 lakhs in 1946-47 and Rs. 1.21 crores in 1947-48. Of the 479 stores, 216 were in the urban areas. The Government have given preference to these stores in the distribution of controlled commodities. The progress made in this Province is not inconsiderable.

In the United Provinces the number and membership of the primary stores increased from 163 and 19,137 in 1945-46 to 222 and 24,299 in 1946-47 and 243 and 26,643 in 1947-48. The value of sales rose from Rs. 24.07 lakhs in 1945-46 to Rs. 37.51 lakhs in 1946-47 and Rs. 50.85 lakhs in 1947-48. The number of central stores remained stationary at 8 during 1945-46 and 1947-48. Their sales, however, increased from Rs. 3.09 lakhs to Rs. 11.11 lakhs in the same period. It is seen from a recent publication of the Co-operative Department that an enthusiastic response has been given to the announcement by the Government of their policy regarding the formation of co-operative stores for distribution of rationed goods and cloth in towns and villages. It is even claimed that co-operative societies in the province at present distribute rations to about 30 per cent of the entire rationed population of the province. A reference may also be made here to the activities of the Provincial Co-operative Development and Marketing Federation in distributing essential controlled commodities, particularly cloth.

In Orissa also, consumers' co-operation has made some headway. In 1947-48, there were 211 primary stores with a membership and annual sales of 21,553 and Rs. 42.90 lakhs respectively.

Regarding Assam, a reference was made in the previous Review to the growth of consumers' stores there which was recognized as a purely war-time phenomenon. The total number of consumers' stores dealing mostly in controlled goods in 1946-47 was 1,009. They had a membership and sales of 1,06,754 and Rs. 5.00 crores. Nine central wholesales were started in 1946-47. It is reported that owing to hasty organization and insufficient staff for proper supervision, deterioration set in, resulting in the liquidation of a number of stores.

The number of co-operative stores actually functioning in Bihar at the end of 1948 was 21. Some of them serve mainly industrial labour. The largest co-operative store is the Jamshedpur Co-operative Stores whose total turnover in 1947 was over Rs. 2 crores. West Bengal had 285 primary stores in 1947-48 whose value of annual sales amounted to Rs. 52.49 lakhs. The East

Punjab had also a few consumers' stores. Delhi had 39 consumers' stores with a total membership of 7,732 at the end of 31st July 1948 and they sold goods worth Rs. 15.12 lakhs.

Mysore had 155 consumers' stores with a membership of 30,891 in 1947-48. The value of their annual sales during this period was Rs. 81.5 lakhs. The Departments of Food and Civil Supplies of the Government have recognized these societies as agencies for the distribution of the necessaries of life. Besides these stores, as many as 287 credit societies both in the urban and rural areas have undertaken the distribution of controlled articles. In Travancore there were 372 stores with annual sales of about Rs. 80 lakhs. Cochin, Baroda and Madhya Bharat had also a few consumers' societies. A few such organizations exist in Hyderabad, which had a central trading society in addition, which in 1947-48 did a business of Rs. 68.80 lakhs in foodgrains and other consumers' goods.

The brief survey given above will show that the overall position of the consumers' movement in India leaves much to be desired. In this connection we had offered a few suggestions in a bulletin\* on matters such as the establishment of a strong wholesale society and the weeding out and consolidation of the weak societies, widening the range of articles for sale and the linking up of credit institutions with consumers' societies. We also said that importance should be given to securing efficient managers for the stores and that they should take pains to enlist the co-operation and loyalty of the consumers by selling quality goods and maintaining a high standard of service. These remarks hardly need repetition.

## **2. Industrial Co-operation.**

It is well known that small-scale industries play an important part in a predominantly agricultural country like India as they provide a subsidiary source of occupation to the agriculturists. Such industries which were in a languishing condition before, received some stimulus during the period of World War II, as was noticed in the previous Review. Their position during the period 1946-48 is briefly described below, while the subjoined table shows the main statistics.

### **Weavers' Societies.**

Weavers' societies form the most important section among the industrial co-operative societies in India. They are prominent in Madras and Bombay and to a lesser extent in some other areas.

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\* "Consumers' Co-operation in India during War-time" (Agricultural Credit Department Publication No. 6).

*Madras.*—Madras is the leading province in the handloom industry. The financial position and working of the weavers' societies are seen in the figures given below :—

|  | 1947-48 | 1946-47 |
|--|---------|---------|
| 1. Number of societies .. .. .                           | 893     | 659     |
| 2. Number of members .. .. .                             | 132,968 | 108,625 |
| 3. Number of looms in the societies .. .. .              | 133,199 | 85,531  |
|  | (Rs.    | (Rs.    |
|  | lakhs)  | lakhs)  |
| 4. Paid-up share capital .. .. .                         | 62.20   | 38.75   |
| 5. Borrowings outstanding at the end of the year .. .. . | 44.90   | 16.03   |
| 6. Reserve fund .. .. .                                  | 50.37   | 23.31   |
| 7. Working capital on the last day of the year .. .. .   | 201.90  | 107.21  |
| 8. Value of cloth produced .. .. .                       | 668.10  | 423.91  |
| 9. Value of cloth sold .. .. .                           | 814.15  | 456.54  |
| 10. Wages paid to members .. .. .                        | 156.28  | 238.56  |
| 11. Gross profit .. .. .                                 | 54.15   | 75.50   |
| 12. Net profit .. .. .                                   | 33.42   | 53.27   |
| 13. Gross loss .. .. .                                   | 6.11    | 0.54    |
| 14. Net loss .. .. .                                     | 1.45    | 0.11    |

There was a decline in their profits. This was due to two main causes : in the first place, many societies had to cut down their margins during the period under review so as to adapt themselves to a depressed market in handloom cloth. Secondly, the new societies had to incur heavy initial expenditure. A notable activity of these weavers' societies continued to be the promotion of thrift among their weaver members by collecting savings compulsorily from their wages at the rate of one anna in every rupee of wages earned, the amount outstanding under this item being Rs. 8.53 lakhs at the end of 1947-48.

The Madras Handloom Weavers' Provincial Co-operative Society\* functions as a central society for the primary weavers' societies, and arranges for the supply of yarn and other raw materials required by them. It is also running six collective weaving centres. It has three handloom factories for producing superior varieties of handloom fabrics, besides a screen printing factory, a block printing factory and nine dye factories. Its membership and working capital stood at 2,268 and Rs. 24.50 lakhs in 1947-48. During the same period it supplied yarn to the primaries to the extent of Rs. 2.36 crores and purchased cloth from them to the value of Rs. 1.56 crores. The Provincial Society has been making strenuous efforts to tap internal and external markets for the disposal of the finished goods of the

\* A detailed reference to its activities has been made in " More Typical Non-Credit Societies in India " (A.C.D. Publication No. 8—pages 15-27).

primaries. Since the reimposition of control, the Provincial Society was allotted the entire provincial quota of yarn for July, August and September 1948, for distribution to weavers. In respect of quotas from October onwards, it was given 50 per cent of the provincial quota. During 1947-48, the Government of Madras sanctioned a loan of Rs. 3 crores to the society to enable it to handle this large volume of business; out of this amount, Rs. 2 crores were drawn. The Government also sanctioned an interest-free loan of Rs. 7,500 for the starting of three more handloom factories. They have also sanctioned a staff of 24 Co-operative Sub-Registrars and 107 Senior Inspectors for the supervision and development of the weavers' societies. The societies are required to pay back only 2 per cent of the net profits towards the cost of this staff, subject to a maximum of Rs. 500 in each case. Of greater interest is the fact that the Government of India have allotted 11,000 spindles to the Provincial Society for the establishment of a co-operative spinning mill. The mill, when established, will be the first of its kind in the Indian Union.

*Bombay.*—Another province where weavers' societies have developed to some extent is Bombay. The number and membership of such societies rose from 174 and 17,858 in 1946-47 to 211 and 27,628 in 1947-48. The working capital and the value of sale of goods also increased from Rs. 18.06 lakhs and Rs. 0.85 lakh in 1946-47 to Rs. 32.59 lakhs and Rs. 20.77 lakhs in 1947-48. The Government have granted financial assistance to some of these societies. The policy of the Government to distribute yarn through the agency of these societies is said to have increased their popularity with the weavers. Mention may also be made of the 15 District Industrial Co-operative Associations consisting mainly of weavers and their sympathisers formed under the Government of India's scheme for subsidizing the handloom industry. During 1947-48, the Associations had 15,016 members and a working capital of Rs. 26.10 lakhs. They sold goods valued at Rs. 94.80 lakhs. A Provincial Industrial Co-operative Association at Bombay has also been organized to co-ordinate the activities of the District Industrial Associations and to help the development of small-scale industries.

The Government of Bombay passed orders transferring the Cottage Industries Section of the Department of Industries to the newly-created post of Joint Registrar for Industrial Cooperatives and Village Industries whose function it is to promote schemes aimed at the organization of co-operative societies for industrial workers.

*Other Provinces and States.*—The United Provinces had in 1947-48, 550 primary textile societies and 38 central textile societies of weavers. The 550 primaries had a membership of

78,772, working capital of Rs. 20.09 lakhs and sales valued at Rs. 49.33 lakhs—a substantial improvement indeed—when compared to the operations of 160 primaries in 1945-46 with a membership, working capital and sales of 8,140, Rs. 6.12 lakhs and Rs. 10.15 lakhs. There were also 38 central societies with a membership of 8,323 individuals and 420 societies, working capital of Rs. 15.70 lakhs and sales of Rs. 87.08 lakhs. The rapid extent of their progress may be gauged when we have a look at the 1945-46 figures when there were 18 central societies with a membership, working capital and sales of 16,514 individuals and 110 societies, Rs. 7.28 lakhs and Rs. 25.09 lakhs. There also exists the Provincial Co-operative Industrial Federation which was established in 1940-41 with the object of fostering cottage industries, financing them and improving their products and for the execution of war orders and to start new production centres.

In the Central Provinces and Berar there are one Provincial Weavers' Society and 235 primary weavers' societies. The primaries had a membership of 22,503 and sales valued at Rs. 1.86 crores in 1947-48. They get their quota of yarn from the Provincial Society. It is claimed that nearly 50 per cent of the total handlooms in the Province numbering about 54,000 have been brought within the co-operative fold. The Provincial Government have sanctioned the introduction of a post-war reconstruction scheme from 1st April 1946 for the development of the handloom industry through the Provincial Weavers' Co-operative Society and its affiliated primaries. They also granted a loan of Rs. 75,000 to the provincial society for the purchase of machinery and a truck and employment of staff consisting of one organiser and two auditors. The society utilised only Rs. 25,000 out of this amount at  $3\frac{1}{2}$  per cent interest for the purchase of a dye-house. In addition, it received a Government grant of Rs. 12,500 during each of the years 1946-47 and 1947-48.

Orissa had in 1947-48, 140 weavers' societies with a membership of 13,087 which were able to sell goods valued at Rs. 32.97 lakhs. The Government assists such societies by providing loans for the purchase of yarn. In West Bengal, there were 778 weavers' societies with a membership of 51,000. They sold goods worth Rs. 87.79 lakhs in 1947-48. In April 1948, a Provincial Co-operative Procurement and Distribution Society was registered. It was permitted by the Government of India to indent yarn direct from the mills. The Government assists the weavers' societies and their unions by maintaining a technical and marketing staff for their guidance and supervision and by giving subsidies to new societies, etc. In Bihar, a noteworthy development was the organization of the Provincial Handloom Weavers' Co-operative

Union in 1948 to arrange for the supply of yarn and market the products of member societies and to effect improvements in methods of weaving. The Union had 73 societies affiliated to it and up to 1st February 1949, it was able to purchase and supply yarn valued at over Rs. 8 lakhs. The East Punjab and Ajmer-Merwara had also a few weavers' societies.

The position in the states may be referred to in a brief manner. In Travancore, the most important among the category of weavers' societies is the Central Weavers' Society whose membership consists of societies which are wholly or partly dealing in textiles and yarn. Its main work relates to procurement and supply of yarn and weaving accessories. It has also weaving, dyeing and printing sections attached to it. Mysore had 46 weavers' societies in 1947-48 with 3,052 members, Baroda had 70 societies with 3,927 members while in Cochin there were 7 societies with 1,877 members. Hyderabad, Madhya Bharat and Kashmir have also a few weavers' societies.

#### **Societies for Other Industries.**

A few provinces have set up industrial co-operative societies other than those for weavers. In Bombay, the most important in this category are the societies for tanners, smiths, wood-workers, oil pressers, potters, bee-keepers, cane and bamboo workers and forest labourers. A few societies (20) for women for the promotion of cottage industries have also been established. In all, there were 227 of such societies with 28,177 members. The societies for forest labourers, numbering 11, have only been recently organized. They are part of the Government's scheme to ameliorate the economic conditions of the "Adivasis" living in forest areas who are at present exploited by private contractors. The objective underlying the scheme, remarks a recent survey, is not only that the "Adivasi" labourers should get full wages and profits, but should gradually be trained to take up the responsibilities involved in transactions amounting to lakhs of rupees, through their collective efforts. These societies have been given various concessions by the Government. Thirteen forest coupes were worked by the 11 societies. The number of members and initial share capital of these societies were 508 and Rs. 8,936. The management of each society is entrusted to a committee consisting of four representatives of the "Adivasi" members; two sympathisers; 2 ex-officio members, one from the Co-operative Department and the other from the Forest Department, and one representative of the financing agency. The Government set up a Planning Committee to organize and assist co-operative societies of forest labourers, to co-ordinate their working and provide for their supervision and to start allied industries. This Committee convened a conference of the representatives of the

different societies in December 1947, which was inaugurated by the Premier of Bombay. The conference decided to form a Federation of the existing societies.

The Government of Bombay appointed a special Committee to report on the revival and promotion of cottage industries. It is reported that the Government have considered the recommendations of this Committee and have appointed a Co-ordination Committee with the Registrar as the Chairman to form schemes for the promotion of cottage industries in the light of the recommendations of the Committee. Schemes for providing special courses of training to industrial workers have been put into operation. It is also proposed to set up workshops which would undertake repairs of bullock carts, agricultural implements, sugarcane crushing machines, etc.

Madras too has a sprinkling of industrial co-operative societies for various types of artisans such as potters, metal workers, coir-workers, carpet and cumbly weavers, etc. Such societies numbered 209 in 1947-48 and they had 20,365 persons as members. They had a working capital of Rs. 13.39 lakhs and they sold goods worth Rs. 21.91 lakhs. The Madras Provincial Co-operative Bank granted Rs. 9,000 as a special subsidy during 1947-48 for developing co-operative societies for cottage industries. Special mention may be made of the women's cottage industries societies, numbering 48, which in 1947-48 had a membership of 4,139. They produced goods worth Rs. 92,839 and sold goods worth Rs. 84,007. A Central Women's Cottage Industries Society has been recently started at Madras. In order to develop and expand the activities of the women's co-operative societies, a proposal is under the consideration of the Government for appointing three women special officers on a regional basis.

The jaggery manufacturing co-operatives started under Government auspices for providing employment to ex-toddy tappers thrown out of their jobs after prohibition was introduced in the Madras Province, also deserve some mention. Such societies were functioning in 12 districts. As on 30th June, 1948 they numbered 499, with 35,860 members and a paid-up share capital of Rs. 1.87 lakhs. Thrift deposits collected from members and outstanding at the end of 1948 amounted to Rs. 11,604. The members produced jaggery worth Rs. 30.71 lakhs and sold stocks valued at Rs. 32.56 lakhs through these societies.

Other areas which have a few industrial co-operative societies besides those for weavers are the Central Provinces and Berar, the United Provinces, the East Punjab, West Bengal, Orissa, Mysore and Travancore. Coorg has a society for the production of honey and wax.

### 3. Milk Supply Societies and Unions.

The progress made by milk supply societies and unions in India in the period under review is indicated in the subjoined table while a brief descriptive account of their position is given below.

In Madras, where co-operative milk supply has rendered useful service to the public, thanks to the help given by the Government, such as grant of interest-free loans and sanction of a special staff to look after societies in their initial stages of growth, there were 23 milk supply unions which sold milk valued at Rs. 48.09 lakhs and 354 milk supply societies whose transactions in respect of sale of milk came to Rs. 59.48 lakhs in 1947-48. The societies affiliated to the unions collect milk from their members and supply it to the respective unions which distribute it among consumers. The total value of milk and milk products that reached the consumer through co-operative channels amounted to Rs. 82.41 lakhs in 1947-48 as compared to Rs. 68.00 lakhs in the previous year.

The Madras Milk Supply Union continued to render useful service. During 1947-48, it purchased milk valued at Rs. 17.50 lakhs and sold milk valued at Rs. 19.49 lakhs. It had 60 depots for distribution; door-to-door delivery is also arranged through house-delivery boys. The Union completed the construction of 4 out of the 10 milking sheds for which the Government were good enough to give a subsidy of Rs. 38,000 in 1946-47.

A scheme for starting milk supply societies to employ extoddy tappers was started. Another scheme to introduce milk supply activities in ordinary rural credit societies was taken up during 1947-48. The Government have sponsored special schemes for the improvement of milk through co-operative channels, the main items of which are the undertaking of expert surveys regarding the possibilities of forming new milk supply societies, milk recording to encourage milk production by members of milk supply societies and awarding prizes to those who keep good breeds of cattle; schemes for stationing stud bulls at important milk supply unions; a special scheme for Madras City for increasing milk supply through the Madras Milk Supply Union; establishment of co-operative creameries; and schemes for the salvage of dry animals.

In the United Provinces also, co-operative milk supply has made some headway. In 1947-48, there were 108 primary milk supply societies with a membership and sales of 2,460 and Rs. 3.05 lakhs. There were also 4 milk unions having a membership of 33 individuals and 127 societies which in 1947-48 sold milk valued at Rs. 6.92 lakhs. The most important among the unions is the

Lucknow Milk Union. A recent official publication states that a scheme for the organization of milk societies in the villages and central distributing unions in the towns is well under way.

In Bombay, there were 32 milk supply societies and 5 unions in 1947-48; the total value of the milk supplied by the dairy societies in 1947-48 is estimated at about Rs. 43 lakhs as compared to Rs. 12 lakhs in the previous year. Some of the milk supply societies worked as approved agencies for distribution of cattle feed. It appears that a number of societies of cattle owners and milk producers have been organized in Bombay City and suburbs and they are participating in the Government's scheme of milk supply.

West Bengal had 154 milk supply societies and 2 milk unions in 1947-48. In a few other areas such as the Central Provinces and Berar, co-operative milk supply has been attempted to a very minor extent.

#### **4. Housing Societies.**

The problem of housing shortage presented itself in a very acute form during World War II and the period following it. This problem was particularly felt in the big cities. Some provinces have used the co-operative agency for relieving the housing shortage.

There are two common types of housing societies in India : (1) those based on individual house-ownership where the society helps the member in several ways such as purchase of land, laying out the colony and loans to finance building operations stage by stage, the house being mortgaged to the society till the loans are cleared through instalments and (2) the co-partnership type where a building is owned in common by the members of a society, each member having rights of tenancy subject to certain conditions, and in certain cases, having the right to purchase the building from the society on payment of the required number of instalments. The former type is in vogue in Madras while in Bombay, the latter type is commonly met.

In Bombay, where perhaps the housing situation is most acute, co-operative housing has made some contribution towards relieving the shortage, thanks to the assistance provided by the Government in the shape of loans at cheap rates of interest and preference in the distribution of building materials, the details of which are given in the chapter on "The State and the Co-operative Movement." Special attention has been devoted to societies for the lower income group. As on 30th June, 1948, there were 315 co-operative housing societies in the Province, out of which as many as 148 were registered during 1948. These

## 6. Labour Societies.

It is a truism that one of the most unhappy features of our rural life is the presence of a vast mass of agricultural labour which make a hand-to-mouth existence on work connected with agricultural operations or work of a casual nature. "Village life in India presents the strange spectacle, on the one hand, of a large part of the population sunk into poverty and wasting its life for lack of adequate employment, and on the other, of the existence of great tasks of improvement crying for attention."\* The organization of labour co-operative societies for rural labour has been recommended as one of the remedies and a few provinces have attempted the formation of such societies. Madras had 29 labour contract societies with 2,857 actual workers and 460 sympathisers during 1947-48. However, only 8 societies are reported to have done some work during the year. They secured work for a total cost of Rs. 1.45 lakhs out of which work to the extent of Rs. 95,804 was executed. Wages paid to members and non-members came to Rs. 45,820 and Rs. 22,898 respectively. The services of some of these societies were utilized by the house-building societies. The attempts made in Bombay to organize labour contract societies for the "Adivasis" have been dealt with in the section on "Industrial Co-operation."

In this section mention may also be made of the societies called transport co-operatives and co-operative workshops existing in a few areas mainly with a view to providing employment to demobilized lorry drivers and technicians. In Madras there were 10 co-operative workshops at the end of 1947-48 which were engaged in making small-scale machinery, household utensils, etc. They had 1,084 members. They manufactured goods valued at Rs. 3.62 lakhs. They also gave training to their members in various trades. There were also 12 co-operative motor transport societies for ex-servicemen with 819 members and a paid-up share capital of Rs. 2.4 lakhs which put 247 vehicles on the road; ten of them worked at a net profit of Rs. 1.75 lakhs while 2 worked at a loss of Rs. 2,545. Bombay had 11 ex-servicemen's societies of which 6 were dealing in transport of passengers and goods. The East Punjab had 7 co-operative transport societies with a membership and working capital of 358 and Rs. 18.45 lakhs.

## 7. Miscellaneous.

(i) *Co-operation and Refugee Rehabilitation.*—One of the most serious problems facing the country after Independence was achieved in 1947 was the rehabilitation of millions of refugees who had migrated from Pakistan. In a few provinces

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\* Report of the Co-operative Planning Committee, page 103.

schemes for utilising the co-operative agency in this work have been drawn up, but fuller details of these schemes are not yet available with us. In Madras, for instance, there is a proposal to organize a tailoring society for the refugees in each of the three Government camps in Madras. Another proposal is to organize a co-operative milk supply society at the Avadi Camp. The Central Provinces and Berar had a society for refugees which is running a dairy, a grocery and cloth store, a flour mill and a soap factory. A few societies for refugees have been registered in Delhi also.

Mention may be made in this connection of the appointment by the Ministry of Relief and Rehabilitation of the Government of India of a Committee to draw up, among other things, a model scheme for the establishment of co-operative societies for displaced persons.\* The Committee have submitted their report. Co-operation is a method of business management and is eminently capable of being applied to the several economic problems concerning displaced persons.

(ii) *Co-operation and the Grow-More-Food Campaign.*—The Co-operative Movement forms a most useful agency in promoting the Grow-More-Food Campaign as it is in close touch with the farmer, but taking the country as a whole we may say that it has yet to play its full part. Reports received from Madras and Travancore show that co-operatives have done some useful work in promoting the Grow-More-Food Campaign by distribution of manure and improved varieties of seeds and repairing of tanks and channels. Lift-irrigation societies in Bombay are also designed to achieve the same end. Close co-ordination between Agricultural, Co-operative and Public Works Departments is bound to yield substantial results.

(vi) CENTRAL FINANCING INSTITUTIONS.

**(a) Central Banks and Banking Unions.**

The effects of partition are seen clearly in the case of central banks and banking unions, data about which are given in the subjoined table, their number, membership, owned capital, deposits and working capital in 1947-48 being much less than what they were in 1945-46. From the point of view of business turnover, however, central financing agencies showed a distinct improvement over even the pre-partition figures. Thus, while 601 banks had made advances to the tune of Rs. 43.07 crores and had outstandings of Rs. 20.36 crores in 1945-46 for a considerably lesser number of banks, viz., 448 in 1947-48, the figures stood at Rs. 61.87 crores and Rs. 21.03 crores respectively. It is also a

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\* Report of the Committee on Co-operative Societies (1948).

## OPERATIONS OF CENTRAL BANKS AND BANKING UNIONS

| Year    | MEMBERSHIP |                |           |           |               | Deposits  | Other borrowings | Working capital |   |
|---------|------------|----------------|-----------|-----------|---------------|-----------|------------------|-----------------|---|
|         | Number     | Indivi-        | Banks and | Total     | Owned capital |           |                  |                 |   |
|         |            | duals          | societies |           |               |           |                  |                 |   |
| 1       | 2          | 3              | 4         | 5         | 6             | 7         | 8                | 9               |   |
| 1945-46 | ..         | 601            | 80,423    | 118,094   | 198,517       | Rs. lakhs | Rs. lakhs        | Rs. lakhs       |   |
| 1946-47 | ..         | 446            | 68,958    | 83,499    | 152,457       | 3,266.16  | 396.22           | 4,507.50        |   |
| 1947-48 | ..         | 448            | 72,880    | 86,892    | 159,772       | 2,779.81  | 459.62           | 3,857.34        |   |
|         |            |                |           |           | 649.64        | 2,838.66  | 533.97           | 4,022.32        |   |
|         |            | FRESH ADVANCES |           |           | RECOVERIES    |           | OUTSTANDINGS     |                 | Percentage of overdues to the loans outstanding |
|         |            | Indivi-        | Banks and | Indivi-   | Banks and     | Indivi-   | Banks and        |                 |   |
|         |            | duals          | societies | duals     | societies     | duals     | societies        |                 |   |
| 1945-46 | ..         | 10             | 11        | 12        | 13            | 14        | 15               | 16              | 17  |
| 1946-47 | ..         | Rs. lakhs      | Rs. lakhs | Rs. lakhs | Rs. lakhs     | Rs. lakhs | Rs. lakhs        | Rs. lakhs       | Rs. lakhs                                       |
| 1947-48 | ..         | 543.52         | 3,763.75  | 500.52    | 3,696.64      | 183.18    | 1,853.16         | n.a.            | —   |
|         | ..         | 510.08         | 5,469.26  | 455.88    | 5,058.81      | 179.26    | 1,842.90         | 178.84          | 8.8   |
|         | ..         | 435.90         | 5,750.69  | 441.12    | 5,543.58      | 176.62    | 1,926.62         | 218.54          | 10.4  |

n. a. = Not available.

welcome feature that the increase in transactions is accounted for by societies alone, fresh advances and outstandings in respect of individuals having actually declined during the period 1946-48. Recoveries also show good improvement. The position regarding overdues has, however, proved unsatisfactory. The percentage of overdues to the total loans outstanding in 1947-48 was 10.4 as against 8.8 in 1946-47; the lack of data for overdues in 1945-46 makes it impossible to review the position of overdues in that period.

Reference to Appendix VII which deals with the working of the central banks and banking unions province-wise would show that Madras and Bombay have contributed most to the progress made by central banks during the period under review. In Madras, though the number of central banks remained stationary at 30, their total membership rose to 19,439 in 1947-48 from 17,588 in 1945-46 and 18,582 in 1946-47. This increase is mainly due to more affiliations of societies to the central banks as figures in respect of individual membership actually showed a slight decline. The owned capital and working capital consequently showed a rise while progress was discernible in regard to loan transactions.

The large demand for funds from the affiliated societies for procurement and distribution of foodgrains continued to remain. Besides, there was also an increased demand for finance from agricultural credit societies and sale societies. There was a considerable increase in the amount of loans given for fairly long periods mainly owing to the increased borrowings by rural credit societies in some of the southern districts for such purposes as purchase of bullocks, digging of wells and minor improvements to land. In this connection, the Madras Registrar adds that just before the close of the co-operative year, the Provincial Government were pleased to amend Rule VIII-A of the Rules framed under the Madras Co-operative Societies Act, providing for the issue of loans for periods exceeding 3 years but not exceeding 5 years and exempting rural credit societies from the operations of that Rule.

As regards Bombay, the number of central banks and banking unions was 15 in 1947-48 as against 13 in 1945-46 and 14 in 1946-47. They do not cover all the centres in the Province, as many as ten districts being served by 53 branches and sub-branches of the Bombay Provincial Co-operative Bank, direct. These banks maintained satisfactory progress in their operations, as will be evident from the increase in membership, owned capital, deposits and working capital, and their loan business. The rate of increase in membership, however, continued to be the largest under individual membership quite unlike Madras. The amount of loans disbursed to societies stood at Rs. 14.00 crores in 1947-48

as compared to Rs. 10.17 crores in 1946-47 and Rs. 3.17 crores in 1945-46. The same is the case with regard to recoveries and outstandings which increased during the period. The rise in outstandings in 1947-48 was somewhat less than in the previous year owing to the fact that there was less demand from co-operative societies dealing in controlled commodities owing to decontrol. The position of overdues also showed slight improvement, the percentage of overdues having fallen from 14.5 in 1945-46 to 11.4 in 1946-47 though it rose again to 13.2 in 1947-48.

Among the other provinces, mention may be made of the United Provinces which showed a good improvement in membership, particularly of societies and total working capital which rose from 19,734 and Rs. 1.89 crores in 1946-47 to 21,910 and Rs. 2.20 crores in 1947-48. In the Central Provinces and Berar also, the increase in membership and working capital was noticeable. There was no noteworthy improvement in the working of the central banks in other provinces and states.

#### *Non-credit Activities*

We have been endeavouring to get as detailed information as possible in respect of non-credit activities undertaken by central co-operative banks and banking unions all over the country. Unfortunately, we have not received sufficient data from all the provinces and indeed we have practically no information in regard to such activities except in respect of Madras and Bombay. The Central Provinces have stated that non-credit activities are not undertaken either by the central banks or by the Provincial Bank, while West Bengal has given the mere information that "most of the central banks are now carrying on side-business in controlled commodities such as cloth, yarn, kerosene, etc." In Bombay and Madras, however, central banks evince a keen interest in non-credit activities. Several banks in Bombay took part in the purchase and distribution of controlled articles, in addition to financing non-credit societies, while in Madras, the help given by central banks in the sphere of non-credit co-operation has taken the shape of financing procurement of foodgrains and the Grow-More-Food Campaign. To give some examples in Bombay, the East Khandesh, Belgaum, Bijapur and Karnatak Central Banks undertook the distribution of controlled commodities even though the work had to be discontinued in the middle of 1947-48 owing to decontrol. The Karnatak Central Co-operative Bank continued to do the distribution of iron materials, etc., through its branches and pay offices. To quote a few examples from Madras, the Tiruchirapalli District Co-operative Bank interested itself in the promotion of cottage industries societies and financed procurement work. The Coimbatore-

Nilgiris Co-operative Central Bank, besides financing procurement operations, devoted its attention, among other things, to medical relief and the maintenance of a library. The Madura District Central Co-operative Bank also devoted considerable attention to the non-credit aspects of Co-operation. It is financing societies engaged in procurement and distribution work. In South Canara, the chief function of the Bank now is the financing of the Wholesale Store which has undertaken district-wide procurement. From our last Review, it can also be seen that central banks in Madras have assisted the Grow-More-Food campaign through the seed multiplication schemes, supply of manures and financing of cultivation.

It will be seen from the above paragraphs that the central financing agencies rendered a good account of themselves during the period covered by this publication. Their financing activities have shown a considerable increase so much so that the Registrars in some of the provinces, particularly Madras and Bombay, have had to relax the borrowing limits to enable the central banks to borrow the required funds to meet the increased demand for loans. It may, however, be stated that the extraordinary demand for funds in Madras has been caused by procurement operations undertaken by co-operatives and it is rather difficult to say whether loan transactions would remain at this high level after conditions return to normal.

Before we conclude this part of the Review we wish to stress a few points that should be prominently borne in mind by all central banks. Firstly, the share capital structure of central banks is rather weak. A strong share capital and an equally strong reserve fund should be the foundation for the financial progress and development of every financing institution. Secondly, we notice that central banks generally do not take adequate steps to tap deposits available within their jurisdiction. Some of them are increasingly dependent on the Provincial Banks. This militates against the basic principle of self-help. In the years to come, it must be the earnest endeavour of all central banks to attract more and more deposits at competitive rates. Thirdly, we note that banks have not created sufficient reserves against bad and doubtful debts. The lessons of the last depression cannot be forgotten too easily. We would commend to all banks the creation of bad debts reserves, particularly now when they are able to earn decent profits. Finally, we are concerned to find that interest rates are still high in some banks. Agriculture can have little attraction for the small farmer, unless he is able to raise his seasonal loans at a low rate of interest. These of course are axioms, but need repetition to bring home their true import to our banks.

**(b) Provincial Co-operative Banks.**

It was seen in our publication for 1939-46 that the working of the provincial co-operative banks was characterised by a large increase in working capital mainly accounted for by a heavy inflow of deposits, the almost stationary nature of the outstanding loans caused by satisfactory repayments of all fresh advances taken and the consequent investments of the swollen surplus funds in Government and approved securities. That there has been at least a partial reversal of this trend during the two years covered by the present publication can be seen from the fact that the figures for the year 1946-47 as compared with those for 1945-46 indicate considerable decline in respect of membership, owned capital, deposits, working capital and investments though this turn was somewhat arrested in the year following.

The table on page 64 indicates the position of the provincial co-operative banks during the period under review.

The number of banks, which stood at 13 in 1945-46, declined to 11 in 1946-48, owing to the disappearance of the Punjab and Sind Provincial Banks as a result of partition. For the same reason, membership also declined from 27,785 at the close of 1945-46 to 15,013 at the close of 1947-48. The owned capital, deposits and working capital fell from Rs. 3.03 crores, Rs. 21.63 crores and Rs. 24.90 crores in 1945-46 to Rs. 2.54 crores, Rs. 17.89 crores and Rs. 21.98 crores at the end of 1946-47, though subsequently they rose to Rs. 2.60 crores, Rs. 20.06 crores and Rs. 24.05 crores respectively at the end of 1947-48. Madras and Bombay contributed to the bulk of the total deposits and also to the total working capital, 46 per cent in 1945-46, 57 per cent in 1946-47 and 63 per cent in 1947-48 representing the combined percentages of deposits in Bombay and Madras for the last three years.

Fresh loans advanced amounted to Rs. 16.88 crores during 1945-46 and Rs. 24.68 crores during 1946-47, declining slightly to Rs. 22.73 crores in 1947-48. A noteworthy feature was that in regard to fresh advances, societies figured more prominently than individuals. For instance, fresh advances to individuals actually fell from Rs. 8.44 crores in 1945-46 to Rs. 6.85 crores in 1947-48, while on the other hand advances to banks and societies registered an increase from Rs. 8.44 crores in 1945-46 to Rs. 15.88 crores in 1947-48. Investments in Government and other securities which had gone down immediately after partition from Rs. 14.75 crores to Rs. 9.21 crores (1946-47) came up to Rs. 11.43 crores at the end of 1947-48. The profits earned increased from Rs. 0.14 crore at the close of 1945-46 and 1946-47 to Rs. 0.17 crore in 1947-48. In general, the provincial co-operative banks recorded satisfactory progress during the period under review.

## OPERATIONS OF PROVINCIAL CO-OPERATIVE BANKS

| Year    | No. of banks | NO. OF MEMBERS |                     | Total  | Owned capital | Deposits   | Working capital | Investments |
|---------|--------------|----------------|---------------------|--------|---------------|------------|-----------------|-------------|
|         |              | Individuals    | Banks and societies |        |               |            |                 |             |
| 1       | 2            | 3              | 4                   | 5      | 6             | 7          | 8               | 9           |
|         |              |                |                     |        | Rs. crores    | Rs. crores | Rs. crores      | Rs. crores  |
| 1945-46 | ..           | 7,728          | 20,057              | 27,785 | 3.03          | 21.63      | 24.90           | 14.75       |
| 1946-47 | ..           | 6,273          | 8,106               | 14,379 | 2.54          | 17.89      | 21.98           | 9.21        |
| 1947-48 | ..           | 6,508          | 8,505               | 15,013 | 2.60          | 20.06      | 24.05           | 11.43       |

  

|         | FRESH ADVANCES |                     | RECOVERIES  |                     | OUTSTANDINGS |                     | Profit     |
|---------|----------------|---------------------|-------------|---------------------|--------------|---------------------|------------|
|         | Individuals    | Banks and societies | Individuals | Banks and societies | Individuals  | Banks and societies |            |
|         | 10             | 11                  | 12          | 13                  | 14           | 15                  | 16         |
|         | Rs. crores     | Rs. crores          | Rs. crores  | Rs. crores          | Rs. crores   | Rs. crores          | Rs. crores |
| 1945-46 | ..             | 8.44                | 8.06        | 9.08                | 2.01         | 4.53                | 0.14       |
| 1946-47 | ..             | 8.90                | 8.93        | 12.23               | 1.66         | 7.40                | 0.14       |
| 1947-48 | ..             | 6.85                | 6.44        | 16.20               | 2.06         | 6.90                | 0.17       |

Adverting to the province-wise description for which statistics are given in Appendix VIII, the Bombay Provincial Co-operative Bank and the Madras Provincial Co-operative Bank deserve special mention. In Bombay, the deposits, working capital and loans advanced were by far the largest in any province in India. The deposits increased from Rs. 6.51 crores in 1945-46 to Rs. 7.96 crores at the end of 1947-48, so much so that Rule 8 under the Co-operative Societies Act had to be amended to permit the Provincial Bank to incur liabilities exceeding twelve times the limit of share capital and reserves by receiving deposits subject to the observance of the condition that the amount received as deposits in excess of the said limit shall not be utilized in the ordinary business of the Bank but shall be invested in Government securities or advances against Government securities or short-term deposits with such banks as may be approved by the Registrar. The working capital rose from Rs. 6.95 crores in 1945-46 to Rs. 8.44 crores in 1947-48, while advances made to societies in particular rose considerably, owing to various factors such as curtailment of private credit on account of the extension of the Bombay Agricultural Debtors' Relief Act to the whole of the Province, finance for supply and distribution of controlled goods, etc., but in the period 1947-48 the demand for loans from societies slackened as a result of a temporary decontrol over distribution of essential articles in the business of which many societies were engaged. Total loans issued during 1947-48 to individuals and societies were high at Rs. 2.43 crores and Rs. 9.08 crores as compared to Rs. 2.95 crores and Rs. 7.77 crores in 1946-47 and Rs. 2.11 crores and Rs. 4.98 crores in 1945-46 respectively. This increase in advances to societies should be regarded as a happy sign. Indeed, the Annual Report of the Bank for 1947-48 states that the Board of Directors continued their policy of curtailing individual advances as far as practicable and that only in exceptional cases fresh accommodation was granted to old members or new members admitted for such accommodation. Limits for produce advances are reported to have received the careful scrutiny of the Board, and that whenever advisable, such limits were curtailed. The Bank is also advancing crop loans to 'adjusted' debtors and to societies under the Bombay Agricultural Debtors' Relief Act. The amount of such advances in 1947-48 came to Rs. 14.09 lakhs as against Rs. 4.55 lakhs in 1946-47.

Mention may also be made of the recommendation of the Agricultural Credit Organisation Committee (1947) which stressed the need for a properly integrated system of co-operative credit and suggested that the Provincial Bank should function as the pivot of the Co-operative Movement and as a supervising and co-ordinating agency for all central financing agencies. Before the close of 1947-48, the Government passed orders on these

recommendations and has directed that the structure of the Provincial Co-operative Bank should be remodelled on a federal basis and that it should assume responsibility for organizing the provision of agricultural credit to all credit-worthy borrowers. The steps taken to implement these recommendations by the Provincial Bank and by the Provincial Government have been given in the chapter on "Rehabilitation and Reorganization."

The Bombay Provincial Co-operative Bank has been taking keen interest in the promotion of co-operative societies and in assisting non-credit activities such as distribution of controlled goods, including cloth. It has proved itself eminently fitted to take up the job envisaged by the Agricultural Credit Organization Committee as it has been in close contact with the rural areas through its several branches in the Province.

The Madras Provincial Co-operative Bank also made commendable progress during the period under review. Its owned capital, deposits and working capital increased from Rs. 0.52 crore, Rs. 3.51 crores and Rs. 4.03 crores in 1945-46 and Rs. 0.54 crore, Rs. 4.12 crores and Rs. 5.96 crores at the close of 1946-47 to Rs. 0.58 crore, Rs. 4.61 crores and Rs. 6.18 crores at the close of 1947-48. A feature deserving special mention in the activities of the Provincial Bank during the period is the financing of procurement operations undertaken by co-operatives in the districts for which purpose the Government themselves made a large advance of Rs. 2 crores. Further, the Reserve Bank of India sanctioned as large a limit as one crore of rupees at a concession rate of interest, viz.,  $1\frac{1}{2}$  per cent below the Bank Rate for financing seasonal agricultural operations and marketing of crops. Out of this amount the Bank drew only Rs. 15 lakhs at the close of 1947-48. At its request the Government permitted the Bank to utilize a part of its reserve fund in its own business and to relax temporarily the standard of fluid resources prescribed for the Bank. The Government also enhanced the Bank's borrowing limit from 15 to 20 times its paid-up share capital and reserve fund in order to enable it to borrow the necessary funds. During the year 1947-48, the total amount of loans disbursed by the Bank to central banks amounted to Rs. 4.39 crores as against Rs. 1.43 crores during 1945-46 and Rs. 4.30 crores in 1946-47. Loans advanced to individuals were as low as Rs. 14.26 lakhs at the end of 1947-48. The Provincial Co-operative Bank continued to grant subsidies to central banks for the rectification and rehabilitation of credit societies and for the development of non-credit societies in the districts. The Provincial Bank disbursed in this manner, Rs. 25,000 as general subsidy and Rs. 20,238 towards expenditure on the supervision of non-credit societies. It also granted Rs. 9,000 as special subsidy for the develop-

ment of co-operative societies for cottage industries in the Province.

Special reference may also be made to the position of the Provincial Co-operative Banks in the East Punjab and West Bengal which were affected by partition. The Punjab Provincial Co-operative Bank at Lahore, which was the apex institution for the Co-operative Movement in the undivided Punjab, was taken over by Pakistan and the East Punjab was left without any apex institution. The funds of the former Provincial Bank could not be divided when the partition of the Province took place in 1947. After prolonged efforts, the Registrar reports that action has now been taken for the division of the funds such as share capital and reserves, deposits and investments and that the matter is now under consideration on a Governmental level. Efforts were, however, made to start a Provincial Bank for the Province. In the cold weather of 1947-48, a scheme for the organization of such an institution more or less on the lines of the old Provincial Bank was submitted to the Government. The scheme was also examined by the Reserve Bank. In the meanwhile, the Government authorized the Ambala Central Co-operative Bank to perform the functions of a Provincial Bank. Finally, the new East Punjab Provincial Co-operative Bank was registered on 31st August, 1949.

Bengal has a more sorry tale to tell. The partition of the Province had a disastrous effect on the financial position of the Provincial Bank, renamed the West Bengal Provincial Co-operative Bank after partition. In the first place, the area of operation of the Bank was curtailed to about a third of the former area. In the second place, the major portion of the funds of the Bank, amounting to Rs. 1.58 crores, had been invested in the societies in East Bengal which ceased to pay their debts to the Provincial Bank. To restore public confidence the West Bengal Government guaranteed the collection of Rs. 1.25 crores, representing the good investments of the Bank in East Bengal, the total guarantee being split up into 12 annual instalments. This measure is stated to have allayed panic and restored confidence in the Provincial Bank. The Government of West Bengal assumed control over the management of the Bank through a Managing Director appointed by it since 7th July, 1948. The Provincial Government has also been extending liberal assistance to the Bank by way of loans which stood at Rs. 15 lakhs on 30th June, 1948. Even so, frozen assets cannot be liquefied in a short span of time. Figures still show that the new Provincial Bank is none too strong with overdues constituting 85 per cent of the total outstandings.

As regards other areas, the C.P. and Berar Provincial Co-operative Bank continued to maintain its commercial character

referred to in our last publication, during the period under review, though there was some improvement in the position. Out of the total loans advanced during 1946-48, nearly 84 per cent have been given to individuals as against 93 per cent during 1945-46. No doubt this is partly due to the failure of the Co-operative Movement in that area. With the steps taken to reorganize the Movement, one may hope to see a distinct improvement in the near future. Mention may also be made of the Credit Agricole work undertaken by the Bihar Provincial Co-operative Bank since 1945. The Credit Agricole work has placed the finances of the Provincial Bank on a favourable footing.

One cannot possibly overrate the importance of the Provincial Bank in the co-operative structure of any province. Indeed, it is the presence of a strong provincial bank in Madras and Bombay that has been a major cause for the success the Movement has attained in these areas. The onslaught of the depression proved disastrous for areas such as Bihar and Bengal which did not have such strong apex banks, and if Madras and Bombay escaped almost unhurt, it is in no small measure due to the financial strength and the wisdom of the policies pursued by the apex institutions concerned. It is, therefore, imperative that in all the provinces where the Movement has come to trouble and in all the new units that have been recently formed in the Indian Union, steps should be taken to have a strong and sound provincial bank at the top and in this matter, the helpful part to be played by the Governments of the provinces and states concerned of course cannot be over-emphasized.

### CHAPTER III.

## CO-OPERATIVE EDUCATION AND TRAINING; AUDIT, SUPERVISION, INSPECTION AND LEGISLATION.

### Co-operative Education.

The importance of co-operative education and training has been emphasized in our previous Reviews and in the Reports of various Committees that have been set up, from time to time, to examine the position of the Co-operative Movement in India. It has been recognized that education in the principles of Co-operation for the members of societies and a thorough training for the official and non-official workers connected with the Movement is an essential pre-requisite for its successful and healthy development. However, in spite of this general recognition of the importance of co-operative education and training, this aspect of the Movement even now remains comparatively neglected in the country as a whole. The need for proper attention to arrangements for co-operative education and training is, nevertheless, very great, especially at the present time in view of the fact that with the advent of political freedom, the Movement is expected to receive a new orientation, expand in diverse directions and play an increasingly important part in the economy of the country. In addition, the need is also urgent for some kind of a Research Bureau for Co-operation which will study all problems connected with it, and keep the Movement posted with recent developments, both in India and abroad.

The existing arrangements for co-operative education and training in the provinces are indicated in the following paragraphs.

#### *Madras.*

The arrangements for co-operative education and training in the Madras Province provide for the training of official staff, non-official staff for employment in co-operative institutions and members and panchayatdars of societies.

Regarding the training of the official staff, the Madras Public Services Commission selects candidates for appointment as Junior Inspectors according to the needs of the Department. These candidates are given theoretical training for a period of nine months in the Central Co-operative Institute at Madras which is run by the Co-operative Department. Practical training for three months is also given to them by experienced departmental staff. During their period of training, the candidates are

given stipends and they are obliged to serve in the Department for two years after training. In the event of their not doing so, the stipends are liable to be recovered from them.

During 1947-48, the Madras Public Services Commission selected 564 candidates for appointment as Junior Inspectors, out of whom 73 had previous training in co-operative institutes and were, therefore, not given further training. Of the remaining candidates, 454 persons alone joined the training institutes. In the same year, the total period of training (nine months theoretical and three months practical) was reduced to six months (four months theoretical and two months practical) owing to the extreme shortage of junior inspectors.

The Central Co-operative Institute conducted four sessions during the period from 1st October 1947 to 30th June 1948, and trained in all 257 candidates. For want of accommodation in the Central Co-operative Institute at Madras, it became necessary to send some of the candidates to the mofussil institutes for training. The latter were given an additional subsidy of Rs. 2,798 by the Government for this purpose, besides the usual grant for meeting the cost of non-official lecturers. A refresher class for departmental inspectors is also held every year in each district for a week in January or February.

The training of the non-official staff such as those seeking employment in central banks, wholesale stores, urban banks, etc., is provided by the four Co-operative Institutes at Coimbatore, Tanjore, Anantapur, and Rajahmundry. These Institutes are non-official agencies. The course of training provided by them lasts for nine months at the end of which the Madras Provincial Co-operative Union holds an examination.

The funds of the Institutes consist of tuition fees, grants from central banks, Madras Provincial Co-operative Union, etc. The services of departmental staff consisting of superintendents and lecturers are provided free by the Government. In the case of the non-official lecturers, the Government meet the actual pay, dearness allowance, etc. incurred by the Institutes. The total grant so paid came to Rs. 6,540. During 1947-48, the Institutes trained 317 candidates.

From June 1948 a special scheme for imparting theoretical training for a period of six months to the staff of non-credit co-operative institutions was started by the mofussil Institutes. About 200 employees underwent this training.

Since the close of the period 1947-48, a new Training Institute was started in Malabar. It provides training for a period of six months for persons already employed or seeking employ-

ment in co-operative institutions. The staff required by the new Institute was sanctioned by the Government, while the Malabar District Central Bank under whose auspices the Institute is run agreed to meet their cost.

The usual training classes for panchayatdars were not held by the mofussil institutes during 1947-48 as the Madras Provincial Co-operative Bank which had been contributing Rs. 7,000 for this purpose, did not give the subsidy in 1947. In this connection, the Provincial Co-operative Union has submitted a scheme for propaganda and education to the Government. The main features of the scheme are the equipment of the Union's four cinema projectors with films on cottage and handloom industries, consumers' co-operation and agricultural marketing; the appointment of two propagandists for each district to tour in villages and organize societies for cottage industries; and the selection of six centres in each district for intensive co-operative propaganda during the months of April to June. The union also suggested that expenditure on propaganda should be borne by the Government and the Provincial Co-operative Union on a 50 : 50 basis and that co-operative societies should contribute compulsorily to the common good fund out of which a part will be paid into the Education Fund of the Provincial Co-operative Union. The Provincial Co-operative Advisory Council has endorsed the above scheme and has recommended its approval by the Government.

Finally, mention may be made of the propaganda work done by the Provincial Co-operative Union and regional institutions such as the Tamil Nad Co-operative Federation and the Andhradesa Co-operative Union which publish co-operative journals. The Provincial Co-operative Union publishes the *Madras Journal of Co-operation* in English while the other organizations publish journals in the regional languages. The officers of the Department also give periodical broadcast talks on Co-operation from the All-India Radio Stations at Madras and Tiruchirapalli.

### *Bombay.*

A revised scheme of education and training based upon the recommendations of the Co-operative Training and Education Committee (1946) was introduced in the Bombay Province in the period under review.

The chief recommendation of the Committee was that the Bombay Provincial Co-operative Institute should be in sole charge of imparting co-operative education and training to officials and non-officials connected with the Co-operative Movement in the Province. Accordingly, the Institute appointed an executive officer to look after its educational activities. It started a Co-operative Training College at Poona and three Regional Schools at Surat, Poona and Dharwar.

The Co-operative Training College at Poona was opened in June 1947 and is expected to train the higher staff of the Co-operative Department and that of the co-operative institutions. Only graduates are eligible for admission into the College. The duration of the course at the College, which includes practical training as well, is one year at the end of which the successful candidates are given a "Higher Diploma in Co-operation." The students are given a stipend of Rs. 60 per month. In the examination held in April 1948, out of 41 students who appeared, 29 came out successful. In addition to the regular courses required for the Higher Diploma, the College also held five special classes of shorter duration for giving training to various categories of officers of the Co-operative and other Departments of Government.

The administration of the College vests in a Committee of six members with the Chairman of the Provincial Co-operative Institute functioning as the Chairman and the Registrar of Co-operative Societies as the Vice-Chairman.

The three Regional Schools at Surat, Dharwar and Poona began functioning from June 1947. They are expected to train assistant co-operative officers, supervisors, bank inspectors and secretaries of big multi-purpose societies and purchase and sale unions. The medium of instruction in the schools is the regional language of the area concerned. Each student is given a monthly stipend of Rs. 40. During 1947-48, 71 out of 98 candidates in the three schools received their "Higher Co-operative Certificate" and were given theoretical training for a period of four months, followed by practical training for one month. Some of the schools also held special classes. The Gujerat Regional School, for instance, held a special class lasting for a fortnight for training in the administration of the Bombay Agricultural Debtors' Relief Act. A special class for ladies for ten days was also held at the Surat Mahila Co-operative Industrial Home.

The administration of the regional schools has been entrusted by the Institute to Divisional Boards of Education constituted for the purpose.

The Provincial Co-operative Institute also held classes for training the secretaries and managing committee members and ordinary members of rural societies in various districts. The Institute publishes the *Bombay Co-operative Quarterly* in English. The regional schools also publish journals in the regional languages. The Institute arranges for periodical talks on Co-operation in the regional languages from the Bombay Station of the All-India Radio under the latter's Rural Broadcasting Scheme.

The Government of Bombay have given liberal subsidies to the Provincial Co-operative Institute, the subsidy for 1947-48 amounting to Rs. 1.74 lakhs. Mention may also be made of the recent statutory provision made in the Bombay Co-operative Societies Act requiring every society which pays a dividend to its members at a rate of 4 per cent or more to contribute towards the Educational Fund of the Bombay Provincial Co-operative Institute at such rates as may be prescribed.

#### *The United Provinces.*

In our Review for 1939-46, we had given an account of the arrangements existing then for co-operative education and training in the United Provinces. We are not in possession of data surveying more recent developments.

#### *The Central Provinces and Berar.*

There is a co-operative educational section in the Co-operative Department consisting of an Assistant Registrar and eight assistant educational inspectors, which holds training classes for circle auditors, society auditors, managers of central banks and land mortgage banks, accountants and assistant accountants of central banks and land mortgage banks, group officers and society inspectors. These classes are organised every year at Nagpur in July-December. Classes for members of credit and non-credit societies are also organized at different places in the Province during the latter half of the year. Besides, there are five divisional institutes which do the work of propaganda and education through their field staff as referred to in the previous Review.

#### *Bihar.*

The arrangements for co-operative education and training in Bihar are looked after by the Co-operative Training Institute which functions under the direct control of the Registrar of Co-operative Societies. The Institute serves both the Co-operative and Cane Departments. It trains various categories of official and non-official staff such as supervisors, inspectors, local auditors, office bearers and executives of cane-growers' societies, the staff recruited under the multi-purpose scheme, etc. The training includes practical training also in subjects such as compost making, tree planting, fruit and vegetable growing, etc. During 1948, the Institute trained 558 persons.

A special reference may be made to the activities of the Institute regarding cane-growers' societies. The staff of the Institute hold peripatetic classes at different centres in the cane-growing areas for the training of office-bearers and executives of cane marketing and development unions and cane-growers' co-operative societies. The classes have a duration of two months each. The

Government have sanctioned stipends for inspectors and supervisors at Rs. 40 and Rs. 25 respectively per month, during their period of training.

The Bihar Provincial Co-operative Federation also undertakes co-operative publicity and propaganda to some extent.

#### *West Bengal.*

The Government maintain a Co-operative Training Institute for giving training to officials and non-officials connected with the Co-operative Movement. The Institute is in charge of a departmental officer of the rank of divisional auditor and it has a staff of 6 members. Departmental officials such as supervisors, auditors, inspectors, etc., have to attend courses of varying duration at the end of which examinations are held. Those who have passed the examinations have to attend refresher courses once a year for a period of three weeks at a time. The duration of the theoretical and practical courses for officials of the Department is 7 months and 5 months respectively. The managers and secretaries of societies are also given training for a period of 4½ months at the end of which examinations are held. The number of officials (new recruits) who received training in 1947-48 was 33, while 56 officials attended the refresher courses.

The Government also maintains two peripatetic instructional units whose main task is the holding of refresher courses for supervisors and the training of members of village societies. The course is for a period of ten days. The peripatetic staff attached to the Training Institute also give lectures on Co-operation to the members of societies.

#### *East Punjab.*

There is an Educational Assistant Registrar with headquarters at Jullundur who is in charge of arrangements for co-operative education and training in the East Punjab. He has got six educational inspectors and six educational assistants under him who impart training to officials and non-officials and members of societies. Departmental examinations are held for the officials of the Department. The educational staff, when they are free from the training of the departmental staff, take classes for non-official workers and members of societies.

It is reported that owing to the partition of the Punjab and the communal disturbances that followed it, educational activities during 1947-48 were almost at a standstill. It is, however, stated by the Registrar that recently, action has been taken to revive educational activities and that a detailed programme for carrying out educational work has been drawn up.

*Orissa.*

Co-operative education and training is a responsibility of the Government in Orissa. The Provincial Co-operative Training Institute set up for the purpose gives training to official and non-official staff and also to members of primary societies.\*

**Universities and Co-operation.**

As regards the part played by Universities in India in providing special courses of training in Co-operation, it was stated in our previous Review that this was very little especially when compared to Universities in Europe and America; in some of our Universities, Co-operation is studied as a part of the general curriculum, and no special importance seems to be attached to it so far. An exception is, however, found in Madras where the University introduced the B.Com. (Hons.) Course with Co-operation as the main subject in two Colleges in the city. The course commenced in the academic year 1948-49 and the Government have sanctioned the post of a Deputy Registrar from 1st July, 1949, for giving instruction in co-operative theory and practice.

**Research in Co-operation.**

It was emphasized in our previous Review that if the Co-operative Movement is to develop on systematic and sound lines and make orderly progress, constant survey of the rapidly changing economic and social conditions of the areas it serves is necessary, to enable a readjustment of its programme to suit the needs of the situation. In other words, research in Co-operation is very necessary for the healthy development of the Movement. However, the statement made in the Review for 1939-46 that co-operative research in India is in its infancy holds good even to-day. The suggestion made in our previous Reviews for setting up a Co-operative Research Bureau has not met with any response. The proposals of the Co-operative Planning Committee for the establishment of a Co-operative Institute of Advanced Studies and Research by the Government of India have also not been implemented so far.

**Indian Co-operative Union.**

A reference may be made to the formation of the Indian Co-operative Union during the period under review in order to "promote the Co-operative Movement in the Indian Union and

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\* A Summer School on Co-operation was opened in May, 1949, under Government patronage. The School lasted for a month during which lectures connected with various aspects of the Co-operative Movement were delivered by officers of the Co-operative and other Departments of Government, and by prominent co-operators of the province. Mention may also be made of the organization in 1948-49, of the Orissa Provincial Co-operative Union which is expected to play its part in the promotion of co-operative education and training.

to propagate the principles of Co-operation and to serve as the recognised exponent of non-official co-operative opinion." The formation of the Union was mainly as a result of the recommendations of the Co-operative Sub-Committee set up by the Government of India in 1947 which suggested that (i) there should be an Indian Co-operative Association representative of all co-operative institutions and workers; (ii) this Association should convene an Indian Co-operative Conference attended by both officials and non-officials; (iii) there should be a Central Co-operative Council at the Centre composed of officials and non-officials to advise the Government on co-operative matters and (iv) a special Directorate attached to the Ministry of Agriculture under a Co-operation Adviser and at least two Deputy Advisers with a competent staff to deal efficiently with all matters relating to Co-operation.

The membership of the Indian Co-operative Union is open to all provincial societies in the provinces and acceded states, and all provincial co-operative institutes, unions or federations. Persons of knowledge and distinction in the field of Co-operation may be invited by the Union to be honorary members, but their number may not exceed 15 at any time.

The Union's chief activities at present are confined to a few functions only such as convening All-India Conferences about once in two years, holding meetings of the Executive Committee about once in six months, publication of the Indian Co-operative Review, etc. It is reported that the Union hopes to function more intensively (e.g., by organizing co-operative summer schools in India once a year, holding All-India Co-operative Exhibitions, etc.) when the grant by the Central Government recommended by the Co-operative Sub-Committee is given to it.

Mention may also be made in this connection of the recommendations of the Co-operative Planning Committee (1945) and the Fifteenth Registrars' Conference (1947) for the setting up of Provincial Co-operative Councils associated with the Provincial Governments which would function as deliberative and advisory bodies. It is reported that in pursuance of these recommendations Co-operative Councils or Committees are being set up in some of the provinces.

#### **Audit.**

A brief mention of the prevailing systems of audit in India was made in the Review for 1939-46. There have been no major changes since then and the audit of all societies continues to be the statutory duty of the Registrar and in most of the provinces, the work is carried on by a special staff employed by the Co-operative Department. In Madras, for instance, the audit of all co-operative societies is the statutory duty of the Registrar. In

order to assist him in carrying out this duty, the Government have sanctioned a staff of junior and senior inspectors for audit purposes. However, the accounts of 6 societies in Madras City and 29 societies affiliated to the Madura-Ramnad Audit Union have their accounts audited by private auditors.

Mention may also be made of the Government's Orders stating that all the audit concessions would be withdrawn from the 1st January 1948 and that the expenditure on the staff required for the audit of the accounts of co-operative societies should not, under any circumstances, be a charge on the provincial revenues. It is reported that as the societies strongly protested against this the matter is under the consideration of the Government.

In Bombay also, audit is a departmental responsibility. The audit staff consists of special auditors, auditors and sub-auditors and is controlled by the Chief Auditor and Financial Adviser to the Co-operative Department, who may, at any time, undertake a test audit of any society. The special auditors are entrusted with the work of auditing societies having a share capital of Rs. 20,000 or above. Societies with a share capital exceeding Rs. 2,000 but not above Rs. 20,000 are in the charge of auditors, while those having a share capital of less than Rs. 2,000 are audited by sub-auditors.

In other provinces such as C.P. and Berar, Bihar, Orissa and West Bengal also, audit is the statutory duty of the Registrar. In some areas professional auditors are appointed to audit the accounts of provincial co-operative banks, central co-operative banks and other major institutions, with the sanction of the Registrar.

It is worthwhile reiterating, in conclusion, the remarks we made in our two previous Reviews that a requisite of efficient audit is that the staff should be adequate, well-trained and properly controlled. An efficient system of test audit is a necessary instrument of proper control, and the audit staff should be separate from and independent of the inspection staff.

### **Supervision.**

It was stated in our previous Review that arrangements for supervision in the different provinces are not uniform. We also said that while no uniform agency can be prescribed for the purpose for the whole country in view of the diversity of existing practices and different historical backgrounds, it was necessary that numerous and overlapping agencies of supervision giving perhaps conflicting advice to societies, should be avoided. We suggested that what is necessary is a small and well-paid staff working in a compact area on the basis of some degree of continuous personal contact

with the people of the locality watching the growth of Co-operation with a clear understanding of local conditions and directing it along right and sound lines.

While there have been no important changes reported to us since the publication of the Review for 1939-46 in most of the provinces, a brief reference to the existing systems of supervision in Bombay and Madras may be made.

In Bombay, in the period under review, the system of supervision was revised in the light of the recommendations made by the Agricultural Credit Organization Committee (1947). The Committee suggested the appointment of an *Ad-Hoc* Committee consisting of the Assistant Registrar, Chairman of the central bank and a representative of the supervising unions in the districts to guide the work of supervision in the districts. The Provincial Board of Supervision at its meeting held in February 1948 considered these suggestions and passed a resolution stating that arrangements should be evolved whereby the superintendence, direction and guidance of the supervision staff should be vested in an *Ad-Hoc* Committee functioning under its direct control. This Committee was to consist of the Assistant Registrar of the Division, the Chairman of the financing agency or his nominee, the Chairman of the District Co-operative Board, one representative of the supervising unions in the district and one representative of the purchase and sale societies in the district. The *Ad-Hoc* Committee was to control and direct the supervision staff in the district, recommend disciplinary action against the supervisors, scrutinize and check their programmes and diaries and review the work of supervising unions and supervisors, etc. The constitution of the District Co-operative Boards and Supervising Unions was also to be modified. In particular, the provision regarding the appointment of supervising committees by the District Co-operative Boards was to be deleted.

These modifications have been approved by the Government and the District Co-operative Boards and the Taluka Supervising Unions have been asked to revise their constitutions suitably. It may be added that the Government have agreed to bear the entire financial responsibility for the supervision staff who are treated as a temporary addition to the departmental staff.

In Madras, the supervision of rural credit societies is done by the district central banks through supervising unions which are federations of the societies situated in a compact area of a taluka or less. Supervisors are employed by the central banks to discharge this function and they are attached to the unions. Supervision fees are collected from the societies by the central banks to meet

the cost of supervision. These are supplemented by their own funds. In 1948, the Government sanctioned an expenditure of Rs. 1.27 lakhs per year for two years for payment of subsidies to central banks to strengthen their supervision staff.

The supervision of certain types of societies such as Harijan societies, stores, weavers' societies and special types of non-credit societies is attended to by the departmental staff. Their main function is to guide the societies in developing their working. With effect from the 1st July 1948 supervision fees at certain rates fixed by the Government are to be recovered from these societies with some exceptions such as in the case of co-operative stores societies in Madras City and weavers' societies which are found to be working at a loss.

### **Inspection.**

There have been no important changes in the position regarding inspection since the publication of the Review for 1939-46 and in most of the provinces, the inspection of co-operative societies continues to be undertaken by the Co-operative Department which usually employs a separate staff for this purpose. In some provinces such as Bombay and Madras, the financing agencies also maintain a staff of "inspectors" who generally look into the working of societies. Besides, the Co-operative Societies Acts in all the provinces provide for the statutory inspection of the books of a society by the Registrar on the application of a creditor whose claim has not been satisfied within a reasonable time.

### **Legislation.**

During the period under review, Bihar and Bombay\* introduced amendments to their Co-operative Societies Acts. In C.P. and Berar also, the Co-operative Societies Act of 1912 was amended in some respects. Among states, Mysore has introduced a Co-operative Societies Act in 1948.

The amendments in the Bihar Co-operative Societies Act refer to subjects such as debts due from non-members, compromise arrangements between a registered society and its creditors, distraint, etc.

As regards Bombay, during 1947-48, the Bombay Co-operative Societies Act (1925) was amended in several important respects. These amendments pertain to matters such as increased democratic control over the Co-operative Movement through federations of primary societies; making unlimited liability optional in respect of primary societies; splitting up single societies into two or

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\* Assam has recently (1949) promoted legislation for a Co-operative Societies Act.

more units wherever they so desire ; extension of the compulsory provisions of Chapter XI of the Act to better farming societies ; providing additional safeguards for the recovery of advances made by co-operative societies to their members ; and the setting up of a Co-operative Tribunal for deciding appeals relating to arbitration proceedings.

The amendments in the C.P. and Berar relate to matters such as amalgamation or transfer of assets and liabilities of societies ; making loans advanced by registered societies a charge on the lands of their members ; liability of a managing committee or a general body of a registered society for illegal loans ; power to direct affiliation of registered societies to co-operative institutes and federations, etc.

A reference was made in the previous Review to the recommendations made by the Co-operative Planning Committee regarding the amendments which they considered necessary to the Co-operative Societies Act of 1912 and the Acts passed subsequently by the various provinces. These recommendations were further examined by the Co-operative Sub-Committee set up by the Government of India in 1947.

#### **Other Legislation.**

In the notes we circulated to the Registrars for gathering material for the present Review, we had specifically requested for details regarding the effects of recent debt legislation on the working of the Co-operative Movement in their respective areas. Unfortunately, most of the replies received to this important question are too vague to allow any general assessment of the position.

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## CHAPTER IV.

### REHABILITATION AND REORGANIZATION.

We have seen in almost every chapter of this publication that the Co-operative Movement in the Indian Union has been affected by two events of major importance that have taken place, viz., the partition of the country and the attainment of Independence. The significance of these events on what is described here as rehabilitation and reorganization cannot be lightly overlooked. The Movement, according to our last Review, was undergoing a process of rehabilitation in several areas, viz., in the Central Provinces and Berar, Bihar and Orissa and a reference has already been made to the steps taken to implement it. What has now happened is that three border provinces have been adversely affected by the partition, viz., the East Punjab, West Bengal and Assam. The Co-operative Movement in the Punjab was in a fairly healthy condition even during the period of depression and benefited considerably during the war on account of the increased income of the farmers resulting from high prices of agricultural produce. The large exodus of the people following partition together with the locking up of the funds of the Movement in the Punjab Provincial Co-operative Bank which had its headquarters at Lahore (Pakistan) brought about almost a paralysis in the Movement, though steps are being taken to revitalise the Movement in the East Punjab. In Bengal, the Movement was already in a deplorable condition and no steps to rehabilitate it were taken in the pre-partition period. The partition of the province only accentuated the situation. Large funds of the Provincial Co-operative Bank (which has been styled after the partition as the West Bengal Provincial Co-operative Bank) were locked up in central banks and societies situated in East Bengal and became almost irrecoverable. In order to allay the fears of the depositors in the stability of the bank, the Government of West Bengal had to go to its assistance and guarantee the dues of the bank locked up in East Bengal, while in Assam, where the Movement was in a stagnant condition, a new experiment which departs in several ways from the traditional pattern of Co-operation has just been started. As regards other provinces, viz., the Central Provinces and Berar, Bihar and Orissa further progress in carrying out the rehabilitation work was made. The rise in prices of agricultural produce and of land during the period of World War II materially helped rehabilitation work. As a result of the progress made in that direction, co-operative banks in these three provinces have improved considerably. Steps are also being taken in these pro-

vinces to start new societies, both credit and non-credit. In Bombay and Madras, where the Movement was already in a healthy condition, considerable progress towards its development in its varied aspects was made during the period so as to enable it to serve more efficiently the different needs of the people.

A detailed account of the progress made in rehabilitation work during the period under review in the different provinces is given below :—

### *West Bengal.*

Bengal was one of the provinces where the Co-operative Movement was hard hit on account of depression that preceded the Second World War. Most of the dues of the societies were frozen and several central banks were unable to meet their liabilities to their depositors. The financial position of the Provincial Co-operative Bank, though not so precarious as that of most of the central banks, was at the same time far from satisfactory and the Government had to go to its rescue by sanctioning a grant of Rs. 24 lakhs for meeting the losses incurred in financing the jute sale societies. A scheme for rehabilitating the Movement prepared by the Registrar was submitted to the Government as early as 1940 and in the same year a Co-operative Societies Act was passed with a view to facilitate the development of the Movement on healthy lines. In the meanwhile, arrangements for supplying crop loans to the agriculturists were made through the Provincial Co-operative Bank, the Government supplying the necessary finance to the Provincial Co-operative Bank. However, all these measures proved to be only temporary palliatives for the simple reason that no effective steps to rehabilitate the Movement itself were taken. Realising the gravity of the situation, the Government appointed in 1945 a Banking Expert to the Co-operative Department who was also to work as the Managing Director of the Provincial Co-operative Bank. Though some improvement was noticeable subsequently in the Movement, especially in the field of organization of multi-purpose societies and marketing societies, the financial structure of the Movement, particularly of the primary credit societies and central banks, showed no signs of revival. This was the state of affairs of the Co-operative Movement in Bengal in 1945-46. The subsequent period which is the subject matter of this Review was marked by the partition of Bengal which completely disrupted the already weak structure of the Co-operative Movement. The area of operations of the Province as a result of partition was reduced to one-third of its original area and large funds of the Provincial Co-operative Bank which were outstanding from the central banks and societies now situated in East Bengal became blocked up. This naturally affected the

confidence of the depositors in the financial stability of the Provincial Co-operative Bank and the West Bengal Government had to go to its rescue to restore public confidence. The Government have guaranteed the collection of Rs. 124.61 lakhs representing the good investments of the Bank in East Bengal, the total guarantee being split up into 12 annual instalments, viz., Rs. 14.61 lakhs in the first year and Rs. 10 lakhs every year for successive 11 years minus the amount that will be collected from the East Bengal societies annually against the guaranteed sum. Though this timely assistance from the Government has saved the bank from a collapse which at one time threatened to be imminent, its financial position has become seriously impaired on account of the fact that the dues from societies situated in East Bengal the recovery of which has been guaranteed by the Government of West Bengal will not bear any interest in future while the bank will have to pay on its part interest to its depositors on the sums locked up. Thus, the problem of rehabilitation of the Co-operative Movement in West Bengal has become complicated, and its solution will need the serious attention of the Government and the co-operators of the Province. The Provincial Bank will also need expert handling. It has become smaller in size and considerable economy will have to be effected. It is reported that it has already taken up the business of distribution of cloth and yarn and expects to make some profit out of it. This will necessarily be risky and will require the most unremitting attention and vigilance.

However, the most vital problem that awaits a permanent solution relates to the rehabilitation of the Movement itself and not merely the Provincial Bank. Though the reduction in the area of operation of the Movement will affect the revenues of the West Bengal Provincial Co-operative Bank, it will enable the Bank and the Co-operative Department to concentrate their efforts on the problems of rehabilitation more effectively. In fact, the greatest impediment to the successful implementation of any scheme of rehabilitation in Bengal was the unwieldy size of the area covering almost 40,000 societies. With the reduction in the number of societies and central banks, it should be easy for the Co-operative Department to take effective steps to rehabilitate the Movement. A fresh scheme of rehabilitation of the Movement should be drawn up and put into effect without any further delay.

#### *East Punjab.*

In the East Punjab, the Co-operative Movement has been directly affected by the partition of the country. The Province had 70 central banks and banking unions, 11,664 agricultural societies and 3,328 non-agricultural societies

as against 119 central banks and banking unions, 20,743 agricultural societies and 6,121 non-agricultural societies in pre-partitioned Punjab. The financial condition of the Movement before partition was on the whole sound in that Province. Though the Movement there as elsewhere was affected by the depression which preceded the Second World War, it did benefit by the rise in prices of agricultural produce which occurred during the war and consequently rehabilitation was not the crying need. The Government were, on the other hand, expanding the Movement in diverse ways and several plans, particularly with a view to provide employment to ex-servicemen during the post-war period were prepared. However, the entire structure of the Movement was suddenly thrown out of gear with the partitioning of the Province in 1947. Records of several societies and central banks were destroyed in the disturbances that followed partition. There was also severe dislocation in the work of the staff employed by the societies and banks on account of the large exodus. On top of this, large funds of the central banks and societies now situated in the East Punjab were locked up as deposits in the Punjab Provincial Co-operative Bank which had its headquarters at Lahore (Pakistan). Similarly, the work of the Co-operative Department was also severely dislocated. These difficulties are being slowly resolved by the Department and the institutions concerned. The records of the societies and central banks have been prepared afresh and so also suitable personnel for running the banks is being found. Discussions have been held at Cabinet level and decisions arrived at in the matter of refunding the deposits and other claims of co-operative banks and societies situated in the East Punjab lying with the banks and societies situated in the West Punjab including the Punjab Provincial Co-operative Bank and *vice versa*. Similarly, decisions were arrived at for refunding of share amount as well as deposits of evacuees in either Dominion. It was further decided to appoint a committee to watch the implementation of the agreement.

As the Provincial Co-operative Bank and the Provincial Co-operative Union, the two apex institutions of the pre-partitioned Province, were situated at Lahore, the question of organizing similar institutions for co-ordinating the working of co-operative organizations in the East Punjab was taken on hand. At first the Ambala Central Co-operative Bank was declared to be the Provincial Co-operative Bank for the East Punjab and it functioned as such till a new apex bank styled as the East Punjab Provincial Co-operative Bank with its headquarters at Simla was organized in 1949. The question of making suitable arrangements for audit, inspection and supervision of co-operative institutions in the East Punjab is also receiving the active attention of the authorities.

*Assam.*

The Movement in Assam was on the verge of collapse when the Second World War broke out in 1939. The depression had worked havoc in that area, and the deterioration in the economic condition of the agriculturists affected the societies very adversely and consequently the recoveries were more or less at a standstill ; overdues mounted up and there was a shrinkage in the fresh finance granted by societies. The situation did not improve even during the period of war and afterwards. Consumers' stores which were, however, an exception increased in number from 19 in 1941-42 to 1,403 in 1945-46. But it was found that a majority of even these institutions did not survive long. Finding the Movement in this stalemate, the Provincial Co-operative Bank appointed a committee during the war period to review the position and to suggest ways and means for the rehabilitation of the Movement. The Committee recommended to the Government (i) to conduct an investigation into the assets and liabilities of the Provincial Bank, the central banks and the primary societies with a view to finding out the value of their realizable assets and the loss likely to be incurred in each case, and (ii) to come forward in the meantime with an assurance to give immediate financial and other help to allay the nervousness of the investing public and to re-establish their confidence in the Movement. The Government have not conducted any such investigation into the condition of the Movement and the subsequent events also do not show that any action was taken to implement the other recommendation of the Committee.

At the end of the war, the Movement was seen to be in an absolutely moribund condition, and had almost ceased to exist. Therefore, during the period under review, the Government introduced a new scheme to revive the Movement in the Province which is not only largely controlled by the Government but is also run by them. A new set-up consisting of institutions called primary trading co-operatives and central trading co-operatives is organized to replace the co-operative societies. An Apex Bank in the place of the present Provincial Bank has also been registered and it serves the Movement through its branches established at district centres. How far the new Movement satisfies in the context the time-honoured ideals of Co-operation such as local autonomy, self-help and mutual help has become a rather delicate issue. The chief characteristics of the present development can be summed up as insistence on uniform by-laws of a comprehensive type and concentration on multi-purpose trading co-operatives, the overall control resting with the Government at the top. And yet perhaps, this is absolutely necessary, albeit for a temporary period, in the peculiar circumstances of the

Province. We should neither measure nor judge all provinces with the same yard-stick.

At the present moment, however, the Movement is employed to serve as an agency for the distribution of controlled cloth and yarn, and gradually it will be built up to take up other activities, chief of which are credit and marketing.\*

#### *Central Provinces and Berar.*

It is well known that in the Central Provinces and Berar, the Co-operative Movement suffered a serious set-back on account of the last depression and out of 35 central banks, as many as 14 central banks were unable to meet the claims of their creditors and had to be brought under rehabilitation. In their case, necessary inquiries were completed during 1940-41 and 1941-42 and the findings of the inquiries were implemented during 1942-43. In order to facilitate the work of rehabilitation, the Central Provinces Tenancy Act was amended making occupancy land mortgageable and saleable for co-operative dues and so also the Berar Land Revenue Code was amended exempting co-operative societies from the law of pre-emption. The rise in prices of agricultural produce and in the value of lands which occurred during the war and afterwards, materially helped the work of rehabilitation by enabling central banks to dispose of land in their possession at high prices and thus realize their dues much earlier than was expected. Out of the 14 central banks under rehabilitation, 12 have paid off the dues of their creditors to the full extent and the remaining two banks, viz., Morsi and Buldana, have paid their creditors to the extent of nine annas and ten annas and three pies in the rupee respectively and are expected to pay the balance in a short time. The Central Provinces and Berar Co-operative Societies Act was also amended so as to permit the central banks under rehabilitation to resume their normal working which most of them have already done.

Along with the work of rehabilitation, efforts are being made to reorganize the Co-operative Movement. It was realized that unlimited liability in a primary credit society was a great handicap to the growth of the Co-operative Movement and hence the Government decided to organize crop loan societies on a limited liability basis. These societies were advancing loans to their members only for raising crops on the basis of the acreage under cultivation but now they have been allowed to grant loans for purchase of bullocks and implements also. At the end of 1947-48,

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\* For details, please refer to our bulletin "Co-operation in Assam—a new Experiment."

there were 1,217 crop loan societies in the province with out-standings of Rs. 29.87 lakhs.

With the operation of Debt Conciliation and Debt Relief Acts, all private sources of credit for the agriculturists practically dried up. A large number of agriculturists who are not members of credit societies, therefore, found it difficult to obtain their credit needs except at exorbitant rates of interest. To meet the demands of such agriculturists, a scheme was drawn up in 1947 to permit central banks to advance crop loans directly to agriculturists on the security of their lands, such borrowers being enrolled as nominal members of the central banks. Six central banks were permitted to undertake this business and till the end of January 1949, they could succeed in financing only 860 borrowers to the extent of Rs. 3.54 lakhs. It is now realized that a more comprehensive plan will have to be adopted, if the credit needs of a large number of farmers are to be met. The Government have appointed a committee to examine this question. The Committee is engaged in considering whether an Agricultural Credit Corporation on the lines of the recommendation of the Agricultural Finance Sub-Committee should be established for the Province for financing individual farmers or in the alternative, the work should be entrusted to the Co-operative Movement, as has been decided in Bombay.

Reorganization of weak and uneconomic societies by their amalgamation is also being pursued where possible and the Co-operative Societies Act has been amended suitably. Seven primary land mortgage banks whose business was small and which were uneconomic have been amalgamated with central banks.

Along with the strengthening of the credit structure of the Movement, steps are also being taken to develop the non-credit side of the Movement and a large number of multi-purpose societies and other non-credit societies have been organized. With a view to strengthening the structure of the non-credit side of the Movement, a Provincial Marketing and Supply Society was organized in 1948. This society is intended to act as an apex institution for all non-credit societies in the Province. The Government have entrusted it with the distribution of cloth through co-operatives in rural areas and have allotted 25 per cent of the production of cloth of the mills situated in the Province. The Government have also entrusted to non-credit societies the distribution of foodgrains and other consumers' goods, the finance required being provided by the Provincial Co-operative Bank. The Co-operative Department also held classes for training the staff and office-bearers of non-credit societies. In their drive to set up more non-credit co-operatives they have prepared plans for organizing

handloom industry and other cottage industries as well as fisheries on co-operative lines.

### *Bihar.*

In Bihar, the scheme of rehabilitation of the Co-operative Movement was sanctioned by the Government in 1941 and full details thereof have already been given in our previous Review. There were 53 central banks in that Province of which 41 were brought under rehabilitation and 12 were liquidated. Even out of the liquidated banks, the working of some of them will be revived as they have succeeded in making full payment to their creditors. The rehabilitation work was started in 1942 and completed in 1947. The rise in prices of agricultural produce as well as of land that occurred during the period materially helped the work of rehabilitation as it enabled the banks to dispose of the lands and other properties in their possession at good prices and realize their dues speedily. Most of the central banks have commenced their normal working and are managed by elected boards of directors.

With the successful completion of the rehabilitation work, efforts were being made to expand the business of the reconstructed central banks and societies and to provide for the financing of their members. A scheme for extending the activities of the Bihar Provincial Co-operative Bank on the lines of the Credit Agricole of Egypt was also drawn up in 1944. Under the scheme, arrangements were to be made to finance the agriculturists whether they were members of primary credit societies or not for the purchase of seed, manure, implements and for other cultivation expenses. The Provincial Co-operative Bank was to undertake distribution of manure, fertilisers, seeds, etc., to the agriculturists which work was previously handled by the Department of Agriculture. The reconstructed central banks were to act as agents of the Provincial Co-operative Bank in the matter of advancing loans as well as distribution of manure, fertilisers, seeds, etc. The scheme was brought into operation in 1945. Not much progress could, however, be made in making fresh advances to the agriculturists, such advances by the Provincial Co-operative Bank during the three years 1946-48 having amounted to Rs. 7.14 lakhs, Rs. 7.19 lakhs and Rs. 9.02 lakhs, respectively. In order to expand the scope of membership of the societies, it has been decided to convert primary credit societies into multi-purpose societies. However, good progress has been made in the business of distribution of fertilisers, seeds, manure, etc., to the agriculturists as would be clear from the figures of the business of the Provincial Co-operative Bank given below. It may be added that the Provincial Bank enjoys a monopoly in the distribution of fertilizers in the Province.

|   | 1946          | 1947          | 1948          |
|---|---------------|---------------|---------------|
| 1. Distribution of chemical fertilisers .. .. .     | 10,800 tons   | 11,487 tons   | 12,605 tons   |
| 2. Distribution of oilcakes..                       | 1,42,000 mds. | 5,94,943 mds. | 4,64,835 mds. |
| 3. „ seeds ..                                       | 3,400 mds.    | 17,199 mds.   | 19,540 mds.   |
| 4. „ oats ..  | —             | 11,957 mds.   | 6,435 mds.    |
|   | (Rs. lakhs)   | (Rs. lakhs)   | (Rs. lakhs)   |
| 5. Total value of fertilisers and seeds distributed | 37            | 79.34         | 95.29         |
| 6. Gross profit made in the business .. .. .        | 2.45          | 5.04          | 5.02          |
| 7. Commission earned by central banks ..            | 0.77          | 1.83          | 1.73          |
| 8. No. of depots open ..                            | 82            | 93            | 114           |

By developing the Credit Agricole branch, the Provincial Co-operative Bank has encouraged the farmers to use fertilisers, oilcakes and improved seeds to a greater extent than previously. These activities have also helped the Provincial Co-operative Bank and central banks to earn decent profits and thereby to meet the cost of their management without approaching the Government for subsidies. Central banks and societies have also taken up the business of distribution of foodgrains, kerosene, cloth, etc.

Though the co-operative banks in Bihar have been resuscitated and enabled to commence their normal working, nothing tangible has been achieved in the field of organization of new societies of various types which alone can fill the void created by the collapse of the Co-operative Movement. Even the ability of the provincial and central banks to balance their budgets is mainly based on extra profits arising from their trading activities and the monopoly enjoyed by the Provincial Bank in the distribution of fertilisers.

#### *Orissa.*

In Orissa, out of 15 central banks, 13 banks of North Orissa were brought under rehabilitation while two banks of South Orissa were solvent and were, therefore, not included in the scheme of rehabilitation. The total good assets of the 13 central banks of North Orissa on 30th June 1948, amounted to Rs. 34.39 lakhs against which their total outside liabilities amounted to Rs. 28.63 lakhs. The total bad debts were estimated at Rs. 5.47 lakhs. Nine out of the 13 banks in North Orissa were solvent in 1948 as against four in 1939. One more bank is expected to become solvent soon. In the case of the remaining three banks the percentage of deficit in realisable assets over their outside

liabilities came to 21, 32 and 45 respectively. Proposals for making these banks solvent were submitted to Government. The management of all the 13 central banks in North Orissa vests in the Registrar. With a view to finance the central banks, to act as their balancing centre and to co-ordinate their working, an apex bank, namely, the Orissa Provincial Co-operative Bank has been organized and it has commenced working since 2nd April, 1948.

#### *Other Provinces.*

As stated previously, the Co-operative Movement in Bombay and Madras was in a comparatively healthier condition even during the period of the depression though it could not altogether escape its effects. However, the malady was detected at an early stage and steps were taken in both these provinces to combat its deleterious effects. The position is being constantly reviewed and periodical injections to keep up the vitality are being administered.

In Bombay, arrangements to examine individual loans of societies were made and this work was completed in practically all agricultural credit societies in the Province by the end of 1947-48. It was revealed that in 5,725 societies, out of the total outstanding of Rs. 288.39 lakhs, Rs. 28.80 lakhs were frozen, Rs. 3.71 lakhs were doubtful and Rs. 2.47 lakhs were bad. Based on the results of such examinations, steps were taken to put the finances of societies in proper order. Steps were also taken to accelerate the progress of the Movement by expanding the sphere and scope of the existing societies and by organizing new societies for different purposes. However, with the extension of the provisions of the Bombay Agricultural Debtors' Relief Act to the whole of the Province, the need for providing credit to the farmers became all the more urgent because of the unwillingness of the moneylenders to risk their funds any more. The question, therefore, was whether it was necessary to organize a State-aided and State-controlled Agricultural Credit Corporation as recommended by the Agricultural Finance Sub-Committee (Gadgil Committee) or to entrust the task to the Co-operative Movement. The Government of Bombay appointed a committee in 1947 called the Agricultural Credit Organization Committee to examine how far the co-operative institutions in the Province could finance all creditworthy agriculturists on the lines recommended by the Agricultural Finance Sub-Committee and what facilities should be granted to enable them to do so. After reviewing the working of the Co-operative Movement in the Province, the Committee came to the conclusion that there was no need for the setting up of an Agricultural Credit Corporation as recommended by the Gadgil Committee and that if the

Co-operative Movement was suitably reorganized, it could provide finance to a fairly large number of creditworthy cultivators at reasonably low rates of interest. To that end they made various suggestions for improving the efficiency and usefulness of the societies from two main objectives—that they may absorb as many new members as possible consistent with safety and to provide loans to the agriculturist at a reasonably low rate of interest, viz.,  $6\frac{1}{4}$  per cent. They also expressed the opinion that all primary societies should be multi-purpose societies and should develop non-credit activities according to their capacity to handle them. As regards the central and provincial banks, the Committee made several suggestions for amending their constitution and improving their working so as to enable them to play the role assigned to them in the new set-up. The Government of Bombay have generally accepted the recommendations of the Committee. They have also decided to accelerate the pace of the Movement so as to cover within seven years 50 per cent of the villages and 30 per cent of the population in the Province. They have also agreed to grant subsidies to rural credit societies based on their working capital towards the cost of their secretaries. As regards the assistance to the provincial and central co-operative banks, the Government have agreed to subscribe to the shares of the Bombay Provincial Co-operative Bank to the extent of Rs. 20 lakhs and to the unsubscribed portion of the shares issued to the public out of the additional shares of Rs. 30 lakhs proposed to be issued by the Bank. They have also agreed to make a contribution to the Provincial Co-operative Bank to the extent the Bank is required to subscribe to the shares of the central banks and banking unions. The Government will grant subsidies to provincial and central banks for opening additional branches and pay offices for meeting the demands of the agriculturists for the expeditious disposal of applications for loans and prompt disbursement of funds. The provincial and central co-operative banks have been asked to amend their constitutions suitably so as to be in a position to undertake the functions allotted to them, particularly that of providing loans to all creditworthy agriculturists whether they are members of societies or not. They are to have provisions in their constitution for enrolling as nominal members those agriculturists who are not members of any societies for advancing crop loans directly to them. The provincial and central banks are to advance loans to the societies at 4 per cent which will in their turn advance loans to their members at  $6\frac{1}{4}$  per cent. Those agriculturists who are not members of credit societies but are creditworthy will obtain loans for raising crops directly from the provincial or central banks at 7-13/16 per cent. As a result of implementing these decisions, advances in provincial and central banks have shown considerable rise.

In Madras also, rectification schemes were formulated in several districts as early as 1933-34 and the work has been carried out with sustained vigour throughout these years. Further, the controlled credit system under which credit and marketing were linked up and to which detailed reference has been made in the section on Co-operative Marketing, was introduced in most parts of the Province. All these efforts brought about a marked improvement in the condition of the societies with the result that arrears which formed 55 per cent of the demand in agricultural societies in 1937-38 have been brought down to 21 per cent in 1947-48. Along with the improvement in the financial condition of societies, their scope of activities has been enlarged. During 1947-48 as many as 940 rural credit societies undertook purchase and distribution of sugar, kerosene, match-boxes, foodgrains, and similar articles. Their purchases and sales during 1947-48 amounted to Rs. 91 lakhs and Rs. 103 lakhs respectively. Further, plans have been drawn up as in Bombay, to cover 50 per cent of the villages and 30 per cent of the population within five to ten years by organizing more societies and expanding the sphere of the existing societies. Energetic efforts are being made to achieve the objective. Great progress has also been made on the non-credit side of the Movement especially in the organization of consumers' stores, weavers' societies, industrial societies, milk societies, etc., as will be seen from the various chapters in the present Review.

To sum up, the progress of rehabilitation has reached different stages in different provinces. In the Central Provinces and Berar, Bihar and Orissa, the Movement has been rehabilitated and thereby saved from utter collapse while in the East Punjab, West Bengal and Assam, the Movement is not yet out of the woods. In Madras and Bombay, the Movement is being developed with vigour and foresight to make it a live instrument for serving the varied needs of the people. Thus, while it is no doubt true that progress in rehabilitation has been noticeable in a few areas, and the Movement is in a happy position in Madras and Bombay, the general picture continues to be somewhat disconcerting. Energetic measures to complete the rehabilitation work and to give a new start to the Movement in the provinces affected by partition in 1947 are the needs of the hour and can brook no further delay especially in view of the possibility that the rise in prices of agricultural produce and in land values which in the war-period and to some extent after it, gave a fillip to rehabilitation measures, may not be there for long in the future.

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## CHAPTER V.

### THE STATE AND THE CO-OPERATIVE MOVEMENT.

The role of the State in relation to the Co-operative Movement in India from the inception of the Movement in 1904 to the end of the war period was examined in the Review for 1939-46. Besides dealing in general terms with the shape which the Government assistance had taken during that period, viz., financial, legislative and moral, details of such aid, as were available, were also enumerated in as comprehensive a manner as possible. A brief account surveying the whole position on an all-India scale was followed by a province-wise description of how actually the Provincial Governments helped the Movement. In this chapter, it is proposed to consider along similar lines the part played by the State to help the progress and working of the Movement in India during the period (1946-48) immediately following World War II. At the outset it may be mentioned that this period was an eventful one for India, inasmuch as it was during these years that the faint beginnings of the transformation from a war-time to peace-time economy made themselves felt to some extent. The country was settling down to the work of peaceful reconstruction and the resettlement of the ex-servicemen returning from the war in their civilian life was the main task confronting the Governments. It may be noted that the years under review still continued to have all the characteristics of the war period. For instance, the normal economic structure was still dislocated. The essentials of life such as foodstuffs, cloth and other consumers' goods, etc., were all in short supply. The housing shortage continued to be felt in as keen a measure as during the war years. The controls of essential foodstuffs and other scarce commodities were continued and rationing was generally in force except for a short break in 1948.

An event of far-reaching significance, perhaps more important than the economic factors themselves, that took place during the period under review was the political independence of the country attained in 1947, ending, once and for all, the foreign domination, which was a standing impediment to the progress of the country. The liberation of India was, however, accompanied by partition which had serious repercussions, creating innumerable and almost insurmountable problems for the new Governments. The popular and democratic Governments had, therefore, not only to tackle these problems but to gear the nation slowly along the road of economic progress also. Thus, these two years may be considered as the beginning of a transition

stage. The attitude adopted by the Governments, both central and provincial, towards the Co-operative Movement and the nature of encouragement and help that they have rendered to it during these transition years may be expected to give an approximate idea as to the relations that might develop and the future pattern of relations that might exist between the State and the Movement.

State aid to the Movement may be dealt with under the following main categories :—

(1) *Financial Assistance.*

(a) The financial commitments by Governments in the maintenance of special co-operative departments with a large staff.

(b) The financial aid given in the shape of (i) loans, grants-in-aid and subsidies and (ii) guarantees of principal and/or interest, of debentures issued by co-operative institutions.

(c) The supply of personnel entirely or partly free of charge to various co-operative institutions which could not otherwise afford to employ them.

(d) Special concessions and privileges such as exemption from income-tax, stamp duty, registration fees, free remittance transfer facilities, etc.

(e) The appointment of expert committees for making a study of the condition of the Movement as a whole or any particular aspect of it, for bringing about modifications or effecting changes in the existing practice, if called for.

(f) Government's expenditure in the cause of co-operative education.

(2) *Legislative Help.*

(a) The passing of special legislation for the organization and working of co-operative institutions.

(b) Protection of co-operative institutions from the restrictive provisions of various debt relief acts.

(c) Special legislative concessions and legal privileges such as execution of awards through Government agencies, exemption from attachment of shares of co-operative societies, etc.

(3) *Moral Support.*

(a) Recognition of the Movement as a suitable agency for various activities like supply, procurement and distribution of foodstuffs and other necessities of life, etc.

(b) Utilisation of the co-operative agency for re-settlement of ex-servicemen on land or formation of societies for providing them with other suitable occupations.

(c) Employment of the Movement for the rehabilitation of refugees, after the partition of the country.

(d) The recognition and encouragement accorded to the Movement in the Grow-More-Food schemes and other schemes for increasing the production of foodstuffs.

A general assessment of the assistance in all these respects is made in the following paragraphs while a detailed account giving, for instance, the exact amounts spent on several items by each of the Provincial Governments, the legal concessions accorded to the societies, etc., or in other words, a more concrete picture of the part played by Government in each province and important state, is included at the end of the chapter.

At this stage an examination in a somewhat detailed manner may be made of the various items referred to above. First, as regards financial assistance, this consists of Government loans, periodic subsidies or grants-in-aid and guarantee of debentures floated periodically by land mortgage banks. The following table shows the amount of Government loans outstanding in respect of all types of institutions, viz., provincial and central banks, agricultural and non-agricultural societies and land mortgage (central and primary) banks during the three years 1945-48.

Loans and Deposits Held from Government in Provinces.

| Year            | Total working capital | Government loans | Percentage of (3) to (2) |
|-----------------|-----------------------|------------------|--------------------------|
| 1               | 2                     | 3                | 4                        |
|                 | (Rs. lakhs)           | (Rs. lakhs)      |                          |
| 1945-46 .. .. . | 14,433.42             | 74.02            | 0.51                     |
| 1946-47 .. .. . | 13,351.20             | 234.12           | 1.75                     |
| 1947-48 .. .. . | 14,689.13             | 236.80           | 1.61                     |

It will be seen that the amount of Government loans in each of the years 1946-47 and 1947-48, has more than trebled itself as compared to the amount for the year 1945-46. This increase perhaps reflects the growing desire and endeavour on the part of some Governments to foster the growth of the Movement in several directions by utilizing its agency in activities such as the procurement and distribution of foodstuffs, development of the products of societies for cottage industries, etc., without interfering with the essentially 'co-operative' character of the

institutions. For, the percentage of the total Government loans to the entire working capital of the Movement shows that the Governments have not committed themselves financially to a very great extent, the bulk of the capital being still raised independently by the Movement.

Besides the loans referred to above, several Governments have sanctioned periodic subsidies and grants-in-aid also. The following table shows the amount of such grants-in-aid given during the years under review :

Grants-in-aid by Governments.

| Province                               | 1946-47  | 1947-48  |
|--|----------|----------|
|  | Rs.      | Rs.      |
| 1. United Provinces .. .. .            | 3,68,419 | 8,84,392 |
| 2. Bombay .. .. .                      | 2,37,294 | 2,04,392 |
| 3. West Bengal* .. .. .                | 2,00,000 | —        |
| 4. East Punjab .. .. .                 | 1,51,093 | 83,671   |
| 5. Central Provinces and Berar .. .. . | 76,153   | 79,794   |
| 6. Bihar .. .. .                       | 73,790   | 1,98,468 |
| 7. Madras .. .. .                      | 73,500   | 1,41,800 |
| 8. Orissa .. .. .                      | 17,743   | 29,533   |

\* This refers to an annual Government subsidy of Rs. 2 lakhs to the Provincial Bank for recouping the loss of investments in the jute sale societies (in liquidation).

The guaranteeing of debentures has been one of the ways in which Governments have helped the co-operatives, particularly the land mortgage banks. Madras has continued to lead in this respect. The guarantee both of principal and interest of the debentures of the Madras Central Land Mortgage Bank by the Government of Madras was up to a maximum of Rs. 4 crores during the two years under review, the guarantee having been extended by Rs. 50 lakhs from the maximum of Rs. 3.50 crores during 1945-46.† In the Central Provinces and Berar, the Government agreed to guarantee the principal and interest of the debentures floated by the Central Provinces and Berar Provincial Co-operative Bank for 10 years from 7th December, 1945. So far (during the period under review) the Government guarantee has, however, not been utilized.‡ In Orissa, similarly, the debentures of the Central Land Mortgage Bank are guaranteed both

† This limit has been further raised to Rs. 5.50 crores during the year 1949.

‡ In 1949, the Central Provinces and Berar Provincial Co-operative Bank has issued three series of debentures for a total sum of Rs. 9.50 lakhs, and the Government have extended the guarantee both in respect of principal and interest.

as to their principal and interest. The maximum limit was Rs. 3.5 lakhs during the year 1946-47 which was extended by Rs. 50,000 during 1947-48. In Bombay, the debentures of the Bombay Provincial Co-operative Land Mortgage Bank have been likewise guaranteed by the Provincial Government to the extent of Rs. 35 lakhs in 1946-47 and Rs. 39.50 lakhs in 1947-48 with regard to principal as well as interest.

The maintenance of special co-operative departments by each of the Provincial Governments also involves direct financial liability on the part of the State. The staff of these departments consists of Registrars, Deputy Registrars, Inspectors, etc., and provision for them is made in the Provincial Government budgets under the head "Co-operation." The following table gives an idea of the cost of the Co-operative Departments to the various Governments during the three years 1945-48 :—

Rs. in lakhs.

| Province          | Expenditure of the Governments towards the maintenance of the Co-operative Departments |         |         | Expenditure under the head "Co-operation" in the budgets |         |         |
|-------------------|--|---------|---------|--|---------|---------|
|                   | 1945-46  | 1946-47 | 1947-48 | 1945-46  | 1946-47 | 1947-48 |
| Madras .. ..      | 26.08  | 30.72   | 36.76   | 30.93  | 44.33   | 42.69   |
| Bombay .. ..      | 10.83  | 18.24   | 29.38   | 19.51  | 29.52   | 50.61   |
| West Bengal ..    | n.a.   | 7.45*   | 12.69   | 19.97*   | 23.77*  | 6.03†   |
| C.P. and Berar .. | 3.24   | 4.15    | 4.61    | 3.84   | 6.16    | 9.16    |
| United Provinces‡ | 15.61  | 9.90    | 12.18   | 18.27  | 13.58   | 21.02   |
| Orissa .. ..      | 1.97   | 2.92    | 4.65    | 2.73   | 3.64    | 5.14    |
| Assam .. ..       | n.a.   | 4.57    | 3.66    | 4.03   | 4.76    | 3.79    |
| Bihar .. ..       | n.a.   | n.a.    | n.a.    | 8.87   | 9.80    | 20.97   |

\* Undivided Bengal.

† Refers to the period from 15-8-47 to 31-3-48.

‡ These figures are arrived at by deducting from the total Government expenditure, the grants-in-aid given by the Government.

n.a. Not available.

It will be seen from the above table that Government expenditure on Co-operation has been growing every year. This increase may be attributed to the additional activities that the departments have been undertaking such as the sponsoring of societies for resettlement of ex-servicemen, help to housing societies, etc. It will also be observed from the statement that a good portion of the budget allotments under "Co-operation" goes towards the maintenance of the departments and the grants-in-aid form only a small percentage of them.

Apart from grants-in-aid and loans to societies, mention may also be made of the supply, to various co-operative institutions, of personnel whose salary and other charges are borne

by the Governments fully or in part. The details of assistance in the form of services of personnel have been given at the end of the chapter. These apart, Governments have been taking some responsibility in respect of co-operative education and training and their share of the financial liability in the matter has been dealt with in the chapter on "Co-operative Education and Training ; Audit, Supervision, Inspection and Legislation."

As has been observed in our previous Review, appointment of experts or special committees to examine the condition of the Movement, whenever there is need for such a study for formulating a general policy of rehabilitation or re-organization of the Movement, has also been one of the ways in which the State has been extending a helping hand to the Movement. In these cases, the expenditure involved has generally been borne by the respective Governments, Central or Provincial. During the period under review, in two provinces, viz., West Bengal and Bombay, such committees were appointed besides the Sub-Committee appointed by the Government of India on the recommendation of the Fifteenth Registrars' Conference in 1947 to go into some of the recommendations of the Co-operative Planning Committee. The Report of this Sub-Committee was submitted to the Central Government in 1949. In West Bengal, a committee of five—three non-officials and two officials—was formed by the Registrar of Co-operative Societies in March 1948, to examine the position of each central bank and submit a report suggesting specific action to be taken in respect of the same. In Bombay, the Government appointed in 1947, a Committee under the distinguished chairmanship of Sir Manilal B. Nanavati, to recommend the terms on which and the extent to which Government assistance should be provided to the co-operative banks in the Province and to suggest amendments and modifications in the existing constitutions of the apex co-operative financing agencies, the co-operative central banks and the land mortgage banks to enable them to provide agricultural credit on the lines envisaged by the Gadgil Committee. The Committee finalized their Report in July 1947 and the Government of Bombay, after examining the recommendations, passed Orders in their two Resolutions dated the 12th March, 1948, and the 25th June, 1948. Among the several recommendations accepted by the Government, the important ones involving State aid read as follows :—

(a) The most suitable form in which, in the present conditions, Government can give assistance is by subscribing to the share capital of the Bombay Provincial Co-operative Bank, Ltd. The extent of such contribution should be limited to the amount subscribed by individuals and co-operative societies, but not exceeding Rs. 50 lakhs. This should carry the same rate of divi-

depend as the ordinary share capital, but any payment made to Government in excess of a return of 3 per cent per annum on the capital subscribed by it will represent a contribution to a special credit stabilization reserve to be maintained by the Bank. The Bank should have the option to arrange for the gradual repayment of the share capital after the initial period of five years, should it be in a position at that stage to command adequate owned resources.

(b) No voting rights should attach to this shareholding. Government should have, however, the reserve power to frame and impose by-laws.

(c) The constitution of the Provincial Bank should provide for its contributing to the share capital of central banks and banking unions to the extent that these institutions raise share capital from their members. The amount of the Provincial Bank's subscription to the share capital of central banks and banking unions will, however, be limited to an aggregate sum of Rs. 25 lakhs with a maximum of Rs. 5 lakhs for any one institution. For the aggregate amount of subscription to the share capital of central banks and banking unions, the Provincial Bank may receive from Government a contribution equivalent to the actual amount subscribed. This contribution by Government shall, however, not be in excess of Rs. 25 lakhs and it will bear interest at 3 per cent per annum. In case the return to the Provincial Bank on its investments in the share capital of central banks and banking unions is in excess of 3 per cent per annum, such excess shall be credited to the special credit stabilization reserve referred to above.

(d) To meet the demands of agriculturists for the expeditious disposal of applications for loans and the prompt disbursement of funds the Provincial Bank and central banks and banking unions should take steps to open additional branches or pay offices. Government will provide subsidies not in excess of the losses in the working of such units on a basis to be settled in consultation with the Bombay Co-operative Banks' Association. Such subsidies will be tenable in respect of each unit for three years only in the first instance.

It may also be stated here that at the 38th Ordinary General Meeting of the Provincial Bank held on 24th September 1949, the Board of Directors have "decided to offer fresh shares of the nominal value of about Rs. 20 lakhs to the public giving preference to the present shareholders of the bank at a premium of Rs. 10 per share and to request the Government of Bombay to subscribe Rs. 10 lakhs to the share capital and also take up shares not subscribed by the public in terms of their Resolution dated 25th June 1948 so as to make up a total paid-up capital of Rs. 50 lakhs for the bank."

It would not be out of place to make a passing reference also to the Committee recently appointed by the Central Provinces and Berar Government called the "Central Provinces and Berar Taccavi Policy Committee" for examining the whole question of financing individual agriculturists. This Committee is also considering the question whether an Agricultural Credit Corporation should be established for financing individual agriculturists to which the work of taccavi advances should be entrusted or, in the alternative, the work should be entrusted to the Co-operative Movement.

In the last Review itself, mention was made of the other ways in which Governments have aided the Movement financially, such as, for instance, the exemptions granted in respect of stamp duty, registration fees, income-tax, free remittance transfer facilities, etc. They have been in the nature of general concessions enjoyed by the co-operative societies. Such concessions vary from province to province depending on local needs. Sometimes special concessions of this type are granted to help the formation of a particular type of society or of societies for backward communities who would be requiring such help in their initial stages. For instance in Madras, the members of co-operative societies belonging to the Scheduled Classes like Harijans are exempt from the payment of registration fees or fees for obtaining encumbrance certificates in respect of the instruments executed by them to the societies for taking loans, while "one half of the fees payable under the law of registration for the time being in force is remitted in respect of instruments executed by or on behalf of any registered co-operative society or by an officer or a member of such a society and relating to the business thereof."

As regards the legislative side, detailed mention of it has already been made in the chapter on "Co-operative Education and Training; Audit, Supervision, Inspection and Legislation." During the period under review, three provinces, namely, Bombay, Bihar and the Central Provinces and Berar have enacted legislation affecting the Co-operative Movement. Lastly, in West Bengal a Sub-Committee has been formed for revising the present Act. Mysore too has passed a Co-operative Societies Act.

As stated in the Review for 1939-46, the picture of State aid would be complete only if the moral support extended to it is also considered. For, it is more in this respect than in the purely financial, that the State recognition of the Movement as a truly democratic organization is strikingly brought out. The encouragement given by Governments by entrusting the Movement with various tasks such as procurement and distribution of food-stuffs and other controlled commodities, for development of cottage industries, etc., has not only enhanced the strength and popularity

of the Movement but has revealed its immense potentialities, particularly on the non-credit side in the several fields of economic activity.

In the two years under review, not only was an attempt made to consolidate the position gained on the non-credit side, but the Movement was further extended in that direction in some provinces. This may be attributed partly to the economic conditions, which were not much different from those that prevailed during the war period itself and partly to the active interest evinced and the encouragement given by some of the Provincial Governments themselves. In fact, the Movement has now come to claim a greater share and voice as an effective instrument in carrying out any nation-building activity by the State. Whether it be rural health, re-settlement of refugees or provision of new houses, co-operative societies are thought of in all such cases. This is vividly brought out by the following observations of the Registrar of Co-operative Societies, Madras, in his Report for the year 1947-48 :

“ Government shaped their policy in such a way as to foster the growth of the Movement in various directions in spite of opposition from vested interests. They utilised the services of co-operative organizations both in increasing the production of foodstuffs, handloom goods and cottage industrial products as well as in the equitable distribution of controlled commodities at reasonable prices. They entrusted co-operative institutions with the task of providing employment to men of the fighting services demobilised after the war and to ex-toddy tappers thrown out of work by the introduction of prohibition. They gave them the function of relieving the scarcity for houses experienced in most municipalities and major panchayats. And they assisted every deserving case with loans, or subsidies or both. Almost every chapter in this Report provides evidence of the popular Government's support to a popular Movement which aims at the well-being of the masses.” The Registrar of Co-operative Societies, Bombay, sounds a similar note about the Government's enhanced interest and encouragement shown to the Movement in his Report for 1946-47, in the following words :

“ The operation of controls over the distribution of foodgrains, etc., and the orders of Government giving a distinct preference to co-operative societies over other agencies in the work of distribution continued to give a further stimulus to the consumers' movement which is evidenced by an increase in the number of these societies.”

Thus, while drawing attention to the general ways in which the Governments have been extending moral support to the

Movement it would be worthwhile to examine in a somewhat detailed manner as to how the Movement was employed in at least three important respects, namely, refugee rehabilitation, re-settlement of the services personnel who have been demobilised from the military and the Grow-More-Food Campaign. It may be observed that during the period under review, it was in these three fields that the greatest scope for action by co-operatives was possible. The partition of India raised the problem of the refugees, and these "millions on the move" had to be settled in several parts of the Indian Union, and employment provided for them. The soldiers who returned from military service had likewise to be provided with civilian occupations. In these two tasks the Co-operative Movement offers great opportunities as it enables persons to be grouped in convenient units and to secure all the necessities of their daily life by their own efforts. In other words, where a group of people have an identical economic purpose or aim to be achieved, no better organization can perhaps be thought of than a co-operative society. For, it is a judicious and harmonious combination of common interests and individual rights. It is no wonder, therefore, that Governments in some provinces thought it worth while to employ the Movement for the above purposes.

Further, while help from Governments in the form of loans to individuals often threw the burden on the individuals themselves of seeking employment elsewhere, the assistance promised by the State for co-operative action by these persons has had the advantage of not only creating new employment for the members who formed the group but acted as a sort of compulsion on them to make their co-operatives a success, for their livelihood was dependent upon their own self-help and joint endeavour.

Lastly, on the food front there has been a growing desire to utilise the co-operative agency in the food production plans of the Governments and this desire has been given expression to several times at conferences by Ministers of Governments as well as in Government Committee Reports. The Food and Agriculture Minister, the Hon'ble Shri Jairamdas Daulatram, inaugurating the 25th Session of the Bihar Co-operative Federation Congress in April 1949, stated, for instance, that "both the interest of the individual cultivator and of the nation as a whole necessitated an immediate programme of maximum production. The co-ordinated efforts of millions and the insufficient service which the state administration was at present able to render them, would not achieve this end. . . . The extension of some of the co-operatives would have to become one of the major and more urgent items in the Government's programme. . . . The situation demands that the organization of co-operatives in all our villages should become a front line item. . . . Co-opera-

tive organizations, village panchayats, food committees—whatever they may be called—should be the instruments of agricultural production.”

So far, the general position regarding the assistance rendered by the Provincial Governments to the Co-operative Movement in the two years under review has been summed up. The following account is meant to give on a province-wise basis details regarding the exact nature of such help.

### *Madras.*

The observation made in the previous Review to the effect that the Co-operative Movement in Madras had perhaps received the greatest amount of support from the Government seems to hold good during the period 1946-48 also. Indeed, there is evidence to show that in this Province, a growing interest, than ever before, has been evinced by the Government in co-operative endeavours. Further, it would appear that the Government “shaped their policy in such a way as to foster the growth of the Movement in various directions” instead of merely extending assistance, financial or otherwise, in an unsystematic fashion. It is also interesting to note that co-operatives were generally organized in spheres which relate to some of the pressing problems of the day, as, for instance, the housing shortage, rehabilitation of ex-service-men, toddy tappers who have been thrown out of employment as a result of prohibition, food procurement, development of cottage industries and so forth.

The greatest extent of financial liability assumed by the Provincial Government during the period under review, was in respect of the accommodation granted to the Provincial Co-operative Bank for financing the procurement operations undertaken by the co-operative societies in the districts. The Government granted a short-term loan of Rs. 2 crores at 2½ per cent per annum repayable before 30th September, 1947.\*

In addition to the above, the Government empowered the Registrar to enhance the credit limit of the Provincial Bank up to twenty times its paid-up share capital and reserve fund in 1946-47. At the request of the Provincial Bank, the Government permitted the utilisation of a portion of its reserve fund in its own business during the period 1946-48.

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\* During 1948-49, the Government have lent to the Madras Provincial Co-operative Bank and the Central Banks, Rs. 2.73 crores for procurement of foodstuffs, cloth and yarn. In February 1949, the Provincial Bank obtained a cash credit accommodation of Rs. 2 crores from the Imperial Bank of India covered by a Government guarantee for financing the procurement of foodstuffs.

The Government have been encouraging the construction of godowns for providing storage facilities to the members of sale societies. The concessions in the shape of long-term loans and subsidies given by the Government for the construction of godowns were not, however, fully availed of by many societies owing partly to the increased cost of construction and partly to the rather unattractive nature of the existing concessions themselves. At present (1946-48), loans repayable in 30 years are granted to meet not more than 75 per cent of the cost of construction. Subsidies up to 25 per cent of the cost of construction are restricted to a few deserving cases. These financial aids could stimulate so far only 31 sale societies to put up 36 godowns at a total cost of Rs. 5.36 lakhs.\*

A reference may next be made to the scheme of purchase and distribution by co-operative societies of compost manure manufactured by certain municipalities and panchayat boards. In order to popularise the use of such compost manure, the Government of India granted subsidies to the sale societies. This subsidy amounted to Rs. 28,594 during 1947 and Rs. 26,200 during the following year.

Milk supply societies and unions in the Province have also been receiving Government's attention. As the public began to look to these organizations as reliable sources of milk supply and as the working of these institutions during the war years revealed their growing popularity and the increasing range of services they could offer, Government encouraged their development in the Province. Further, the Government also found in them a means of relieving unemployment among the ex-toddy tappers and a measure of improving the economic condition of the ex-addicts. In order to offer an incentive to the formation of these societies, a large number of concessions have been given by the Government. They are as follows :—

1. Interest-free loans are granted to members of milk supply organizations for the purchase of milch animals. During 1946-47 and 1947-48, loans to the tune of Rs. 3.51 lakhs and Rs. 4.59 lakhs respectively were disbursed to the societies. These loans are to be repaid in 12 months, usually out of the sale proceeds of milk. In order to protect the members of milk supply societies taking interest-free loans for the purchase of milch animals from losses owing to the death of animals bought out of such loans, through unexpected causes, the Government sanctioned the waiving of the recovery of loans up to the value of the animal

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\* The Government have since liberalised their policy of sanctioning free grants to marketing societies and have promised to consider cases of free grants up to 50 per cent of the cost of construction. They have set apart Rs. 5.00 lakhs for this purpose during 1949-50.

as on the date of death on the recommendation of the Registrar. Up to 31st March 1948, recovery of loans to the extent of Rs. 5,000 covering 30 cases has been waived in this manner.

2. Interest-bearing loans are also provided by the Government to the milk supply unions for the purchase of motor lorries. These advances are repayable in five annual instalments with interest at  $3\frac{1}{2}$  per cent per annum. During 1947, the Government sanctioned a loan of Rs. 8,000 to the Salem Milk Supply Union though the amount was actually drawn by it only in 1948, as the application of the Union for the allotment of a van was pending with the Provincial Motor Transport Controller. Similarly, a sum of Rs. 20,000, being the balance of a loan of Rs. 50,000 sanctioned to the Madras Milk Supply Union was also drawn and disbursed during 1948. Government have also sanctioned to a few societies subsidies towards equipment such as cream separators, cans, etc. and also towards working expenses in the case of some of the milk supply societies organized for the benefit of ex-toddy tappers and ex-addicts.

3. There were also several other concessions enjoyed by the milk supply unions and societies, namely, (a) veterinary officers have been instructed to inspect periodically the milch animals belonging to the milk supply organizations free of charge, (b) the animals belonging to members of these societies are provided free services of the breeding bulls stationed at certain Government Veterinary Institutions, (c) vacant municipal sites suitable for use as milking centres are made available to the institutions either on lease or otherwise on easy terms and the use of municipal buildings as sales depots has also been permitted, (d) municipalities and district boards have been permitted to construct sanitary cattle sheds and rent them out on easy terms to milk supply societies. The Government have sanctioned a subsidy of Rs. 42,000 for the construction of 10 sanitary cattle sheds for use of the feeder societies of the Milk Supply Union at Madras, (e) societies are permitted to reclaim waste or 'poramboke' lands near villages and grow pasture on them, (f) societies are permitted to remove free of cost grass from the reserve forests and ensilage it for use in summer months, (g) departmental audit is provided free of cost or at half rates to certain societies and unions, (h) the transactions of milk supply societies and unions have been exempted from sales tax in respect of their sales of milk during the year 1946-47 and 1947-48, (i) certain special concessions have been provided to the societies and unions in the matter of supplies to Government hospitals and jails and (j) in order to strengthen the existing milk supply unions and to organize new unions in places not already covered, the Government have sanctioned a special staff of Dairy Assistants and Inspectors for a period of three years. The scheme was introduced from October, 1948.

Another important direction in which the Government have been helping the Movement is with regard to their policy of encouraging primary credit societies to take up multi-purpose functions. This development is sought to be put through gradually in the course of two years. It is also proposed to organize more multi-purpose societies so as to serve 50 per cent of the villages and 30 per cent of the population as recommended by the Co-operative Planning Committee. In view of this proposal the Government have sanctioned a subsidy of Rs. 1.27 lakhs per year since the close of 1947-48 for a period of 2 years to be distributed to the central banks to strengthen their supervisory staff. This, it is hoped, will help considerably to get the existing credit societies function as multi-purpose societies discharging more functions than the distribution of credit only.

The Government assistance to co-operative housing also deserves mention. Co-operative housing schemes in the Madras Province are financed by the Government by their advancing loans to co-operative housing societies repayable generally in 20 years carrying interest at rates fixed by the Government from time to time. The rate of interest was 4½ per cent in 1946-47 but was reduced to 3½ per cent with effect from the 14th June, 1947. During 1946-47, loans amounting to Rs. 2.41 lakhs were sanctioned by the Government to building societies for construction of houses by their members. In the following year, a sum of Rs. 31.57 lakhs was sanctioned out of which Rs. 27 lakhs were disbursed before the close of the year.\* These societies were also given some concessions in the supply of building materials. They are :—

(1) *Iron and Steel*.—The Government of India make a special allotment of steel for each quarter for Government-sponsored housing schemes in the Province. This quota is placed at the disposal of the Registrar who issues sub-quota certificates to societies against this allotment. In addition, surplus military stores have also been made available to co-operative housing societies at reasonable rates.

(2) *Cement*.—The societies are supplied cement on a priority basis on the recommendation of the Registrar.

(3) *Timber*.—Government have directed the supply of timber from the Government forests to societies at concessional rates.

(4) *Coal and Coke*.—Coal for the manufacture of bricks in chamber kilns is supplied to housing societies to enable them to manufacture bricks through their own kilns. When societies

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\* For the financial year 1948-49, a sum of Rs. 79 lakhs has been provided in the budget as loans to co-operative housing societies. Till November 30, 1948, Rs. 43.30 lakhs have been sanctioned to societies.

do not themselves undertake this, coal is supplied to kiln-owners on the recommendation of housing societies on condition that the owners supply the societies with specific quantities of bricks.

(5) The Government have permitted all local bodies to alienate lands belonging to them for building houses at concessional rates to the societies formed for poor labourers.

In addition to the above, houses constructed with the aid of Government loans are inspected and valued by the officers of the Public Works Department free of cost to the societies.

Industrial co-operative societies and in particular weavers' societies, have also been receiving considerable help from the State in the Madras Province. Formerly, the Government of India used to sanction grants every year for the development of the handloom industry. They were utilised mostly towards the establishment charges of the Madras Handloom Weavers' Provincial Co-operative Society and in disbursing subsidies to deserving primary weavers' societies to meet their establishment charges. The grant sanctioned for 1946-47 was Rs. 74,196. But the Government of India discontinued their annual grants from 1st April 1947. The Provincial Government have, however, been liberally helping these co-operatives. During 1947-48, the Government of Madras obtained quotas for export of handloom cloth outside the province to the co-operatives and this was of great help to the Provincial Society as well as the primary societies in disposing of their surplus stocks, especially in view of the fact that they had otherwise to contend against a falling market. Government help in regard to the supply of yarn was continued to the Provincial Society which supplied its primaries with 20 per cent more yarn than the ordinary weavers could get. Since the close of the year 1947-48, control over yarn was reimposed and the Madras Provincial Handloom Weavers' Co-operative Society was entrusted with the purchase and distribution of all the quotas of yarn allotted to the Madras Province for July, August and September, whereafter 50 per cent of the supplies of yarn to the Province was given to the ordinary channels of trade for distribution. The Government provided the Provincial Society with financial accommodation to the extent of Rs. 3 crores and permitted it and the primary societies to sell yarn to members and non-members alike.

The guaranteeing of debentures of the Central Land Mortgage Bank in Madras is also one of the ways in which Government have been helping the Movement, as already referred to in the preceding pages.

Besides the monetary aid detailed above, the Government have been assisting the co-operatives with personnel, meeting the cost themselves either fully sometimes or partly for certain specified periods. For instance, they provided free of cost the services of senior inspectors for organizing societies under some milk unions. In the case of societies which undertake the construction of houses Government have been sanctioning till recently the services of departmental officers free of cost in the first year to work as their secretaries. But now as a measure of economy, the services of departmental officers were permitted to be availed of by the societies only in case they were prepared to meet their cost. Also, the Government have been appointing special staff to organize and develop new societies under several of their schemes of co-operative development. For instance, a special staff of one co-operative sub-registrar, seven senior inspectors and seven junior inspectors worked at Government cost under the Government scheme for augmenting milk supply to the City through the Madras Milk Supply Union. Similarly, the Government have sanctioned a staff of 24 co-operative sub-registrars and 107 senior inspectors for the supervision and the development of the weavers' societies and ordered the recovery of the cost of the staff at 2 per cent of the net profits of the societies subject to a maximum of Rs. 500 in each case.

Lastly, the general concessions enjoyed by the co-operatives in the Province may also be noted here. They are as follows :—

1. Co-operative societies are permitted to settle their disputes by arbitration.
2. The Registrar or any one subordinate to him may recover by attachment and sale of the properties of defaulters :
  - (a) Any amount due under a decree or order of a Civil Court, a decision or an award of the Registrar, obtained by a registered society including a financing bank.
  - (b) Any sum awarded by way of cost of enquiry or inspection to a registered society including bank, or to Government.
  - (c) Any sum ordered by a liquidator to be recovered as contribution to the assets of the society or as cost of liquidation.
  - (d) Any sum ordered by the Registrar under section 49 of the Act together with the interest and cost of process.
3. The decisions or awards of arbitrators are also enforceable through the civil court which includes for this purpose, village courts constituted under the Madras Village Courts Act (Act I of 1889).

4. A co-operative society is allowed the privilege of depositing its strong box for safe custody in Government treasuries on suitable conditions subject to the sanction of the Collector.

5. Village officers are required to supply secretaries of the societies with information concerning the survey numbers and other details of the property of the members of the societies in order to enable them to prepare the property statement of members.

6. Co-operative societies are supplied with the co-operative and village sheets of the district gazette on payment of a nominal annual subscription.

7. A co-operative society is exempt from the income-tax payable in respect of the profits earned or of the dividends or other payments received by the members of such society on account of profits.

8. One half of the fees payable under the law of registration for the time being in force, is remitted in respect of instruments executed by or on behalf of any registered co-operative society or by an officer or a member of such a society and relating to the business thereof.

9. Co-operative societies are exempt from payment of the stamp duty with which instruments executed by an officer or member of any such society and relating to the business of the society are chargeable.

10. Co-operative societies are free from the duty chargeable under Article 12 of Schedule I of the Indian Stamp Act on the awards of arbitrators in all disputes to which they are parties.

11. Co-operative societies of certain types are exempt from the payment of audit fees for the audit of their accounts by the departmental auditors based on their age and on their transactions.

12. The members of co-operative societies who belong to the Scheduled Classes like ' Harijans ' are exempt from the payment of fees for registration of documents and for obtaining encumbrance certificates in respect of the instruments executed by them to the societies for taking loans. Under the existing orders this concession was in force till 31st March 1949.

13. Co-operative societies working at a loss during a year are eligible for Government subsidy of a sum equal to the amount of stamp duty paid by them during that year on sale certificates issued in their favour by the Registrar of the district.

*Bombay.*

The Government's assistance to the Movement in this Province may be dealt with under the following categories :—

(1) The liability undertaken by the Government in implementing the decisions on the recommendations of the Agricultural Credit Organization Committee.

(2) Financial assistance to co-operative housing societies.

(3) The services of personnel and

(4) Other miscellaneous items.

The recommendations of the Agricultural Credit Organization Committee and the extent to which the Government of Bombay have undertaken to commit themselves financially in the plan for evolving an integrated structure of rural finance in the Province have been fully given elsewhere in this Review and therefore need no repetition here.

Co-operative housing societies have been playing a vital part in solving the problem of housing shortage in the Province. They have been helped by Government with loans, which were outstanding to the extent of Rs. 2.54 lakhs at the end of 1948. To meet the shortage of housing accommodation through co-operative efforts, the Government have approved special schemes which can be classified under the following three categories :—

1. Organization of co-operative housing societies in the industrial towns of Bombay (including suburbs), Ahmedabad, Poona, Sholapur and Hubli.

2. Organization of housing societies at refugee camps and at other places like Bombay, Poona, Ahmedabad to facilitate rehabilitation of refugees, and

3. Organization of housing societies in backward areas.

The Government assistance under these schemes has taken the three forms, viz., financial, preference in the supply of building materials and concessions for obtaining land for building the houses. They are as follows :—

As regards finance for housing schemes in Bombay (and suburbs), Ahmedabad, Poona, Sholapur and Hubli, the Government have issued orders extending financial assistance on the following terms :

Co-operative housing societies constructing tenements consisting of two living rooms and a kitchen (with other amenities) or of a lesser size would be granted loans at 3 per cent or  $\frac{1}{2}$  per cent less than the Government borrowing rate, whichever

is higher. These loans would be to the extent of 75 per cent of the value of land and buildings in the case of tenant co-partnership societies and to the extent of 60 per cent in the case of other societies.

Co-operative housing societies constructing tenements of higher standards than those mentioned above, would be given loans to the extent of 50 per cent of the value of land and buildings at the rate of  $\frac{1}{2}$  per cent above the Bank Rate provided that the Bank Rate is lower than the rate at which Government have itself borrowed on the last occasion before granting the loans.

The period of repayment of loans is 35 years. The loans would be sanctioned for the whole amount; but they should be made payable by one or more instalments as may be decided in each individual case.

It has been proposed that financial assistance should be made available to housing societies for refugees also, generally on the lines indicated above.

Co-operative housing societies intended for the poorer classes who have no cash resources but can supply labour, are sanctioned loans up to a maximum of Rs. 1,000 for each tenement or hutment on condition that 25 per cent of the cost of construction is contributed in the form of labour by the members and their families. The remaining 75 per cent is given as interest-free loans repayable in 15 to 20 years in equal instalments. Half of the amount of the loan from Government per member of the family would be made available to the society before the commencement of building-construction and the remaining half at a stage when the building would be about half constructed. The case of societies requiring loans in excess of the prescribed limits or for longer periods of repayment would be considered on merits.

Regarding the question of finance for co-operative housing societies for backward classes, the cost of a house is estimated at Rs. 800 including Rs. 100 for shed and barn for an agriculturist-family and 40 per cent of the cost of the house would be supplied by members and their families in the form of labour, etc., while the remaining 60 per cent would be given as interest-free loan repayable in 15 years in equal instalments. Losses caused by fire, if any, would be made good from the insurance premium fund consisting of the yearly contributions from members at Rs. 5 each. Government would also help in respect of the management expenditure by contributing to it at the rate of Rs. 10 per tenement for the first 2 years and thereafter at Rs. 5 per tenement till the loan is repaid.

It will be observed that apart from the special scheme for refugees and backward classes, financial assistance is confined to housing societies organized only in certain industrial towns. Scarcity of housing accommodation is felt in other areas and co-operative housing societies are being organized in such places also. The question of the Bombay Provincial Co-operative Land Mortgage Bank making finance available to co-operative housing societies in such areas has, therefore, been considered and a scheme indicating the extent to which the Bombay Provincial Co-operative Land Mortgage Bank would undertake finance to co-operative housing societies in the Province and the Government assistance that would be required has been sanctioned by the Government. Under this scheme, the maximum amount that would be allowed to a housing society shall not exceed 50 per cent of the estimated value of land and buildings for which the loan is intended. The amount of loan that would be advanced as the first instalment would be to the extent of 50 per cent of the estimated value of the land and buildings actually constructed and further instalments of the loan will be made in proportion to the valuation of further progress of construction work made as certified by the Architect or an officer of the Bank authorised for the purpose by the Board of Directors of the Bank. The period of the loan shall not in any case exceed 20 years. The rate of interest on such loans would be the rate which is fixed by the Board of Directors of the Bank in consultation with the Registrar and the Debenture Trustee but shall not be less than 4 per cent or exceed the maximum rate of interest approved by Government in this behalf. The maximum amount of loan to any individual member which a housing society can make shall not exceed Rs. 15,000 in the case of societies in the five larger industrial cities of Bombay City and suburbs, Ahmedabad, Poona, Sholapur and Hubli and Rs. 10,000 in other places of the Province. The Bank will obtain funds by floating separate series of debentures at a rate of interest varying from 3 per cent to 4 per cent and is expected to advance loans to the societies at a rate of interest varying between  $4\frac{1}{2}$  per cent and  $4\frac{3}{4}$  per cent after providing for an estimated margin of  $1\frac{1}{2}$  per cent so as to (i) pay management expenses, (ii) provide against financial risk arising out of defaults and loss of interest or receipt of reduced interest, and (iii) make a reasonable contribution towards the payment of dividend made on the share capital of the Bank. The Bank is expected to be in a position to work on this margin only after the volume of housing finance exceeds Rs. 10 lakhs and the incidence of costs in the initial years will be far in excess of  $1\frac{1}{2}$  per cent. Accordingly, it is proposed that the Government should agree to sanction a grant to the Bank equal to the cost of the minimum additional staff it will have to maintain for the first three years.

*Building materials.*

In the case of the five industrial towns, the Government have issued orders that preference should be given to co-operative housing societies for the supply of building materials by the Assistant Housing Commissioner (Materials), Bombay.

*Land.*

In the case of the five industrial towns, Government orders are to the effect that if the lands are Government lands, they should be either sold outright or given on lease on terms which should be settled in each case.

In the case of housing societies for refugees, it has been proposed that the following concessions should be granted :—

(1) Developed plots of land should be made available on long lease to co-operative housing societies organized in refugee camps.

(2) In places other than refugee camps, suitable building sites should be made available to co-operative housing societies of refugees by acquisition and development.

(3) In the 21st year, on payment of the cost of acquisition and development, the free-hold right should be sold outright to the society.

(4) Or, as an alternative, in the 21st year, the lease should be renewed on ground rent calculated at the market value then prevailing, the total period of lease being 99 years.

(5) The lease should be non-transferable for the first period of 20 years ; thereafter, the lease will be transferable with the first option to Government.

The services of personnel are also provided in a substantial measure by the Government. For instance, the full cost of an executive each of two oilmen's societies are borne by the Government subject to a maximum of Rs. 1,500 in each case. They are also giving a grant to three other societies but in their cases, departmental persons are not deputed. In the case of 6 associations and stores also, the Government have been giving grants (which in some cases are recoverable) towards the cost of the staff. For instance, the Bombay Provincial Co-operating Marketing Society was sanctioned up to Rs. 4,000 for the first year being the full cost of the salary of its secretary while in the second and third years up to Rs. 3,000 were granted, the society, however, contributing Rs. 100 per month towards his salary. In the case of seven purchase and sale unions, similarly, the Government have

sanctioned grants for meeting the expenses of the office-bearers. In some cases, these contributions are being recovered from the societies concerned. The full cost on account of the services of the secretaries of the Agricultural Produce Market Committees at Takari and Karad is also borne by the Government. The expenses towards the salary of the managers of 6 co-operative purchase and sale unions are met by the Government fully, except in the case of the Karjat Taluka Co-operative Purchase and Sale Union, where only two-thirds of the cost is borne by the State. In the case of the Karjat District Supply and Sale Society's Supervising Federation, a sum not exceeding Rs. 3,000 per annum is granted as a subsidy.

A passing reference may also be made here to the fact that as a result of the recommendations of the Agricultural Credit Organization Committee, the Registrar has in a recent letter to all the central financing agencies in the Province stated that the Government have been pleased to give assistance to meet the expenditure on the cost of secretaries of rural credit societies. The proposals have been approved in the first instance for a period of two years at the end of which the position would be reviewed to see whether any modifications would be necessary in the light of the experience gained. The following concessions have been approved by the Government :—

A grant to the extent of one per cent of the total working capital of the primaries should be placed at the disposal of the Registrar at the beginning of the co-operative year commencing from 1st July, 1950 and the Registrar empowered to give subsidy as indicated below up to a maximum of 2.5 per cent of their working capital :

(a) Societies which are of not more than 10 years' standing at the commencement of the co-operative year in respect of which assistance is claimed, will be eligible for a subsidy towards their secretarial cost with effect from the 1st July, 1949, subject to the condition that the contribution to the reserve fund by such societies shall not exceed one per cent of the working capital for the years in respect of which the subsidy is granted.

(b) Societies which are of more than 10 years' standing will be eligible for a similar subsidy for a period of five years, beginning from the 1st July, 1949, subject to the condition that the assistance so made available shall be limited to the actual deficit, i.e., the deficit arrived at without contributing anything towards the reserve fund for the years in respect of which the assistance is claimed, and

(c) In the case of societies with limited liability, subsidy on the above scale shall be granted subject to the condition that the

provision for payment of dividend on their share capital shall not exceed the Bank Rate or 3 per cent per annum, whichever is less for the years in respect of which subsidy is granted.

Besides the above, mention may be made of the subsidies amounting to Rs. 7,594 granted to seven primary land mortgage banks in order to meet the deficit in their working during the year 1946-47 and to enable them to pay a reasonable rate of dividend. The amount of the subsidy was disbursed, however, after the close of the year. Similarly, with a view to bringing about improvement of land for increased production, seven pumping sets and engines were made available by the Government to irrigation societies and credit and other types of societies, for undertaking minor irrigation works. Some of these societies were also granted assistance by Government in the shape of capital to the extent of the estimated cost of installation of the pumping sets, subsidies towards cost of management for distribution of good seeds and manure, and free services of a trained agricultural assistant for the initial period of three years.

Pending formal sanction of the Co-operative Farming Scheme in the Province, the Government have been giving liberal assistance to co-operative farming societies for purchase of implements, setting up of pumping plants and for other purposes. The Government also amended during 1947-48 the Bombay Co-operative Societies' Act providing for compulsory contribution by dissident minorities in an area to schemes of co-operative farming in the interests of the general community.

The organization of co-operative societies as part of a comprehensive programme for the advancement of the economic position of the 'Adivasis' living in the forest areas is also an important experiment undertaken by the Government of Bombay and a description of it has already been given elsewhere. A brief mention may be made here of the concessions that the Government have granted to such institutions. They are :—

(1) The institutions were given the facility to select the forest coupes, which were most convenient to them from the point of view of working. The coupes so selected were not put up for auction but were sold to the institutions concerned for the upset price.

(2) The condition regarding the payment of the deposit equal to one-tenth of the purchase price and of the first instalment of the purchase money was waived.

(3) Removal of the material from the coupes was allowed without previous payment of the upset price and deposit on furnishing two approved solvent sureties.

(4) Time was allowed up to the 15th June, 1948, for payment of the purchase money and

(5) No extension fees were recovered for extensions granted for completion of the work and no penalty clauses enforced in some cases. These concessions apart, the Government have also advanced Rs. 50,000 to the Village Industries Committee and the Dang Seva Mandal, for meeting payments and other expenses of the societies in the initial stages. It takes about four months from the commencement of the coupe-work before the produce is sold but labourers and cartmen have to be paid during this period. The officers of the Forest Department advise and help the societies in technical matters while one officer with two sub-auditors as his assistants, appointed by the Government, help the societies to conduct their business.

Lastly, it might also be mentioned that in the course of the budget speech in 1948, the Minister for Finance, Co-operation and Cottage Industries, Government of Bombay, stated that the Government had earmarked a crore of rupees for the encouragement of "Sarvodaya Schemes," incorporating the prominent aspects of the constructive programme for the all-round development of rural areas that had appealed most to Mahatma Gandhi. The Government decided to entrust the administration of this activity to the Co-operative Department. While useful preparations were made during the year, the scheme did not take a definite shape before the close of the year.

#### *United Provinces.*

In the United Provinces, the Movement consisted predominantly of credit societies till 1946 and there was not much progress in the other directions, viz., production, better farming, marketing, distribution, etc. So, in April 1946, as soon as a popular Government took over the administration, a comprehensive plan, known as the Development Co-ordination Plan, was formulated and put into execution in April 1947. The main feature of the scheme lies in the utilisation of the multi-purpose co-operative societies for carrying out development work. Reference to various activities such as marketing, consumers' co-operation, etc., under the scheme has been made in the respective sections and mention is made here only of the State aid to the Provincial Bank. In the beginning (1944) the Government granted a recurring grant of Rs. 15,000 per year for three years and a non-recurring grant of Rs. 8,500 for meeting the establishment charges and other preliminary expenses of the Provincial Bank. But these grants were stopped in 1947-48. In October 1947-48, the Government sanctioned a loan of Rs. 70 lakhs to the Bank for financing the Provincial Marketing Federation for the purchase of cloth and yarn.

*East Punjab and West Bengal.*

The years under review saw the partition of the two provinces, viz., the Punjab and Bengal and the consequent dislocation in the working of the Co-operative Movement. The Governments of the East Punjab and West Bengal provinces had, therefore, to come to the rescue of the Movement primarily to restore the Movement back to its normal working and help financially and otherwise the various co-operative institutions which suffered in the process. A detailed account has been given in the chapter on "Rehabilitation and Reorganization" about the part played by the State in this connection and, therefore, only a brief mention is made here of the problems facing these Governments.

In the East Punjab, the partition caused a paralysis of the Co-operative Movement, particularly on its financial side. Numerous problems had to be solved as, for instance, the settlement of accounts with the West Punjab, revitalisation of the entire Movement after the staggering shock it had received, the writing up of the records destroyed or removed, the restoration of the efficiency of the staff to its previous level and above all, the rehabilitation of the financial position of the credit institutions, especially the central banks and unions. In all these directions the Government have helped the Co-operative Movement.

In West Bengal, the partition had a disastrous effect on the financial position of the West Bengal Provincial Co-operative Bank. Its area of operation had been curtailed and its activities are now confined to the new province of West Bengal, which is only about a third of the undivided Bengal. Thus, it had been deprived of the scope of investment of its funds in East Bengal societies in which it used to invest the bulk of its capital. Moreover, a large portion of its funds has been locked up with the societies in East Bengal as they ceased to repay the debts to the Provincial Bank. This situation created misgivings and to restore public confidence, the Government guaranteed the collection of Rs. 1.24 crores representing its good investments in East Bengal, the total guarantee being split up into 12 annual instalments, viz., Rs. 14.61 lakhs in the first year and Rs. 10 lakhs every year for 11 years successively, the amount that would be collected from East Bengal societies annually being deducted from the guaranteed sum.

Besides the assistance to West Bengal, referred to above, mention may be made of a few other modes of help rendered. For instance, the Government provided an administrative officer free of charge for proper and effective working of the Calcutta Milk Union—a federation of milk societies around Calcutta. A motor truck was also placed at the disposal of the Union free of

charge by the Government. The weavers' societies and their unions were also assisted by Government by maintaining a set of technical and marketing staff for their guidance and supervision, improving the technique of production and assisting the disposal of the products to their best advantage. During 1946-47, Rs. 75,080 were distributed as grants-in-aid to work out approved schemes for the development of the handloom industry such as subsidy to new unions and societies, propaganda and publicity work, supply of improved looms, maintaining dyeing and model handloom factories, etc. Mention may also be made here of the formation of the West Bengal Provincial Co-operative Industrial Procurement and Distribution Society Ltd. on 19th April 1948, which is to be the sole provincial handling agent for yarn and one of the agents for handling mill-made cloth. In order to finance its business the West Bengal Government granted Rs. 10 lakhs as a loan through the West Bengal Provincial Co-operative Bank.

### *Bihar.*

In the previous Review itself a detailed mention was made of the rehabilitation scheme and the financial commitments of the Government in that regard. Under this scheme, free grants were made to the central banks to the tune of Rs. 28,644 in 1946-47 for meeting their losses and Rs. 15,746 and Rs. 1,50,000 during the two years 1946-47 and 1947-48, respectively, as subsidy for meeting the cost of their managements. The Government is also paying to the Bihar Co-operative Federation an annual subsidy of Rs. 2,400 for 'inspecting clerks' in backward areas and another subsidy of Rs. 25,000 a year for propaganda and development. For the uplift of the 'Harijans,' the Government sanctioned (i) a grant of Rs. 12,790 to the Bihar Harijan Sevak Sangh for expansion of co-operative credit societies for Harijans for a period of three years from 1948 ; (ii) a grant of Rs. 10,000 (non-recurring for 1948) for the purpose of undertaking measures to finance the sweepers' co-operative credit societies in order to save the members from the clutches of the moneylenders and (iii) grants of Rs. 1,426 (non-recurring for 1948), Rs. 6,642 (recurring for two years from 1948) and Rs. 1,000 (non-recurring) respectively for organizing two weaving centres for Harijans, and shoe-makers' co-operative societies one each at Bankipur and Patna City. In addition, a free grant of Rs. 2,000 a year is also paid to co-operative societies for remission of money order commission. This annual grant is non-recurring and is renewed from time to time.

Under the Credit Agricole Scheme the Bihar Provincial Co-operative Bank was purchasing seeds and manure from the Agriculture Department of the Government and distributing them to the cultivators in small quantities as loans. The distribution of oil-cakes was taken over from the Agriculture Depart-

ment by the Provincial Bank in August 1945. In 1948, however, as a result of the decontrol of oil-cakes the prices of oil-cakes rose and a portion of the output began to move out of the Province. Serious difficulties were also experienced in obtaining wagons for the despatch of oil-cakes from the procurement centres to the depots. Therefore, during 1947-48, the Government sanctioned a subsidy of Rs. 12.48 lakhs to the Credit Agricole for sale of oil-cakes to cultivators at 20 per cent below the prevailing rates. They also sanctioned an arrear claim for a subsidy of Rs. 92,924 for sale of ammonium sulphate and paddy seeds. In 1948-49 also, a subsidy of Rs. 18 lakhs for sale of oil-cakes has been sanctioned and up to December 1948 a sum of Rs. 8,13,167 was spent.

Weavers' societies have also received encouragement from the Government of Bihar. In July, 1946, for instance, the Supply Department of the Government sanctioned a bulk allotment of yarn for supply to weavers' societies and arrangements were made to supply 233½ bales of yarn per month. The Government have further provided one administrative officer (now designated as Assistant Registrar, Weavers' Co-operative Societies), one technical assistant, 19 weaving supervisors and 19 assistant weaving supervisors for the organization and supervision of these societies.

A brief reference may be made to the part played by the co-operatives in the distribution of controlled commodities. In 1948, the distribution of controlled commodities was undertaken by co-operative societies. Under the scheme for the distribution of controlled cloth through co-operative organizations, the Provincial Co-operative Bank was to act as the provincial importer and the central banks, cane marketing unions and central co-operative stores would act as its wholesalers, while multi-purpose societies, credit societies, etc., were to act as the retailers. Also, the Jamshedpore Co-operative Stores acted as the rice procurement agents of the Government of Bihar.

Lastly, in the field of housing, the Government have recently sanctioned the deputation of an inspector to Bombay and Madras to study the working of co-operative housing societies there in order to take up similar work in Bihar.

#### *Central Provinces and Berar.*

In Central Provinces and Berar, the Government have been extending help to weavers' and marketing societies. They sanctioned from 1st April 1946, a scheme for the development of the handloom industry through the Provincial Weavers' Co-operative Society and its affiliated primaries. The Government placed at the disposal of the Provincial Society, a loan of Rs. 75,000 for the purchase of machinery, equipment and a truck. The society, however, utilised only Rs. 25,000 at 3½ per cent interest for the purchase of a dye-house. The society received a Government grant

of Rs. 12,500 during each of the years 1946-47 and 1947-48. The Government also provided staff at its own cost, consisting of one organizer and two auditors for executing the scheme.

As regards marketing societies, the Government provided godowns in the past to some Growers' Associations. Recently, it granted to another Agricultural Association a loan for the construction of godowns. Again, under the post-war co-operative development schemes, the Government have provided loans at  $3\frac{1}{2}$  per cent for construction of godowns to four Agricultural Associations operating the scheme. Only one of them has, however, availed of the facilities. It may also be stated here that a Warehouse Act was also passed in 1947 and has come into force from 1st December 1948. The Government have also extended their help to women's societies which were organized under a two-year post-war reconstruction scheme introduced by the Government for the development of home industries among women. There was only one society for women till the close of the year 1946-47. Three more societies were registered during 1947-48. An interest-free loan of Rs. 2,000 to each of these societies has been given by the Government. Besides, Government grants of amounts varying between Rs. 2,072 and Rs. 3,243 were also given for meeting the cost of staff for imparting instruction and the cost of raw materials as well as for meeting the expenses incurred on publicity and propaganda and other contingencies.

A five-year scheme has been sanctioned by Government for developing the oil-ghani industry. Under the scheme, four workshops were established for giving training in the manufacture of Maganwadi type of ghanies and in oil-pressing. One inspector was attached to each of the workshops and one inspector was appointed in each of the revenue divisions for popularizing the use of this ghani. The scheme provides for grant of loans at  $3\frac{1}{2}$  per cent, repayable in one year, to co-operative agricultural associations for stocking oil-seeds, with the object of selling them to oil-pressers at reasonable rates. The scheme further provides for the grant of stipends to carpenters at Rs. 75 per month for two months during the period of their training. Oil pressers were also given a stipend during the period of their training at Rs. 30 per month.

Lastly, mention may be made of the help rendered by the State by way of personnel to societies. Under the post-war reconstruction schemes, free services of managers to 34 multi-purpose societies in the Mandla district and to five fishermen's societies in the Province, were provided by the Government besides the free services of managers to ten multi-purpose societies in other parts of the Province and the free services of an auditor to the Central Milk Producers' Association at Nagpur.

*Orissa.*

It was stated in the previous Review that the co-operative central banks in the northern part of the Province, originally financed by the Bihar Provincial Co-operative Bank, were receiving loans from the Government while the banks in South Orissa were financed by the Madras Provincial Co-operative Bank. In the two years under review (1946-48) also, the Government continued to grant similar loans to central banks in North Orissa. The loans amounted to Rs. 4.15 lakhs in 1946-47 and Rs. 6.34 lakhs in 1947-48.

It was during the period under review that the Orissa Provincial Co-operative Bank was established. It started functioning from 2nd April 1948. The Government of Orissa have been subsidising the Bank from its very inception to meet all costs of management, preliminary expenses and purchase of furniture. Up to 30th June 1948, a sum of Rs. 2,402 was spent over furniture and books out of the Government subsidy and subsequently, an additional expenditure of Rs. 857 was incurred for the same purpose. The loans from the Government to the Provincial Bank stood at Rs. 18 lakhs on 31st December 1948. Out of these, advances amounting to Rs. 5 lakhs at 3½ per cent are meant for financing central banks and Rs. 13 lakhs at 4 per cent are for the "regional textiles."

These apart, during 1947-48, the Government sanctioned Rs. 30,000 to the marketing societies for the purpose of building godowns. Subsidies amounting to Rs. 1,500 in the year 1946-47 and Rs. 7,784 in the following year were also given to societies organized for the backward classes for the maintenance of their staff.

The Provincial Government have sanctioned some staff also, free of charge, for some of the societies that could not afford to employ them. For example, two sub-assistant registrars of co-operative societies were appointed for the Orissa Provincial Co-operative Land Mortgage Bank. Similarly, a sub-assistant registrar and an inspector of co-operative societies were appointed to look after the affairs of two salt production and sale societies, respectively. Similar appointments were made in the case of two growers' co-operative societies also. One inspector was appointed for the Chandikhole Multi-Purpose Society and three 'Sardar Kamadars' for three jute growers' co-operative societies.

*Assam and Ajmer-Merwara.*

The Movement in Assam had reached a moribund condition even during war-time and nothing short of a complete overhauling could put it on a sound working order. Recently, an attempt was

made to change the face of the whole Movement and build a new organization under Government auspices and control. A detailed account of this new experiment is given in our bulletin "Co-operation in Assam—a new experiment" and it is unnecessary to dilate on the subject here.

In Ajmer-Merwara also a few isolated instances of State help are seen though it is not on any large scale. For instance, the Government of India, (Ministry of Agriculture) appointed a special officer to examine the working of the Co-operative Movement in this Province. His report is still awaited. Again, a subsidy of Rs. 10,000 was given to the Beawar Central Bank Ltd. by the Government of India and was intended to be utilized in the scaling down and compounding of debts of 23 societies consisting of 17 'D' class societies and 6 societies under liquidation. Besides this, a sum of Rs. 5,348 was spent on the appointment of poultry staff from the "Grow More Food" fund allotted to the Animal Husbandry Department of the Government and they were placed at the disposal of the Registrar of Co-operative Societies.

#### *Indian States.*

(a) *Mysore*.—The direct financial assistance rendered by the Government of Mysore to the Movement consists of subventions of Rs. 5,000 to the Provincial Co-operative Marketing Society, Rs. 3,400 to primary marketing societies, Rs. 15,000 to the Central Land Mortgage Bank and Rs. 2,100 to primary land mortgage banks during the year 1947-48. The Government have been similarly pleased to sanction a subvention of Rs. 750 to each of the milk unions at Bangalore and Mysore and Rs. 500 to each of the unions in the other district headquarters. Subventions to ladies' societies amounted to Rs. 5,000 at the rate of Rs. 750 to each of the societies in Mysore and Bangalore and at Rs. 500 to each of the societies in the district headquarters. Besides, a subvention of Rs. 500 was sanctioned to the Śagar Ladies' Co-operative Society.

The Government have also sanctioned a loan of Rs. 1 lakh to the Shimoga House Building Co-operative Society carrying interest at  $3\frac{1}{2}$  per cent per annum for advancing loans to its members at  $4\frac{1}{2}$  per cent subject to its repayment in 15 years. The services of the consumers' stores have also been utilized by the Departments of Food and Civil Supplies in the matter of distribution of controlled articles.

Mention may also be made in passing to the deputation for study abroad of two officers of the Department besides the one already studying in the U.S.A.

(b) *Travancore*.—Two directions in which the State has assisted the Movement during the years under review are (i) in the field of co-operative farming and (ii) by way of personnel. In the case of the

former, a committee consisting of the Registrar of Co-operative Societies, Director of Public Health, Director of Agriculture and the Chief Engineer has been appointed by Government to formulate schemes for co-operative farming. The appointment of an Inspector of Co-operative Societies for organizing co-operative farming societies is under the consideration of the Government.

As regards the personnel, the services of an Inspector of Co-operative Societies are lent to each of the societies, viz., the Alleppy Wholesale Co-operative Society and the Lime Shell Co-operative Society. Fifty per cent of the establishment charges of the Vaikom-Skertalla Copra Marketing Society and 50 per cent of the salary of the Inspector of Co-operative Societies deputed to the Travancore Central Co-operative Bank are also met by the Government.

(c) *Cochin*.—In Cochin, the Narakkal Coconut Marketing Co-operative Society has been helped by the Government since 1946, when a Government official was appointed as its secretary to improve its working. The Government and the Indian Central Coconut Committee also agreed to meet its establishment charges and contingencies for five years on a 50 : 50 basis.

Expenses in connection with the services of staff have also been met by the State in a few cases. For instance, the pay of the staff of the Ex-services Labour Contract Co-operative Society is being met by the Department for two years. The salaries of the staff and secretary of the Central Coir Society are similarly met for three years by the State. Some weavers' societies and other select non-credit societies are allowed full-time secretaries till such time as the societies themselves are able to meet their pay ; a sum of Rs. 720 per annum is distributed among select Depressed Class societies towards the pay of their organizers who keep accounts and generally supervise their working. Another sum of Rs. 720 per annum is distributed among deserving non-credit societies towards the pay of their secretaries.

The position regarding concessions may also be mentioned here. The societies are not exempt from income-tax but in computing income for purposes of tax, several items are excluded. Till the end of 1946-47, societies were exempted from stamp duty and registration fees. From 1947-48, however, 50 per cent of such duty and fees are levied.

In other states also, Governments have been extending their help to the Movement though to a small and almost negligible extent.

In conclusion, a brief reference may be made to the question of the relationship between the State and Co-operation. It is

difficult to define exactly what the relationship should be between an autonomous organization such as the Co-operative Movement on the one hand and the Government of the country on the other. Obviously outside control of any kind, even benevolent as it may be, would clash with the autonomy of an essentially democratic Movement. But it has also to be examined whether the Movement in India has reached that stage when it can carry on without external assistance and consequent control. There are always two sides to a problem and to quote what we have already done in our last Review: "... Just as there are some critics who deprecate Government assistance, so too there are others, both non-official and official, who plead for a far greater degree of Government intervention than has hitherto been permitted. . . . The result is that Government has to steer a middle course, and this has been the policy adopted both as regards supervision and financial aid."

The facts given in this chapter would go to show that, in spite of the very intense drive to make the Movement self-contained, it has not been possible to do away with Government help to any appreciable extent and there has not been any great deviation from the position that existed before; on the other hand, there has been a continuance of Government aid on the same lines and to the same degree if not greater. The question, therefore, arises as to whether State aid should necessarily be followed by State control. Co-operators contend that the Movement being an essentially democratic and popular one, would develop better without "vexatious interference" from the State by evoking a greater sense of responsibility among the members, while at the same time the State should, in their opinion, continue to help the Movement as before without attaching any "strings" to it. In other words, Government help should not mean Government control.

This is rather a delicate issue. It is difficult to support the view that financial and other help should be unaccompanied by any controlling voice. In this connection it is also worth remembering, that in several parts of the country, the Movement is in a rather moribund condition and is being resuscitated by State support except in certain areas such as Madras and Bombay and naturally, expert guidance and official control would be absolutely necessary, even were there to be no financial help.

There can be no doubt, however, that the Co-operative Movement is and ought to be essentially a non-official Movement. Any control over its activities should be only of a temporary character and it should be the earnest aim of the non-official leaders to work and guide the institutions on proper lines, so that State control is automatically reduced to a minimum. Financial

side apart, there are several other ways in which the Movement can be helped by the State, as, for instance, encouragement to societies relating to cottage industries, preference in the distribution of controlled articles and allotment of quotas to consumers' organizations, preference in the allotment of building materials to co-operative housing societies and so forth. Such assistance not involving direct financial aid will go a long way towards popularising the Movement among the masses and will at the same time give free play for the co-operative ideals of self-help and mutual help and serve to free the Movement from too much of external control. This point of view has been aptly put in the following Resolution of the F.A.O. Technical Meeting on Co-operatives in Asia and the Far East held at Lucknow in 1949, which states that "the role of Government in relation to co-operative societies should be one of active helpfulness, intended to stimulate co-operative enterprise, to guide it and to keep it on sound lines, without either attempting to compel or to replace local initiative or self-help. Government should in addition promote conditions under which co-operatives will thrive and develop."

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## CHAPTER VI.

### CONCLUSION.

Our Review for 1939-46 had concluded with the following words :

“ Problems of great urgency such as the shortages of food, cloth and other essentials, as well as problems of a long-range character such as the raising of the standard of living of the masses, await solution and would require country-wide effort on an organized basis. The villages and towns in the land will have to pulsate with new life and activity and every citizen has to play his due role in the great task of economic expansion, in attaining high levels of production and prosperity, through schemes for harnessing the vast human and natural resources of the country. For this purpose, the co-operative form of organization will be found highly appropriate as an instrument of democratic planning ; no other type of organization could hope to provide scope for and utilise fully the efforts of the millions of farmers and workers. The attainment of political freedom and the establishment of democratic governments at the centre and in the provinces make it possible to visualise enthusiastic governmental encouragement and support to the Co-operative Movement, than which a more democratic and popular socio-economic organization cannot be thought of.”

The problems referred to above as greatly urgent still continue to face us and we have to take stock of what the Co-operative Movement has been able to do in these directions and how far the encouragement and support of Governments envisaged then has materialised. From the details given in the foregoing pages, the reader would perhaps have the feeling that the hopes mentioned above have been to some extent fulfilled. In the matter of food, at least two major provinces, viz., Madras and Bombay have taken a very keen part in the distribution of controlled goods including cloth and procurement operations, the latter being more or less a co-operative monopoly in the Province of Madras. Other provinces too have claimed to have undertaken co-operative distribution of controlled goods but only to a very limited extent. And in long-range schemes, we have already seen what Co-operation has been trying to do in regard to housing, farming, Grow-More-Food Campaigns and other allied issues including re-settlement of ex-servicemen and refugees. In certain spheres such as the Grow-More-Food Campaign or the re-settlement of refugees it is no doubt true that the use made of the co-operative agency has been very limited, in spite of its obvious advantages in these

directions. This appears to be owing to two main causes : in the first place, in many areas, the co-operative agencies were too weak to come forward and shoulder the new responsibilities. Secondly, in a matter like refugee rehabilitation, for instance, where quick results had to be attained, the State had to step in and execute the scheme under its own direction without trying any other agency in the job. The problems involved were also so costly and complicated that it would have been difficult for any agency other than the Government to face them in a satisfactory manner.

Side by side with the encouraging tempo of State support to the Co-operative Movement, we see one or two noteworthy trends in the Movement itself. One of these is the effort made in some areas, notably Bombay, Madras and the United Provinces, to put the multi-purpose idea into practical shape. In other words, attempts have been made to enlarge the functions of the primary society so that it can supply not merely credit but other things as well required by the agriculturist such as seed, fertilisers, implements and articles of domestic use. The importance of the multi-purpose idea has been stressed by the Reserve Bank from time to time and by the Co-operative Planning Committee, but it has to be added here that the hopes envisaged by the Co-operative Planning Committee regarding the organization of societies on a multi-purpose basis so as to cover 50 per cent of the villages and 30 per cent of the rural population, appears difficult of fulfilment within the time specified, viz., ten years. For one thing, the Movement itself has to be revitalised in several areas and is thus not in a position to successfully tackle even the single-purpose societies, not to speak of the multi-purpose venture. For another, more immediate problems await solution such as tackling the shortages in food, clothing and housing—spheres in which co-operatives can play a useful part. The problem of organizing economic units and finding well-trained and efficient staff to work the multi-purpose societies is also to be fully gone into before multi-purpose societies are actually organized. It may, therefore, take some time before the country as a whole takes to multi-purpose co-operatives with fervour.

The pace of development regarding the non-credit side of the Movement such as consumers' co-operation, co-operative housing, industrial co-operation and milk supply has been satisfactory, particularly in the two provinces of Madras and Bombay. In other areas also, we find encouraging evidence of such non-credit activities, but it is difficult to assess at this stage the exact progress made by them or the importance they are likely to acquire in future in the general economic set-up.

There was perhaps a feeling that the overall success of the Movement in many parts of the country referred to in the previous

Review might have been largely due to war-time conditions and that reversion to a peace-time economy might have adverse repercussions on the Co-operative Movement. Such fears were worsened by the partition of the country in 1947. Fortunately, there was no serious recession as a consequence of either of the two factors. As an example of the first factor may be mentioned the temporary removal of controls in 1948 which gave one an inkling of things likely to prevail in a peace-time economy. As regards partition, it did have an adverse effect in West Bengal, the East Punjab and Assam, though it was pronounced in the case of only one province, viz., the East Punjab. For, in this connection, we have to bear in mind the fact that in West Bengal and Assam, the Movement was in a bad plight even before partition and partition alone cannot be held responsible for the stalemate. In Assam, they have begun a new experiment the success of which depends to a more than ordinary extent upon the availability of trained management, good supervision and efficient auditing arrangements and the continuance of the monopoly assigned to the Co-operative Movement in the procurement and distribution of cloth. In both Assam and West Bengal, it is difficult to say what the future has in store. In the East Punjab where the Movement suffered directly as a result of partition, there was a paralysis of the financial side of the Co-operative Movement, a large part of the funds of the co-operative institutions having been locked up in Pakistan. It is seen from the Registrar's Report that but for the timely action taken by the Government, the Movement would have been in a sorry plight. The East Punjab still continues to be in an unsettled state, and as in the case of West Bengal and Assam, it is difficult to forecast the future course of events, which depend on a settlement of all outstanding financial problems with Pakistan.

Perhaps it is only in the sphere of land mortgage banking that we see distinctly the effects of the transition, which may be said to have just started, from a war-time to a peace-time economy. Though land mortgage banking did not make any spectacular progress during the period under review, the war-time trends of restricted demand for loans and larger repayments showed signs of distinct reversal. We have seen the reasons for this in the chapter on "Long-term Credit and Land Mortgage Banks" such as the high cost of cultivation and of living and the introduction of active debt relief measures in various provinces and states which led to a shrinkage of the moneylender's credit that has been helping the agriculturists so long.

We have given above the main trends in the Movement during the period under review. We cannot, however, conclude the report without stressing three important conclusions that have forced themselves on us as a result of our studies. In the

first place, if Co-operation is to play its rightful part in the economy of the country, it is necessary that adequate attention should be given to the training of the departmental staff, especially in regard to the new aspects of the Movement such as consumers' co-operation, industrial co-operation, co-operative marketing and co-operative farming. This kind of training is required not only for the departmental staff but also for the executives and members of the institutions themselves. It is up to the provincial and state Governments to chalk out definite schemes of training. Unless we have an efficient administrative structure from top to bottom in every province, the Movement will not have enduring strength.

Secondly, it is seen that all the provinces and states do not appear to attach the same amount of importance to the building up of sound central financing institutions. It needs no emphasis that every kind of co-operative activity will develop and thrive only if there are efficient central financing agencies. In this respect, Madras and Bombay would appear to be in the forefront. An analysis of the balance sheets of the central financing institutions in other areas has left the impression in our minds that these agencies have not been sedulously fostered or fully resuscitated from the unfortunate morass they got into as a result of the accumulated sins of the past.

Thirdly, while it is no doubt true that the non-credit aspects of Co-operation such as consumers' co-operation, co-operative milk supply, industrial co-operation and so forth have developed to some extent, these relate mainly to the urban population while the rural areas have not much to their credit in the matter of non-credit activities. To them credit continues to be the be-all and end-all of Co-operation. While this is quite understandable in a country like ours it is necessary, as we have emphasized time and again, that the primary society should cater to all the other requirements of the cultivator such as seeds, manure, implements and articles required for domestic use. The village society should become a live organism with multi-purpose activities. This will bring in its wake a psychological change and the villager will evince an interest in the Co-operative Movement which he has never evinced before. In other words, the co-operative society should come to the very door of the ryot.

In this great task of building up a rural economy, which will emphasize human values more than money, which will insist upon popular control rather than control from above, which will ever keep the ryots' interests first and foremost as its objective, non-officials and Government departments will find a happy meeting ground. To their lot will fall the responsibility of building up a new countryside and in that work they will have the satisfaction that they have done a noble and lasting piece of social work.

## FIGURES AT A GLANCE.

## Provincial Banks.

(1947-48)

|     |                         |    |    |    |    |    |                   |
|-----|-------------------------|----|----|----|----|----|-------------------|
| 1.  | Number                  | .. | .. | .. | .. | .. | 11                |
| 2.  | Membership :            |    |    |    |    |    |                   |
|     | (a) Individuals         | .. | .. | .. | .. | .. | 6,508             |
|     | (b) Banks and societies | .. | .. | .. | .. | .. | 8,505             |
|     |                         |    |    |    |    |    | (Rupees in lakhs) |
| 3.  | Owned funds             | .. | .. | .. | .. | .. | 260.09            |
| 4.  | Borrowed funds :        |    |    |    |    |    |                   |
|     | (a) Deposits            | .. | .. | .. | .. | .. | 2,006.47          |
|     | (b) Other borrowings    | .. | .. | .. | .. | .. | 138.80            |
| 5.  | Working capital         | .. | .. | .. | .. | .. | 2,405.37          |
| 6.  | Investments             | .. | .. | .. | .. | .. | 1,142.97          |
| 7.  | Loans issued :          |    |    |    |    |    |                   |
|     | (a) Individuals         | .. | .. | .. | .. | .. | 685.09            |
|     | (b) Banks and societies | .. | .. | .. | .. | .. | 1,587.64          |
| 8.  | Loans recovered :       |    |    |    |    |    |                   |
|     | (a) Individuals         | .. | .. | .. | .. | .. | 644.45            |
|     | (b) Banks and societies | .. | .. | .. | .. | .. | 1,620.42          |
| 9.  | Loans outstanding :     |    |    |    |    |    |                   |
|     | (a) Individuals         | .. | .. | .. | .. | .. | 205.73            |
|     | (b) Banks and societies | .. | .. | .. | .. | .. | 690.20            |
| 10. | Overdues                | .. | .. | .. | .. | .. | 21.25             |

**Central Banks and Banking Unions.**

(1947-48)

|     |                         |    |    |    |    |    |                   |
|-----|-------------------------|----|----|----|----|----|-------------------|
| 1.  | Number                  | .. | .. | .. | .. | .. | 448               |
| 2.  | Membership :            |    |    |    |    |    |                   |
|     | (a) Individuals         | .. | .. | .. | .. | .. | 72,880            |
|     | (b) Banks and societies | .. | .. | .. | .. | .. | 86,892            |
|     |                         |    |    |    |    |    | (Rupees in lakhs) |
| 3.  | Owned funds             | .. | .. | .. | .. | .. | 649.64            |
| 4.  | Borrowed funds :        |    |    |    |    |    |                   |
|     | (a) Deposits            | .. | .. | .. | .. | .. | 2,838.66          |
|     | (b) Other borrowings    | .. | .. | .. | .. | .. | 533.97            |
| 5.  | Working capital         | .. | .. | .. | .. | .. | 4,022.32          |
| 6.  | Investments             | .. | .. | .. | .. | .. | 864.40            |
| 7.  | Loans issued :          |    |    |    |    |    |                   |
|     | (a) Individuals         | .. | .. | .. | .. | .. | 435.90            |
|     | (b) Banks and societies | .. | .. | .. | .. | .. | 5,750.69          |
| 8.  | Loans recovered :       |    |    |    |    |    |                   |
|     | (a) Individuals         | .. | .. | .. | .. | .. | 441.12            |
|     | (b) Banks and societies | .. | .. | .. | .. | .. | 5,543.58          |
| 9.  | Loans outstanding :     |    |    |    |    |    |                   |
|     | (a) Individuals         | .. | .. | .. | .. | .. | 176.62            |
|     | (b) Banks and societies | .. | .. | .. | .. | .. | 1,926.62          |
| 10. | Overdues                | .. | .. | .. | .. | .. | 218.54            |

**Agricultural Credit Societies.**

(1947-48)

|                                   |         |                   |
|-----------------------------------|---------|-------------------|
| 1. Number                         | .. .. . | 85,260            |
| 2. Membership                     | .. .. . | 34,82,852         |
|                                   |         | (Rupees in lakhs) |
| 3. Owned funds                    | .. .. . | 1,134.95          |
| 4. Borrowed funds :               |         |                   |
| (a) Deposits from members         | .. .. . | 174.01            |
| (b) " " non-members               | .. .. . | 130.28            |
| (c) Other borrowings              | .. .. . | 947.45            |
| 5. Working capital                | .. .. . | 2,386.69          |
| 6. Loans issued                   | .. .. . | 1,045.14          |
| 7. Loans recovered                | .. .. . | 815.39            |
| 8. Loans outstanding              | .. .. . | 1,601.55          |
| 9. Overdues                       | .. .. . | 393.23            |
| 10. Non-credit activities :       |         |                   |
| (a) Sale of goods to members      | .. .. . | 783.16            |
| (b) Purchase of members' products | .. .. . | 404.33            |

**Non-Agricultural Credit Societies.**

(1947-48)

|                      |         |                   |
|----------------------|---------|-------------------|
| 1. Number            | .. .. . | 6,505             |
| 2. Membership        | .. .. . | 17,02,255         |
|                      |         | (Rupees in lakhs) |
| 3. Owned funds       | .. .. . | 1,232.96          |
| 4. Borrowed funds :  |         |                   |
| (a) Deposits         | .. .. . | 2,755.19          |
| (b) Other borrowings | .. .. . | 208.86            |
| 5. Working capital   | .. .. . | 4,196.99          |
| 6. Loans issued      | .. .. . | 2,830.86          |
| 7. Loans recovered   | .. .. . | 2,480.87          |
| 8. Loans outstanding | .. .. . | 2,462.26          |
| 9. Overdues          | .. .. . | 197.28            |

**Multi-Purpose Societies.**

(1947-48)

|                               |                   |
|-------------------------------|-------------------|
| 1. Number.. .. .              | 18,162            |
| 2. Membership .. .. .         | 5,77,386          |
| 3. Deposits :                 | (Rupees in lakhs) |
| (a) Members .. .. .           | 21.05             |
| (b) Non-members .. .. .       | 12.34             |
| 4. Working capital .. .. .    | 279.28            |
| 5. Loans issued .. .. .       | 197.24            |
| 6. Loans recovered .. .. .    | 141.58            |
| 7. Loans outstanding .. .. .  | 170.63            |
| 8. Overdues .. .. .           | 21.64             |
| 9. Sale of goods .. .. .      | 351.87            |
| 10. Purchase of goods .. .. . | 163.13            |

**Land Mortgage Banks.**

(1947-48)

|                              | <i>Central<br/>Land Mort-<br/>gage Banks</i> | <i>Primary<br/>Land Mort-<br/>gage Banks</i> |
|------------------------------|--|--|
| 1. Number .. .. .            | 5  | 260  |
| 2. Membership .. .. .        | 7,194  | 1,50,495                                     |
| 3. Owned funds .. .. .       | 47.69  | 48.14  |
| 4. Borrowed funds :          |  |  |
| (a) Loans .. .. .            | 6.52   | 383.87                                       |
| (b) Deposits .. .. .         | 44.43  | 1.76   |
| (c) Debentures .. .. .       | 425.60                                       | 6.50   |
| 5. Working capital .. .. .   | 524.24                                       | 440.27                                       |
| 6. Loans issued .. .. .      | 77.59  | 82.90  |
| 7. Loans recovered .. .. .   | 34.92  | 35.12  |
| 8. Loans outstanding .. .. . | 385.38                                       | 404.57                                       |
| 9. Overdues .. .. .          | 0.65   | 3.05   |

**Primary Consumers' Stores.**

(1947-48)

|                            |         |                   |
|----------------------------|---------|-------------------|
| 1. Number                  | .. .. . | 4,542             |
| 2. Membership              | .. .. . | 10,07,541         |
|                            |         | (Rupees in lakhs) |
| 3. Paid-up share capital   | .. .. . | 157.04            |
| 4. Reserve fund            | .. .. . | 54.69             |
| 5. Value of purchases made | .. .. . | 3,001.67          |
| 6. Value of sales effected | .. .. . | 3,519.63          |

**Industrial Societies.**

(1947-48)

|                                    |         | <i>Weavers'<br/>Societies</i> | <i>Other<br/>Societies</i> |
|------------------------------------|---------|-------------------------------|----------------------------|
| 1. Number                          | .. .. . | 3,327                         | 858                        |
| 2. Membership                      | .. .. . | 3,48,875                      | 82,681                     |
|                                    |         | (Rupees in lakhs)             |                            |
| 3. Share capital                   | .. .. . | 97.31                         | 26.49                      |
| 4. Working capital                 | .. .. . | 305.82                        | 93.49                      |
| 5. Value of sale of finished goods | .. .. . | 1,263.63                      | 596.50                     |

**Milk Societies and Unions.**

(1947-48)

|                       |         | <i>Societies</i>  | <i>Unions</i> |
|-----------------------|---------|-------------------|---------------|
| 1. Number             | .. .. . | 663               | 34            |
| 2. Membership         | .. .. . | 43,091            | 3,153         |
|                       |         | (Rupees in lakhs) |               |
| 3. Loans advanced     | .. .. . | 11.48             | —             |
| 4. Value of milk sold | .. .. . | 111.51            | 68.01         |











