

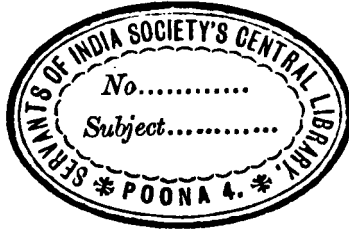
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CO-OPERATION IN INDIAN STATES.



BY

G. R. PILLAI., B. A., B. L., (MADRAS).

HONOURS DIPLOMATE IN CO-OPERATION (MANCHESTER).

BRITISH CO-OPERATIVE UNION MEDALIST.

FELLOW OF THE ROYAL ECONOMIC SOCIETY (LONDON).

PERSONAL ASSISTANT TO THE REGISTRAR OF CO-OPERATIVE SOCIETIES,
TRAVANCORE.

QUILON.

Sree Rama Vilas Press.

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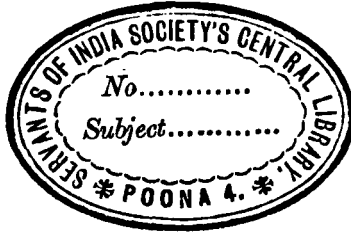
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INTRODUCTION.

A book on Co-operation in Indian States is rather premature, for the very simple reason that the majority of the States has not evolved to that status which will permit them to be measured by ordinary economic standards. But still that vast area covering one third of Indian peninsula and embracing one-fifth of its population is not one which could be further ignored in a comprehensive study of the progress of the co-operative movement in India. The Indian States according to the Butler Committee number 562. Sprinkled throughout India, they possess widely different characteristics. "In the North West is the broad area of the Baluchistan, farther North again is the Frontier state of Kashmir, rising into the tremendous peaks of the Pamirs and the mountain outposts of Chitral and Gilgit; in the far North East are the states of Sikkim and Bhutan, which mark the division of India from Tibet. A little South is an immense tract of country where the land

of the Chivalrous Rajputs and the varied states of Central India merge through Cutch and Kathiawar into the Arabian Sea. In the South is the solid state of Hyderabad under the Nizam and further South, again, the ancient Hindu state of Mysore with the hardly less historic states of Travancore and Cochin.* These states differ a great deal in size, population; revenue, powers, administrative system and authority. The Butler Committee report described the term Indian State as covering "at one end of the scale, Hyderabad with an area of 82700 Sq. miles, with a population of 1,25,00,000 and a revenue of $6\frac{1}{2}$ crores of rupees or about £ 50,00,000 and at the other end of the scale, minute holding in Kathiawar amounting in extent to a few acres only, and even in certain cases, holdings which yield a revenue not greater than that of the annual income of an artisan. It includes also states economically, politically and administratively advanced, and states patriarchal or quasifendal in character which still linger in a medieval atmosphere; states with varying political powers,

* India - The New Phase. by Stanley Reed and P. R. Cadel.

constitutional states like Mysore and Travancore and states which are under purely autocratic administration.

The difficulty of a study under one common head of such a complex structure can best be imagined. Amidst a host of others, there were particularly two difficulties which confronted me at every state of the progress of this work. The first was the notorious lack of data for an attempt of this kind. The economic conditions of the Indian states are still unexplored regions. Though there are many books treating about the economic conditions of British India, no one has ever attempted to record the miserable economic conditions of the people of the majority of Indian states. When commissions after commissions were appointed to find out the causes of frequent famines in British India, the states which were centuries behind British India in economic growth were left out of the scope of their enquiries. In fact, the ravages of famines are more cruel in the states than the neighbouring British Indian provinces. In British India, relief comes as soon as famine spreads out. But the poor subjects of the states

have to die a starving death before the almost annual visits of the dearth. When an Industrial Commission was appointed to survey the Industrial conditions of India, the Government of India never worried about the Indian states and their indigenous industries. No one cared to interest himself in surveying and finding out means for improving the half dying industries of the states. This policy of allowing sleeping dogs to lie was followed even when the Royal Commission on Agriculture and lately the Royal Commission on Labour were appointed. Of course, the Government of India did not want to force their enquiries on the states. Co-operation or otherwise was left to their option. When recently an enquiry into the banking conditions of India was undertaken, some of the states co-operated with the Committee appointed for the purpose and have produced useful reports. But for these and half a dozen other reports, the record of the economic history of the states is deplorably barren. There are only very few states which collect statistics of any sort and even those statistics are incomplete and inadequate. Their accuracy also is seriously doubted as there is no controlling

agency for their compilation in any of the states. To prevent the recurrence of complaints of this nature it would be advisable to appoint a permanent bureau of statistics under the Princes Chamber to collect and record relevant information from all the states.

The second difficulty was to obtain the little information that was available. Having hardly evolved from a state of medieval obscurity, many states have not overcome that primitive suspicion against any enquirer after truth. While some have the frankness to say that the informations cannot be supplied or that they are not available, some others do not reply at all. The states, too, are not to be blamed for this. Latterly, people ambitious of exploiting the states and their supposed medieval existence have been too numerous that it has been found impossible for even wellmeaning states to distinguish the bonafide enquirers from the host of irresponsible letter writers. It was equally difficult to check the correctness of the informations supplied. In an attempt to discuss the conditions prevailing in spheres so distant from each other as Kashmir and

Travancore, it was practically impossible to get first hand information. Naturally then, I had to depend on reports published by the respective states which invariably painted only the bright side of the picture. While basing my conclusions on these reports, I have not been hypercritical. But where I have unconsciously become very complimentary, I would request the reader to take the remarks with some discount.

It is deplorable that so little attention has been paid to Co-operation in the States, though the introduction of the Co-operative movement is the most urgent piece of economic reform that is needed in every state. Unfortunately, there is depression all over the world at the present time. But in the Indian states, it has become a permanent feature. The difficulties of the states exceed those of others. Their economic system is disorganised. Their fundamental assets are impaired and resources are diminishing. About 87 percent of the population of these states live by agriculture. They depend absolutely on the produce of the land which varies with the degree and punctuation of rainfall. Owing to the poverty of the soil, lack

of general irrigation facilities and subsidiary occupation, the peasantry is in a state of chronic want and penury. The agricultural class is immersed in poverty and ignorance. The people are poor, desperately dirty and unhealthy with no conscious desire for anything better because they have no idea that anything better is possible. All their interest in life centres round the problem of their next meal or at the most their next harvest. Existence is a great struggle with them. Life is made infinitely difficult for them by a mass of unhealthy and uneconomic customs. They never get out of these miseries. They are led down to a life of perpetual passivism. They are heavily indebted to usurers. "Chronic poverty, want of sanitation and medical relief, ignorance and disease have conspired to reduce the peasant's vitality to its minimum. There are no roads, no sanitary arrangements, no hospitals or dispensaries and no provision for lighting. People die in thousands for want of medical help."* To escape from the serious consequence of these economic evils, it is imperative

* Modern Review. December 1928. Article on Rajaputana States.

that the people and the administrations of the states should assist and cooperate with each other. But, Alas! this truth has not been realised in more than half a dozen states.

Of the 562 states, only the states of Jammu and Kashmir, Baroda, Gwalior, Indore, Hyderabad, Mysore, Pudukkotta, Cochin and Travancore have functioning cooperative departments. The cooperative department of Jammu and Kashmir is affiliated to the department of Agriculture, while that of Indore is only a section of the Rural development department. The origin and growth of the cooperative movement in these states have been discussed elaborately in the following pages that only a mere mention of a few general criticisms is necessary here. There are many desirable features which could be introduced with advantage in all these states. But all these have made some distinctive progress in various lines that it is not possible to mark out one as superior to another. In order of merit, one would be justified in classifying them in the following order:—

Mysore and Baroda.

Travancore, Cochin and Pudukkottah.
Jammu and Kashmir.
Hyderabad.
Indore and Gwalior.

The Cooperative movement in Mysore has now completed a quarter of a century of its existence. It has now more than 2181 societies. Cooperation has developed more on credit lines through out India than otherwise. But Mysore has endeavoured to centre its attention as much on non credit activities as on credit. The result is that we find a higher percentage of non credit societies in Mysore than in other states. We find consumers and producer's cooperation more developed in Mysore than any of its adjoining areas. One more interesting feature is that among the states Mysore is the only place where the cooperative movement has not rested content with meeting the problem of short term credit. Only in Mysore do we find a cooperative Land Mortgage Bank.* Even in this they have a novel scheme. The land mortgage institutions of other places attempt indirectly at

* Travancore has lately started a state owned and state managed Land Mortgage Bank.

the improvement of agriculture. But the Mysore Land mortgage Bank is intended to provide long term credit for the redemption of prior indebtedness. This distinction is vital and hence makes it incumbent on the co-operators of Mysore to proceed with the greatest care. The Mysore Land mortgage scheme aims at transferring the debts of the agriculturists from the private money lender to the Land mortgage Bank. The ideal is no doubt very good. But the question is how far it will succeed in practice. This makes it necessary that the agriculturist should change his methods of cultivation and habits of life so that he might be able to earn and save enough to pay back the debt of the bank and become a free man. The scheme takes too much for granted and the success of this would depend on the extent to which the co-operators have ingrained the principle of Better farming, Better Business & Better living." While presiding over the provincial cooperative conference of Mysore, in 1931 the talented Dewan of that state drew pointed attention to the utility of the cooperative movement to the young men of the State. He incidentally referred to the Irwin

Canal area in Mysore and discussed how co-operators could make that tract of land more and more useful by applying in practice the principle behind this movement. He said that this area provided an ideal field for introducing agricultural cooperation in its different forms. This is one of the rare instances when we get such practical suggestions from the head of the administration of an Indian state. The Irwin Canal tract if fully developed will comprise a compact area of 12000 acres possessing an assured supply of water and electric power. With scientific methods of farming and cooperative methods of business this tract should contribute substantially to the prosperity of the people. The introduction of cooperative farming with attempts to specialise in particular products in particular tracts in a state will certainly be a very interesting feature both as an innovation and as a principle. This would lead to small attempts being made in cooperative marketing which is an urgent necessity in all the states. The sale societies Grain Banks and Depressed Classes societies are doing satisfactory work in Mysore. But there are other fields of non credit cooperation that demands immediate improve-

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ment. Cooperative Housing demand great attention in Mysore. At one time, Mysore was the foremost state in cooperative housing though at the present moment this type of societies has suffered some deterioration and occupies only a minor position in the state itself. This if developed would help very much to make Mysore a more healthy and more habitable place.

We might be seeing the same defects in the credit societies of Baroda as in other parts of India. But it should be gratifying for any cooperator to note that Baroda has progressed comparatively creditably on non credit lines. The cotton sale societies and the consolidation of holdings societies are doing very well within their limited sphere. There is only one cattle breeding society in all the states and that is in Baroda. Baroda again was the first among the states to consider the problem of long term credit and nearly five years back, when even many of the British Indian provinces had not begun to realise the brunt of the problem of long term credit, Baroda appointed a committee to enquire into the feasibility of opening land mortgage Banks in the state. The report is a

brilliant document though, as all reports are destined to, it produced nothing but an academic interest. Though Land mortgage Banks as such were not opened in Baroda, they have got a similar institution which is being run on almost similar lines. They are the Agricultural Pedhis, which in the complete credit organism of Baroda serves to meet the needs of long term credit on the security of land. Baroda has also attempted to introduce cooperation into the field of irrigation. The water works, pump society and irrigation societies are doing notable work. The success or failure of particular societies is no criterion to measure the progress of the movement in any state. Baroda has introduced the principle of cooperation into various branches of human life. It will not be fair to leave out the mention of the Unza society of Baroda, which has devoted itself to social reform by carrying on a crusade against needless social extravagance by the Audich Brahmin, the community for which it exists. If a single society can save for its members so large a sum as Rs. 11½ lakhs it is clearly a good example which might be followed elsewhere also. There are great possibilities in this direction. It is

said that feeling against extravagance is strong and growing. If so it is a healthy sign and the department would do well to take advantage of the rising tide. But we have so far only painted the bright side. There are defects in the fundamentals of the societies of the state. There has been a general deterioration in the quality of societies in this year than the previous one. There is very little spontaniety in the movement. The opposition of vested interests have not yet been overcome. The people look upon the cooperative societies as a machinery for obtaining cheap loans. Overdues have increased from 18, 1 to 21 %. One should think that this is due to the overleniency showed in granting concessions. The masses have not been educated in the principle of the movement and there remains much spade work to be done. With more attention by the department, more sympathy from the public and combined governmental patronage, the cooperative movement of Baroda has more possibilities of progress than many other states.

Proceeding as we are on the quality basis of the movement, we have to jump off to the

southern most state of Travancore from Baroda. The Cooperative organisation of Travancore falls into the three divisions of Credit, non-Credit and Supervision. At the Apex is the Trivandrum Central cooperative Bank, which feeds minor cooperative institutions sometimes direct. A very peculiar feature of Travancore cooperation is that its growth began from the top. The apex institution was the first to be registered, in a former* Registrar's words "to prevent societies from looking up to Government for pecuniary assistance." Next to the Apex Bank, comes the Taluk Banks and then the Primary societies. The Primary societies include both agricultural and non agricultural societies. The non agricultural societies are only very few in number. There is a very urgent call for the development of the movement on non credit lines. In Travancore, unlike the other states of N. India supervision has been attempted by non officials. There are local supervising unions in different centres and a central body (federation) by the name Travancore cooperative institute. This institution

* The late Mr. C. Govinda Pillai B. A. B. L.

mainly centres its attention on supervision and propaganda. It does hardly any other work except bringing out in distant intervals a cooperative monthly in Malayalam. When there is an all round demand for money, it is very strange that the central cooperative Bank still possesses a loanable surplus, which the bank authorities say is not being absorbed by the members. It is still more interesting to know that owing to this surplus of loanable capital, some reduction on the rate of interest on deposits has been made. This picture surely does not reflect credit on the institution or its management. This only means that application for loans are not treated properly and justly. There is a complaint that this central bank is becoming more and more bureaucratic. After having created such an artificial surplus, it is extremely dangerous to discourage depositors by reduction of the rate of interest lower than that of joint Stock Banks. Any day the depositors might withdraw the money to deposit it in the bank where they would get better interest. The extent of the risk will be brought home to us only when we realise that 22% of the capital of this institution is made up of

deposits and that it has got no overdraft account with any outside bank. No words can adequately condemn this unwise policy of opening the apex institution of the movement to such grave risks. There has been an equally serious complaint about the extraordinary delay in the granting of loans. It has been said that it takes at least a month to get the application for loan sanctioned. There can be no doubt that this delay defeats the purpose of the movement. The introduction of cash credit accommodation for each society would help a great deal to root out this evil.

The movement in Travancore has got a curious isolated position. It has no relation whatsoever with the outside financial world. The movement is oblivious of the existence of any outside bank. Nor does other banking institutions recognise the existence of cooperative banks. If the ideal has been to replace all financial agencies by the cooperative ones ignoring the outside institutions as a whole, it is far from having been realised. The Banking Enquiry Committee found that the total indebtedness of the rural population was between

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Cooperation in Kashmir has developed but little though, there, one sees peculiarly interesting types of non-credit societies. Among all states, Kashmir possesses the only model village. The principle of cooperation has been applied to various activities of the people. There is a standing rule made by the Registrar of Kashmir which requires each member of a cooperative society to plant as many fruit trees in his land as the number of rupees he owed to the society. Attempts are being made to effect complete coordination between the activities of agricultural, veterinary and cooperative departments. There is an experimental farming society at Nandpura and there were 23 Compulsory Education societies. Cooperative consolidation of Holdings societies also did good work. About Srinagar societies of arts and crafts, it has been said that no single city in British India can probably claim as many societies of arts and crafts as the city of Srinagar. But though there is interesting varieties of societies in the state, their quality is not very high. Rural finance is in a miserable state and there has been considerable deterioration in the quality of the societies in general. Overdues are increasing

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and there is a paucity of the field staff. The Registrar says about the future:-“As regards the necessity of expansion, there could be no two opinions. The situation here in this state is quite different from what it is in British India. The slow and gradual retreat of the money lender before the orderly march of the organised forces of the cooperative movement there present a striking contrast to his dramatic disappearance from field here, as wrought with the promulgation of the Agriculturists’ Relief Regulation. Unless the cooperative credit movement capture the vacant field a serious dislocation of rural finance is bound to result. In fact the cultivator at present feels stranded as instead of an imperfect and defective finance he will have no finance, unless of course the cooperative credit societies are sufficient in number to render him the necessary assistance. The problem is one of greater importance, wider bearing and deeper significance than what it prima facie appears to be.”

The condition of the movement in Hyderabad leaves very very much to be desired. With some reorganisation in the department towards

the beginning of 1929, there has been some slight improvement. The Dominion Bank has been reorganised already. Central Banks have become share holders and are now electing Directors to the Board. The financial position of the Dominion Bank has also become more satisfactory. The majority of the Central Banks has been doing tolerably well. They have gained the confidence of the public. But overdues are on the increase. Neglect and maladministration prevailing in the working of the agricultural societies are so great that if immediate reorganisation and control is not effected there will certainly be a serious deadlock. Very vigorous propaganda to educate the masses in the principles of cooperation is essential for the continuance of the movement on sound lines. The number of non agricultural societies has been very little and those that exist cannot be said to be doing any work. Government should immediately pay its serious attention to these defects and instruct the department to be more vigorous about field work.

If the picture detailed just above has been sad, those presented by other states are sadder.

Out of a ten year's growth, Indore has evolved only 414 societies, working rather indifferently. Though a committee had been appointed to enquire into the working of the movement and it submitted its report in 1928, nothing has as yet been done. The movement with its handful of societies still continues to struggle under the grip of the Rural Development Commissioner, himself, a man of multifarious duties. The appointment of a committee is an earnest of some good intention on the part of the administration to bless the country with some reform. But nearly three years have passed since the committee has submitted its report and it is feared that its validity is crossing the period of limitation.

The report about the working of the cooperative societies in Gwalior is very disparaging. The government of that state has advanced enormous sums of money to cooperative societies. The amounts have already begun to be treated as bad debts. It was during the time of His late Highness Madhava Rao Scindia that cooperation was first introduced into Gwalior. His Illustrious Highness belonged to that royal type who wanted sowing and harvesting in a couple

of days. This royal will was applied to cooperation also. Missionaries, who themselves knew not what they talked about, were despatched throughout the length and breadth of the state to preach the gospel of cooperation and to form societies. Societies were formed in hundreds and they began to be very lavishly financed by the state treasury. No doubt, progress too would have been at the same unrestricted rate had not the cruel hands of Death taken away that noble and illustrious prince. Once the havoc was done, there was no means to get over it. Overdues increased by leaps and bounds and the catastrophe was made more imminent by ignorance.

The departmental heads themselves, even if willing, could do nothing, since they had to work in a vicious circle to escape from which would have been physically impossible for them. There appears to be no hope of retrieving the 44 lakhs of rupees that has been invested by the state in the cooperative societies of Gwalior unless a thorough overhauling is made at the earliest moment.

Of the remaining states, only a handful

possess some sort of co-operative institution and even that in a small number. These states are Bahawalpur, Bhopal, Bhavnagar, Bikaner, Faridkot, Kapurtala, Khilchipur, Kolhapur and Kotah. It is said that Patiala has some co-operative institutions but no authoritative information is available. No data has been available to know the details about the cooperative activities of these states. In reply to a letter I addressed to the Chief Minister of Bahawalpur, one of his subordinates informed me that the cooperative movement is in full swing in that state. Nothing more was written in that letter. No reply even, came from Bhopal, though I was able to gather from an external source that there are a few struggling societies in that state. Bhavnagar thanked me for the enquiry but failed to supply any information. Yet it has been possible to know that there were 51 Agricultural societies in 1927 with a membership of 1299 and working capital of Rs. 1723,65 out of which Rs. 27047 was treated as Reserve Fund. The Durbar give a donation of Rs. 825/- to the societies and advanced Rs. 5,150. The societies made a net profit of Rs. 3,051 during the year under review. Bikaner had only 85 village societies

at the end of 1930 and one central Union Bank at Bhadra. Another central Union Bank is being started at Ganganagar. And the problem of long term credit also is being tackled. A Land Mortgage Bank has been sanctioned to be started at Ganganagar with a state capital of a lakh of rupees. In Faridkot, there are 136 credit societies with a share capital of 3 lakhs of rupees and a working capital of 8 lakhs of rupees. They had 6069 members. There is also a central cooperative bank at Faridkot which is in a satisfactory condition. The state finances the Bank from time to time during financial stringency. It has granted a cash credit accommodation to the Bank Kapurthala has 271 societies with a membership of 7237. Their working capital was Rs. 872,006, their indivisible profits Rs.355250 and their owned Capital Rs.457,795. The state has invested Rs.100,000 in the Central Bank as shares and Rs. 64,638-13-10 as deposits. The state is attempting to effect consolidation of holdings through cooperation. The number of cooperative societies in Khilchipur is 118. These advanced 2,494 maunds of grains to the indigent peasantry. Money was advanced to the needy cultivators as takavi as well as for well, bullocks etc. There

were 48 cooperative societies in Kolhapur with a working capital of Rs. 343,230. Kotah had the largest number of cooperative societies among these small states having a total of 425 societies to its credit. These are all credit societies. Two societies are working at Antah and Baran for collection of seed and another at the Kotah College for students. Membership at the close of the year was 3269. Funds invested in the societies amounted to 8½ lakhs. Loans amounting to Rs. 279,074 were advanced for various purposes. The Kotah cooperative Bank was started in February 1927 with authorised capital of Rs. 1½ lakhs of which Rs. 87,585 has been paid up by 613 share holders. The savings bank run by the Kotah cooperative Bank is popular. The profits of the Bank amounted in 1929 to R. 13,108.

A singular feature which stands out prominently in these short sketches is the extent of the rural indebtedness in each state. Nowhere have the cooperative banks been able to stabilise rural finance. The movement has not been able to replace the money lender in any state. It is not far from truth to admit that in

some places it has indeed worked havoc in that it has left the members of cooperatives societies stranded as the money lender refuses to accommodate him and his society has no finances to help him. To relieve the rural indebtedness two things are absolutely essential. In the first place, we require in large numbers good cooperators who will be able to produce good cooperative societies and educate the masses well in the principles of cooperation. They will thereby inspire confidence in a greater degree among the masses and it is mainly on the growth of this confidence that the success of the movement lies. In the second place, the public should whole-heartedly support the movement by becoming its members, depositing money and doing propaganda work. There is no doubt that the economic salvation of the Indian peasant could only be achieved through the cooperative movement. The problem of long term credit is very intensive in many of the states. The Land Mortgage Bank is the best solution for the same. In the original scheme of this work I had assigned one chapter to deal with this topic. But as after a detailed study of the movement in Indian States I found that only

Mysore possesses a Land Mortgage Bank* I had to delete the same. I felt that a discussion of the topic in this book would be superfluous.

Before concluding I have only to appeal to all the states in India to consider seriously the question of introducing the movement in their respective states. It might not be easy and practical for small states to have their own individual department. In such a case small groups falling under one geographical division can join together and work up the movement. It might be argued by those who pursue a policy of exclusion that this is impossible. But in all our cooperative activity we stand for solid and helpful things—things in no sense parochial or merely national, but stretching out in their application to all people, black and white, brown and yellow, and without respect to creed or colour or class. All cooperation asks of its adherents is a willingness to share life with others in association for specific purposes and in conformity with rules laid down and voluntarily accepted and observed. To this voluntary bond

* Very recently one in Travancore.

many millions of people in all the continents of the world have set their seal and are bound in helpfulness each to the other. Then, why, not the people of the Indian States?



CO-OPERATION IN INDIAN STATES.

PRIMARY SOCIETIES.

I

The basis of co-operative structure in India is the Primary Credit Society. There is not a single instance throughout the length and breadth of India where the Co-operative movement has been inaugurated with a co-operative production society. Everywhere the intrinsic problem to be solved was that of indebtedness. People had to find out a solution to this burning question. The rural indebtedness of States is much greater than that of British India and wherever the Durbars have been pleased to introduce the movement for the purpose of ameliorating the condition of the ryots, they have found that co-operation is the only solution to the problem. Once the spirit and principles of the movement were introduced, they gradually

spread into various fields of human activity and soon Credit and Non-Credit Associations were formed.

The classification of co-operative activity in India has been very difficult. The easiest and the most feasible test of distinguishing and sorting primary societies is by looking at the nature of their liability. Societies are classified under co-operative law as those working with limited and unlimited liability. The limited liability societies afford an advantage to its members in that if the society collapses and is brought under liquidation, the members are not open to the risk of losing their everything for the default of their fellow members. Limited liability is of two kinds. One limits the liability to the portion of the shares which remains unpaid. The other limits the whole liability to a stated sum generally a multiple, twice, thrice, or ten times the face value of the shares. When the society comes to grief the liability of an individual member is limited by a proportionate amount. In this case, the face value of a share does not indicate the full liability of a member. The liability extends to the value of the pro-

portionate amount each individual member will have to pay in the event of the liquidation of the society. This amount will be fixed by the byelaws.

Co-operative societies in India are corporate bodies. The society in its corporate capacity enters into contracts. The individual member as such cannot enter into obligations of any sort. The unlimited liability of co-operative societies in India has hence been interpreted by the Maclagan Committee as unlimited contributory liability. This term indicates that any deficiency in the assets of the society on liquidation should be made good by per capita contributions by the members. In India, we see a very strange coincidence. Almost all societies organised in towns (if they are credit societies, they are known by the name of urban banks) are formed on a limited liability basis, while those societies formed in villages bear unlimited liability. It has also been observed that all those societies which have been organised for objects other than meeting the monetary needs of the people are formed on a limited liability basis. The central institutions and unions also have adopted limited liability.

The classification on the basis of liability has been rejected as too inclusive. Another classification that we find adopted is based on the nature of activity. In the 1912 Report on Industrial and Agricultural Co-operative Societies in the United Kingdom, the following scheme of classification was suggested:-

I. INDUSTRIAL CO-OPERATIVE SOCIETIES.

- 1) Association of Consumers.
- 2) Association of Workers.

II. AGRICULTURAL CO-OPERATIVE SOCIETIES.

- 1) Purchase and Sale Societies.
- 2) Productive Societies.
- 3) Small-holding Societies.

III. BANKING, CREDIT AND INSURANCE CO-OPERATIVE SOCIETIES.

- 1) Banking and Credit Societies.
- 2) Co-operative Insurance Societies.

IV. HOUSING AND BUILDING SOCIETIES—
PROVISION OF DWELLING BY

- 1) Industrial Co-operative Societies.

- 2) Tenants Co-partnership Societies.
- 3) Co-partnership Tenants Ltd.
- 4) Building Societies.

This classification has been made with special reference to the conditions prevalent in Great Britain. When making this classification, the authors had in view the predominance of consumer's co-operation and the comparative insignificance of agricultural co-operation in England. This therefore can be of little use for a classification of the societies of the states. The Maclagan Committee on co-operation in India has classified the co-operative activity in India as follows:—

I. CREDIT.

II. NON-CREDIT.

A. Agricultural.

- 1) Purchase or Purchase and Sale.
- 2) Production.
- 3) Production and Sale.
- 4) Insurance.
- 5) Others.

B. NON-AGRICULTURAL.

- 1) Purchase or Purchase and Sale.
- 2) Production and Sale.
- 3) Production.
- 4) Insurance.
- 5) Others.

This classification has been adopted by almost all the provincial Governments of British India and all the Governments of Indian States (which possess a Co-operative department) for preparing their annual statements. It will therefore be advisable to adopt this scheme for reviewing the co-operative activities of Indian states.

Another classification of co-operative activity is based on the test whether the society is Agricultural or not. Here again, we will have to fall back upon the Maclagan Committee's classifications and divide the societies into:—

(1) AGRICULTURAL.

- (a) Credit.
- (b) Purchase, or Purchase and sale.
- (c) Production.
- (d) Production and Sale.

- (e) Insurance.
 - (f) Others.
- (2) NON-AGRICULTURAL.
- (a) Credit.
 - (b) Purchase, or Purchase and sale.
 - (c) Production.
 - (d) Production and Sale.
 - (e) Insurance.
 - (f) Others.

Sometimes, co-operative societies are classified according to the area or sphere of activity. The classification comes under the heads of

- (1) Rural.
 - (2) Urban.
- or
- (1) Primary.
 - (2) Central.
- or
- (1) District.
 - (2) Provincial.

Though we find almost all the types of societies that have been mentioned above in most of the States, the credit type of societies

predominates in almost all of them. There are States where there are no other types of societies but credit. Hence we will be dealing the different types of co-operative societies in the Indian states under two important headings Credit and Non-Credit.

Credit forms an important factor in all industrial concerns. In almost all the Indian States agriculture is the main industry and the cultivator who has so little loose cash with him depends mainly on credit for purposes of cultivation. Though credit by enabling the ryot to cultivate does him a good service, it has been found that it (credit) does more harm than good to the ordinary indiscreet ryot. Rural Economists point out that the chief cause of the indebtedness of the Indian peasant is the misuse of credit. This is more or less true since there can be no debt without credit and the Indian peasant is not very enthusiastic about the repayment of a loan.

Credit has been found to be very useful in Agriculture. The economic condition of the ryots in India is so poor that they cannot carry

on their cultivation without any extraneous help. It is need for money or its equivalent that meets him everywhere, before his harvest. He wants seeds, labour, implements and cattle. He has to wait for a good market for his crops. Through all this period, he — poor naturally as he is — wants some one to keep him on. Here credit becomes necessary, useful and advantageous. Agriculture has an important difference from other industries and trades in that it requires capital to be locked up till the harvest. This makes it impossible for ordinary industrial banks to finance agriculture. Agricultural credit needs therefore quite a different system.

Various means have been devised to meet the agricultural needs of the peasants. The sowcar has been condemned as the evil genius of the ryot. He is too selfish, greedy and exacting. He never cares for the prosperity of his customer. State aid has been suggested as a means for the economic amelioration of the peasant. As far back as 1870, the Government of India began to offer Takkavi loans to the cultivators. But no government can finance the

needy ryots completely. Moreover they will not be able to know who is the really needy. Government land banks have been tried in Australia for financing the agriculturists. The Australian Government finally found the scheme to be unworkable. France, Egypt and following them some other European countries tried land banks. The Credit Foncier of France and the Agricultural Bank of Egypt Limited were both failures in this respect. As a result of all these attempts and failures, co-operative credit has been tried and found universally successful.

Co-operative Credit Societies have various advantages over other institutions. The most important attraction about it is that it has devised a fit kind of security that would serve the purposes of agriculture well. Co-operative Credit commands a kind of mixed security—both personal and real—though it attaches more importance to personal security. The security, though called personal, is far-reaching in its effects as, in reality, it is based on the character of the borrower, his working capital, the security of a fellow worker and the membership of an association.

The members of a Co-operative society belong to a lower rank than those of a Joint Stock Bank. Consequently the acquirement of capital for co-operative societies is far easier than accumulating capital for other joint stock concerns. Lending also is attended with less risks in co-operative societies. There are several factors in the constitution of a co-operative society, which increases the integrity of the borrower and therefore makes lending less risky to the society. (i) The members of a co-operative society are a selected group. They are admitted to the membership of the society only after election. It is further only a small group. Every member has hence an opportunity of knowing well every other member. The restriction on the area of operation of a society enables the members to know the antecedents of an applicant and gives them an opportunity to reject those undesirable persons who do not possess character and honesty of purpose. It follows that the members of a co-operative group possess a higher standard of integrity than the average man. Each is known to all and all to each. (ii) The Capital of a co-operative society is composed of contribution or

shares (depends on the liability of the society from the members and money is lent only to members. Therefore the borrower has the same amount of interest in the society as the lender. (iii) Every member is liable for the default of every other member. This will make the members careful about the repayment of any loan. They will try their best to prevent defaults.

In addition to these factors which promote the integrity of the members, there are many points in the constitution of a co-operative society, which serve to increase the ability of the individual to repay. The co-operative system endeavours to make credit safe by improving the integrity of the borrower and his ability to repay. Capacity for repayment of loans is increased by the powers of scrutiny, supervision and the unlimited liability vested in the society by the laws of its composition. Before a loan is granted, the other members of the society scrutinise the powers of the borrower to repay and the object for which the loan is to be applied. They decide whether the loan is demanded for productive or unproductive purposes. They also take into consideration the ability of the borrower to re-

pay in case the loan proves unproductive. Strict care is therefore taken in the granting of loans and the object for which the money is being utilised. The pooling of liability involves pooling of assets, so that a default by one is made good by the surplus of another.

The soundness or otherwise of the whole movement depends on the efficiency with which the primary societies are worked. The illiteracy of the ordinary peasant in many states has made the general prevalence of the principles underlying the movement difficult. The real spirit of co-operation is absent even in many of the British Indian provinces. It is therefore needless to expect the same among the comparatively less educated and less enlightened population of the states. The general remarks of all the important co-operative departments of the states go to show that the spirit of co-operation has not spread very far. Reviewing the working of the co-operative Department, 1929, the Government of Baroda remarks, "it seems clear that the movement has not yet caught the fancy of the people, that they do not fully understand the principles of co-operation and that

spontaneous effort except in enthusiastic instances is lacking." The Government of Cochin in their proceedings P. L. No. 147/1104 dated 3rd April, 1929, on the report on the administration of the co-operative department for 1103 (M. E.) submitted by the Registrar of Co-operative Societies writes. "These figures indicate progress, but the real situation as gauged from the percentage of members to population and the condition of societies as depicted in appendix C is somewhat different. The movement has touched only a small percentage of the population and even this small percentage has not fully imbibed the true spirit of co-operation.* The other states are not so frank. In many of these reports there does not seem to exist an intention of painting facts in their true colours. The Director-General of Agriculture and Co-operation, Jammu and Kashmir, writes about positive opposition against the spread of the co-operative movement. "Opposition will no doubt continue so long as the co-operative societies exist and the co-operative movement expands; but it differs in intensity in different

* The latest report (1931-32) voices the same opinion.

districts. Its opponents are more or less getting used to the movement. They have begun to be reconciled with it and are exhibiting a tendency to come forward to invest their funds in the Central Banks." Though in the reports of the co-operative department of other states we do not hear of this opposition, there is ample evidence to testify to the reluctance of the people to be benefitted by the movement. The 1929 report of the Rural Development Commissioner of Indore on the working of the co-operative societies does not indicate anything wanting in Indore co-operation. But Para 14 (Page 3) of the Report on the Co-operative movement in the Indore State by the Committee of inquiry appointed under Cabinet resolution No. 1110 dated 9th July, 1927, says: "The movement has touched a small fraction of the population and there is yet a vast field for work if a large element of the population which is composed of agriculturists is to be benefitted by co operation." The report of the State of Gwalior presents the same picture though in another form. "More activity in the shape of bringing home the co-operative principles to the minds of members is necessary. The more

they are dinned into their ears and the more the advantages of acting upon those principles take root in their hearts the more they would be tempted to bring those principles into practice. This is absolutely necessary....." * This aspect is not specifically dealt with in the report of the Nizam's Dominions. But "there is none more alive than the department to the many shortcomings which clog the working of the movement in the Dominions." On page 3 of the 1929 report they say, "compared with British India, the number of enlightened non-officials who are animated with a genuine and burning enthusiasm for the movement is infinitesimally small and such of them as have given time or attention to the intelligent study of co-operative practice and problems hardly exist..... It will yet take some more years to imbue them with a spirit, which will throw them whole-heartedly into the conflict of economic forces at play in the villages and to enlist them as pioneers on the

*"—It is difficult to say whether there is any real change in the general feeling as regards co operation. But I think one may conclude at least that apathy is taking the place of antagonism with many and that among a small minority."—Report for 1930-31. (Gwalior.)

side of the co-operative movement." Though the Government of Mysore reviews with satisfaction the work of the co-operative Department for the year 1928-1929, it concludes by saying, "Though the percentage of the population touched by the movement has risen from 8.9 to 9.9, there is much propaganda work yet to be done." The standard of education is far more higher in Travancore than in any of the above states. The attitude of the public towards the co-operative movement is also favourable. Even there, still more work is to be done.

The above extracts will show that nowhere in the States has co-operation reached a satisfactory stage. The movement has reached only a fringe of the population. And even the comparatively small number of societies is not run on proper lines. As the spirit has not been imbibed by the members of the societies the working of the movement suffers very much. The exorbitant amount of over-dues that is seen in the societies of many states is an outcome of the pupil's ignorance and inability to appreciate the benefits of the movement. The movement to be successful and to be able

to render unto the masses all the benefits it is capable of, should be run essentially on sound lines. The soundness of the primary societies is based mainly on three chief requirements. They must in the first instance be co-operative. They must, in addition, be businesslike and thoroughly well supervised. Of these the first requirement is very comprehensive. It really includes in itself the second and third points. The reader is referred to the points mentioned in the introductory note of Mr. Calvert to his book on "The Law and Principles of Co-operation" to have an idea about the most essential conditions necessary to make a society co-operative.

A co-operative society gains its corporate existence only after registration. An unregistered society will not be deemed a body corporate in the eye of the law. Those countries (Italy, Germany etc.) where co-operative societies function without getting themselves registered have experienced considerable inconvenience. The members of those unregistered co-operative societies have to undergo innumerable risks. The society cannot sue any

person nor can the members or other persons sue it. No voluntary winding up is possible. It possesses no contractual capacity nor can it claim any rights over property. Registration would furnish the society all these rights in addition to many other privileges.

Registration under the law is made possible only if the society satisfies all the necessary conditions. The Registrar is given very wide powers under the Co-operative Societies Act and virtually he is the very foundation of the movement. He is primarily responsible for seeing whether the society which seeks registration possesses all the requirements for making a society co-operative. Even after this preliminary enquiry, Registration is not compulsory. To register or to refuse registration is left to his discretion. In him is vested a discretion which morally binds him to see that a society begins to function under the best of auspices. The latest move of deofficialising the movement in co-operative circles has brought forward, with greater force than before, an objection against this centralisation of power in an official. Regarding the states, this question does not at

all arise. The control of co-operation by officials has in no country retarded or checked progress. On the other hand, it has only deduced that co-operation, if not officially controlled, has failed to obtain a footing. Even in England, "it has been said that the farmer is much more likely to co-operate when a state official goes round and tells him to do so, than when his neighbour (who might possibly get the job of being the local secretary of the society) tries to be persuasive."*

The duty of the Registrar under the Act itself is onerous and it has been made more so by recent official recommendations. As far back as 1903, when the original Co-operative Credit societies Bill was introduced in the Imperial Legislative Council, Sir Denis Ibbetson said, "Much depends on the personnel of the district Officer. He must explain the new law and preach the new gospel. He must select the places in which the experiment is most likely to succeed and must suggest to the people that they should try it putting it to them as action to be taken not by the Government

* *Awakening of England by Green.*

but by themselves while explaining how far and in what way Government is ready to help them." This point was over and over again emphasised and the observations made in the Maclagan report on the importance of the personnel of this official to the movement in India, remains eternally true in Indian co-operative literature. The 1928 Report of the Royal Commission on Agriculture, while dealing with the importance of the Registrar to the co-operative movement, writes thus:—

Para 376. "The personality of the Registrar is a matter of the greatest importance. In the circumstances we have described in the opening paragraph of this chapter, it was inevitable that at the outset, the Registrar should be the foundation of the movement. It was for him to study the experience of other countries and to bring his knowledge to the examination of the economic problems of the agriculturists, artisans and persons of limited means for whose relief legislation was undertaken. It was never intended that he should be merely a registering officer. He was expected to provide supervision, assistance, counsel and control and though he

was warned that he must not allow co-operation to become an official concern managed by state establishments, he was held to be primarily responsible for seeing that societies were formed on a sound basis. To ensure this, the Committee on Co-operation, after a careful enquiry into the movement throughout India, expressed their considered view of the qualifications required and the duties to be performed in no ambiguous terms. "He must be continually studying co-operative literature which is now most extensive (Volumes have increased by hundreds since 1915.) He must make himself acquainted with economic conditions and practices both throughout India and in his own province. He must know the principles and methods of Joint Stock Banking and must examine the systems of developing thrift and inculcating co-operation which have been tried in other countries. He is also head of a teaching establishment and must devise effective means for impressing a real knowledge of co-operation on the bulk of the population. He has further to control a large staff and to draft model byelaws, to collect statistics and write reports, to advise Government in various subjects

and to keep in close touch with the higher finance of the movement as managed by provincial banks and central banks." To the list of qualifications laid down by the committee, we would now add others, for the modern Registrars must be fully abreast of the activities of all departments working for the improvement of rural conditions. He must see that there is a sound foundation of better business to support the superstructure of better farming and better living; the more efficient the movement, the more will other departments make use of its activities." Nothing remains to be added to this weighty pronouncement. The highly responsible duties conferred on the Registrar by means of these recommendations could be performed only if he is very careful. He must scrutinise every application for the registration of a co-operative society. He will have to take into consideration several points before granting registration.

Attention should for example be directed to the extent or area where the society proposes to operate. Residence in the same town, village, group of villages or at any rate in a co-operative

unit or membership of the same tribe, class, caste or occupation is an absolute necessity. The idea is based on the co-operative principle that mutual confidence is possible only when the members know each other. This is adjunct to the fact that all new members are admitted only after election and consideration of the application by the committee. Admissions to co-operative societies are based more on character than the material status of the member. The true estimate of character is possible only on intimate knowledge of each other. Each admission to a society means in fact the admission of a prospective borrower in a credit society. And as such, it is highly essential to know whether each respective member is willing to bear the responsibilities and liabilities connected with every other member. This can be gathered only by the degrees of intimacy that exists between the members and for this the emphasis laid on the qualification of residence is supremely essential.

The residence basis that is adopted by co-operators for the limit of operation of a society is only formal so far as the States are con-

cerned. There are very few towns in the Indian States. The people for the most part live in villages. The following list shows the percentage of the urban to the total population in some of the states.

Baroda and Bombay States	17·3
Hyderabad	9·5
Cochin	12·9
Rajputana	14·3
Kashmere	8·8
Travancore	10·1
Mysore	14·4

Towns themselves are comparatively few. They at the most means only a municipal area. The preeminently agricultural life of the people compel them to live in villages. The principle of co-operation was practised even in days of yore in those villages. It was only after the disruption of that original village life that the present system of co-operation, as we know it to-day, had to be introduced in the villages. In those days, people used to assemble together in villages for mutual assistance and better protection. From these developed throughout

India a system of village communities which worked for many centuries. Sir Charles Metcalfe described these village communities in the following enthusiastic lines: "The village communities are little republics, having nearly everything they can want within themselves and almost independent of foreign relations. They seem to last where nothing else lasts." Although this system has more or less decayed, we find the corporate life which existed in the olden days still continuing to-day. It is the benefit of this compact life that co-operation needs for its success. This kind of corporate view is useful not only in the matter of residence. The kinship of belonging to one caste or one occupation will promote habits of co-operation. All these factors affect in determining the area of operation of a society.

Membership of the same tribe, class, caste or occupation has been suggested by Indian co-operators as another incentive to the spreading of co-operative principles among the villagers. The argument, to a certain extent, is true. But it would be better if this factor is less emphasised. The emphasis laid on homogeneity even at the

risk of encouraging exclusion and perpetuating caste system is crossing the bounds of desirable practice. Co-operators of the West are against this spirit of exclusion being encouraged in co-operation. Even though we find in British India certain instances of excluding poor but deserving persons from communal Societies on account of their caste, the States are the worst sinners in this respect. This is due to a mistaken idea prevalent among those who man the movement in the States. No greater service to the real spirit of co-operation can be done by any registering officer if he refuses to register such societies. There is only one better living society in Baroda (at Unza) and that is communal. Besides providing credit to members at a reasonable rate of interest, a great number of social reforms has been introduced by this society amongst its members. The society indeed serves as a great moral force to bring about better living in the community. Judged from the services it has rendered, one cannot condemn the particular society. But the success of an individual society shall not tempt us to praise these types of societies. This evil is prevalent in almost all the states. The following

statement gives information of communal societies in Travancore. *

Nairs	186
Christians	140
Brahmins	2
Ezhavas	96
Vellalas	11
Fisherfolk	28
Arayas or Valans	67
Artisans	32
Cheramars	108
Sambavars	24
Muslims	13
Weavers	10
Miscellaneous	<u>17</u>
Total	734

There are communal societies in all the other states but such a classified statement is not available in any other report. But the absence of such a statement does not mean that communal societies as such are absent elsewhere. In the 1929 Report of the Indore Co-operative Department, mention is made of two communal societies. They are the Chandra Seniya Kayastha Pedhi Ltd., and the Maha-

* Page 8, Administration Report., Travancore Co operative Department. (1931-1932).

rastra Brahmin Sahayak Pedhi Ltd. The C. Y. M. A. Society of Cochin, the Vyasa societies of Mysore are instances of communal societies in those states. No particular instances of these societies are seen in the reports of Hyderabad and Kashmere. The spirit of exclusion lurking behind these communal institutions ought not to be encouraged.

A sharp distinction is noticed between societies which have small peasant-owners and occupancy tenants as their members and those societies which have agricultural laboureres and artisans as their members. Both these institutions show a disfavour towards others who do not belong to their class and if at all any one of the other classes apply for admission, the application is generally rejected. The reason which prompts these artisan or minor agriculturists societies to reject members belonging to purely agricultural classes is their desire to maintain exclusion to their advantage. There is no harm in this, since, by so doing, they do not encourage any undesirable custom. The only evil which should be guarded

against is excessive exclusiveness. But quite distinct from this, a very common evil that is found in these kinds of societies is the insistence these societies show to exclude deserving persons from becoming members of their society on the mere ground that they are poor. This is virtually a crusade against poverty. Of course, there might exist serious disadvantages in admitting poor persons to associations co-operative, especially, when their liability is unlimited. There is no question of forcing poor people on the existing members. But it is not fair to consider poverty an obstacle against deriving the benefits of co-operation.

While excessive exclusiveness is not highly commended, deliberate mixture of members having various occupations is also not very advantageous for the successful working of a society. There are few instances of mixed societies in the states. In British India, mixed societies have not been found a success. The idea underlying mixed societies is the possibility of keeping the funds in constant circulation. In a society which has both agriculturists and artisans as its members, it was expected

that the borrowing will be made by seasons and that the artisans will be repaying when the agriculturists had to borrow for their cultivation season. But this expectation was found absolutely false in reality. Both the class of members applied for loans at the same time and the society had to meet with serious difficulty to comply with both the demands. These societies in course of time were found to be total failures. It was realised that to recognise the ordinary rule laid down by cooperators regarding the identity of the occupation of the members is much more wholesome than adopting the principle behind the mixed kind of societies. The unitary sort possessed the advantage of securing community of interests also. The experiment of introducing mixed membership can better be tried in the case of central banks than primary societies.

Homogeneity is essential for the successful working of a co-operative society. But the regulation about residence in the same town or village or membership in a tribe, class, caste or occupation is not arbitrary. There are certain cases which would justify departures

from this general rule. These circumstances have been described, as follows, while moving the corresponding resolution in 1914:-

“When for instance a group of villages can conveniently form a co operative unit, they may without objection be served by one co-operative society. Where persons scattered over large areas are for any special reason so thoroughly in touch with one another that they are able and willing to be jointly responsible, the condition of propinquity is not absolute, and the law accordingly allows that members of the same tribe, class, caste or occupation, even if not resident in the same village or group of villages may become members of the same society. Similarly, it is permissible to have more societies than one in a single village in cases where a village is so large that all the residents are not mutually acquainted or where a village is so divided from any cause that one set of residents could not be expected to be jointly responsible for another. But the essential principle remains that they are willing to be, and can be both in name and in fact jointly responsible.”

If then the area of operations of a single society is to be restricted to a limited area, what then should be its size? Even the exception to this general rule quoted above allow the formation of more than one society in a village only when a village is so large that all the residents are not mutually acquainted, or where a village is so divided from any cause that one set of residents could not be expected to be jointly responsible for another. But this does not mean that the membership of a society should be so crowded that even ordinary business therein should become unmanageable. In practice, there is very little evidence of unmanageably big number of members crowding for admission in a society's period of inception. Among the villagers, there will be more reluctance than enthusiasm to become members of a society when the question is first broached. There will be very few who realise the advantages of the beginning. Even those who understand the principles will rather wait to see the working and success of the society before becoming members. When asked to become members, they will say, "We will do so some time after". But in spite of these difficulties the

promoters of the society try their best to get as many members as possible at the beginning. They calculate their success or failure by the number of members they are able to get at the time of Registration. As in everything else, small beginnings have great ends in co-operation also. There are societies which have begun work with ten members and have shown steady progress at the end of every year of their working. The societies of paper-makers and silk weavers in Kashmere have only ten members each and the Registrar of the place writes that they are doing good work. These Kashmere small artisan's societies will show that the membership of a society, however small, will not work as a hindrance to the success of the society in general. Handy membership in a co-operative society has some positive advantages. It has been noticed that the success of the movement depends on the soundness of the societies. Soundness can be achieved only if the members are well trained in the principles of Co-operation. This is better gained by experience. Real and proper education on these lines will necessarily depend on the smallness of membership. A small society

gives a better opening for local talent unlike the big one, where the complexity of business will compel the society always to depend on a trained hand for the satisfactory execution of their work. It thus affords opportunities of bringing more men to the front ranks of life. These persons would otherwise have been left dormant in the dusty crowds of their village life and compelled to exist without an opportunity to show themselves forth. A small society will prevent the one-man rule, which is the inevitable result of a society with numerous members, and will give chances for every one of its members to get administrative experience by rotation. Above all, a small society is easily supervised. Periodical and thorough supervision is imperative in any society. Effective supervision will be facilitated if the society is small. Economy of management has been put forward as a counter advantage of big societies. But since the small societies do not spend any huge sum on the management of the society as such, this argument loses much of its force.

No maximum limit can be prescribed for the membership of a co-operative society. The

Co-operative Societies Act regulates the minimum. The Imperial Act would have ten as the least number. Some states follow this law. But some others, like Travancore, follow the company law on the point and reduces the minimum number to seven. The instances cited above from Kashmere show that a society can be successfully worked even when it has only a minimum number of membership. The maximum number cannot be so safely limited. Though, with reference to what has been said above, the number of members should be as limited as not to cross the bounds of happiness, we cannot limit the membership of a society by regulating that it should never exceed a maximum. The Maclagan Committee has recommended that any number between 50 and 100 would be a comfortable maximum. There are societies in Travancore and Cochin which show a membership of more than one hundred. And they are doing satisfactory work. The average membership of a rural credit society in Germany is about 94. The average membership of societies in some of the British Indian Provinces and the States are given below:—

BRITISH INDIAN PROVINCES.*

Madras	53
Bengal	66
United Provinces	24
Punjab	27
Central Provinces and Berar.	15

INDIAN STATES.

Gwalior	17·2
Kashmere & Jammu	21·0
Hyderabad	26·2
Bhavnagar	25·1
Kapurthala	26·7
Indore	28·5
Baroda	34·8
Faridkot	43·8
Mysore	65·4
Travancore	128
Cochin	114·2
Pudukottah	100·4 +

* The figures have been taken from the Townshend Committee on Co-operation in Madras.

+ Besides these States, there are co-operative societies in Bahawalpur, Bhopal, Bikanir, Kolhapur and Kotah and a few other small states, figures of which are not available. A statement that has been received of Kotah says that there are 425 societies there, with a membership of 3269. The figures of Bhavnagar, Faridkot and Kapurthala are not those which have been received officially. The others are from the latest reports of the co-operative departments of the respective States.

The average membership in the various states ranges from 16 to 128. The success of the movement in a State cannot be gauged by this average membership. The more extensive the area of a State is, the greater will be the difficulty of spreading the movement. A State like Pudukottah is comparatively compact that the propagandist can do very encouraging work with satisfactory results, while a state like Hyderabad, Gwalior or Kashmir is so large and its population so scattered that it is very difficult to attract members to co-operative societies. Average is therefore no criterion for soundness.

The percentage of the population touched by the movement is generally calculated on the assumption that a member of a co-operative society represents a family of five people. The following statement shows the percentage of some of the States :—

Name of the State.	Population of the State.	Number of Co-operative Societies.	People touched by the movement.	Percentage
*Gwalior	3523070	70307	351535	10·2
*Hyderabad	14437541	60214	301070	2·08
*Mysore	6557302	142715	713575	10·8
*Travancore	5045983	224532	1122660	22·7
*Cochin	1200000	24992	124960	10·4
‡Kashmir and Jammu	3646244	57100	285500	8·6
‡Indore	1151578	11839	59195	5·1
‡Baroda	2443007	34168	170840	8
‡Pudukottah	426813	14908	74540	10·4
‡Bhavnagar	426404	1299	6495	1·3
‡Kapurthala	284275	7237	36185	12·8
‡Faridkot	156661	6069	30345	20·4
‡Kotah	630060	3269	16345	2·5

It will be noted that the percentage of the population of the States touched by the movement is not much. But these figures will compare favourably with some of the Provinces of British India. The percentage of the

* Latest figures.

‡ Latest available figures.

Provinces as seen from the Committee on Co-operation in Madras in 1929 is as follows:—

Madras	9'00
Bombay	11'60
Bengal	4'95
Bihar & Orissa	3'20
United Provinces	1'84
Punjab	10'40
Burma	5'55
Central Provinces	5'45

Comparisons of percentages between British Indian Provinces and the Indian States should, of course, be made only with due reservations and limitations. The percentage of a small State e. g., Cochin or Pudukottah, limited in area and population, would not compare usefully with a major British Indian Province. But it will be seen, however, that those big States as Hyderabad, Jammu and Kashmere, Gwalior and Mysore, the area of which is approximately as big as that of an

Indian Province, will compare favourably with the percentage of any British Indian Province. Except for those small States of Pudukottah, Faridkot and Travancore, where the movement has attracted members from one in every five (5.6, 4.9 and 4.5 to be accurate) of the population, the percentage in the other States is far from encouraging. Only an infinitesimal part of the population has come within the fold of co-operation.

These percentages do not mark the success of the movement. It is the quality of the societies and the degree of their conformity to the principles of co-operation in the working of the societies that counts much in this connection. Even if the percentage of the population that is being benefitted by the movement is only one, there will be sufficient source for gratification if the societies that work in the State are working soundly. The movement was introduced in different States at different times. The local conditions of the States vary. The extent of appeal that the movement has made to the public of the different States also differ. It will not therefore be proper to expect the same amount of progress in all the States.

The value of co-operation in any State has no direct relation to the rate of increase in the number of societies. Co-operative theory discourages the policy of comparing the rate of progress of the movement in one place with that of another. The progress of the movement in any State should be judged on its own merits. The immediate service a primary co-operative credit society is meant to achieve is the redemption of the peasantry from their indebtedness. If the society is able to break the monopoly of the moneylender in the sphere of its operation, and lower the rate of interest on loans in that place, it might be held that the society has done some good work. The consideration whether the society is rendering its benefits to all the persons in the neighbourhood or what percentage of the population it touches do not come in when we examine its soundness. An intensive propaganda in those States, where the movement is only in its infancy, and a policy of caution and concentration in those States, where the movement has spread satisfactorily, is what is wanted for the achievement of the ideals of co-operation. The duty of seeing to the fulfilment of these requirements should be

vested with those officers of the States, who are given charge of the working of the department.

Faulty societies and societies which are inferior in many respects come into existence owing to the preparedness of the registering officer to register any kind of societies. Registering officers are generally recruited to this department from various odd departments. There are instances in States where Registrars of Co-operative Societies have been recruited from Police, Excise, Postal and similar other strange departments, which do not have the remotest connection with either Agriculture, Economics or Revenue. Invariably the occupant of the Registrar's place in a State deems his place as only a stop-gap arrangement. He is always anxious to get out of it. The Officer in charge of registration should insist on the body applying for registration furnishing very detailed information.

The registering officer should be very particular to see whether the people of the locality have imbibed well the principles of co-operation and whether there are adequate means of supervision. The importance of imparting instructions can never be over-

emphasised, as the success of the movement entirely depends on the members grasping co-operative principles thoroughly. Members should be given instructions both before and after registration of the society, as successful working of the society is almost impossible if the members have not been well trained in the co-operative system. Complete success can be anticipated when once the members have begun to put the principles of co-operation into practice. The methods of instruction is usually trying and uninteresting. Several methods have been tried to impart co-operative education. There should be a district body in every co-operative circle whose duty should be to instruct the public at large in the principles of co-operation. Where there are Unions, propaganda officers should be appointed. Where the nonofficial side of the department has not developed so far, the State itself must take the initiative. They should appoint Honorary Organisers from among the public and should make their work remunerative by granting them allowances. It should be seen beforehand that the person who is appointed as the Honorary Organiser is an enthusiast in co-operation.

States like Travancore have abolished the system of appointing Honorary Organisers as the State has realised that they can be effectively replaced by purely non-official work. There is no harm in thus abolishing honorary posts when such a stage is reached. But Honorary Organisers are essential in the first stage of the growth of the movement in any State. People repose more confidence in, and give more weight to, persons appointed by the Government.

It is difficult to prescribe any uniform method in imparting co-operative instruction. Various methods have been suggested and adopted in several Provinces and States. Pamphlets, Bulletins and Informal Lectures have been devised as suitable methods. But pamphlets and Bulletins are useful only to those educated classes of people who can comprehend what is written. The majority of the people in States (except Travancore, Cochin etc.) are illiterate and there nothing but oral instruction will be of any avail. The organising and supervising staff will have to tell plainly to the villagers and people around the advantages

of co-operation. Personal instruction has been found to be very efficacious in these circumstances. In most of the British Indian Provinces organisers summarise the principles into some ten or eleven points and make the villagers learn them well. This method has many advantages and is worth imitating. This could be better adopted chiefly by many of the North Indian and Rajputana States where the percentage of literacy is very low. The details of the principles would necessarily vary according to the conditions of the various States. But the main principles should not differ.*

Where there are no non-official Unions who have undertaken the work of supervision, these bodies of Honorary Organisers should be given that duty also. In all co-operative units, this duty will have to be done by these honorary bodies or servants of the department. In some places in British India, the societies gradually evolve a committee of supervision from the board of management. This is not possible in States. It will be difficult to find persons suited for the purpose in the society. There is very

* Vide Maclagan Committee's recommendations.

little chance of non-official supervision working successfully in any of the States at present.

Even if the registering officer insists on getting an account of the indebtedness—personal and real — of the members of the proposed society even before registration, he might not be able to get an account in toto. Members individually will be against rendering a correct account of their liabilities. They do not want others to know the extent of their indebtedness. They feel that their credit lies in keeping up a false position and prestige. This attitude will prevent the registering officer, from getting a true estimate of the total liability of the village. Apart from this, the society itself will be enabled to know the true worth of its member. It is easy to refuse admission to such people in the society. But when such application for admission is rejected, it should be remembered that no one is anxious to be admitted before they realise the advantages of membership. Those who are so particular as to get admission at any cost, are persons who have imbibed the principles of co-operation well and they will not be reluctant to give out their liabilities

correctly. This difficulty crops up only as regards those, who are ignorant of the advantages of becoming a member of the society. The objections of the people to render a true account of their financial position might be due to two reasons:— (1) the feeling that they should keep their false prestige at any cost, and (2) the inability to give proper accounts. The first of these can be remedied only in course of time by instructing him in the advantages of co-operation and by making him feel the comparative insecurity of his false position. The causes of the second inability should themselves persuade him to be a member of the society. The inability is due to the terrible hold the money lender has on him. He (the money lender) refuses to give him accounts, notwithstanding the fact that every debtor is entitled to get a statement of his accounts from his creditor. If the money-lender refuses this elementary right, the State should intervene. But unfortunately complaints of a like nature will not be brought before the cognisance of the State in many cases. The extreme indebtedness of the peasant to the money lender makes him helpless to seek these remedial

measures. In the circumstances, it will be helpful if the State invests the co-operative society with powers to serve a notice on a named creditor for the submission within a prescribed time of the statement of his accounts with the member of the society and on failure, to prosecute him. This would considerably mend matters.

The primary consideration of every co-operative credit society should be to immediately solve the question of rural indebtedness. Of course, it is not possible for any co-operative credit society anywhere in India to accumulate sufficient capital that it could take upon itself all the liabilities of its members as soon as it is organised. So far as the policy of the redemption of indebtedness is concerned, it should be the aim of the society and its members to work so harmoniously that both the parties should feel that there should not be any outside creditor in their family circle. Members should be prohibited from having any transaction with the money lenders after their admission to the society. There might be many difficulties in the satisfactory adoption of

this course. The necessities of the member might be absolute. The society might not have sufficient capital to meet the loan demands of all its members. In such a case, there is no other go for the member but to resort to the money lender. This is an unavoidable calamity. The only course for the society is to insist that it should be kept informed of every transaction of the kind. This would give the society a chance to redeem the member's liability when it is in possession of sufficient capital. The society should try to get the money lender to carry on the transaction through it. The success of such a venture is always doubtful.

PRIMARY SOCIETIES.

II

The study of the structure of the working capital of different types of co-operative organisations will clearly indicate that the bulk of their funds is constituted by their share capital, savings deposits, loan capital and reserve funds. Entrance fees is not regarded as compulsory or important in any State. The amount fixed is often "so trifling that it cannot be expected to exercise any determining influence." *

Shares.

Of these four items, share capital comes into the institution first. It is the money that is contributed by the members from their own pockets, however small the amount may be. It forms the most important capital because it comes from the members of the institution ensuring with its payment into it the loyalty to and interest in the institution. A distinct,

* Page 60, Co-operative Banking - Wolff.

characteristic that one notes in the share of a Co-operative Society is that "it is secured from persons who come in not for the purpose of *profiteering from others* but for the purpose of *avoiding being profited by others.*"§

In the reports of the co-operative departments of the various states, we find shares as an invariable item. In 1915, the Maclagan Committee on Co-operation found that only in Madras, United Provinces, Punjab, Burma, Coorg and Ajmer, shares constituted an integral part of the system. Though fifteen more years have rolled on and the co-operative movement in India has developed to a comparatively higher level than in 1915, those remarks remain true. If societies of the pure Raiffeisin type have been formed in later years, the unorthodox forms of societies with shares also have been formed in an equally large number.

In the states, we find the majority of societies with shares. Few and far between, there are societies, formed on the lines of the old orthodox system of Raiffeisin, the capital of

§ Kellet Hall Lectures - Madras, 1925.

which is composed of deposits and loans from non-members and realised profits. The profits of this kind of society are not to be distributed at any time between the members. A fixed percentage (ordinarily seven and a half) of the net profits of an year is to be applied to any common object (referred to in section 34 of the Imperial Co-operative Societies Act). All the remaining profits are to be carried to the reserve fund, which remains always indivisible. No member is entitled to claim any share of the reserve fund. The reserve fund is utilised for attaining the common objects of the society. The share values vary. They depend on local conditions and the financial status of the members as also the fixing of share value of a Co-operative Society in the adjoining British Indian Provinces. Thus Kashmir has been influenced by the Punjab, Gwalior and Indore by United Provinces, Baroda by Bombay and the Southern States by Madras. The shares are as a rule paid up on admission. This is convenient both to the members as well as the society as the amount is very small. The shares carry no dividend with them. The profits too are not divided. A certain number

of years is fixed from the date of registration till which period all the incomings of the society are treated as working capital. After that period, a fixed portion (sometimes one fourth; sometimes more) is relegated to the reserve fund and the remaining is kept as an indivisible fund.

In some societies, there is yet another procedure. After the allocation to the reserve fund is made, a percentage of the amount is set apart for a common purpose as poor relief, education, providing medical assistance to the members or the advancement of any other object of public utility. The reserve fund is indivisible and no member is entitled to claim a specified share in it. A member can have his share money back only when he voluntarily withdraws from the membership of the society. In some societies the money is repayable immediately and in some others only after one or two years. In cases of liquidation, this share money serves to equalise the first call on members when the society is dissolved or wound up in liquidation and, only when there is some amount realised after paying all the dues of the

society, the money is applied to some object of common and public utility or credited to the central co-operative society to which the wound-up society has been affiliated; or is deposited in some co-operative institution till a new co-operative society with a similar area of operation is registered when it will be credited to the reserve fund of the new society.

In cases of societies of divisible profits, the value of the share money is higher, ranging from five, ten, twenty, twenty-five to fifty and sometimes to hundred. The payment of the whole share money is not compulsory as in the case of the one rupee share society, though the society will gladly welcome the whole payment at the date of admission. The share money is payable by instalments of monthly, quarterly, half-yearly or annual duration. Generally the bylaws provide that the whole share money should be paid within a certain period. Some societies carry all profits earned till the whole share money is paid up to the reserve fund. Some others carry only one fourth of the profits earned, even during the early period, to the reserve fund. Defaulters forfeit the amount

they have subscribed till the period of default, but generally great leniency is shown, before any amount is actually forfeited. When the whole share money is paid up, three fourths of the profits are divided and only one fourth is diverted to the reserve fund amount.

The share capital of the primary societies (both agricultural and non-agricultural) of the various States* are as given below :—

Name of the State.	Share Capital.	Year which the figure represents.
Mysore	4975000	1932
Hyderabad	3064529	1931
Travancore	3465239	1932
Kashmere	1514613	1929
Gwalior	776001	1931
Cochin	270244	1932
Indore	173140	1929
Baroda	147067	1929
Pudukotta	154943	15 0 1931

* The figures of other states which have a few co-operative societies are not available. Even some of the above figures have been obtained by a process of deduction. Some of the reports do not give the exact share capital of the primary societies. In such places (Indore for example) the whole report had to be searched and a tedious process of addition and subtraction had to be undergone before the figures could be obtained. The reports would have been more useful if the authorities preparing them had given in detail the share capital of the various branches of the movement.

Should the capital of societies be accumulated by adopting the system in which shares form an integral part or that in which capital is obtained from contributions, deposits, loans and realised profits? As the societies aim at improving the economic conditions of persons of limited means, it is absolutely essential that they should have a sound finance. Our peasants do not inherit thrifty habits, nor have they any disciplinary training. Nothing will be more impossible for them than making any contribution for saving. They might obey authority and pay fixed sums at fixed intervals for the fund of a society. These payments can be expected punctually only if they are enforced by means of fines or other penalties. But if we will leave him alone and depend on his good sense and care for his own welfare, the possibility is that he will always remain a defaulter. Any kind of provision that ought to be made in a society should depend on the peculiar characteristics and habits of its members. In this case, therefore, it would be better to provide that co-operative societies should be formed on a share basis. It is probable that the share holders of the society might utilise the activities of the

society with a primary view of earning a big dividend. If the members fall a prey to the attractions of the dividend, the prospect of the profits being divided among a daily increasing number will furnish a temptation to them to restrict the admissions to the roll of membership. This will be deflecting from the accepted objects of a co-operative society. The society will never more be co-operative if the introduction of a share system and the consequent division of dividends would work to create difficulties and disabilities for those outsiders who aspire to become members of the society. The poor people outside the fold of the society and who are desirous of becoming members will be highly affected by a local co-operative society closing their doors against them. In such a case it is imperative that the organisers of a co-operative society should always remember that one of the primary objects of a co-operative society is to improve the lot of persons of limited means.

Various objections have been put forward by experienced co-operators against the system of introducing share system in primary societies.

Those who belong to the orthodox school believe in voluntary contributions to make up the capital fund of a co-operative society. Some others have no objection to regard dividend-bearing shares as a *pis aller*. A large majority thinks that the most practical and hence the most feasible system is to introduce shares, the payment of which is regulated by instalments. Unfortunately we cannot take up the European ideal. The very narrow margin left for the creation of a Reserve Fund in European societies compel them to have a substantial share capital. And we should not forget the degrees of differences in the raw material. The members of a European co-operative society belong to a higher class from the point of education and disciplinary training than our Indian brethren. The speed of the march towards dividend - hunting and exclusion will be slower there than in India. Nearly ten years back a system of 'Non-withdrawable Dividend-bearing shares' was introduced in Bihar and Orissa. This system has neither succeeded as to be worthy of emulation nor has it failed so that it might be definitely discouraged. Where a permanent capital can

be built up by means of accumulating the differences between the borrowing and lending transactions of the society and where the amount so gained are by themselves enough to build up an encouraging sum, there is no necessity to introduce the share system in any society. A society without shares is the ideal.

But will such a society be able to hold its own in the states of India? Will the people of the states come forward with voluntary contributions to accumulate a substantial capital for their society? So far as the experience of the people of various states go, 'No'. The better policy to adopt, therefore, will be to introduce share system in the primary societies. Raiffeisin would not have shares and those belonging to his school of thought might strongly object to this view. But before getting to the ideal — for the sake of reaching the ideal — we have to be practical. The first law of progress requires every one to face facts.

When share systems are introduced in any state, the organisers and later on the officials responsible for the upkeep of the societies

should take great care that the original share holders do not discourage new admission and that the whole system does not ultimately approximate to that of a tontine. Emphasis should be laid on the character, and above all, honesty of incoming members. In the event of the death of a member and his heir applying to be admitted as a member, the committee should take particular care to see that he (the heir) is a desirable fellow member. If he is of an undesirable sort, the society will do well to pay him the value of the share he has inherited. Always care should be shown to maintain the high level of character and honesty among the members. This should not be sacrificed for adding a few rupees to the share capital of the society.

The system prevailing in the Punjab, of accumulating all profits for a fixed period of ten years should commend itself to the States. During this period, no profit is distributed. Difficulty will be experienced in such cases to admit fresh members during this period. On the application of a fresh man to be admitted as a member of the society during this period

three courses are open. The applicant may be asked to pay up the same number of instalments on shares that have been collected from other shareholders to the date of his admission together with a premium representing his share in the profits accumulated up to date. Or he may be asked to pay the ordinary instalments similarly to the original members and to submit to a proportionate reduction in his bonus at the final distribution. As another alternative he may be admitted as a fresh starter, his accounts may be kept separate and he might be allowed to run on to his tenth year without having any claim to the profits on the accounts of the former members. All these have demerits of their own. The first precludes the poorer people from getting admittance into the fold of membership and the consequent advantages and privileges. They will not have the necessary amount to pay up the value of the various instalments the original members have paid or even the necessary premium. The second premeditates the existence of very clever actuarial hands in the staff of a rural society which is never the case. The third course is so impractical that it will be easier to

start a fresh society than to burden the original one with these obligations, in the discharge of which the society is sure to founder. In cases of societies, the shares of which are allowed to be withdrawn only after a fixed period is over, the withdrawals should be allowed only when all the sums due to the society are paid. If the sums due remain unpaid, the outstanding amount should be set against the value of the share to be paid to the member.

It is therefore better to adopt the share system. What then should be the exact value of a share? The value of a share cannot be prescribed. It depends on many conditions of local importance. To enable the poor to become members the share value might be fixed low. But this need not necessarily be the case. Shares, the value of which is fixed high, will have the same effect only if payments are to be arranged by instalments. They sometimes do serve to induce the members to practice thrift. Large shares have utilities of their own, especially during periods of tight money. The benefits of large shares are more than counterbalanced by their disadvantages. Large shares work as

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a barrier to admission and in many cases they have kept out desirable members. Large shares form always a source of temptation to the ever-needy members. Instances are not rare when members have withdrawn their share capital from the society for the mere purpose of repossessing themselves of their share money. They might not care the loss of the small entrance fee they have given to the society. They might not even care the small sum they have to pay again if they want to be readmitted as members. They might not care the loss of privileges of the society until they become full-fledged members of the society again. The real cause for adopting this wanton course of self destruction is the provision of a large share capital in the society. If the share value is small — so small that the member can do nothing with it — he might not care to withdraw the same. From the point of view of the society too, a large share capital has disadvantages. The society will be nowhere, if a majority of the members want their share money back. A share with a medium value, not so high and not so low, will be therefore acceptable. The share value of societies in the

States of India can safely range between Rs. 5/- and Rs. 50/. Some societies have issued Rs. 100/- worth of shares. But a 100 rupee share is distinctly disadvantageous.

When a society is well organised and begins to pay dividends, the members are apt to fall a prey to the attractions of dividend. To increase the rate of dividend, they may restrict members, charge higher rate of interest, make the transactions dearer and persuade the officers to issue higher and higher dividends. An inflated dividend means neglect of co-operative principles in favour of individual profit. In such a case, it may become not a source of strength, but of weakness, for "like a leech sucking blood, it steadily drains in dividends the life blood of the organisation" (F. Temple)* Big dividends bring into the pure sphere of co-operative spirit the evils of competitive selfish business. Of course when co-operative societies were first formed, Schulze and Luzzatte, who were the pioneers of the share system in co-operative credit, could not foresee the evils that

* Page 81, Co-operative Banking—Barou.

would accrue from a non-limitation of interest on capital. They did not know how their schemes would be received by their countrymen. They had to provide all sorts of attractions to facilitate the investment of capital. It was only when the system worked and the run for the dividend became a most important feature among members that they found the weakness in the system. With great difficulty they managed to reduce the interest on borrowed money and the rate of dividend. As a security against the societies running into the same danger, the societies should have a binding rule that the rate of dividends should never exceed a certain fixed percentage. This figure may be conveniently fixed at the ordinary rate charged by the society on its loans.

DEPOSITS.

Deposits are of two kinds.

(1) Deposits from members and (2) Deposits from non-members. No source is available to distinguish these two in the reports of the various States. The administration reports give some amounts under the common heading

of Loans and Deposits. Where some reports give the figures of loans and deposits from non-members, we are at a loss to know how much of the amount is contributed by loans and how much by deposits. Idle speculation in the matter of statistics is of no avail. In many of the States there are no banks. The banking system is an alien phenomenon so far as the majority of the small States are concerned. There, thrifty people have no means of saving except by hoarding them in the holes of bambooes, or old mud pots or by digging holes in one of the corners of the house. Apart from the inconveniences of hoarding paper money in this way, this system does not assist the owner to get any interest. In the event of an unexpected death, the successors lose all grip of the whereabouts of the hoarded wealth and the money is then lost — completely lost to humanity. These people who hoard money like this can be divided into two classes (1) Those who are forced to hoard money likewise due to the absence of facilities of banking and (2) those who have no trust in anybody and therefore hoard money in bambooholes etc., even though there are banking facilities in the

village. Even co-operation will not be able to do any thing to the latter class. But the former will welcome the opening of a society in their midst and they will come forward with great alacrity with their deposits. Introduction of a system of deposits in the society is the only method of tapping the resources of the locality. Deposits from the former class of people will imply the practice of thrift in the village. People who deposit money in the society will be naturally thrifty and very much mindful about their financial dealings. When once their money is deposited in the society, they will be very careful about the dealing of the society and thus indirectly the society will get the experience of their business talents. Apart, therefore, from the fact of getting money to make up a decent capital, the society should set more value on their being members of the society and no attempt should be spared to attract these people into the fold of depositors, if not members.

Saving deposits make the society independent. M. Luzzatti had great faith in the collection of deposits by a society. He desired

his 'Banche Popolari' to be independent. One of his watchwords was "*Siete indipendenti Sempre, isolate mai*"* M. Luzzatti found out that there is no source of supply which makes so much for independence as saving deposits. † Other kinds of deposits, being withdrawnable at the pleasure of the depositors sometimes leave behind a big gap probably at a time when the society cannot afford the withdrawal. In India — not to speak of Indian States — these kinds of deposits are out of question since our people are so prudent as not to risk a deposit in a freshly started society. M. Luzzatti in his later years tried another scheme of issuing interest bearing bonds (*Buoni ruttiferi a Scadenza fessa*) for long fixed periods. The Italian pioneer himself found out that these had a pretty long struggle to go through before becoming popular and that when it became popular it was found that they burdened the bank with a debt at a high rate of interest and that the bank had no option inasmuch as they had to accept the bond and pay the interest whether they wanted the money or not. We

* Let it be your constant endeavour to exist by your own strength, but never cut yourself off from others of your kind.

† Page 223, People's Banks — Wolff,

will have no excuse to think of introducing this system into the co-operative societies of the Indian states since it is clear that no one will buy the bonds of a newly started society. Experience in the districts of Madras Presidency goes to show that even bonds with Government guarantee are sold only with great difficulty. Considering the impracticalities and the defects of the above two systems, saving deposits seem to be more acceptable. Besides possessing an educative value, they are far more reliable. It trains people systematically to thrift and keeps the money within the locality from which it has been collected. M. Luzzatti once said about this, "But for that institution, the whole of the savings of Lombardy would be concentrated at Milan, and the blessings of commercial and Agricultural credit would be unknown, not merely in small places, but even in large towns such as Bergamo, Brescia, Cremona, Pavia, Lodi etc., where the savings deposited in savings banks amount to millions of francs"* Besides localising and decentralising capital, it inspires in the minds of the people of

* Quoted by Sir. J. S. Humley and requoted by Wolff in 'People's Banks'.

the village a feeling that the society and its belongings are their own and hence they love it. If a society has to its credit a fairly good amount as deposits, it does not stand in need of further supplies.

But Indian societies seldom get deposits as to make them self supporting. The growth of the deposit rate in primary societies is at any rate not discouraging. Even in Europe, deposits came in slowly. The peasants who are completely ignorant of the facilities of credit and banking system will take some time to understand the details and advantages of deposit system. Those who have some surplus amount invest their money in agricultural purposes or lend them on very high rates of interest. Both these bring back satisfactory results and the investors therefore are not anxious to deposit money in any other manner. Moreover the system of depositing also is unknown in several parts of the states. The society should have inspired some confidence in the minds of the people of the locality before any depositor can trust it with his money. It is always better for the society to wait till it

inspires confidence in the minds of local depositors than to canvass for deposits as soon as it is started. The society itself should not receive deposits before it feels that it is in a position to manage this branch of the business. A co-operative society should always keep a very high standard of morals before it and it should never stoop to induce ignorant and illiterate villagers to deposit money in a society which has not attained the competence to deal with deposits as a business proposition. When the society in course of time becomes well established, it should regard attracting deposits from the sphere of its action as one of its primary duties, for, if they fail to do so, it fails in the discharge of one of its important functions. In so attracting deposits, the society should be careful to see that it does not collide with the activities of another which is doing business in the same sphere. The societies' endeavour should be to become the custodian of all spare capital in the locality in course of time.

Half, if not more, of the deposits of these societies come from the members. It is not

unusual that members are given a slightly higher rate of interest on their deposits than what is paid to the nonmembers. The object of this procedure is to encourage and attract member's deposits. But the rate of interest on deposits should not exceed the rate of interest on loans. This policy is much better than compelling every member to deposit some amount of money at least. In some societies, there is a byelaw which require every member to deposit at least a minimum amount at fixed intervals. This no doubt compels saving. But when this byelaw is enforced to such an extent that defaulters are punished by penalties, the sickening pleasure, verily, turns into pain. The only difference between this kind of compulsory deposits and compulsorily subscribed shares is that the former does not carry with it any liability. The interest they get is also secure. These compulsory deposits have been intended to encourage thrift so that every borrower has some thing of his own in the society before he applies for a loan. In practice none of these good intentions is accomplished. Every member borrows first before they think of depositing. Invariably they have not even a

single rupee with which they could begin their deposit. If therefore a compulsory deposit system is adopted by a village society, the members will automatically drop off. A small instalment share system is preferable to compulsory deposits. In some of the States, the compulsory deposit system has met with some encouragement.

The saving deposits of the agricultural credit societies of Baroda are given below:—

Name of District.	Deposits (1929)		Total.
	Compulsory.	Voluntary.	
Baroda	Rs. 196694	463442	660136
Kadi	64453	71684	136137
Amreli	22276	7956	30232
Navsari	92542	85362	177904

The figures for nonagricultural non-credit societies are not available in tabulated form as above. But the following four columns will give us an idea about the amount of deposits in the primary societies of Baroda. It is unfortunate that the amount of loans cannot be distinguished from the amount of deposits.

	Non-Agricultural.	Agricultural.
Loans and Deposits from Non-members		
(1929)	291799	563958
Loans and Deposits from other societies		
(1929)	93161	1598796
Loans from Government		
(1929)	399803	141564
Deposits from members		
(1929)	354732	42720

We find from these figures that deposits from members do not form even one third of the whole amount of 'Loans and Deposits' received by the societies,

The following table will show the figures for Gwalior for 1931:—

Deposits.	Agricultural.			Non-Agricultural.		
	Rs.	as.	ps.	Rs.	as.	ps.
Members	18029	4	9	280	10	11
Non members	431	12	0			....

A slightly higher percentage than Gwalior and Baroda is maintained by the Travancore Co-operative Societies in the proportion between

their deposits and their total working capital. The following statement gives details of deposits regarding deposits from members and non-members.

	Agricultural. Societies.	Non-Agricultural. Societies.
Members.	241766	562584
Non-members.	19543	323447

The working capital of the Agricultural societies for the year 1932, for which year the above figures stand, was Rs. 3485541 and that for the non-agricultural societies was Rs. 2551426.

The figures for Hyderabad are not so easily ascertainable. Deposits of the agricultural societies for the year 1931 amounted to Rs. 275038 and that of Non-Agricultural societies for the same year amounted Rs. 328323.

The response from the non-member class of Mysore is not so discouraging as in Hyderabad. The Co-operative Societies of Mysore have gained the confidence of the investing public. Such confidence is a great tribute to the stability of the co-operative

movement in the State. There has been a steady increase in the flow of deposits in these societies. In 1932 the deposits of the agricultural and Non-agricultural societies were Rs. 561123 and Rs. 3905974 respectively. As in the case of Hyderabad, no classified statement is available which gives us the separate figures for loans and deposits. The following statement of some of the Agricultural and some of the Non-Agricultural societies will show the proportion of loans and deposits from members to those from non-members during the year 1931 — 1932.

AGRICULTURAL SOCIETIES.

(Credit — Limited).

District.	Loans and Deposits from Members.	Non-members
Bangalore	127999	....
Kolar	12740	5429
Tumkur	25845	20830
Mysore	30152	7289
Hassan	....	3102
Shimoga	4817	5580
Kadur	....	10
Chitaldrug	....	....

The proportion between the two figures is is very interesting.

AGRICULTURAL SOCIETIES.

(Credit — Unlimited).

District.	Loans from Members.	Deposits from Non-members.
Bangalore	117425	....
Kolar	9561	2279
Tumkur	48431	34256
Mysore	15990	50240
Hassan	11151	11736
Shimoga	41520	12665
Kadur	28602	30249
Chitaldrug	7632	5981

It will be noted that the figures are more solid and healthier than those in limited Societies.

NON-AGRICULTURAL SOCIETIES.

(Credit — Limited).

District.	Members.	Non-members.
Bangalore	1975390

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Kolar	111753	59890
Tumkur	69272	72290
Mysore	278051	189445
Hassan	111327	29553
Shimoga	104112	76933
Kadur	35660	27552
Chitaldrug	27512	8060

NON-AGRICULTURAL SOCIETIES.

(Credit — Unlimited).

District.	Members.	Non-members.
Bangalore	10	....
Tumkur	....	4
Mysore	13	....
Hassan	1690	68
Chitaldrug	138	....

Cochin presents another interesting feature. In this State also there is no classified amount available separately for loans and deposits. The amounts indicate a consolidated sum for loans and deposits together. The investment from non-members in Agricultural Societies is nearly one third of the amount lent and deposited by members. But the amount lent and deposited

by non-members in non-agricultural societies is nearly one and a half times the amount invested by members. The Talukwar statement of the loan and deposits from members and non-members is given below:—

AGRICULTURAL SOCIETIES.

Taluk.	Members.	Non-members.
Cochin-		
-Kanayannur	Rs. 89126 4 7	Rs. 51066 6 1
Cranganore	„ 4368 1 0	„ 43 8 0
Mukundapuram	„ 23779 3 1	„ 806 3 5
Trichur	„ 29801 12 11	„ 255 10 3
Talappalli	„ 34414 5 11	„ 8279 1 11
Chittur	„ 4676 0 0	„ 9086 0 0

NON-AGRICULTURAL SOCIETIES.

Taluk.	Members.	Non-members.
Cochin-		
-Kanayannur	Rs. 74338 15 3	Rs. 92206 10 3
Cranganore	„ 9247 12 5	„ 8860 12 1
Mukundapuram	„ 8027 6 5	„ 654 3 8
Trichur	„ 26623 1 4	„ 21658 0 0
Talappalli	„ 5286 12 0	„ 1922 0 0
Chittur	„ 8694 12 0	„ 4219 8 5

Co-operation in Indore has not progressed to such an extent as to attract investments from the public. The societies of Indore have managed to possess some deposits from the members. Even these are not voluntary deposits. These are compulsory deductions made at the rate of 2 % from the loans advanced to members. The byelaws of the co-operative societies of Indore provide that every member should make annual deposits in the society at the rate of one rupee per Rs. 50/- of the total amount of debt outstanding against him in the year. But this byelaw has not been able to make the members appreciate the importance of saving something out of their income and depositing that amount in their society. They on the other hand misunderstood the byelaws to mean that the society will make a compulsory deduction of 2 % from every loan. The result was that the societies were able to build up a certain amount of deposit without the members realising the full significance of what they were doing. They saved, unconsciously, thinking at the time that they are making a sacrifice for the purpose of getting a loan. The latest figures from Indore are not available. The follow-

ing statement represents the amount of deposits in 1928.

District	No. of Members	Deposits.
Indore	2383	Rs. 42448
Nemar	1127	.. 7490
Nemawar	1291	.. 6073
Rampura-Bhanpura	29	.. 71

The average deposit per member works out as 19, 6, 5 and $2\frac{1}{2}$ respectively. The proportion of member's deposits to the rest of the working capital is very small.

The report of Jammu and Kashmere does not give details regarding deposits. The 1036 societies of Kashmere received Rs. 11948 as deposit from members and Rs. 1686 from non-members. The average is very low. Even this information is not available from Jammu. Jammu's 1313 societies had a deposit of 3394 for 1929. The figure is indeed very small.

There were 121 Agricultural Credit societies in the state of Pudukkotta in 1931. They had Rs. 30166 - 1 - 3 as deposits from.

members and Rs. 35812 - 3 - 1 from non-members. Here the deposits of the non-members are higher than those of the members. In non-agricultural societies Members deposited Rs. 23799 - 8 - 9 and non-members deposited Rs. 592632 - 11 - 11. As in many other features, the deposits of Pudukkotta Co-operative Societies maintain a desirable level.

None of the reports say for what period the societies receive deposits. Of course the period cannot be prescribed by a hard and fast rule. The period in different states must necessarily vary and no one seems to have come into a common agreement as regards the minimum or maximum period for which deposits might be received in a primary co-operative society. One year has been accepted by many societies as a reasonable period. All societies will welcome deposits for a longer period. But primary societies will find it difficult to get deposits for more than one year. Deposits for any number of months under a year will be more a source of inconvenience and trouble than help to the society. The society will not be able to utilise the amount

without difficulty in any transaction as always there is the risk of withdrawal. In such a case, it might even happen that the societies, for the mere sin of keeping other people's money safely, will have to pay interest for the money lying idle with them. The minimum should therefore be fixed — if not fixed by byelaws, there should be an understanding to that effect — to one year. The society should endeavour to get deposits for more than a year. The longer the period, the more advantageous will it be for the society. There is no harm even in offering a slightly higher rate of interest for deposits for longer period. But it is highly doubtful whether even the higher rate of interest would bring in deposits for a period longer than one year. The depositors of a primary society will not ordinarily be in a position to budget their monetary demands for any period longer than a year. Though there might be cases of continuous annual extension of periods, the depositor will not be bold enough to make a deposit for three or four years at a stretch. This one year's rule should not be adhered to rigidly. In spite of the objection, that has been pointed out above, that any deposit for less than

one year is open to the risk of lying idle with the society, it should be admitted that these short term deposits have got their own advantages. It will allow poor people to deposit some amount in the society which opportunity will encourage them to practise thrift. It will also help the society in cases, when due to some cause or other, the central institutions fail to help them with funds. The short term deposits will also enable the society to keep its resources liquid. The co-operative society should always be willing to serve its members with all the utilities of a savings bank. Provided the small societies are able to get hold of good accountants, there is no harm in opening current accounts and receiving deposits at call. The societies must be careful in receiving deposits. It should not, in any case, exceed its capacity to bear and those in charge of the society should see that the society does not get into difficulties owing to excessive deposits. The societies should be careful to see that deposits are repaid punctually. The fair name of the society as a good paymaster should at all costs be maintained. If the depositors seek withdrawal of their money before

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the due date, the society is not bound to pay. But there is no objection in being a bit lenient provided the leniency will not harm the society.

PRIMARY SOCIETIES.

III

LOANS.

Co-operative societies receive loans from four sources.

- (1) Loans from Government.
- (2) Loans from Central and Provincial banks.
- (3) Loans from other societies and
- (4) Loans from private individuals, members or institutions.

No co-operative department in any state has been able to do without financial aid from the Government. The movement in Gwalior owes its everything to the Government. The total amount of Government money with the co-operative societies of Gwalior in 1931 was Rs. 5159112 - 12 - 7. Of this huge sum, which is perhaps the highest invested by any State in co-operative societies, Rs. 2063336-8-7 include special and takavi loans and bad debts. Of the total working capital of Rs. 6988569 - 9 - 9, Government Deposits

alone come to (Government Deposit No. 1 Rs. 3095166-4-0, Government Deposit No. 2 Rs. 442445-6-6) Rs. 3537611-10-6. More than half of the working capital therefore is supplied by the Government. All other States present a much smaller proportion. The co-operative societies of Baroda owe only Rs. 738208 * to the Government. This amount, though actually deposits from the Accountant - General, just like any other deposit with any other bank, is treated as loans from the Government. The proportion of this Government deposit to the total working capital of Rs. 6832226 will not work itself even to ten percent (9.26% to be exact). The State of Mysore has not lent any money to its central banks. But they have lent Rs. 126563 to the Agricultural Societies and Rs. 117145 to the non Agricultural societies. The total Government money within the movement is only Rs. 274831. Compared to the total working capital of Rs. 20377661, this is really a very small amount. The Central Co-operative Banks and Non Agricultural Co-operative Societies of Hyderabad are slowly freeing themselves from the grip of Government

*The figures are of 1929.

loan. The Apex bank of the Nizam's Dominions held no loan or deposit from the Government. Unlike the Central banks of Mysore, some of the Hyderabad Central banks had to rely on Government help also. Of the 28 central banks, ten had received loans and deposits from the Government to the extent of Rs. 206898. The non agricultural societies got Rs. 82150 and the agricultural societies Rs. 46167 from the Government. Of the total working capital of Rs. 21112655, the amount of Government loan does not make a big sum. The Government deposit in Travancore cooperative societies is still less. The primary societies, agricultural or nonagricultural, have not received any sum as deposits. The Taluk Banks also have not received any amount. The central bank, which is the Apex bank of Travancore, has repaid the whole amount formerly lent to it by the state. Neither does the primary societies of Indore get any deposit or loan from the Government. The cooperative department of Jammu and Kashmere also does not receive any money from the Government either in the way of loan or deposits. The agricultural societies of Pudukkotta got Rs. 958-3-8 from the Government as a loan

and the non agricultural societies got Rs. 1539-6-0. in 1931. The agricultural societies of Cochin were independent of state assistance but the non agricultural societies received Rs. 1175 from the Government as loans and deposits in 1932.

Besides these states where cooperative societies receive assistance from the Government either in the shape of loans or deposits, some smaller states in Kathiawar, central India and Punjab have their own state institutions and Agricultural Banks through which the respective states advance money to agriculturists. These institutions seldom accomplish their desired object as, in their working, they prove to be nothing better than financiers for Government servants and friends and relatives of the officers of the bank.

Even cooperative societies are not free from this evil. There are many societies from which loans can be had only if the borrower is in the good books of the officers. Loans are easily obtained to those who are connected in some way or other to the members of Managing

Committee, the Directors, the Secretary, Treasurer or any other influential man within the executive of the society.

The states with cooperative departments were always willing to assist the societies with funds. The policy of the Indian states was more like that of European countries than the British Indian provinces, where the principle of abstaining from giving direct financial aid to the movement was always followed. The experience of the Government of India, in the first days of the movement, showed them that the habit of receiving famine relief and takkavi advances from the Government had habituated the people to receive Government assistance, which acted as a stumbling block to the practice of self help. But even the Government of India was not so obdurate as to deny assistance to every society. In a big empire of 350 millions and more, a huge majority of them illiterate and burdened with an incubus of debt, they found that total denial of Government help was impossible. The time honoured maxim that only money can attract money was, after all, true. To organise a society amidst an illiterate and heavily indebted

people, only a small capital, ready to be distributed as loans to the needy members, could bring in applications for membership. There was no one to risk even this small amount except the Government. The Government had therefore to depart from their principle and make small advances to encourage the establishment of new societies. When the cooperative societies Act of 1904 was introduced, the local Governments were authorised to advance to any rural society a sum not exceeding Rs. 2000/- and not exceeding the capital subscribed or deposited by the members themselves, to be held without interest for three years and to be recoverable thereafter in ten annual instalments with interest at 4 per cent. This policy seems to have been followed in many states in connection with the introduction of the movement. But, while in British India, the initial monetary help enabled the societies to stand well on their own legs and, in course of time, to repay the loan, in the states, where the movement failed to infuse the spirit behind it among the masses, the Government loan left the societies under a burden of permanent debt. Not many societies were able to repay any considerable amount to

the Government of the states. Only small reductions are found in the amounts of the Government loans in the states.

One of the continuing complaints in the cooperative reports, year after year, is the increase in the arrears of dues. When the members are not able to repay their loans, how will the societies repay their debt to the Government? As in British India, the Government advances with a view to start the movement in its infancy and to initiate new societies, which otherwise would have failed to raise the requisite capital, had the desired effect in the states also. The advances did help to start new societies in places where, but for the Government deposits, no society would have been started. The failure of such societies in the states to grow into a self supporting unit and its inability to repay the funds were due to the difference in the soils where the seed of the movement was sown. The people of the states were less literate than those in the provinces of British India. There was considerable lack of propaganda. The movement failed to attract the masses and no one wanted it too. Through

official neglect and lack of non-official co-operation, some societies failed. These failures always acted as detracting influences and discouraged the starting of new societies. The money that has been advanced by the Government, therefore remained unpaid. It made the societies permanently depend on Government assistance. There was also another cause to this preponderance of Government deposits in the societies of the states. With the growth of primary societies, central financing agencies grew up in British India. But the growth of central Banks in the states was not so rapid as in British India. Even in those states like Travancore, Indore, and Jammu and Kashmere, the primary societies of which states did not receive any Government assistance, the Central Banks had to get loan or deposit from the State. The Central Banks of the states were not so financially strong as those of British India. They by themselves could not finance all the primary societies. They had not enough capital. So even after central banks were opened in many of the states, the primary societies had to seek the assistance of the Government for funds. This dependence

on the Government for deposits and loans is apt to continue till the movement really reaches the masses.

Four classes of societies are seen to get deposits from the Governments of their states. They are the central banks, the agricultural societies, the non-agricultural societies and — distinct from the second and the third — the societies for the depressed classes. Of these, the institutions, which are self supporting or have reached a stage of being something near it, are the Agricultural societies. There are some states the agricultural societies of which do not receive any money from the Government. But the non-agricultural societies of those states are seen to be receiving some help. The non-agricultural societies do want some money for buying the raw material with which they have to begin their work. While the agricultural societies lend money for direct agricultural purposes, the non-agricultural societies have to buy the raw materials which could help them in the process of production or distribution in which they are engaged. Government help is a necessity in the societies, which are organised

among backward and depressed classes. These people will find it very difficult to scrape out even small amounts from among themselves to create an initial outlay. The hill tribes of the Punjab states, the depressed classes of south Indian states and the thousands of untouchable castes of Rajputana and Kathiawar states could offer little or no material security. And it is not proper that co-operation is not introduced among these really needy due to this want. Perhaps a small advance from the Government will be more appreciated by these people than by any other class.

In British India, the Government has made, in one instance, a departure from their policy of keeping aloof from giving financial aid to co-operative societies. When the provincial co-operative Bank of Bombay was established, the Government authorised the bank to issue debentures carrying interest at 4 per cent, a rate which was guaranteed by the Secretary of State of India, on the security of the provincial revenue, subject to a detailed agreement with the bank, which was intended to secure the co-operative character of its activities. This

guarantee is no serious financial liability to Government. This guarantee was given in the hope that it would enable the bank to obtain long term money at 4 %. In normal circumstances, the bank would have been able to get money only at the rate of 5 % or $5\frac{1}{2}$ %. There has as yet been no case of the Government of any state following this example. We cannot categorically express a view on the acceptability or otherwise of the principle of the Government of a state giving a guarantee like the one described above. The guarantee of a state naturally depends on its financial stability. As, for some more time to come, co-operation in Indian states is not likely to flourish without state help, state finance and state initiative, any procedure they adopt for the purpose of spreading the movement will be welcome, without giving occasion for a destructive criticism of the policy.

The primary societies of the states are not independent of assistance from the central and Apex Banks. This falls under the loans from central banks and Apex banks to primary societies which is discussed elsewhere. Loans

from one society to another are also allowed. But this concession is rarely taken advantage of. They require the sanction of the officer in charge of co-operative societies — the Registrar. Direct dealing between the two societies is not to be encouraged. Whenever possible, such transaction should be made through a central bank or a union. Even when the societies are not affiliated to a central institution, but where there is a central institution in the locality, the Registrar should see that either the primary societies get themselves affiliated to the central bank or union or, if that is not possible, get the transactions made through that central bank, or union. When the societies are affiliated to a central institution, it should be emphasised, that no transaction should be made independent of the central institution. If disobedience to this rule is overlooked and strict measures are not taken to set them right immediately, there is the possibility of the central bank becoming unable to forecast the calls that are likely to be made on it. From a disciplinary point of view also, the policy of making every transaction through the central

financing agency should be emphasised. We have seen in the last chapter that no reports supply us separate figures for loans and deposits from nonmembers. We have already discussed them jointly.

To realise fully the objects of a co-operative society, loans should be granted carefully and punctually. If they are not given carefully to members, who possess a real character and who is in a position to repay, and on the security of sound persons, who will be willing and able to pay up the amount on default of the borrower, the society will stand to lose. Greatest attention should be given to the society's transactions of lending. The interest of the society should be guarded jealously. If one society fails in a district, the whole movement stands to lose its reputation. Indirectly, therefore, the reputation of the movement depends on every single transaction of each individual society. Loans should, further, be paid punctually to the borrower. No one thinks of borrowing unless he has some pressing necessity. In the absence of a co-operative society, which owes its existence to the necessity of relieving the poor needy from

indebtedness, the borrower would go and get a loan from the money lender. The money lender pays him money quick, just at the time he wants. He will not ask the borrower to wait and even though the borrower takes the money from the Sowcar or the village Bania with a heavy heart and with the knowledge that he is doing so at a tremendous loss to himself, he has one consolation that he gets the money promptly so that his wants might be satisfied in time. A society which is formed for the purpose of helping this borrower from the clutches of his money lender should also cater to his wants just like what the money lender would have done in its absence. Then only, it will be able to successfully replace the money-lender. If the society is unable to pay the borrower at the time of his need, it makes him lose his confidence in the society and makes him go back to the money-lender. To save him from this calamity and the consequent illreputation that might befall the society, it is necessary that the society should keep itself possessed of sufficient funds. This again exposes the society to another danger. Where should this money be kept so that it

might be available for such immediate calls? If the money is left in the hands of an official of the society, there is the danger of the money tempting the individual, who has had no chances of realising the responsibility of taking care of other people's money, to misappropriate the amount. Without any *mens rea*, the money might make him spend the same and cultivate in him extravagant habits. This again will react on the reputation of the movement, which aims at elevating the morale of individual members by fixing before them a high ideal of placing all emphasis on character. But this is only a possibility. And the co-operative society cannot do without a proper man to take care of its funds. Under the circumstances, it is better to rely on one of the officers of the society. The society has to rely on someone. Then why not on one of its own members? The choice of this member must be done with the greatest care. People who do not possess a reputation for character and honesty should be scrupulously avoided. It would be better if the society can pitch upon an individual, who has got some business training or at least some business instinct.

He should be thrifty and should be one, who has practised thrift throughout his life. As this individual is to keep the money of the society and as he is to be in charge of all the valuable properties and securities of the society, it is desirable that he should be a man of some means so that money might be realised from him in case of misdemeanour or misappropriation. But wealth should not be regarded as a primary qualification. Character should be the criterion of the selection.

In the granting of loans the society would do well to follow a systematic policy. To prevent the society from feeling embarrassed through frequent applications for loans, it is desirable to arrange the disposal of all loan applications at one time. Disposal of loan applications requires liquid money with the society. It might not be very easy for a society to have liquid money always at its command. The best way out of the difficulty will be to arrange loan applications to be disposed of twice, thrice or four times in the year. The best time for seasonal arrangements will be before sowing season, when agriculturists ordinarily require money for

their cultivation expenses. This arrangement should not preclude odd applications from the members at any time. The above precaution will help the society from being flooded with applications for loans at all times. A cursory application from a member to meet an unforeseen expediency should not fall under this category. In such cases, it is better that money, if there is cash in hand, is issued without the least possible delay. The president or even the Secretary might be empowered to give money without even referring the matter to the committee. This summary power may be given by the committee of management to the chief officer of the society so that urgent applications from members might be saved the procedure of referring the applications to the committee, discussing it and spending much time over it. In the ordinary course the application will take at least fifteen days. The applicant might not be in a position to wait such a long time. If the money, for instance, is needed for a funeral ceremony, or some other necessity, which cannot be anticipated, the applicant will not be able to wait all the time that is needed for a lengthy procedure for the disposal of his application.

This necessitates the conferring of authority to dispose of urgent applications to any responsible officer of the society. He should have the custody of the cash also. The selection should fall on such a man that if the society's funds cannot pay at such short notice, he himself should be able to pay and wait for repayment till the society will be able to pay back. Of course, the powers so granted should be confined within narrow limits. The society's funds should be kept in the local Government treasury where there is one or in the post office Savings Banks. Where there are other places of safety and the society feels that those places are safe and convenient, there is no objection in leaving the society to use its own discretion in the matter.

The total borrowing power of a society is ascertained either by the Central Bank or by the Registrar. The society should fix the maximum amount of loan which might be granted to each member. The amount of credit which may be allowed to each member should be fixed on the consideration of "the ordinary requirements of his occupation, his earning capacity and his character."

It is necessary that when a loan is granted for a particular purpose the society should satisfy itself that the money had been actually applied to the object, for which it has been borrowed.

The following details from the reports of the States of Travancore, Cochin, Pudukotta, Mysore, Hyderabad, Indore, Gwalior, Baroda and Jammu and Kashmere will show how far successfully this principle is accepted in practice in these States. The primary societies of Travancore issued 36800 loans to individuals. The value of these loans amounted to Rs. 2110915. The statement below shows the purposes of loans issued in 1932 by the primary societies of Travancore.

Particulars.	Total amount.	Agricultural.	Non-agricultural.
Cultivation.	208506	Rs. 135180	Rs. 73326
Purchase of			
cattle.	57078	„ 38617	„ 18461
Payment of Sir-			
kist or mi-			
chavaram.	20371	„ 9904	„ 10467
Permanent im-			
provement to			
land.	37972	„ 22572	„ 15400

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Particulars.	Total amount.	Agricultural.	Non-agricultural.
Purchase of Raw			
Materials.	35314	16065	19249
Trade.	378534	202402	176132
Education.	30380	11800	18580
Building & re- pairing houses.	93318	31682	61636
Construction of country carts & boats.	12392	3913	8479
Purchase of land.	93353	24538	68815
Purchase of food stuffs & Necessaries of life.	61338	15671	45667
Total productive loans.	1028556	512344	516212
Payment of prior debts.	1010521	532793	477728
Payment of Stridhanam.	17389	5473	11916
Other purposes.	54449	16309	38140
Total non-pro- ductive loans.	1082359	554575	527784

In a total amount of Rs. 2110915, lent by the primary societies, the agricultural societies lent nearly half of the amount. Loans, which were classed as non-productive, were those meant mainly for the payment of prior debt and payment of stridhanam. The performance of a social obligation gives as much satisfaction to the borrower as spending the borrowed money for some productive purposes. So what has been classed as non-productive is also as important for the borrower as a productive loan. The societies of Travancore can have the satisfaction that their loans have not been misspent.

In the smaller State of Cochin the total amount of loans issued by all the primary societies together is Rs. 1097934. The societies issued in all 13258 loans. Nearly 50 percent of these loans amounting to Rs. 452159 was issued for productive purposes. Even those loans which in return does not bring any money but only pays off a previous obligation and thus saves the borrower from wasting additional amounts on payment of interests are classed in Travancore as productive. These, no doubt,

are productive in that the expense thus incurred at the present time prevents expenditure for unproductive purposes later on. In Cochin such loans are classed as forming a separate category—neither productive nor unproductive. A sum of Rs. 512508 was given by the societies for such purposes as payment of prior debts and kuri. A sum of Rs. 12778 - 8 - 0 were given as non-productive loans. The following is a detailed statement:—

	Agricultural.	Non-Agricultural.
Loans for cultivative purposes. (Purchase of seed, grain, manure etc.)	54107 0 0	29624 0 0
Loans for permanent improvement to land such as digging well etc.	1550 0 0	1851 10 0
Loans for purchase of cattle.	10916 12 0	4571 0 0
Loans for the purchase of raw materials of industry such as tools etc.	8083 0 0	8127 8 0

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	Agricultural.			Non-agricultural.		
Loans for the purpose of trade etc.	87611	8	0	148297	0	6
Loans for the purpose of education.	1811	0	0	11366	0	0
Loans for building, repairing and buying of houses and cattle sheds etc.	6688	0	0	22214	4	0
Manufacture and purchase of country carts & boats.	1164	0	0	2120	0	0
Loans for repayment for Sirkar kist.	3733	0	0	1847	0	0
Purchase of lands.	5418	0	0	2395	0	0
Purchase of neces- saries of life.	2875	0	0	35788	9	5
Total of loans for pro- ductive purposes	183957	4	0	268201	15	11
Loans for paying off prior debts.	180040	5	11	305691	0	2
Kuri.	414	0	0	19363	0	0
Loans for non-pro- ductive purposes.						
Marriage.	1477	0	0	10917	8	0
Other ceremonies.	398	0	0	4021	12	0

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	Agricultural.	Non-agricultural.
Litigation.	50 0 0	898 0 0
Other non-productive purposes.	250 0 0	10603 8 0

A similar distinction is observed in the classification of loans given by Agricultural societies in the state of Pudukotta. There is no mention in the report of loans being granted by non-agricultural societies. Loans for domestic expenses are grouped under the non-productive loans in Pudukotta. "If the reasons for which the loans were got had been probed further they would have come naturally under productive purposes or payment of prior debt. The discrepancy arises because generally the ryots do not distinguish between the purchase of a ploughing cattle or seed and purchase of provisions for the family." * The following statement will show the details of the loans that have been granted by the Agricultural Societies (1931).

* Administration Report 1932) Page 9.

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Purposes.	No. of loans.	Amount Rs.
Cultivation expenses.	160	13161
Purchase of cattle.	213	14853
Sirkar kist.	24	1625
Improvement of lands.	7	1050
Purchase of Raw Materials.	2	150
Trade.	87	12738
Education.	1	25
Building, buying or repairing houses.	43	5302
Manufacture and Purchase of country carts.	2	100
Purchase of lands.	24	2994
Purchase of food and necessaries of life.	164	14641
Total productive loans.	727	66639
Loans for paying off prior debts.	217	28613
Loans for marriages.	70	7531
Loans for other ceremonies.	7	366
Other non productive purposes.	32	1886
Total non-productive loans.	326	38396

The Mysore Co-operative department divides the loans issued by their societies into five in relation to the object for which they are given. They are (1) Loans for productive purposes, cultivation, land improvement &c. (2) Loans for redemption of prior debts and (3) Loans for maintenance charges, purchase of clothing, provisions &c. (4) Loans for construction of houses and their improvement and repairs, purchase of houses and sites and (5) Loans for other non-productive miscellaneous purposes. Of the total amount of Rs. 10265535 granted as loans by the societies of Mysore, Rs. 2715463 were given for productive purposes, Rs. 1564725 for redemption of prior debts, Rs. 3085618 for maintenance charges etc, Rs. 718960 for construction of houses &c. and Rs. 2180769 for other non-productive miscellaneous purposes. The amounts lent for necessities of life is bigger than that lent for non-productive purposes but smaller than the amount of productive loans.

Out of a total loan of Rs. 965845 which was advanced to members during 1931 in the State of Hyderabad, as much as Rs. 321757

was given for purchases of cattle. The Central Banks as a rule insisted upon production of certificates of village officers that amounts taken out for this purpose were actually used for the purchase of bullocks. It is a sound precaution for otherwise members of societies sometimes make improper use of money taken under pretext of purchase of cattle. Rs. 134159 was advanced for repayment of Sahukari loans. Rs. 36950 was given for redemption of mortgages of lands and Rs. 104297 for improvement of lands by such means as heavy ploughing in order to extract the deeply rooted grass, levelling and bunding of lands for conversion of dry into wet lands, and removal of stones scattered on fields. Rs. 115245 was given for payment of land revenue and Rs. 27527 as takavi for well-sinking. The remaining amount of Rs. 225910 was given in short term loans to meet current agricultural expenses such as purchase of seed, fodder and manure and payment of wages for weeding and transplanting crops.

The report of the co-operative section of the Rural Development department of Indore does

not give any similar detailed statement to show the object to which the loans were used. It has however been ascertained that loans were mainly advanced for agricultural purposes as purchase of seed, manure, purchase of bullocks, for agricultural expenses as weeding, grass-cutting and harvesting etc. Sometime back, loans were issued for sinking of wells and building of houses. But nowadays loans are not issued for these purposes. There seems to be a restriction on the issue of loans and the purposes for which they are applied are being closely scrutinised by the Central Banks, to which institutions the primary societies apply for loans,

Here is a District-wise classification of loans from Gwalior (year 1931).*

Purpose.	Northern Circle.	Malwa Circle.	Total.	Percentage.
Seeds and manure.	50818	21965	72783	9·4
Cattle.	140005	172945	312950	40·6

* Annas and pies are left out.

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Purpose.	Northern Circle.	Malwa Circle.	Total.	Percentage.
Implements	2680	525	3205	0·4
Land-				
-Revenue.	15578	32212	47790	6·2
Improvement of land.	12560	28380	40940	5·3
Liquidation of debts.	15072	100210	115982	15
Household purposes.	31685	143706	175391	22·8
Industrial purposes.	2195	....	2195	0·3
Total.	270593	499943	770533	100.

A clear adherence to the principle, that loans should be granted only to those who require them for utilising them for productive purposes, is seen in Gwalior than in other States. In the States of Travancore, Cochin, Pudukotta, Mysore and Hyderabad, loans taken for the purpose of payment of land revenue are considered as productive. But in Gwalior, this purpose is regarded as objectionable and, by way of apology, the Department said in 1929

that "Generally such loans are given in order to help the members to sell their produce at favourable times. When it is purely an advance for land revenue, it is discouraged."

The Baroda Report does not give us details about the objects of the loans.

38098 loans were issued to members of co-operative societies in Jammu and Kashmere. The details of the loans are seen below:—

Purpose of Loans	No. of loans	Amount of loans.
Purchase of cattle	8786	321576
Payment of Land Revenue	8944	208299
Purchase of seed	346	4146
Marriage	1752	85851
Payment of Sahukar's debt	2707	117817
Household expenses	511	10784
Building	4388	192664
Purchase of boats and motors	76	3243
Trade	2191	120848
Purchase of looms	5	308
Purchase of lands	84	8713
Mats Grass	66	1597
Kedemption of mortgage lands	325	28439
Purchase of fodder	791	12731
Food stuff	6087	131726
Demise expenses	42	1068
Miscellaneous	997	27086
Total	38098	1276826

From the above statements, it will be noted that the most important objects for which there is a constant demand from the co-operative societies of the states are cultivation expenses and purchases of cattle. There is also a demand for loans for redemption of prior debt in all the states. Among loans which have been distinctly marked as unproductive, those for marriage and some other social functions find a place in all the states. Minor objects though found common are those for payment of land revenue, trade, purchase of land etc. In no state, do we find the members refraining from seeking loans for personal necessities of life. This is a poor reflection on the average income of an individual member. Some loans have been made for the explicit purpose of purchasing foodstuffs. This means that, but for the society's or moneylender's help, these members would have had to starve. The co-operative societies should think over the matter seriously and strive their best to assist their members in increasing their income. The payment of kist to the government is considered by all state co-operative societies as a productive purpose. Gwalior alone does not contribute to this view

It might have been considered productive in the sense that Government kist, if remains unpaid, would induce the Government to deprive the individual of his belongings for the realisation of the kist and thereby he would lose the means of production. In Gwalior particular attention is being paid to see that loans for payment of land revenue are granted only to enable the borrower to lay aside his produce in wait for a better market. Loans for land revenue are really used in almost all the states for objects for which funds have been used that would otherwise have been available for land revenue. We have noticed from the statements above quoted that loans have been taken only for satisfying short term needs and co-operative societies of the states have followed with success the principle that primary co-operative societies should not risk the granting of long term loans for expensive improvements which would lock up their small capital in big enterprises. Repayment would take a long time in these cases and it would not be advisable for a primary society to enter in such big ventures. The Governments of some states — even those which do not possess a co-operative department,

— are pursuing a policy of giving monetary advances to bonafide agriculturists on a small rate of interest and for long periods. It has been noticed that such grants for cultivators often are followed by the introduction of the co-operative movement. In British India itself, the grant of the takkavi loans was followed by introducing co-operative societies. Many states, which to the students of politics and constitutions have not emerged from medieval autocracy, have advanced similar sums. Where the members of co-operative societies want long term loans for the substantial improvement of their land or business, they should be referred to Government assistance, if there is any, in the line. Of course, if the society has funds, there is nothing preventing them from helping their members in this way too.

As a rule, every co-operative society can issue loans only for those objects which are stated in the byelaws. The byelaws definitely state that they may be granted for any necessary purpose including (1) purchase of seed, fodder or manure (2) purchase of cattle, agricultural implements or machinery, (3)

payment of land and sinking and repairs of wells, (5) Redemption of land (6) payment of old debts, purchase of land household and ceremonial expenses, trade, education etc. And the societies try to restrict the issuing of loans to those applications which seek money for the fulfilment of those objects. But the societies of the states, just like those in British India do not care to see whether the loans are used for the purposes for which they are lent. Provisions exist in the byelaws of the society allowing the society to recall the loans if the members of the managing committee come to understand that the loans are not used for the purpose for which they have been granted. But the powers so vested in the managing committee are very seldom exercised. Loans once granted are very rarely recalled. The reports of the states do not indicate anything to show that any loan has been recalled for misuse. When the question of recalling loans for misuse was being discussed nearly a decade back among co-operators of experience in India, it was suggested that the members of the managing committee should be held responsible for any loss to the society arising out of the lack of

promptitude in recalling a loan for its misuse. The majority of the societies does not seem to have been benefitted] by this suggestion. It would doubtless be hard to burden the obligations of the managing committee — in most cases unremunerative — with this additional duty. This policy, if adopted, will even tempt them to withdraw themselves from the duties which they voluntarily take upon themselves. While the members of the managing Committee should deem it their imperative duty to see that loans are used for their proper purposes, the society should remember that it would not be proper for them to impose additional obligations on these honorary officers. Loans for productive purposes shall receive preference over others. No loans are given for extravagant or speculative purposes.

The society invariably fixes the period for which loans are issued. Ordinarily the following will be the maximum period for loans.

(1) Loans to enable cultivators to secure reasonable prices for their produce.....Three months.

(2) Loans for trade, seed, food, cultivation expenses or cattle fodder.....Six months.

(3) Loans for purchase of carts or cattle, liquidation of small debts, and for house buildings... ..Two years.

(4) Loans for liquidation of large debts, purchase or redemption of land, or for expensive improvements of land... ..Two years.

(5) Loans for unproductive purposesTwo years.

The periods above stated are not categorical; and as no state is bound to follow the rules and byelaws of any other state, the periods of loans naturally vary. The periods are fixed at the time when loans are sanctioned. In some societies an year is fixed for a nominal period in which the borrower is expected to endeavour his best to repay. If within this period the borrower does not find means to repay the loan, the period would naturally be extended. But the borrower is bound to make an honest attempt to repay the amount of the loan during

the first year. The period for non-productive loans ought to be greater than that for productive loans, since the borrower does not get any direct profit from non-productive loans to enable him to pay off the loan immediately. There is no particular standard in any state by which the societies regulate their loan. Ordinarily, the amount of the loan, the necessity of the borrower and his repaying power weigh with the society in determining the period for repayment. The practise is to fix certain definite periods for certain loans i. e. two years for cultivation expenses, purchase of seed etc. and authorise the committee of management to extend the period, if absolutely necessary, to enable the borrower to repay. The latest view on the subject is that primary societies should refrain from granting long term loans. A small society recently formed would not have, first of all, sufficient capital, which would allow the society to lock it in long term loans. It is quite a different matter in the case of primary societies of long standing which have accumulated sufficient capital to invest in long term loans. But such societies are rare. Where primary societies have indulged in the luxury

of granting long term loans, the experience has been that loans have become overdue and the society's progress in danger. The Townshend Committee on co-operation in Madras was of the opinion that the primary societies should as far as possible restrict themselves to short term business. They have incidentally defined short term loans as "those repayable in whole out of the next harvest (normally the period of repayment will not exceed twelve months, but in a few special cases, such as sugar cane and bettle leaf cultivation, it may extent up to two years): and long term loans, as those repayable in instalments over a period of years out of the annual savings of the borrowers." The societies would do well to arrange the repayments of the loans by instalments. Instead of this practice, which is the Raiffeisin ideal, some societies allow the instalments to accumulate till the end of the period of the loan. This would mean a heavy burden to the borrower and, if it remain unpaid punctually at that time, a difficult contingency for the society would arise.

No State except Travancore gives the period for which loans have been granted by

the societies in its report. The Travancore Co-operative department has prepared a statement showing the length of term of loans. The following is the statement:—

	Agricultural.		Non-agricultural.	
	No.	Amount	No.	Amount.
Loans not exceeding one year	10237	320750	4714	332536
Loans exceeding one year but not exceeding two years	9344	425935	5192	344609
Loans exceeding two years	4562	320234	2751	366851
Total	24143	1066919	12657	1043996

In supplying details regarding the loans of the primary societies, the various states differ. Some give only the number and amount of loans; some give the nature of sureties; some value and some others demand, collection and balance of the loans. Travancore and Puddukotta give us details about the value of the loans their societies granted. In 1932, the classification of loans in Travancore according to their value was as follows:—

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	Agricultural.		Non-agricultural	
	No.	Amount	No.	Amount:
Loans not exceeding Rs. 50	18730	488692	6619	191399
Loans exceeding Rs. 50 but not exceeding Rs. 100	3883	297433	3525	301942
Loans exceeding Rs. 100 but not exceeding Rs. 250	1377	215881	2049	338120
Loans exceeding Rs. 250	153	64913	464	212535
Total	24143	1066919	12657	1043996

In Pudukkotta, the classification does not contain the subdivision of the societies into Agricultural and non Agricultural. The statement showing the value of the loans is copied below (year 1931).

	No.	Amount
		Rs. as. ps
Loans not exceeding Rs. 50	537	24032 2 10
Loans exceeding Rs. 50 but not Rs. 100	305	29546 14 2
Loans exceeding Rs. 100 but not Rs. 250	150	27323 14 2
Loans exceeding Rs. 250	61	24132 0 0
Total	1053	105034 15 2

The security on which loans are granted is separately treated only by Travancore and Cochin. In Travancore loans are granted on the mortgage of immoveable property (2) on the joint and several responsibility of the borrower

and one or more members standing as sureties (3) on the security of member's deposits and (4) on the simple bond of the borrower without any collateral security or surety. The societies of Cochin have granted loans on the security of (1) moveable property, (2) immoveable property, (3) paid up share capital and deposits. The acceptance of these forms of securities and the grant of loans on these securities are common in all the states as well as British India. Personal security has been held to be the ideal form of security in co-operative credit. Emphasis is laid more on the character of the borrower than on anything else. It is also sometimes held derogatory to the principle of co-operation to demand property security for loans to a member. Insistence is however made in many parts of the country on regarding personal security as much more important than moveable and immoveable property security in co-operative societies. Personal security means the security of the borrowing individual. In certain places, it includes also the security of his sureties. The acceptance of sureties for securing the loan has been condemned as

lacking in the necessary co-operative spirit in the society. Those orthodox co-operators who hold this view think that a debtor alone should be responsible for his loan. Demanding of sureties from him means lack of faith in him on the part of the society. Through the influence of this principle, a *via media* has been adopted in some states, where the members of the managing committee are given the option of demanding or not demanding sureties from the borrower. In unlimited liability societies, really the provision demanding a surety for each loan is superfluous, as every member is jointly responsible for any loss that may happen to the society. In spite of the general unpopularity which the surety system has with the idealists, it has got one remarkable advantage in that it sets the watchdog on the borrower and induces him to pay back the loan amount within as short a period as possible. It further saves the Reserve Fund from being the first victim of the adjustment subsequent to the borrower's default.

Some societies do not make any stipulation as to who the surety should be. They

even accept outsiders (Non members) as sureties to the loans granted by the society. The acceptance of nonmembers as sureties certainly widens the liability of the society and provided the surety is a rich one, ensures doubly the loan amount. But if unfortunately the loan is not paid in time or becomes unpayable by the borrower and the surety has to be proceeded against, the society cannot make use of the summary procedure conceded to it by the government for the realisation of the amount as one of the parties is not a member of a co-operative society. The society will then have to have recourse to a regular court of law. The non-members surety cannot be easily brought under the arbitration stipulation of the Co-operative Societies Act. These difficulties should make the society refrain from accepting non member sureties. The borrower members will not find it very difficult to get other members of the society as sureties. A single member can be accepted as surety for more than one transaction provided he does not exceed his liability limit by so doing. The number of sureties needed for a loan depends on local practice and the amount of loans.

Only one surety is normally accepted for any small loan. The number of sureties increase as the amount of the loan increases. The society should be very particular to see that the amounts are repaid in time and to realise the amount either from the borrower or the surety on default of payment at the punctual time. Some of the primary societies both in British India and the Indian States take, as an additional security, the property of the borrower. The principle involved in the acceptance of real security in co-operative societies has been seriously questioned. Those co-operators who believe in the utility of the movement in emphasising the honesty and character of the borrower try to make out that the acceptance of tangible security indicates a sort of lack of confidence in the borrowing member. This is true. But what does personal security mean? "The idea of a personal security implies the power of the member to repay, and this in its turn depends on his capacity as a worker, his honesty of character and the amount of his property." Since, however, the borrowed amount becomes an automatic charge on the property of the

borrower and according to the concessions granted by some of the governments to the co-operative societies, the amount lent by co-operative societies gets the benefit of becoming a first charge on the property, it is unnecessary to take the property of the borrower as conjoint and substantial security for the loan. From an ethical point also, the co-operative societies should not emphasise much upon tangible securities. Of course there is no harm in accepting them as additional safeguards. When we concede that security in a tangible form could be accepted without prejudice to the principles of co-operation, we have to decide also the form of security to be preferred. Moveable properties as cattle, carts, shares in the society etc., are sometimes offered as securities. In accepting these moveable properties as securities, respect should be had to that section of the civil procedure code which says that no tool or implement with which a man earns his livelihood should be sold in execution of a decree. If a certain property could not be sold in execution of a decree, there is no practical utility in accepting the same as security. The security

of cattle is not bad provided the cattle is insured. But there is not a single cattle insurance society in any of the states. Nor is there any agency in the states which insures cattle. The practice of accepting the shares of the society as securities should be discouraged as, by so doing, the society is incurring the risk of reducing its owned capital. Loans have also been granted on crops. And section 19 of the Imperial Co-operative Societies' Act (which has been adopted in all the states) gives a prior claim to the co-operative societies on the crops grown by the help of loans granted by the societies.

The rate of interest charged on loans is not the same every where. From the reports of a few of the states, we are not able to glean the common rate of interest at which loans are received and granted by the primary societies. The reports of Travancore, Pudukkotta and Gwalior do not give the rates but give the total amount received and paid as interest. From the report of the state of Jammu and Kashmere, we are able to see that the primary societies receive money from the central banks at 9% and lends the amount to the members at a rate

of $12\frac{1}{2}$ %. This rate was increased to 15 % and sometimes to 18 %, with the object of increasing the Reserve Fund of the societies. In 1928, the rate of interest in Indore and Namawar District was 12 %. The difference between the rate on borrowings and lendings in societies is generally 3 to 6 %. In some societies, especially of Nemar District, the members felt that the rate of 15 % was rather too high. In Baroda, the rate of interest prevalent in limited liability agricultural societies ranged from 4 to $4\frac{1}{2}$ % on borrowing and that on lending from $4\frac{1}{2}$ to 5 %. In unlimited liability agricultural societies the rate of interest rose from $4\frac{1}{2}$ to 5 % to 6 % on borrowing and $9\frac{3}{8}$ to 10 percent on lending. The limited liability non agricultural credit societies charged from $4\frac{1}{2}$ to 6 % on borrowing and $4\frac{1}{2}$ to $7\frac{1}{2}$ % on lending. The unlimited non-agricultural credit societies charged from $7\frac{1}{2}$ to 8 % on borrowing and an invariable rate of $9\frac{3}{8}$ % on lending. The most usual rate of interest in the primary societies, both agricultural and non agricultural, of the Nizam's Dominions is 9% on borrowing and $12\frac{1}{2}$ % on lending. The societies of Mysore borrow money at a rate of interest between $3\frac{1}{8}$ and 7

and lends at a rate between 9 and 12 percent. The rate being determined by the demand and supply of money in different districts. In Cochin the rates of interest paid by societies on deposits ranged from 6 to 9 percent and the average rate of interest charged by them on loans to members varied from $9 \frac{3}{8}$ to 12%. These figures will show that the rate of interest on borrowing by a primary society in any state never exceeded 9-12% and the rate on lending $12 \frac{1}{2}$ to 13%. These rates are fairly satisfactory and compares favourably with the rates prevalent in British Indian Co-operative Societies.

The amount of overdues has become a common feature in the co-operative societies of India. Throughout India, we will not be able to see any co-operative sphere which does not complain of the unpunctuality in the repayment of loans. The particulars about overdues are regular features of the reports. Co-operators including the departmental staff approach the question as if it is an unavoidable calamity. The co-operative societies by the extent of their liability only reflect the general poverty of our country. But much of this can be avoided if only the societies are more strict

towards their members and insist on punctual payments. Examining the reports of the states, we will see that the average percentage of overdues in the states is higher than any of the British Indian provinces. As the arrears of the societies reflect the soundness or otherwise of the movement, the amounts which are recorded as arrears from a good source to judge the stability or otherwise of the movement. In Travancore, during 1932, the overdues under Principal and Interest have increased from 44·9 to 54·1 percent and 45·7 to 51·3 percent. The Registrar attributes this increase to the abnormal seasonal conditions, the severe economic distress in the country and the unprecedented fall in the commodity prices. In the case of Agricultural societies, the percentage of arrears rose from 51·4 in 1931 to 61·9 under principal and 52·0 in 1932 to 58·1 under interest. In non-Agricultural societies, the percentage has risen from 38·9 to 47·6 under principal and 41·4 to 49·0 under interest. The following is the detailed statement:—

Principal.

Societies	Demand	Collection	Balance	Percentage of balance to demand
Agricultural	2513142	957171	1555971	61.9
Non-Agricultural	1751900	916720	835180	47.6

Interest.

Societies	Demand	Collection	Balance	Percentage of balance to demand
Agricultural	551411	230726	320685	58.1
Non-Agricultural	326222	166143	16079	49.0

It has been conceded in the report that with greater supervision on the part of the department and the non official agencies of local unions, the arrears could have been brought down.

There was a substantial amount overdue in Cochin also. In 1931, the percentage of overdues was 24.48 while in 1932, it increased to 27.5. The following is the detailed statement:—

Societies	Demand.			Collection.			Balance.		
	Rs.	as.	ps.	Rs.	as.	ps.	Rs.	as.	ps.
Agricultural	942403	12	2	377195	1	10	565208	10	4
Non-Agricultural	1192641	14	0	593983	12	0	598658	2	0

There was a considerable rise in the percentage of overdues as compared with the previous year in the state of Pudukkotta in 1931. Unfavourable season, successive failure of harvests and the natural repercussions upon the repaying power of the members of the societies contributed to this rise in the amount of overdues. A comparative statement of the percentage of the balance of overdues to demand for the years 1931 and 1930 is available which will clearly explain the position.

Principal.

Year	Demand under Principal.			Amount overdue.			Percentage of balance to demand.
	Rs.	as.	ps.	Rs.	as.	ps.	
1931	4288	02	0 - 1	3104	14	12 - 9	72.39
1930	4570	68	10 - 7	2995	65	5 - 8	65.4

Interest.

Year	Demand			Amount overdue.			Percentage of balance to demand.
	Rs.	as.	ps.	Rs.	as.	ps.	
1931	951	16	7 - 0	575	35	12 - 8	60.49
1930	858	74	10 - 9	428	92	1 - 5	49.9

The total outstandings at the end of 1932 amounted to Rs. 13853875. In Agricultural Societies, the amount of overdues is 65.1 per

cent of the demand. In Non-Agricultural Societies the percentage of overdues to demand is 22 percent. The Mysore report gives a detailed statement of overdues district war and class war. The relevant portion is copied:—

Demand for the year in Agricultural Societies	Rs. 3031325
Recoveries in Agricultural Societies	, 1057065
Amount of loans over due in Do.	, 1974260
Percentage of overdues to demand in the case of Do.	65·1

Non-Agricultural Societies.

Demand	, 10708548
Recoveries	, 8355813
Amount overdue	, 2352735
Percentage	22 0

There were huge arrears of principal and interest outstanding with members of co-operative societies in Hyderabad. Their total debts to societies (in 1931) amounted to Rs. 857683 under principal and Rs. 331948 under interest. The position of the societies is far from satisfactory. Arrears of principal apart, outstandings of interest do not show any signs of decrease. On the other hand, compared with the previous year at the end of which interest owed by

members amounted to Rs. 268465, there was a considerable increase in 1931.

We heave a sigh of relief when we cross the borders of Hyderabad to see how the loans are being repaid in Baroda. The total amount of loans due in the beginning of 1929 was Rs. 5495817 out of which the overdues of the societies from members amounted to Rs. 754971. This works out only a percentage of 18.1 percent. The percentage of overdues is gradually decreasing from year to year as a result of stricter discipline maintained in the working of co-operative societies and stringent measures used to recover them. It would be profitable for the other States to adopt the methods of Baroda Raj to reduce the amount of overdues.

One searches in vain the annual reports of the co-operative department of Indore for any information regarding overdues. The committee of enquiry on the working of the co-operative societies in Indore found that the societies do not keep any account of the overdues by members in a systematic way.

They made a rough estimate that more than 75 percent of the outstandings of the societies are overdue. A sum of Rs. 2875185 - 8 - 4 is overdue in Gwalior in 1931. The percentage of overdues to total loans is also increasing. Here also, the causes responsible for the rise in the amount of overdues is the general failure of crops during the year. The department is optimistic regarding the realisation of the overdues. In Jammu and Kashmir the amounts recovered by way of principal and interest were very small. The adverse climatic and harvest conditions contributed to the cause of the high percentage of overdues.

Not a single state, therefore, can claim that its co-operative finance is sound. If a strong note is not struck against the alarming increase in the amount of overdues and if arrangements are not made to effect repayments punctually, co-operation will truly end in an educational and financial illusion. The stability or otherwise of the co-operative movement depends on its finances. The soundness of co-operative finance rests on the proportion of the demand, collection and

balance of the amounts overdue. Every report should at least give these details. The reports of Indore, Gwalior, Kashmir and Baroda, does not give any particulars regarding this. In preparing reports, the states would do well to distinguish the amount of overdues to overdues proper and authorised arrears. Overdues proper include all such money, payment whereof was defaulted by the members on the date or at the time fixed for repayment. Authorised arrears are those sums for which further time has been sanctioned to enable the borrower to make payment. It is always advisable to have separate accounts for each loans and the borrower intimated as to the exact position of his accounts [from time to time.

We have seen above that invariably the Registrars have complained that bad harvests have been the cause of the increase in overdues. Bad harvests, no doubt, contribute a major cause to the increased overdues. Besides this, many other causes also have been found to influence the borrower's inability to repay. The following are some of them:—

(1) Illiteracy and ignorance of co-operative principles in primary societies and indifference of the committee, who are in many cases themselves defaulters.

(2) Lack of proper supervision due to illpaid and ill-equipped non-official staff.

(3) Failure to recognise their financial and co-operative responsibility on the part of central banks.

(4) An exaggerated sense of security in the minds of financing institutions, which is based on a wrong impression of the implications of unlimited liability and failure to realise the seriousness of the results of enforcing that liability.

(5) Lack of proper attention to the granting of extentions.

(6) Granting of loans without proper considerations of their purpose, and of the repaying capacity of members.

(7) Benami transactions.

(8) Even when penal interest is levied, the rate of interest charged is lower than the market rate in many places. Members who also borrowed from money lenders in consequence repay the latter first. Decree interest is also lower than the market rate. Execution proceedings present much difficulty. The low rate of interest encourages defaulters to raise every obstacle.

(9) The failure to take prompt and sufficient steps for the recovery of dues.

Societies have been classified according to the amount of overdues in some States and according to their working in some others. No classification is made in Indore, Gwalior and Hyderabad.

The Reserve Fund.

Reserve Fund forms a part of the working capital. The object of allotting a certain fixed percentage of the proceeds after meeting all the expenses to the Reserve Fund is to safeguard the members of the societies from the dangers of unlimited liability. Schulze Delitzsch

when he found his societies insisted that the Reserve Fund should be 10 percent of the share capital, It has been lately contended that the share capital is not the proper standard by which Reserve Fund is to be measured and some banks in Central Europe have proportioned the Reserve Fund to actual liabilities.

The reserve fund in the Raiffeisin societies is indivisible and on dissolution of a society to be handed over to a central bank on compound interest until one or more new societies have been formed on the same principles, covering substantially the same area as the old one; or handed over to the community and the interest devoted to objects of public utility. This rule of Raiffeisin is seldom practised in India. The Indian societies follow the English model rules which provides that the reserve fund, on dissolution of a society, is to be devoted to some useful purpose in the district in which the society was working, the purpose to be determined upon by the meeting at which the dissolution takes place. In societies with shares, one fourth of the profits of a society are by rule allocated to the Revenue Fund. In

societies without shares, the Reserve Fund is built up by the difference in interest the society earns between the rate at which they lend and the rate at which they borrow. But merely to have a high reserve fund, the society should not charge a high rate of interest.

The position of the Reserve Fund in the societies of the states is stated below. The reserve fund of all the societies of Travancore amounted To Rs. 686770 (1932) of which Rs. 341206 was invested outside. A balance of Rs. 345564 is still lying with the societies, but steps are being taken to invest them outside. The Reserve Fund of all societies of Cochin amounted to Rs. 323051 (1932). The Pudukkotta primary societies had a total Reserve Fund of Rs. 174193 - 7 - 7 (1931) the agricultural societies having a reserve fund of Rs. 89061 - 5 - 9 and the non agricultural societies having Rs. 85132 - 1 - 10. The Reserve Fund of the Mysore Agricultural societies amounted to Rs. 910515 (1932) and that of the non agricultural societies to Rs. 1203693. In Hyderabad, the agricultural societies had a reserve fund of Rs. 1247552

and the non agricultural societies Rs. 247537. The Indore latest figure is not available. But the total reserve fund in all societies put together at the end of 1927 was Rs. 576701. The Reserve Fund of the Gwalior Agricultural societies was Rs. 1383809 - 1 - 8 and of the non agricultural societies was Rs. 38508 - 9 - 4. In Baroda the agricultural societies had a reserve fund of Rs. 49360. The average fund of all the societies of Jammu and Kashmir amounted to Rs. 1127820.

The above figures will show us that every state has got a Reserve Fund which is comparatively not unsatisfactory. The Reserve Funds of primary societies are to be invested in central banks. Some co-operators are of the view that the central banks should allow the same rate of interest on reserve funds as they would on loans to primary societies. The majority is not in favour of this and it has been conceded by many that a rate of interest 1 percent above the normal rate of loans would be fair. The reserve funds of the societies should be held by the central banks in a readily realisable form.

After allocating one-fourth of the profits to the Reserve Fund, a small percentage — ordinarily 10 percent — is apportioned by many societies to charitable purposes. This is not being strictly followed in the states. It should be remembered that if the class of work — such as sanitation, education or village reconstruction — which are intended to be done out of these funds are done satisfactorily, it will help the movement to be popular. And no words can emphasise the importance of these works in the States. The performance of these duties should be purely voluntary. Service should never be the result of coercion.

CENTRAL BANKS.

I

The Central Bank is the backbone of Indian Co-operation. While, in Europe, the function of a co-operative central Bank is exclusively limited to the supply of capital and the balancing of the funds of societies, in India, its scope is much more extensive. The federation of a number of unitary societies into a central institution for the primary function of financing them was never contemplated when co-operation was first introduced in India. Though the necessity of such an institution was recognised, it was thought that the Urban Bank would gather up sufficient capital to finance the rural credit institutions. This scheme was tried for some time, with the result that some of the larger Urban Banks in some provinces gradually began to function as central financing institutions. But as time went on, the requirements expected of such institutions became so vast that separate financing agencies under the distinctive name of central banks had

to be organised as the next step in the process of evolution of co-operative banking. From being regarded as a balancing medium between superfluity of funds and needs for the same in different credit organisations, the central bank began to be regarded as a connecting link between the host of co-operative credit societies on the one hand and the money market on the other. Besides this, in India, most of the spadework in the organisation of a primary society fell to the lot of a central bank.

The name 'central bank' is used in a very broad sense in some of the states. The institution which bears the name of a central bank serves the purpose of an Apex bank in some. The Central Bank of Travancore is an Apex Bank, the intermediary institution being known as Taluk Banks. Cochin has only one Central Bank. In Gwalior the corresponding institution is called a District Bank. They go under the common name of central banks in Pudukkotta, Mysore, Hyderabad, Baroda, Indore and Jammu and Kashmir.

The Co-operative Central Bank was an

inevitable necessity in India. The primary functions of balancing of funds of societies and the disbursement of additional capital could have been served by the official heads of the Co-operative Department and joint stock banks. But the increase in the number of societies and the interest which people took in the movement made the hands of the Registrar so full with work that he had to find another person or body to relieve him of his manifold duties. For the supply of funds by joint stock Banks there were many difficulties. The joint stock bank is constitutionally unfit and hence unable to appreciate the character security which is the basis of co-operative loans. It would have been really difficult for them to get over the tangible security byelaw even though the safety aspect in unlimited liability was pointed out to them. A joint stock bank cannot afford to wait for the length of time, a co-operative loan takes itself to clear. It cannot lock up its capital for such a long period when they have the possibility and necessity of utilising the money so invested for more advantageous transactions. These considerations should therefore weigh with any State considering the possibility of utilising a

State bank or any other joint stock bank as a central financing society. There cannot be any real harm in using them for a short period in the beginning. But even then there is the possibility of the avaricious and materialistic joint stock bank showing its true colour, and consequently the co-operative societies not deriving the necessary assistance from them. The central Banks of the states, like those in British India, obtain the supply of capital from outside the co-operative movement. This is not so in Germany and other European countries. In Germany the Central Darlehens Kasse acts as a money equaliser between different co-operative societies. It acts as a channel through which the abundance of one district can be drawn to supply the scarcity of another. As it does not confine its activities to the range of a balancing medium, the scope of a central bank in India is much more important and difficult than in Europe.

The legal formation of a Central Bank was rendered possible in India only by the Amended Co-operative societies Act of 1912. Before that, only primary societies could be

registered. The legal bounds within which a central Bank or a union could be established are laid down in the Act as follows:— (1) They must be established with the object of facilitating the operations of co-operative societies. (2) They must be of limited liability—Ordinarily. (3) Section 3 of the Act restricts a member from possessing more than a limited number of shares. This section does not apply to central Banks and unions so far as their society members are concerned. (4) There is no restriction as to the residence of members, their occupation, tribe etc.

This has made it possible for the central banks to have as members both individuals and societies. Virtually the central Bank is nothing more than an ordinary joint stock bank which enjoys the privilege of registration under the Co-operative Societies Act and its consequent concessions. The central banks are required to conform to the objects which they declare before the registering officer on the date of registration. They are also enjoined by the provisions of the Act to keep admission to membership always open. This distinguishes

the co-operative central bank from a joint stock company having "a permanent paid up nominal shares .., Capital of fixed amount divided into shares, also of fixed amount ... and formed on the principle of having for its members the holders of those shares and not other persons" * It is for the society members of the central bank to see that the board of management always possesses a majority of their members so that the interests of primary societies are always safeguarded.

The functions of a co-operative central bank are mainly.

(1) The carrying on of banking and credit business.

(2) The purchase and sale for common account of agricultural implements and produce.

(3) The supervision and audit of registered co-operative societies.

* Section 254 - Indian Companies Act.

The distribution of the central banks of the various states are as shown below:—

Name of the state	Name taken by the Institution	Year under Report	Number
Travancore	Taluk Bank*	1932	20
Cochin	Central Bank	1932	1
Pudukkotta	Central Bank	1931	1
Mysore	Central Bank	1932	12†
Hyderabad	Central Bank	1931	33
Indore	Central Bank	1929	5
Baroda	Central Bank	1928	5
Gwalior	District Bank	1931	17
Jammu & Kashmir	Central Bank	1929	12

In the above distribution, the central bank No. 1 of Travancore has not been included as it has been marked out as an Apex Bank.

CONSTITUTION AND MANAGEMENT.

There are three kinds of Central Banks (1) Banks which have only individuals as their members (2) Banks the membership of which is restricted to societies and (3) Banks which have a mixed membership of both individuals, and societies.

* The Banking Unions also included.

† Mysore Provincial Co-operative Apex Bank & Mysore Co-op: L. M. Bank excluded.

The first class has not been able to find much favour with the co-operative movement in general. As a matter of fact, there is very little difference in form between this and a joint stock Bank. The only distinction that demarcates it from the joint stock Bank lies in its activities. And that is a matter of detail. The attraction of private ownership of capital, the charm of its accumulation and the desire of its possession to the exclusion of others are so great that all ideals, principles and theories melt before them into ethereal insignificance. If, therefore, these banks propose to grant loans to any person or institution other than registered co-operative societies or contemplate undertaking any banking business outside the purview of co-operative finance, the Registrar should not grant them registration certificates. Registration in such cases should only be sanctioned with the utmost discretion. These institutions, apart from containing the germs of revolt against the accepted procedure of societies will cause a friction among the primary societies which they are intended to serve and will be tempted to enter into competition with joint Stock banks. In such a case registration

under the Company Law would be more proper. If, under any circumstance, the registration of this kind of banks becomes necessary, particular attention should be bestowed on its activities. The provisions of the byelaws should be adhered to at any cost. It should not be allowed to grant any loan except to registered societies. Outside business and business with individuals should be avoided as far as possible. Division of profits should be limited to a very reasonable percentage on the share capital. All precautions should be taken to check the progress to a capitalistic tendency. The banks should have a separate and independent staff to inspect and report on the loan applications of societies, since it is unlikely that the banks would have on the committee of management members with sufficient knowledge about the technique of the societies. Public opinion about these banks has not been favourable. As early as 1915, the Maclagan committee deprecated strongly the continuance of this kind of central banks.

In the second class falls the real co-operative central Bank. This is the type best suited to finance societies. But, as in British

India, we find instances of this type only very rarely in the states. Only the Kodinar co-operative Banking union of Baroda and the Vikarabad Central Bank of Hyderabad are examples of this class of central banks in the states. "It is a pure co-operative bank as distinguished from the other three banks of a mixed type and is chiefly managed by the society directors It finances the societies of Kodinar and other Taluqas of the Amroli district and exercises a salutary influence over the growth and development of the societies affiliated to it.*

The one advantage in this type of society is that in its working there is a complete elimination of that conflict of interest which is found between producers and consumers of capital. There is a thorough identification of interests between the share holders of the central bank and the borrowing societies. The temptation for increasing the percentage of dividends and hence the idea of squeezing the borrower in the interests of the lender will not arise as the parties who ultimately receive is the same

* Administration Report of Baroda re-Kodinar Banking Union

as those who pay. There cannot be any charm in the receipt of the identical coin returning after being debited and credited in journal and ledger columns. One great difficulty has generally been found in the management of these institutions. First of all they are possible only in a locality, where primary co-operative societies are so abundant as to give them sufficient work. All other kinds of banking business being excluded from their objects, they have to depend on the societies alone for their existence. They are not likely to attract deposits from outsiders and, for a similar reason, persons with knowledge of sound banking principles are not likely to volunteer as members of their administrative bodies. Obviously these institutions will not be able to keep a highly paid staff with all the qualifications necessary to look to the details of their business. These difficulties have prevented banks organised on these lines to attain their objects though they perfectly conform to the ideals of the co-operative movement. The recommendations of the Townshend Committee on Co-operation in Madras (1928) to co-opt to the board of management members, who have special knowledge,

without the privilege of votes will be very advantageous if accepted.

The third type of central banks according to the above classification is the mixed one which includes both societies and individuals among its members. The individuals are admitted to the membership register in their own rights. Among the central banks of the states, all except the two mentioned above, belong to this group. As individuals are admitted to their membership, these banks are apt to raise the percentage of dividends. So long as it is impossible to put an effective check on the materialistic propensities of human character, it is desirable in this case to adopt the maxim 'prevention is better than cure'. The representation from the individual members on the board of management should be as limited as possible, and advantage should be taken of any opportunity to get an adequate number of representatives from among society members on the board. The cost of management may no doubt be higher in this case than the second type of banks we have described but will be cheaper than those having only individual

members. This type of banks is a gradual step in the evolution of the central banks. Central institutions were first organised by individuals. Societies were gradually grafted on to them. Then the idea arose that individual share holders had no place in such organisations which should remain as far as possible purely co-operative in its composition no less than in its activities. The central banks now existing with a mixed constitution is a compromise between this ideal and the first stage of its growth. Now, the tendency is to restrict the number of individual members. Shares are as far as possible not issued to individuals at all. Opinion is divided regarding the ideal of elimination of the individual share holders of the central bank. There is a very influential school of co-operators which holds strong views against the eliminations of the individual members at present. In 1928 the Madras Committee felt this question to be so important as to necessitate a separate enquiry before making any recommendations on it. In the same year a committee of enquiry submitted a report into the working of co-operative societies in Indore to the state cabinet. The Indore

committee either did not consider the question to be so important as it is presented here or has kept a discreet silence.

Membership begins as in primary societies with the admission to the role of member of ship by the board of management or with the signature in the form of application for registration. It is terminated by the death of an individual or the cancellation of registration of a member society by ceasing to hold at least one share, or expulsion by resolution of the Board of Directors subject to the confirmation by the General Meeting. That every member should take at least one share is compulsory. There is also a maximum limit prescribed. A share holders liability is determined by the unpaid portion of the face value of his shares. The procedure adopted in the admission of new members varies with different places. The law on the point emphasises an election and a resolution before admitting any member. It has been found that some societies in south and central Indian states are very lax in the observance of the election and resolution rules. It is desirable that this should be rectified.

With the increase in the number of these banks their area of operations in some places begin to overlap. Overlapping will cause many serious inconveniences, the spread of competition being the most important. A fixed jurisdiction should be allotted to each central bank and the area of operation should be mutually exclusive. The tendency of a primary society in one district getting affiliated to a central bank in another district should be definitely discouraged. The central bank on their part should not fish for primary societies lying outside their district. The controversy in the co-operative union of Great Britain in 1928 relating to the jurisdiction of individual primary co-operative stores and the settlement arrived at, on the above lines, should serve an object lesson to those states, which do not check the growing tendency of the central banks in this direction.

The question has sometimes been discussed about the advisability of converting these central banks into branch institution of Apex banks. There is no apex bank in many of the states. Mysore alone has one which is called

the Mysore Provincial Cooperative Apex Bank. The Travancore Central Bank No. 1 can also be called an Apex Bank though its pretensions are much less. Cochin has only one central bank, the number of societies in that state being very limited. In Indore, Baroda, Gwalior, and Hyderabad, there is no institution serving the purpose of an Apex Bank. In most of these states what is generally done is to give prominence to one institution among the Central Banks. The Government also helps it with deposits and concessions. There is considerable advantage in converting such premier concerns to Apex Banks. From a study of the present position of the central banks in the states, it does not follow that they could be converted as branch institutions of the Apex bank.

The business of the central bank is carried on by a Board of Directors or the Managing Committee, who are elected by the members in the General Meeting. Usually there is a smaller body known by the name of the working committee to deal with urgent work. It is laid down in the byelaws that the managing

committee shall consist of a fixed number of members having a legal contractual status. There is no limit to the number of members on the committee. It ranges from 7 (seven) to eighteen or twenty. The committee has a chairman and one or more vice-chairmen. The members of this body ordinarily retire by rotation. The Board of Directors very seldom meet in practice. Usually they delegate their powers to the working committee and remain silent. If this body does not do any other work than delegating their powers to the smaller working committee, there is no justification for the existence of such a body. The General body of members can as well elect the working committee as such and invest it with all powers. In Gwalior what little work is done is being done by the working committee. In Indore the process of delegation proceeds with all force. In the Indore Premier Central Cooperative bank, all the functions except appointment of manager and framing and adoption of the budget of expenditure are delegated to the working committee. Fortunately, in Travancore, this particular weakness is not much in evidence. Instead of the present two-body

system, the substitution of one body invested with the whole power of administration and possessing the willingness to work is most desirable. There is a byelaw in most of the Central banks that the committee may appoint from among their own members a small working committee and may delegate to it or to the officers of the bank such of its own powers as may be prescribed by a general meeting. This byelaw itself is unnecessary. Those details which the larger body is unable to look after can very well be delegated to the secretary or manager of the bank and the board of management can exercise their full powers. As the existence and continuance of this byelaw promote this evil, it is better that it is deleted.

As the central banks have a dual composition in their membership, it is necessary that both interests should be represented in the Board. The representation of members in their individual capacity and of the society members in their representative character on the board of management has developed in most of the societies a tendency to ignore the equal rights of the society members. They are

not infrequently thrown into the background and the individual dominates. The representatives of the society members suffer from another serious disadvantage. Mostly they might be from the rural areas and would not have had, like the individual members, previous opportunities of working on representative bodies. As regards this the individual members will be more experienced and more assertive and the tendency would be for the interests of the society members to be relegated to the back ground. To guard against this, a byelaw limiting the number of individual member-representatives on the board and at the same time providing for an adequate representation of the society members is highly necessary. The representatives of the shareholding societies need not be a member of the bank. But this privilege should not be extended to the individual share holders. It is put forward that the representatives of the shareholding societies having had no administrative experience will be of no use to the board of management. In the face of this argument, it can only be said that though there is very little or no truth in this, this plea arises from the selfishness and the

desire for power of individual shareholders. Though it might not be possible to get well trained and thoroughly qualified representatives from rural societies, it is perfectly certain that no one will be able to beat them in their enthusiasm for work of this nature and the keen and abiding interest in the welfare of the bank. The work itself is by no means so complicated as in a joint stock Bank. A Joint Stock Banker must understand trade and finance, possess a thorough knowledge of commercial law and stock exchange practice, be competent to deal with bailment and monetary business and selecting the right sort of business. A Co-operative Banker on the other hand needs only to have a general understanding of money rates and to fix his own rates so as to produce the margin of profit required to carry on the bank on sound lines. He should be able to forecast probable receipts and demands from societies, to maintain careful accounts and to see that his working capital is regularly employed and that sufficient fluid resource is always kept available. He needs to exercise very little discrimination in the selection of business and in the important work of assessing credit, reliance is placed

on the report of the unions or information supplied by directors who, for this purpose, need not have so much of business training as local knowledge and common sense. The work of Co-operative Banks is accordingly simpler in itself than that of Joint Stock Banks, and for its successful despatch calls less for technical skill than for ordinary probity and knowledge. While the trend of the individual members will be to push the society on the capitalistic lines, the society representative will always adhere to co operative principles. Moreover this is the only way of training them in administrative matters and of giving them opportunities of understanding the true relationship between the Central Bank and the societies. And only through the adoption of this method could the ideal central bank with only society-members be reached. The byelaws enjoin the Board of Directors to exercise all the powers necessary for running the business of the banks.

In their conduct of the affairs of the bank the committee shall exercise the prudence and diligence of ordinary men of business, and shall be responsible for any loss sustained

through acts contrary to the law, the notified rules or these byelaws.

It is compulsory for the bank to have a chairman, one or two vice Chairmen, a Secretary and Manager, or both or one of those and a treasurer. Most of them are honorary but for a decently paid manager. It is possible to get respectable honorary workers in those localities which are congenial for the growth of central banks and it should not be the policy of the bank to raise its establishment charges by appointing highly paid officials. The directors and the staff usually goes out in the villages to do canvassing work for the central banks. This will help the bank in increasing its business and the spread of the movement. Among the staff the duties of the Secretary and the manager are the most important.

In the Central Banks which have shareholding society members loans are usually granted to societies who have not paid up their share money fully. They pay up a portion of their share money and on security of this part payment get a loan from the Central Bank.

Apart from the fact that this is risking valuable capital on insufficient security, it has got the additional immoral defect of encouraging un-businesslike habits in the society members. No loan should be granted to any society member (and of course not, to individual members) before its full share money has been paid. As far as possible, all primary societies in the jurisdiction of the Central Bank should be encouraged to get themselves affiliated to the Central Bank. There is no objection in non-agricultural and non-credit societies becoming members of the central banks; but great care should be taken when insurance societies try to get connected with these banks. The intermixture of insurance and credit is attended with grave danger.

In none of these states do we find Book Banks. The atmosphere in almost all the states of India is very congenial for the opening of these types of banks. In districts and provincial areas, where there are not enough societies to warrant the existence of a central bank, banks of this type might be opened without any establishment charge. Money will be available

to those societies, who are in need of cash through some arrangement with a Joint Stock Bank. Only one person who will keep the accounts in this case is necessary. This system can be followed till the district develops and the business enlarges as to necessitate a full grown Central Bank.

CENTRAL BANKS.

II

CAPITAL.

As in the case of primary societies the main sources of capital of the Central Banks are shares, deposits, loans and reserve funds. Affiliation fee is levied from the members and added to the aggregate capital by some central banks in British India and some in the states. The amount levied is very small.

SHARES.

The share capital is subscribed by two classes of members — (1) individual shareholders and (2) affiliated societies. The success of the Central bank largely depends upon the deposits received from the public and the interest the public takes in the well-being of the bank. Public sympathy to co-operative concerns has a relative bearing to their share capital. It is therefore advisable that the total share capital should be as large as possible. But the raising of the share capital necessitates

great care on the part of the Central Banks. The market value of the shares should always be consistent.

The amount of the share capital of the central banks of the various states is given below:—

Name of the State.	Year under report.	Amount of paid up Share capital.
Travancore	1932	489615
Cochin	1932	51022
Padukkotta	1931	62672
Mysore	1932	590592
Hyderabad	1931	979626
Indore	1929	168878
Baroda	1928	207097
Gwalior	1931	777235*
Jammu & Kashmir	1929	379720

Individual share-holders and Society share holders are seen in the Central Banks of mixed type. It is not usual to classify the shares of the central Bank to ordinary and preference shares. The issue of these two kinds of shares by the Central Banks is prompted by the desire to attract local capital.

* The paid up share capitals of the Mysore Provincial co-operative Apex Bank Ltd. and the Mysore Co-operative Land Mortgage Bank Ltd. have not been deducted from the total share capital of all the central banks.

The holders of preference shares rank before the ordinary share-holders as regards both dividends and the repayment of capital in the event of liquidation. They are usually entitled in any year to receive their full dividend if the byelaws of the society permits it, before the ordinary share holders receive anything. But in most cases the amount of their dividend cannot exceed a fixed percentage, while that which the ordinary shareholders can receive is unlimited. This observation is true only so far as Joint Stock Banks are concerned. The byelaws of co-operative societies do not permit the grant of dividends exceeding a certain percentage. Even those co-operative banks which issue preference shares are bound to obey the limitations under their byelaws.

The preference shares of any concern are safer investments than ordinary shares. In exceptional cases of prosperity an ordinary shareholder of a joint stock company receives more benefits than the preference shareholder. But even this is denied to the ordinary shareholder of a co-operative concern as its byelaws do not permit its dividend to be raised above a

certain fixed percentage. Sometimes preference shares are what are called "cumulative". This means that, if in any year the profits earned by the society are insufficient to pay the dividend on the preference shares, the holders of these shares are entitled to have the deficiency made up out of the profits of any subsequent year before the ordinary shareholders receive anything. The latter in fact cannot receive any dividend until the dividend on the preference shares has been paid up to date. If the preference shares are not cumulative, each year stands by itself and arrears of dividend can never be recovered. The practice among joint stock companies of issuing preference shares as first preference, second preference etc., is not followed, even by central banks, which issue preference shares. Earlier co-operators found no objection in issuing preference shares. But later day theorists are against co-operative concerns issuing preference shares. Strictly they should issue only ordinary shares.

The size of single shares varies. The value of a share ranges from Rs. 10 to 50 and 100. In British India share values are raised even to

Rs. 500. But the Central Banks of the States do not issue shares of such high value. Some central banks issue two kinds of shares. The shares for individual members will be higher in value than those for society members. The fixing of the share value of a bank is a matter of local convenience. It would be more convenient and in some respects advantageous to have the same value for the shares issued to both individuals and to societies.

The shares held by societies have no relation to the amount of loans they take from the central bank. In this connection, the Indore committee has recommended the following. "There is no rule prescribing any proportion of shareholding to the loans advanced to societies. The Indore Bank has been gradually getting the shares, subscribed by societies, increased. We would suggest that some proportion should be fixed between the shares subscribed and loans advanced. This proportion might be one share for every five hundred rupees or a fraction thereof, where share value is Rs. 25"* This.

* Report of the committee of Inquiry on the co-operative movement in Indore State. 1928.

recommendation of the committee is very sound. This arrangement is generally followed by the Central Darlehens Kassen of Germany. We find the same procedure adopted by other credit-institutions of Europe. This maintains a proper relation between the obligation of the societies to the central bank and the advantage gained by the societies from the central bank.

The admission of individual shareholders to the membership of the Central Bank is primarily for raising the amount of the share capital. To exclude the mere seeker after profits, the Imperial Co-operative Societies Act of 1912 has laid down in Section 5 that "where the liability of the members of a society is limited by shares, no member other than a registered society shall — (a) hold more than such portion of the share capital of the society subject to a maximum of one fifth, as may be prescribed by the rules; or

(b) have or claim any interest in the shares of the society exceeding one thousand rupees."

This section is not rigorously enforced so far as central banks are concerned. Mr. Calvert

while commenting on this section in his *Law and Principles of Co-operation* says "this section does not apply to unions whether for banking, guarantee or other objects."[†]

There is nothing in the Act which warrants this view statement. Up to this there is no case law on the point. The 1915 committee on co-operation is not against superseding the statutory limit prescribed by this section and raising the share capital subscribed by individual members to Rs. 5000 or Rs. 7500, when difficulty is experienced in raising sufficient share capital. In the co-operative laws of almost all countries there is a similar provision restricting the amount of shares an individual shareholder can have in a society. Italy goes a step beyond this and prohibits a member from holding an excess number of shares even if he comes to it by chance, or succession. If a member acquires by inheritance more than the maximum limit of shares, he is not entitled to any share of profits on the excess number and he has to sell them. A byelaw to this

[†] *Law and Principles of Co-operation* by Calvert page 83.

effect has been introduced in the Indian Provinces and some states. It is not uncommon to find the following rules in the byelaws. "No members shall hold shares whose nominal value exceeds Rs. 1000 or exceeds one fifth of the total share capital actually subscribed. If any member by inheritance becomes possessed of more than the maximum holding permitted by this rule, the managing committee shall have power to sell the excess number and to hold the proceeds at his disposal." The transfer or charge of the share or interest of a member in the capital of a registered society shall be subject to the conditions as to the holding prescribed in the Co-operative Societies Act (Imperial) and the byelaws of the particular society.

The right of voting is incidental to the ownership of shares. The practice of exercising the voting power differs in different states as in the province of British India. Normally a shareholder enjoys the right of one vote for every share he owns. In some places, a member can have only one vote irrespective of the number of shares he possesses. A graduated

system of giving proportionately fewer votes to the larger shareholder than the smaller one has been accepted in some other places. Of these, the first system of allowing as many votes to a member as the number of shares he holds is positively bad. There is the danger of a few persons monopolising the management and policy of the bank to the exclusion of the interests of other members in the principles of self-government and this would not be served if votes are thus granted in lot to individual members. The accepted principle of voting is that of 'one man — one vote' which is followed in all European countries. This will keep alive the interest of the individual member in the society.

We find very little reserve liability in the case of shares of the central banks of the various states. Of the fourteen central banks of Mysore only the Bangalore Central Co-operative Bank Ltd. has an uncalled and subscribed share capital of Rs. 184342. Four central banks of Baroda reserve a total liability of Rs. 106475. The Navasari Co-operative Banking Union Ltd. has all their shares fully paid up. The reserve share liability of the other central banks is:—

1. Baroda Central Co-operative Bank Ltd.,
Rs. 90290.
2. Petlad Central Co-operative Bank Ltd.,
Rs. 750.
3. Mehsana Central Co-operative Bank Ltd.,
Rs. 13135.
4. Kodinar Co-operative Banking Union
Ltd., Rs. 2300.

All the shares of the Travancore Taluq Banks, of Jammu and Kashmir and the Pudukkotta central Bank are fully paid up. All the central banks of Hyderabad except the Mission Bank Jalna have portion of their share capital uncalled and unsubscribed. They have a total reserve liability of Rs. 4274604. There is no date available to know the reserve share liability of the Central Banks of Gwalior and Indore. In 1932 the value of shares allotted by the Central Bank of Cochin was Rs. 70000 and the paid up share capital amounted to Rs. 51022. The reserve liability may therefore be fixed at nearly 19000.

The idea of this reserve liability was imported into India from England. There, the

reserve liability is regarded as an additional security for the bank to fall back upon in the event of the financial position rendering a further call necessary. The practice of leaving some part of the share capital uncalled does not in any way stabilise the financial position of the banks in the states. The economic sense of the states population is not so fine as to appreciate the additional security the reserve share liability gives. The banks also will not be able to derive any advantage from following this system as there will be considerable difficulty in collecting the balance of share money, once they know the financial position of the bank has gone wrong. The joint family system the scattered nature of their residences and the notorious Laws Delays in the states will be additional difficulties by way of realising the balance amount of the shares. The banks should insist on their share money being fully paid up.

To avoid profit seeking, a strict limitation of dividend should be emphasised. The rate of dividend issued by the different central banks of various states varies from 6 to 10 and sometimes 12%. The central banks of Indore

pay as dividend a percentage ranging from 6 to 8. The Navsari co-operative Banking Union Ltd. of Baroda paid in 1928 a dividend of 5%, The Mehsana Central Co-operative Bank Ltd. a dividend of 7%, Petlad central co-operative Bank Ltd. a dividend of $6\frac{1}{2}\%$, The Baroda Central Co-operative Bank Ltd. a dividend of 8% and the Kodinar co-operative banking Union Ltd. a dividend of $8\frac{1}{2}\%$. Thus we find that the Baroda central banks are giving only a moderate dividend. In Gwalior only three district banks paid dividend in 1932 and they paid 10% each. Of the six pargana banks, five paid 10% dividend and one 9%. Ten is rather a high percentage for dividends on co-operative banks and this should not be exceeded except for special reasons. In Mysore, two central banks did not issue any dividend in 1932. The rest paid a dividend ranging between 6 and $7\frac{1}{2}\%$. The Travancore Taluq Banks also paid a dividend which ranged from 6 to 10 %.

The rate of dividend paid by the Pudukkotta Central Bank is not known. In an Assets statement appended to the 1931 report, it is stated that the bank paid a total dividend

Many of the central banks are not in a position to spare loans to other central banks as their capital will not be sufficient to meet the demands of the primary societies affiliated to them. It is seen that the central banks of Indore and Gwalior and Hyderabad give and take loans from other central banks. But it has not been possible to know the details. But those in Baroda, Mysore and the Taluk banks of Travancore do not have any dealing with other central institutions by way of loans. Details are not available regarding the central banks of Jammu and Kashmir.

Loans from Government are common in the central banks of the states. Almost in all the first loan itself comes from the Government. The co-operative movement of the states has received a great impetus from their respective administrations. Except the central banks of Mysore and the Taluk Banks of Travancore, almost all the central banks of the other states have received loans and deposits from their state Governments. In Gwalior "the total amount of Government money with banks in 1931 was Rs. 5159112 - 12 - 7. A few of the Hyderabad

Central Banks received Rs. 206898 (1931) as loan from the Government. The Government of Indore has sanctioned cash credits to the various central banks of the State. The Government has empowered the Registrar to disburse the amount to the central banks in accordance with their respective demands. The central bank of Cochin has received Rs. 25000 from the Government as loan. In Baroda all the central banks except the Navsari Co-operative Banking Union Ltd. received loans and deposits from the Government of Baroda.

The general feature that one notices about the loans of these central banks is that most of them are indebted to the Government and there is an appreciable amount of inter-central Bank lending. The central banks should try their best to save themselves from the position of foundlings which they now occupy. This might not be possible till the popularity of central co-operative institutions increases and till it is able to evoke sufficient confidence in the general public as to attract sufficient local deposits. According to the Imperial Co-operative Committee, "The system of inter central

bank lending is uneconomical and leads to the interlocking of liabilities. On the establishment of provincial banks, all direct interlending among central banks should be brought to a close and the Provincial Bank should be used by them as a balancing centre for this purpose and as the medium for advance from outside banks".

and bonus of Rs. 5572-1-5. This system of paying bonus is followed in Travancore also. In no other state, bonus is paid. This is not a desirable procedure and hence this should be discontinued. The distribution of profits in the central banks of Jammu and Kashmir was prohibited in 1929-1930. No central bank seems to have paid any dividend during the period. Of the 33 central banks of Hyderabad only 4 issued any dividend. The usual rate ranged from 4 to 10 %. The Central Banks of Hyderabad were passing through a financial crisis during 1931. Interest outstanding was alarmingly heavy and "in view of the large amounts of overdue interest it was found impossible to distribute profits which exist only on paper."

The principle in the issue of dividend should be that the rate should not exceed at the most 2 or 3 percentage more than the rate of interest the bank pays to its fixed depositors.

DEPOSITS.

Loans and Deposits are very seldom separately treated and hence there has been con-

siderable difficulty in getting the actual amount of deposits in the central banks of the various states. In Cochin the year 1932 was one of expanding deposits. The total amount of deposits in the year amounted to Rs. 570823. This sum included a loan of Rs. 25000 from the Cochin Government, a deposit of Rs. 448697 from individuals and Rs. 97171 from societies.

This intermixture of loans and deposits is not peculiar to Cochin alone. In Baroda also the item is discussed under Loans and Deposits. In 1928 we find that Rs. 1280457 were received as loans and deposits from non-members, Rs. 228041 as loans and deposits from other societies and Rs. 196941 were received as loan from the Government as Baroda by the central banks. In another statement deposits have been specially treated; but there is no means of knowing whether this included the amount of loans also. It is to be presumed that it does, since there is no separate heading in the statement which treats of the amount of loans.

The Indore co-operative committee was

able to get the amount of deposits of all the central banks in Indore for the year 1927. The Indore Premier co-operative bank had a deposit of Rs. 1040497, The Petlad Co-operative Bank of Rs. 13416, The Sanawad Co-operative Bank of Rs. 52219, The Maheswar Co-operative Bank of Rs. 1685 and the Kannod Co-operative Bank a deposit of Rs. 24193. The next year's administration report does not give these details. It says only that the Indore Premier Co-operative Bank had a deposit of Rs. 14,19,225. The increase in the amount of deposits (if it has continued) is encouraging. There is a vast difference in the amount of deposit in the Premier Co-operative Bank and the other central banks. This is due to the difference in the sphere of work. The Indore Premier Co-operative Bank has the facility of attracting deposits from the Indore city people. The people of out-skirts, where the other banks have to do their work, have not begun to repose the same amount of confidence in the co-operative banks as the city inhabitants. The co-operative banks pay only a lower rate of interest to their deposits while they can get a higher interest from outsiders. The committee has recom-

mended a slight increase in the rate of interest to be paid to members' deposits to attract more members and depositors. This should naturally increase deposits. Except the Indore Premier Co-operative Bank all the other central banks receive the major portion of their deposits from the Government. The Indore Government has further given a large cash credit to these banks.

The Travancore co-operative statements present another sort of difficulty. The deposit amounts of the Taluk banks are not given separately. The Taluk Banks are classed with non-agricultural societies. All the non-agricultural societies of Travancore together received as deposits Rs. 886031 of which Rs. 323447 was from members and Rs. 67,133 from non-members. They received no deposits from the Government. Deposits of non-agricultural societies of Travancore from non members are falling off. The report says that this fall is due to the society attracting the depositing non members to the fold of its membership. If this is so it is encouraging. From the figures, it will be seen that the deposits in Non-agricultural societies other than Taluk banks is almost

nothing. Deposits in the Mysore central banks are steadily increasing. The Mysore Government regards this increment as a token of the realisation of the advantages of co-operative banking by the people. The total amount of deposits received by the central banks in 1932 was Rs. 5107330. The increase in the flow of deposits testified to the increasing confidence which the movement continues to enjoy at the hands of the investing public. None of the fourteen central banks of Mysore (The Mysore Co-operative Land Mortgage Bank is excluded) receives any deposit from the Government while only four of them have loans and deposits from Provincial and central banks to their credit.

All the central banks of Gwalior receive deposits from Government. A table showing the deposits of the Gwalior central bank from societies, individual and Government is given below :-

Deposits from.

District		Societies			Government		
		Rs.	as.	ps.	Rs.	as.	ps.
District Northern	6	32165	14	9	168274	7	5
District Malwa	6	45849	6		70978	15	4
Pargana Northern	6	18365	14	8	7968	7	3

The Deposits of central banks of Hyderabad for the year 1931 stood at Rs. 2129524. 'It is noteworthy that in spite of the fact that a good many Central Banks reduced their borrowing rates, deposits from the public of Hyderabad did not show any fall off'. The deposits of the central banks of Jammu and Kashmir were Rs. 1581355. The Pudukkotta central Bank had a deposit of Rs. 272453 - 0 - 7 at the end of 1931.

The central banks of the states seldom allow their customers to open current accounts. The practice is correct. Doing business by opening current accounts has nothing in common with co-operative banking. Joint stock banks are more suited to deal with such

accounts. It requires a certain amount of legal knowledge as also an experienced staff both of which co-operative concerns lack generally. But generally banking facilities are very poor in the states. "One of the standing difficulties of Indian finance at the moment is not so much the lack of money coined or uncoined, but its very wide dispersal in the hands of those who neither use it themselves nor allow others to use it for them and there are all the possibilities of a great extension of banking"* Though this was said with reference to the necessity of expanding banking business in British India, the fact is true of Indian States too. If therefore there is no joint stock bank or other satisfactory banking operation in the locality of a central bank, there is absolutely no objection in the bank opening current accounts. The Indian co-operative committee has recommended that where current accounts are so allowed it should be on the condition that, at any rate for some years to come, the whole amount held on current account should be covered by fluid resource irrespective of such resource being

* H. E. Sir Malcolm Haily, Governor of the United Provinces, in his speech delivered at Lahore, 9th June 1925.

maintained for ordinary business. There can be no objection in this concession being allowed to non-members also. The rate of interest should be as low as possible never to exceed two percent.

There does not seem to be a policy of encouraging people who are willing to open savings accounts in any of the central banks of the state. One of the objects of co-operative credit institutions is to encourage thrift among its members. Persuading people to open savings accounts will help the members a large way to realise this object. The central banks of the states try their best to attract deposits of this nature. This is a better way of increasing the working capital of the bank than to depend on loans from Apex Banks or deposits from Government. The financial position of a central Bank can be said to be sound only when it does business on local capital. Transactions with outside money must be limited to the minimum. A definite period for which deposits might be received or for which a loan might be taken cannot be laid down as this depends on local necessities. The aim of the central banks

should be to meet the demands of intermediary loans at least. Receipt of deposits should be based on these demands for loans. When a conflict of interest arises between the demand for loan from a primary society and the repayment of deposits, the interest of the depositor should be given importance. Great promptitude should be shown in the repayment of deposits. Any slight delay is likely to endanger the reputation of the bank and a lack of confidence in any co-operative bank is likely to reflect on the whole movement in general.

LOANS.

We have seen that loans and deposits are treated in almost all the state reports under one head. Hence it has been difficult to know the exact amount of loans outstanding from the central banks. The central banks generally receive their loans from (1) Joint stock banks (2) other central banks (3) provincial or Apex Banks and 4) from Government. Most of the central banks of the states do not take any loan from joint stock banks. The loans from other central banks also are few and far between.

Many of the central banks are not in a position to spare loans to other central banks as their capital will not be sufficient to meet the demands of the primary societies affiliated to them. It is seen that the central banks of Indore and Gwalior and Hyderabad give and take loans from other central banks. But it has not been possible to know the details. But those in Baroda, Mysore and the Taluk banks of Travancore do not have any dealing with other central institutions by way of loans. Details are not available regarding the central banks of Jammu and Kashmir.

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CENTRAL BANKS.

III.

As we have noticed the central bank has evolved from Urban credit banks. At the inception of a central bank the individual shareholders take a greater interest in its working than the society members. This makes them think that they have more rights in the bank than society members. But co-operative ideals do not permit this domination of individual members over society members. Some times the individual members influence the central banks even in the grant of loans. This should not be. Certain rules should be followed in the admission of individual members. Individual members should be admitted to central banks only for attracting deposits and for securing help in the management of the bank. There should be a restriction against granting loans to individual members. If not, there would be frequent demands on the capital by individual members. Individuals will be more willing and more competent to pay a higher

rate of interest or accept a shorter term for loans than societies. Once loans are granted to individuals and the two classes of members regarded alike, the chances of the society members getting as much benefits from the central bank as otherwise they could expect, become less. To avert this danger, it is always better to restrict grant of loans to individual members. Where absence of other banks do not permit this total exclusion, loans should be given to individuals only to a minimum. In such cases it is better for the central bank to organise an urban credit society under its auspices to finance its individual members.

Expert opinion is in favour of maintaining proportionate relationship between the number of shares held by a primary society and the credit it enjoys in a central bank. It has been always maintained that a mere increase in the number of shares held by a primary society will not meet this requirement. The credit of the primary society is the aggregate of the value which the society fixes upon the character of its members. This valuation should always be retested and made definite. A primary society

is liable to exaggerate the moral value of its members. The inspector, supervisor or assessor of the Union, or the staff of the central bank itself should be well trained to gauge the true worth of the primary society before its credit is fixed. Those who are engaged in the work of determining the credit should do it very carefully, as any wrong estimate is likely to endanger the stability of the central bank.

Valuations of the holdings of primary societies affiliated to the central bank should be done with utmost care. Valuation is done under different standards in different countries. There are places where the credit of the society is valued at one-tenth of the market value of the properties owned by the members. There are other places where nearly one-third of the market value is granted on loans. There are also places where the maximum amount of loans granted to primary society has been fixed to one-half of the value of the property of the members. It should be conceded that it is difficult to fix a definite standard of valuation in allowing a loan to affiliated societies. It has been found by experience in British

India that the standard that should be fixed should necessarily vary according to the peculiar condition of localities. But in British India the principles of co-operation have been ingrained in the minds of the members of co-operative societies for a longer period than the people of the states. Where the security of character is deemed higher than the security of wealth and where the sense of mutual obligation among members has reached a high level, the assessment is easy. More loans can be granted in this case; but the standard varies considerably when we have to deal with an area where co-operation is only in its infancy. Other factors viz. (1) the value of the movable and immovable property owned by the members of the society and (2) the earning and savings capacity of each member of the society have also to be considered. A valuation statement has to be taken in this case. Such a statement under the circumstances become imperative. A valuation statement showing the estimate value of the property of each member of the primary society should first be taken. Every society should keep its statement, a register, as it is in some

places called, correct and up-to-date. It is primarily the duty of the committee to prepare and revise it once a year. The assistance of an officer of the co-operative department of the state may be advantageously utilized if available. This register is known by the name of '*Haisiyat Register*' in North India. In assessing a member's maximum credit his capacity for payment should also be considered. His capacity for saving and earing should be taken note of. If the individual member keeps any ledger or some sort of account, the book might become useful in this connection, When considering the income and his capacity, due regard should be given to the conditions and the average yield of his plot. Locality and characteristically unfertile soil have great influence on the economic condition of the ryot. These statements need not be minute. The method of getting an approximate value of the property of a member is to obtain insight into his status and finance through indirect sources. A co-member, a fellow farmer or a friend might be useful for this purpose. The information which can be derived from this source can be supplemented by enquiries through reports from the

co-operative unions. Where there is no union, the central bank will have to depend on its own resources. When *Haisiyat Register* of individual members is prepared, the central bank will be in a position to calculate and fix up the amount of credit that can be granted to such affiliated society. The assessment should generally be revised every year.

The standard of fixing the amount of loans that could be granted to a borrower differs very much in joint stock banks and co-operative banks. Joint stock banks give more prominence to the material wealth of the borrower while the co-operative bank emphasises on the security of the borrower's character.

The preparation of the valuation register should as far as possible be done by the Union. But in the states, there are only very few co-operative unions. Those states which do not possess unions should have them at the earliest opportunity.

Co-operation in India has from the very beginning been a spoon fed one. In the words

of the revered co-operator Sir Horace Plunkett of blessed memory "it is only a policy". The organisation of a co-operative union will save the movement from further drifting into this evil by leading to the gradual deofficialisation of the movement. Where union or other similar nonofficial bodies do not exist the movement is out and out an official one. It then is only an apology for the ideal of the real folk movement that is known by the name of co-operation. If the movement should reach the whole population, it is essential that there should be non official organisations. The valuation of affiliated societies can be done properly only by nonofficial bodies as the officials are always tied down to the formalities of routine work. But as the movement has not sufficiently developed in Indian states as to give up complete control of these matters to non-official bodies, it would not be wrong to invest the Registrar or any other officer at the top of the co-operative department with the powers of general supervision even in the matter of the preparation of registers. This supervision would entail the advantages of the Registrar always directing the central bank in

the regulation of its credit to the members. The Registrar's supervision will always be useful in making the society conform to the procedure laid down by law. The advantages of this arrangement were very well recognised when the Imperial Act was framed.

There need not be any prescribed period or time fixed for the grant of loans. Once or twice a year, a general grant of loans can be made. But this general grant of loan need not deter the bank from considering exceptional cases and granting additional loans at intervals.

The question whether the central banks should look to the objects for which the loan is being utilised has lately become one of importance. At some places, it has been held that the central bank need not have any direct responsibility in the matter, as the primary societies are bound to see to the proper utilisation of the loans granted by them to their members. On the other hand, it has been raised that this indirect supervision is not enough and that the central bank should take care that the loans are properly utilised by those

to whom it is granted. There is no harm being done by an additional supervision by the central bank; but to an institution with very high responsibilities teeming with work this will be an additional burden and in some cases the work itself a superfluity. Where there is no necessity, absolute and unavoidable, the central banks can be saved from the trouble.

The period for which a loan should be granted by a central bank has relation with the period for which it receives deposits. Money should not be lent for a longer term than for which money has been received. It is always better to have in stock sufficient surplus fund so that the bank can make up its financial stability and its prestige in the money market. The bank will lose its credit, if it has not money when the depositors claim their respective amounts. Those responsible for the management of the banks should be very careful to keep money always in stock. If at all the money is being invested, it should only be done in readily realisable securities. Lending should always be done with due regard to the probability of withdrawal of deposits by depositors.

Some primary societies keep what deposits and repayments from loans they receive to themselves and do not send the money to the central banks. The central bank should see that this practice is definitely stopped and all care should be taken to issue instruction to the affiliated societies to pass on any money that is received by the primary societies to the central bank without the least delay. This would enable the primary society to minimise their credit and reduce their own account. It would be better if the central banks of the states adopt the policy of accepting repayment of loans by instalments. This arrangement should be made in consultation with the borrowing society so as to suit their convenience. Repayments could be arranged to be made at call and the societies should accept repayments by small amounts almost daily, weekly, fortnightly or other stipulated periods, by common consent. Even in this case it is necessary that the period of the loan should be definitely stated in the application form. The annual repayment from loans and deposits in the central banks of the states has been small. The share of the members of central banks are often accepted as

securities for loan that are granted from the banks. Some other co-operative concerns take an additional bond as an additional security. Joint stock-banks usually take a promissory note as security for the amount lent by them. There is no objection to accept bonds as additional securities for co-operative loans. But the practice is not common and for a uniformity of procedure it is desirable that the central banks adopt the system of accepting pro-notes as additional security than bonds.

The rate of interest in central banks for the loans granted by them should be lower than what Joint Stock Banks charge. It should be sufficiently high as to meet all the unavoidable expenses of establishment. Co-operative principles accept the usual practice of buying a slightly higher rate than the rate of interest that the central bank has to pay on sums deposited in it by individual or concerns. The margin will be enough for meeting the working expenses of the central bank. Due consideration and concession should be given to long term loans and the better class of primary societies. The usual rate of interest of central bank of

states ranges from 6 to 9 %. Always the central banks should keep up a difference of at least 2 % between lending and borrowing. The rate of interest will show the demand for capital and the monetary position of the respective states. In none of these states the central bank is charging a higher rate than the usual Joint Stock Bank rate.

If any member is dissatisfied with the arrangements of lending and borrowing of the central bank, section 36 of the Imperial Co-operative Societies Act provides a remedy. The Registrar shall on the application of a creditor of a registered society inspect or direct some person authorised by him by writing on his behalf to inspect the books of the society and pass suitable orders on it. The section does not require a Registrar to wind up a society which is not able to pay its debts. It leaves the matter entirely to the discretion of the Registrar.

RESERVE FUND.

The central banks of the states are working up the accumulation of its reserve funds.

An increase in the reserve fund indicates an increase in the working capital which means that there has been a steady progress in the movement at large.

The building up of the reserve funds of the central banks of the states is encouraging. The figures of the Travancore Taluq Banks are so undivisibly mixed up with that of non-agricultural societies, that we are unable to give the amount which formed the separate reserve funds and other funds of the Taluq Banks. Travancore has made a general advance in respect of reserve funds of the whole movement and it should be thought that the reserve funds of Taluq Banks also have increased. There is no data available to understand whether the Travancore Taluq Banks keep any contingency or building fund or any amount for fluid resources. The procedure of lending and borrowing money by the Taluq Banks are so closely connected with that of the primary societies in Travancore that even if the Taluq Banks maintained any fluid resource or something of that nature, we cannot take that as procedure characteristic of Central Banks.

The reserve fund of the central banks of Hyderabad, Pudukkotta, Jammu, and Kashmere have increased.

APEX BANK.

The Indian Co-operative credit edifice is built up by interesting connecting links between primary societies, federal unions, central banks, and Apex Banks. Even though the primary societies are not entwined by means of federations the central banks finance them. The central banks finance the primary societies and gets, in their turn, loans from joint stock banks or government. The receipt of loans and deposits from external sources by the central banks is not regulated. If co-operative financing arrangements stop with central banks, the edifice will be incomplete. Some institution is necessary to connect the various central banks by regulating their financial positions and by acting as their balancing medium. Each of these states should have an institution similar to the British Indian Apex Banks. Without a like institution the central bank will have to make their own individual arrangement to lend or borrow money. The source of borrowing itself may, in that case, be uncertain. Many of the central banks will not be able to raise

funds without the help of an external influential agency. In the states, where institutions for this purpose are wanting, the duty of finding out a financial agency or finance itself is often shoved on the shoulders of the administrative officer of the co-operative department. The Registrar has such a lot of routine work that it is highly doubtful whether he will be able to discharge the additional obligations of this further responsibility. This system of allowing Central Banks to make their own arrangements for money and thus to remain forever unconnected and stray has been found to be thoroughly inefficient and uneconomical. An uncontrolled inter-lending among Central Banks involves an inter-locking of liabilities. The Central Banks in some cases are not able to secure sufficient local funds to meet them unaided. This drawback can be made good only by a bank which is capable of attracting deposits by the sheer merit of its constitution and the efficiency of its management from rich urban classes. This institution should serve as a channel between the co-operative movement and the various joint stock banks of the country.

An Apex Bank of this nature should direct statal and interstatal finance by controlling and supporting Central Banks. When once an Apex Bank is organised in a state, there should be no more of individual dealings between the various Central Banks. The Central Banks should not be permitted to deal with each other except through the medium of the Apex Bank. When such a reduction is placed on the individual dealings of Central Banks, they should also be given the same privilege. All primary societies affiliated to them should be prohibited from entering into any direct relationship between themselves. They, too, should have their dealings only through the Central Bank. This will make the connecting links between the various co-operative institutions work properly. The primary societies should not be allowed to have any direct dealing with the Apex Bank. But when there is no Central Bank in the neighbourhood the primary societies will be justified to have direct dealings with Apex Banks. The main objects of an Apex Bank are to carry on banking and credit business, to issue debentures in order to afford financial assistance to such societies and to

supervise interlending between societies. The funds of the Apex Bank are to be used for the above purposes. The Apex Bank is authorised to maintain a staff for the supervision of the societies within its area. The Trivandrum Central Co-operative Bank was the first co-operative society registered in Travancore under the Co-operative Societies Regulation. This fact is very much significant in the history of co-operation in Indian States in many respects. The conception of organising an institution of the top ladder and thus to foster societies of minor dimensions and financing them later was unique. In spreading the co-operative movement, the authorities seem to have thought that a central institution will be more useful than organising primary societies. Secondly, Travancore stands alone in the history of the co-operative movement of a state in that the movement of Travancore spread from the masses than from the Government. It is remarkably noteworthy that on the same date of 17th Nov. 1915, when the rules under section 42 of the Travancore Co-operative Regulation were published, a central co-operative bank was also registered. The movement was inaugurated

without direct government assistance. An article, which has been published in the International Review of Agricultural Economics* on "Co-operation in Travancore," states that the bank included in its first inception among its members not only individuals but also societies and had for its object the financing of the latter.

As has been said above the organisation of the co-operative movement will be complete only with the establishment of an Apex Bank. Only three states Travancore, Mysore and Hyderabad have Apex Banks as such. In Indore, Baroda, Gwalior and Kashmir there is one premier co-operative central bank which is regarded as the premier co-operative bank of the state. Their responsibilities and obligations equal to that of an Apex Bank. They even finance other central societies. The Government of the states reposes more confidence in them and renders them more facilities and concessions. Most of these are virtually rendering the services of an Apex Bank without being honoured by that name. If these institutions are improved, they could be

* No 27. 1927 volume.

developed into Apex Banks. Pudukkotta and Cochin are small states and possess only a few societies. A central bank therefore is quite enough to feed the number of societies in the limited area of those states. Neither the conditions of Cochin nor those of Pudukkotta warrant the establishment of an Apex Bank in those small states.

In the statements of Cochin Central Bank, we have been able to see details about amounts received and disbursed as loans and deposits from joint stock and provincial banks. The report lacks in details.

The Mysore Provincial Co-operative Apex Bank.

The Mysore Provincial Co-operative Apex Bank continues to maintain generally a satisfactory rate of progress, as will be seen from the following comparative statement indicating the progress achieved by the Bank during the last three years:-

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	On 30th June 1930.	On 30th June 1931.	On 30th June 1932.
Members	Individuals. 310	295	280
	Societies. 863	922	954
	Rs.	Rs.	Rs.
Subscribed share capital.	3,88,700	3,93,900	3,95,700
Paid up share capital.	2,02,974	2,09,558	2,16,381
Deposits received during the year.	21,77,780	24,04,901	26,03,747
Deposits held.	24,97,103	29,13,695	35,12,697
Working Capital.	27,86,825	33,53,932	39,84,819
Loans and cash credits issued	8,61,670	7,71,091	1,75,371
Loans recovered from societies	2,39,099	4,46,011	1,90,615
Loans outstanding against societies	23,11,559	26,36,640	26,21,395
Total turnover.	97,68,861	96,54,907.1	1,12,54,207
Net profits.	48,405	41,526	20,843
Reserve Fund	82,012	1,03,029	1,18,765

The reduction in the number of individual members of the Bank is in accordance with the approved policy of the Bank of gradually eli-

minating this class of share holders and making the Bank a real Apex Bank, viz., a Bank comprised of societies and managed by them.

From the above progress statement, it will be seen that the Bank has been making progress in most directions. During the last two years, its society membership has increased from 863 on 30th June 1930 to 954 on 30th June 1932. The deposits held have increased from Rs. 24.97 lakhs to Rs. 35.13 lakhs, and the working capital from Rs. 27.87 lakhs to Rs. 29.85 lakhs. The decrease in the profits is due to the fact that interest realisations from the member societies were poorer during the year.

Owing to the exceedingly cautious policy by the bank during the year, the amount of loans and cash credits issued by the bank was Rs. 1,75,371 as against Rs. 7,71,091 during the previous year. The bank actually sanctioned loans to the extent of Rs. 3,24,553 in 42 cases but the entire amount was not drawn by the societies before the close of the year. It will be seen from the statement that while the loans outstanding due to the bank have remained

nearly the same as at the close of the last year, the deposits held have largely increased during the year. As a result of the cautious policy in the granting of fresh loans, the bank experienced a surplusage of funds, which were invested for temporary periods in Government securities.

Fluid resources:— The bank had on 30th June 1932 fluid resources to the extent of Rs. 9,35,753 including the investments made by it in other banks. This is very satisfactory.

Recoveries and Overdues:— As already explained, the condition of the agriculturists during the year continued to be very unsatisfactory owing to the effects of the world wide economic depression and low prices, particularly of agricultural produce. The bank which deals mainly with the agricultural classes was also hard hit by the economic conditions, as their repaying capacity was adversely affected. The total demand for the year under principal including the arrears of the previous year amounted to Rs. 7,46,417 of which a sum of Rs. 98,622 only was recovered during the year,

leaving a balance of Rs. 6,47,795 overdue on 30th June 1932. The percentage of overdues to the total loans outstanding is 22.5 as against 15.3 on 30th June 1931, while that to the demand comes to 86.8 as against 60.4 on 30th June 1931. This is no doubt an unsatisfactory feature in the working of the bank. But if we take into consideration the fact that the societies have paid nearly $1\frac{1}{2}$ lakhs of rupees towards interest, it will be seen that in spite of the exceedingly unfavourable economic conditions, the repayments have been fairly good except in a few bad cases. The Board of Directors of the bank are alive to the importance of effecting recoveries and have observed as follows in the Annual Report for the year 1931 — 32:—

“The large accumulation of overdues in the year under report, is due to the fact that most of the borrowing societies being agricultural societies have been hit most severely by the economic depression continuing for the past two years and their members have become incapacitated to meet their land revenue and other obligations. Till there is economic re-

covery in the country, the realisation of overdues is bound to be slow. The Board of Directors have taken coercive action in cases of wilful default or default due to avoidable causes. If the overdue debts against which decrees have been obtained and execution is proceeding are excluded from the Demand, Collection and Balance Statement, the proportion of overdues to demand will not be as large as it now appears. With a view to check the growth of overdues and to ensure proper supervision and control of the affiliated societies, the Board of Directors have chalked out a scheme of Consolidation and Rectification which will be brought into full operation in the current year. The Board of Directors have reviewed the accounts of the debtor societies and are satisfied that the securities for the loans are generally good."

Inspection of affiliated societies:— The bank maintained a Staff of three Inspectors for the inspection and supervision of its indebted societies. It is reported that 191 societies were inspected by the staff during the year. One of the Inspectors had to remain for a long time

at Saklespur for recovery of the heavy loans due to it by the Saklespur Cardamom Co-operative Society by exercising close supervision over the collection of the produce and its sale.

The Board of Directors have thought it necessary to take up consolidation and rectification work in the case of a few of their bad defaulting societies with a view to speed up recoveries and mend or end them.

The bank continues to be ably managed by an elected Board of Directors representative of Districts, with Mr. S. Venkatakrishnayya, B. A., B. L., as its energetic and enthusiastic President. Under his guidance, the bank is, year by year, progressing all round in spite of the abnormal conditions that have been prevailing for the last two years, and the year under report closed with an appreciable increase in the working capital. The relations of the bank with the Department have been very cordial. The management of the bank has been ably conducted and efficient through out the year and the President and the Directors have to be heartily congratulated upon this excellent result.*

* Administration report pages 10 - 11.

Dominion Bank of Hyderabad

Like every society in the State, the Dominion Bank also was adversely affected by the general trade depression. This was noticeable in the fall in its turnover from Rs. 48,48,661 of last year to Rs. 39,88,816. As was to be expected, the drop was chiefly due to the poor repayments of Central Banks and societies which in principal amounted to Rs. 2,77,364 as against Rs. 7,23,799 of last year, and in interest to Rs. 1,89,966 as against Rs. 2,26,440. In spite of the low rates of interest on borrowings which continued to be the same as in last year, viz. $4\frac{1}{2}$ per cent on deposits for one year and 5 per cent for two years and more, the bank attracted amounts which in the aggregate were as large as in the previous year, viz. Rs. 24,62,166 against Rs. 24,67,546. Advances to societies and central banks were fewer and amounted to Rs. 6,96,924 as compared with Rs. 8,64,198 of the previous year. Deposits which were repaid on maturity amounted to Rs. 22,75,750. Loan transactions with the Imperial bank were very limited and amounted to only Rs. 180420. This amount was taken as demand loan and repaid in the course of the year.

The gross earnings of the bank amounted to Rs. 2,72,552 which after meeting all payments left a net profit of Rs. 1,08,385. The assets of the bank in the form of loans outstanding with central banks and societies totalled Rs. 25,95,616 out of which Rs. 20,79,672 was owed by Central banks, and Rs. 5,15,944 by societies. The latter amount contained Rs. 56,527 which was owed by liquidated societies. Outstanding of interest totalled Rs. 4,14,969 and of this Rs. 2,39,910 was overdue for more than a year. There was thus an increase in the outstandings of principal and interest which last year had amounted to Rs. 21,76,956 and Rs. 3,11,292 respectively. The increase in arrears of interest is without doubt a disturbing factor. The Department has been advising the bank to build up contingent reserves strong enough to cover possible losses of principal and interest. During the year under report Government was pleased to strengthen the hands of the department by framing a rule under the Act which authorises the Registrar to allocate sums out of profits for the building of such reserves in a society with limited liability. The Directors of the Dominion Bank are alive to

the present situation and have been allotting fairly large sums to reserves other than the usual statutory reserve. It is hoped that after the appropriation of the year's profits, the various reserves will amount to nearly $4\frac{1}{2}$ lakhs, a sum almost as big as the paid-up share capital of the bank. The two together will bring the owned capital to about 22 per cent of the total working capital.

The following statement compares the working capital of the bank for the two years:-

Items.	Amount.		Difference.	
	1939F.	1940F.	Increase	Decrease
Reserve & other funds.	2,27,728	3,94,064	1,66,336	...
Shares.	4,96,610	4,96,650	40	...
Deposits.	30,38,098	32,41,932	2,03,834	...
Loans.	...	...	...	...
Government loans.	...	...	...	...
Total.	37,62,436	41,32,646	3,70,210	...

Dewan Bahadur Arvamudu Iyengar continued as usual to be a pillar of strength to the bank. Messrs. S. M. Azam and K. M. Ansari among directors were of great help in giving it a correct lead. The Department is indebted to these gentlemen and their colleagues on the board for their continued interest in the bank and the movement.*

The Central Co operative Bank Ltd., No. 1
of Travancore

Despite the general economic depression there was substantial increase in deposits. This is significant as indicating the confidence in the Bank of the depositing public. The membership rose from 2517 to 2874 and the paid up share capital from Rs. 1,05,720 to Rs. 1,29,210. The working capital in the year under report was Rs. 1,701,666 as against Rs. 1,341,685 in 1106. The working capital was made up of:-

	Br: Rs.
Share capital	1,29,210
Reserve Fund	54,379

* Administration Report Hyderabad 1931 Page 3.

	Br: Rs.
Investment by members.	8,72,118
Do. by non-members.	6,12,445
Funds of the Bank.	33,514
Total.	<u>17,01,666</u>

The bank advanced 463 loans during the year aggregating to Rs. 3,45,531. Compared to last years transactions there was a fall of 30 in the number of loans and of Rs. 69,248 in the amount. The amount issued to Taluk Banks and Banking Unions was Rs 86,325 against Rs. 1,02,600 in 1106. The overdues have increased from Rs. 1,44,087 to Rs. 2,08,753. The percentage is 39.1 as against 29.8 in the previous year. Of the sum advanced by Government for flood relief loans, a sum of Rs. 40,501 was paid off during the year leaving a balance of Rs. 45,532 only. The net profit of the Bank was Rs. 22,166 as against Rs. 25,879, The Reserve Fund of the Bank amount to Rs. 54,379.

The following statements show fully the position of the Bank.

Membership and shares

	Members.			Shares.		
	Indivi- duals.	Societies.	Total.	Indivi- duals	Societies.	Total
1106.	1,830	687	2,517	3,537	1,877	5,414
1107.	2,186	688	2,874	4,292	1,939	6,231
Increase.	356	1	357	755	62	817

Share Capital:— The following figures show the position of share capital.

	Subscribed.			Paid up.		
	Indivi- duals.	Societies.	Total.	Indivi- duals.	Societies.	Total.
1106.	3,53,700	1,87,700	5,41,400	70,610	35,110	1,05,720
1107.	4,29,200	1,93,900	6,23,100	88,420	40,790	1,29,210
Increase.	75,500	6,200	81,700	17,810	5,680	23,490

The arrears under calls have gone up to Rs. 15,600 as against Rs. 4190 in 1106.

The above figures show that the increase in individual membership and shares is proportionately much higher than that in the membership of societies.

Deposits:— The receipts under this head for the last three years are shown below:—

(a) Members' Deposits.

	1105.	1106.	1107.
Fixed.	2,39,698	3,44,323	5,46,691
Current.	2,14,331	2,36,628	2,15,258
Provident.	4,445	4,404	5,062
Savings.	...	...	4,648
Total.	4,58,474	5,85,355	7,71,659

(b) Non-Members' Deposits.

	1105.	1106.	1107.
Fixed.	2,73,063	1,44,710	2,24,126
Current.	1,52,455	2,23,201	2,88,572
Provident.	7,636	8,764	10,436
Savings.	...	...	9,217
Total.	4,33,154	3,76,675	5,32,351
Total of both.	8,91,628	9,62,030	13,04,010

In the year under report (1932) there is substantial increase except in the case of current deposits of members.

Funds of other societies:— The main item under this head is the Reserve Fund of societies.

The total investment under this head rose from Rs. 1,31,028 to Rs. 1,61,321. The other funds of societies invested in the bank amounted to Rs. 2,464.

Thrift Certificate:— In the year under report (1932) the bank introduced the system of issuing thrift certificates and the collections there-under amounted to Rs. 17,191.

Advance from Government:— A sum of Rs. 86,034 was outstanding under this item received as advance from Government to be issued as Flood Relief Loans to societies. In 1932 a sum of Rs. 40,502 was refunded. The balance pending payment at the end of the year was Rs. 45,532.

In the overdraft account with the Government the bank drew Rs. 52,175 and repaid Rs. 1,07,856. The balance or the net withdrawal this year was Rs. 54 as against Rs. 55,735 in 1106.

Interest due by the bank:— The interest accrued during the year was Rs. 77,569 which

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together with Rs. 36,372 pending at the end of 1106 makes a total of Rs. 1,13,941. Out of this a sum of Rs. 71,155 was paid off leaving a balance of Rs. 42,786. There was no overdues under this head.

Miscellaneous Collections:— The collections under this head amounted to Rs. 13,219 as against Rs. 16299 in 1106.

Loans Issued.

Ordinary loans issued by the Bank are shown below:—

	Individuals.		Societies.		Total.	
	No.	Amount.	No.	Amount.	No.	Amount.
1106.	388	2,06,329	105	2,08,450	493	4,14,779
1107.	378	1,81,606	85	1,63,925	463	3,45,531

Loans to Taluk Bank and Banking Unions.

	No.	Amount.
1106.	37	1,02,600
1107.	38	86,325

There is reduction in the loans to societies and to individuals. Defaults in societies might account for the same. But this has resulted in the accumulation of unusual surplus in the bank. It is necessary that the bank should explore the means by which its funds can be released.

Overdrafts:— There was an outstanding of Rs. 136 at the end of 1106, in respect of an overdraft granted to an individual member. In the year under report two overdraft accounts were granted, one to an individual member and another to a society member. The total amount issued in the year amounted to Rs. 4,999 and that recovered to Rs. 4,350. The outstanding at the end of the year was Rs. 785.

Special Loans:— The outstanding at the beginning of the year were Rs. 55,792 in 145 loans. The recoveries in the year amounts to Rs. 10,810. The balance at the end of the year was Rs. 44,982 in 122 loans. The arrears come to Rs. 24,142 or 69·07 per cent of the demand.

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The total outstandings of the bank loans issued (including overdraft) were Rs. 11,06,278 at the end of the year. The sum with primary societies, Taluk Banks and Banking Unions amounted to Rs. 7,44,065 and with individual members to Rs. 3,62,213.

Demand, Collection & Balance. Percentage.

	Demand.	Collection.	Balance.	1106.	1107.
Principal	5,33,641	3,24,888	2,08,753	29·8	39·1
Interest	1,18,465	86,751	31,714	29·3	26·7

There was an increase in the arrears under principal but there is a fall, however, in those under interest. The former can be ascribed to the prevailing economic depression and the latter to the collections made of long overdue from some defaulting society members.

Establishment and Contingencies:— The expenditure has increased from Rs. 7,705 in 1106 to Rs. 8,154 in 1107. The introduction of new forms and registers and other incidental expenses account for the same.

Net Profit:— The Reserve Fund of the bank as per last audit orcer was Rs. 40,000. A sum of Rs. 14,379-11-1 was added from the profits of 1106 to make up a total of Rs. 54,379 - 11 - 1. Of this a sum of Rs. 52,599 has been invested in the Government of India Bonds and the Government of Travancore Pro-notes

Other Funds.

Supervision Fund:- There was a balance of Rs. 13,345 - 7 - 6 at the end of 1106. A sum of Rs. 55 - 10 - 15 was received from societies. Rs. 2,610 - 4 - 5 was adjusted from interest realised by the bank and Rs. 682-27-15 was credited from the interest of Reserve Fund of societies. The sum spent in the year was Rs. 1,498 - 13 - 12 being the pay of the two Bank Inspectors. The balance with the bank at the end of the year stood at Rs. 15,195-8-5. The bank should, as observed in previous years, formulate a scheme without delay for the utilisation of this fund to the benefit of the bank and of the movement.

Dividend Equalisation Fund:- This Fund remained the same as that in the previous year.

Bad Debt Fund:- This also remained the same as in thh previous year.

The Rao Sahib T. Padmanabha Rao Library Fund:- There was a balance of Rs. 799 - 19 - 13 at the beginning of the year. In the year under report there was a collection of Rs. 31 - 10 - 11. A sum of Rs. 366 - 27 - 7, the investment on books debited to the Fund in previous years, was reccredited to it and this together with the further investments in the year is brought on to the assets side of the balance sheet as otherwise there would be nothing in the balance sheet to indicate that the bank owns a Library. The balance at the end of the year was Rs. 1,198 - 0 - 15.

At the beginning of the year the Library had books worth Rs. 366-27-7. The cost of purchases made in the year amounted to Rs. 296-3-13. Thus there were books worth Rs. 663-2-12 in the Library at the end of the year.

The Building Fund:- This was Rs. 5000/- at the beginning of the year. A sum of Rs 1000 was added in the year from the profits of 1106. The balance at the end of the year was Rs. 6000/.

Reserve for the fluctuation of market value of Investments:- This was started only in the year under report. The amount provided for the purpose is Rs. 400 the difference between the market value and the cost price of the Government of India Bonds.

Reserve for the depreciation of Bank Buildings:- This also was started only in the year under report. The amount provided was Rs. 100-25-8. *

It will be seen from the above that the Apex Bank is modelled more or less on a joint stock bank and but for its express co-operative objects has very little difference from any other ordinary capitalistic concern. Situated at a locality rife with competition, with banks of

* Administration Report, Travancore 1932 Pages 26 & 39-48

multifarious character and doing business just like any other capitalistic bank, it is essential that it would have a staff, which is not in any way inferior to those maintained by a joint stock bank. Representative of co-operative banks or primary co-operative societies on the roll of the membership of the Apex Bank, might not have as much banking principles as much as individual share holders of the bank of a metropolis is expected to have. Efficient management being very necessary for prosperity and growth of any banking concern, the apex bank, which is responsible for the good finance of the whole movement of the state, cannot afford to have a second rate or an indifferent staff. These considerations must certainly weigh with the members when they elect the board of management of the apex bank. Great care should be taken that the management is in the hands of efficient business men. In the choice of the members of the directorate, business-talent should be preferred always. The representatives of the society members could be given such training that in course of time they might become as efficient as individual members. How-

ever much this kind of training is given it is certain that this cannot bring the personal touch and the individual interest the ordinary members bring with them to the directorate.



NON CREDIT CO-OPERATION.

I

The organisation of co-operative credit has been discussed at some length in the previous chapters mainly because of two reasons. Firstly, credit co-operation have developed to an appreciable extent throughout India. In many Indian states, non credit co-operation has, as yet, not been introduced. Even in those few states, where consumers or producer's co-operative societies are seen, they are in a most elementary stage of development. Secondly, in the stages of economic evolution, credit marks the first step in any productive effort.

Co-operative development in the states has not stopped with credit. The education and training, which the members of a credit society derived, made them alive to their innate powers of self reliance and the possibilities of mutual help. They became aware of the development of co-operative activity in other countries and began to consider the possibilities of experimenting on those lines. As a result, we find

them applying the principles of co-operation to different stages of their economic activities between production and consumption. Non credit co-operation has not gone a long way. But the lines on which it has developed have been so varied that we find in all places numerous variety of types. Credit has only one or two definite structures. But non credit framework shows varied types. The co-operative experiments at the different stages of production, distribution and consumption always depend on the nature of the subject. There we find a predominance of the type over the individual.

We will examine the non credit co-operative activity of the states by classifying them into the two big divisions of co-operative consumption and co-operative production.

Almost all the co-operative organisations in India have been organised from the standpoint of the producer. The only successful attempt that has been made to organise a co-operative society for the benefit of the consumer is the formation of the co-operative store.

Though in almost all the countries of the world, where co-operation has been introduced, the store also has begun to work, only in England, the store has achieved unparalleled success. The English co-operative store has become the byword for the success of consumer's co-operation and it has generally become the practice to measure the success of consumer's co-operation in other countries by the standard of the growth of the store in England. The co-operative consumer owes a great deal to that small body called the 'Rochdale Pioneers' from whom the English store got its inspiration and genesis. The English co-operative store was the result of a great economic struggle between the forces of retail competition. The society of the Rochdale pioneers was not the first store in England. As far back as 1816, the principles of the Rochdale society were familiar to the members of the Sheerness Economic Co-operative Society. The stores of Lockhurst Lane, Coventry, Ripponden, Stockport, Great Moor, Kirkheaton, Honley, South Crosland and Netherton and Middleston in Tweesdale were opened and being worked, when, in 1844, the Rochdale pioneers "took down their world

renowned shutters in Toad Lane'. Though these societies were doing business, they had not attracted public notice nor were they working on sound lines. It was left for the Rochdale pioneers to establish the 'store' on a firm successful basis.

"The Objects of the pioneers were thus defined in the original rules*

"To form arrangements for the pecuniary benefit and improvement of the social and domestic condition of its members by raising a sufficient amount of capital in shares of one pound each to bring into operation the following plans and arrangements:—

1. "The establishment of a store for the sale of provisions, clothing etc.

2. "The building, purchasing and erecting of a number of houses, in which those members desiring to assist each other in improving their domestic and social condition may reside.

"To commence the manufacture of such articles as the society may determine upon for the employ-

* Industrial co-operation by Catherine Webb.

ment of such members as may be without employment or who may be suffering in consequence of repeated reduction in their wages.

“As a further benefit and security to the members of this society, the society shall purchase or rent an estate or estates of land, which shall be cultivated by members who may be out of employment or whose labour may be badly remunerated.

“That, as soon as practicable, this society shall proceed to arrange the powers of production, distribution, education and government; or in other words, to establish a self supporting colony of united interests or assist other societies in establishing such colonies.

“That for the promotion of sobriety a temperance hotel be opened in one of the societies' houses as soon as convenient.”

The above extract should be interesting both from the viewpoint of affording an ideal for a society, which manipulates every co-operative activity of an individual for the ultimate benefit of the consumer and also as the ideal of an institution which formed the nucleus of the world wide co-operative store of today. The most important factor which was responsible

for the success of the Rochdale pioneers has been described by their historian in these words *

"It was that the profits made by sales should be divided among all members and purchases made in proportion to the amount they spent, and that the shares of profits coming due to them should remain in the hands of the directors until it amounted to five pounds, they being registered as shareholders of that amount. The stores would thus save their shares for them and they would thus become share-holders without it costing them anything, so that, if all went wrong, they lost nothing; and if they stuck like sensible men to the store, they might save in the same way another five pounds which they could draw out as they pleased..... The merit of this scheme was that it created capital among men who had none, and allured purchasers to the store by the prospect of a quarterly dividend of profits upon their outlay. Those who had the largest families had the largest dealing, and it appeared as though the more they ate the more they saved."

There was no wonder, therefore, that the Rochdale plans appealed perfectly to the minds

* G. J. Holyoakle's History of the Rochdale Pioneers.

of those, who acutely felt the necessity of eradicating the evils of competition — those, who themselves had been the unfortunate victims of the system. They did not rest contented with the construction of a scheme. They had realised the futility of theories if they were not practical and they knew what would appeal to the minds of those whom they intended to serve. They formulated therefore twelve rules which can verily be called the twelve commandments of non-credit co-operation. The principles of these rules will very successfully hold good even to credit societies.

The twelve rules are:—

First — Procure the authority and protection of the law by enrolment.

Second — Let integrity, intelligence and ability be indispensable qualifications in the choice of officers and managers, and not wealth or distinction.

Third — Let each member have only one vote and make no distinction as regards the amount of wealth any member may contribute.

Fourth — Let majorities rule in all matters of Government.

Fifth — Look well after the money matters. Punish fraud when duly established by the immediate expulsion of the defrauder.

Sixth — Buy your goods as much as possible in the first markets; or, if you have the produce of your industry to sell, contrive, if possible, to sell it in the last.

Seventh — Never depart from the principle of buying and selling for ready money.

Eighth — For the sake of security always have the accounted value of the 'fixed stock' at least one fourth less than its marketable value.

Ninth — Let members take care that the accounts are properly audited by men of their own choosing.

Tenth — Let committees of management always have the authority of the members before taking any important or expensive step.

Eleventh — Do not court opposition or publicity, nor fear it when it comes.

Twelfth — Choose those only for your leaders whom you can trust, and then give them your confidence*."

* Industrial Co-operation by Catherine Webb.

No one will fail to notice the remarkable common sense that is found in every one of these rules. Truly has Mr. Calvert pointed out that the reason for the failure of non credit co-operative activity in India can most certainly be traced to failure of observing one of these rules.

Observance of the seventh rule has been found to be most impractical everywhere in India. Consumer's co-operation itself has not found it possible to keep aloof from credit. As a matter of fact, the following subdivisions among Associations of Consumers will show that, even here, the evolution was from credit. The societies in this subdivision have been classified as under:—

- 1) Co-operative purchase.
- 2) Co-operative credit and purchase.
- 3) Co-operative credit and sale.
- 4) Co-operative sale.
- 5) Co-operative purchase and sale.
- 6) Co-operative credit, purchase and sale.

Thus consumer's co-operation in India is not represented solely by the co-operative store.

Somewhere, it has fallen short of the store ideal and the society represents a stage in the attempt to reach the ideal. In other places, it is a development on the store model, and, in some others, it is a mixture of ideals fighting hard to get rid of the clutches of co-operative credit but succeeding only very faintly. The Indian states have faithfully followed the steps of British India in the growth of non credit co-operation. Though advancement has been rather on tardy lines, one has every reason to feel that co-operative attempts have not stopped with credit in the major states. Moreover the growth of credit co-operation in those states where non credit co-operation has not been introduced is sufficiently encouraging as to hope that non credit would soon follow suit.

None of the reports of the Indian states give detailed information regarding the various kinds of associations of consumers they have. This absence of information item by item is not because the societies are too numerous. Rather the fact is just the other way. Even among those states, where non credit co-operation is found in some variety or other, Kashmir, Indore

and Gwalior do not possess a single society of consumers. The other states have classified these societies in one undefined group called purchase and sale in which all kinds of consumer's societies are shoved. An apology is perhaps due to those orthodox co-operators, who have identified consumer's societies with co-operative store, for grouping all the purchase and sale societies-sometimes with provisions for supplying credit also — under this category. The word consumer is here used in its broadest sense and a consumer's society is intended to connote any association, the ultimate aim of which is to cater to the benefit of the consumer.

A co-operative credit and purchase society marks the first step in the evolution of co-operation from the lines of credit to those of consumption. It has more affinity to the credit than to the purchase society. Though the credit and purchase society might take many forms, the common one secures indents from its members for the amount of seed, manure or yarn or any other object of common requirement and then makes a joint purchase to the best of its ability. This form

of society is ordinarily found among factory workers, low paid Government servants, weavers etc. The liability is usually unlimited; sometimes, it is limited to a fixed proportionate amount to the extent of member's share. Capital is primarily made up of shares. But there are some societies where shares are not issued and a Savings Bond system has been introduced instead. Every member is bound to subscribe for one Savings Bond. Normally the price of one Savings Bond is Rs. ten. The price is to be paid, as company shares, in allotment time and at subsequent calls. A fair percentage of interest on the amount of the bond is allowed. Provision for the repayment of the amount is subject to the ordinary rules of co-operative societies. No specific instance of this type is available in any of the state reports.

A purchase society is virtually a co-operative store. In India, the co-operative store has taken many distorted shapes. The most common form is the pure co-operative store variety. The others are application of the store principle to the local requirements of the place. Though evidence is lacking to classify the con-

sumer's societies of the states under different denominations, it can be seen from the reports that among the many types of consumer's societies the store has been comparatively successful. The store arranges for the purchase of the necessities of the members. It manages to get the best quality available at the lowest price possible. Then, it retails those things to the members. The store prevents adulteration and fraud and ensures correct measure, weight and best material. It lowers prices all round since in the face of an ably managed store selling things at minimum price, no outside retailer will be able to demand higher prices for his things. It thereby increases the business morality. The store tends to encourage thrift among its members by means of a peculiarly devised bonus system. The constitution of a co-operative store is very much like that of a limited liability primary co-operative credit society. They vary only in the nature of their business and in the distribution of their profits. The store distributes its profits only after making some deductions from the purchasers in proportion to the money value of the purchases made by each one of them. The managing

committee and the general body of the members look to the details of the business. A shop is generally acquired by the managing committee where the sale is conducted. A salesman will be in charge of the articles to be sold and the proceeds thereof. He is expected to keep a stock register, a sale register, a cash book, and ledger. Ordinarily, the rule regarding cash sale is not rigorously enforced. Credit is granted on previous requisition to the managing committee. The store and its benefits are intended for members only. But the hope of attracting outsiders tempts the authorities to relax this rule and allow sales to non-members. The division of profits is determined by the general meeting. In some stores, a qualified bonus is granted to non-member purchasers also.

Purchase societies of this type are found in Baroda, Hyderabad, Mysore, Travancore, Pudukkottah and Cochin. The number of these type of societies in these states is very small. They do not touch any appreciable amount of the population. Many of the societies suffer from a deplorable want of steadfastness from

their members. These societies are usually found only in capitals or other important towns of the states. This tendency of gravitating in urban centres indicates that the system is felt as comparatively more difficult for the ordinary villager to grasp. This notion is far from being correct. There is nothing more difficult about the technique of the store than that of the credit society. If only sufficient propaganda is done, the stores will become more popular. In Baroda, there are only three stores and all these three are in the city of Baroda. The existence of retail dealers is as dangerous to individual economic independence as the pampered existence of the sowcar. The concentration of stores in Urban Centres is noticeable in Hyderabad also. Of the 15 societies in Hyderabad, 11 are in the city.

Mysore stands first among Indian states in the progress of non-credit co-operation. It has eightyone purely store societies. A few of these societies are primarily Stores Societies but have also banking sections attached to them. Travancore is deplorably backward in distributive co operation. Distributive societies in Indian

states are generally organised only after credit co-operation has begun to work on sound and satisfactory lines. Naturally, therefore, it will not be proper to expect the same amount of zeal and success in distributive societies as in credit societies. But this argument holds no good so far as distributive co-operation in Travancore is concerned. As early as 1915, the first year in which co-operation was introduced in the state, a distributive co-operative society also was registered. The Trivandrum distributive co-operative society was registered as the 4th society in the state. But this type of societies did not thrive well in the state. Only nineteen more societies of the store type was registered in the course of seventeen long years. Year after year, people met in conferences, passed resolutions regarding the urgency of extending the co-operative society distributive side and the Registrar bemoaned the lack of enthusiasm of the people in the line. But no good came out of it. In 1932, Trivandrum Co-operative Distributive Society was the only institution that was doing some substantial work. Among rural credit societies twelve did distributive business also. A

store society has begun to work successfully among the students of the Trivandrum Science College. This has far reaching effects in that it educates the young minds in the practical working and utility of the movement. The above twelve rural credit societies made an aggregate purchase to the value of Rs. 53,919. The Trivandrum co-operative distributive society No. 4 while maintaining its position of the premier distributive society in the state purchased articles worth Rs. 88151. It made a profit of Rs. 7223. Efficient administration and zeal and adequate propaganda to open new stores are required to make this idea of co-operation a success in Travancore. Three causes are generally seen in the store movement leading to retrogression. They are (1) absence of competent management (2) a lack of loyalty to the stores on the part of members and (3) unsuitable locality. No store can thrive well and it will not be astonishing if it positively breaks down in many villages of Travancore. With proper beginnings and good administration, there is no doubt it will be a success in towns. To meet the needs of the villagers, a joint system of purchase on indent

as recommended in Madras recently, if instituted, will be a great success. That will save the poor villagers from the exacting prices of the little shops around him and educate him to realise his place in the mighty economic organism in which he lives.

There were six stores societies and two school and college stationery societies in Pudukkottah in 1931. This represents a better percentage than many other states. The societies did not make any progress during the year. The membership of these societies rose from 417 to 490 and the working capital from Rs. 14349 - 10 - 7 to Rs. 15806 - 4 - 5. The societies sold goods to the value of Rs. 26679 - 8 - 9. This figure and the amount of the value of the stock (Rs. 24615 - 11 - 2) have gone down considerably. The stores made a total profit of Rs. 1525 - 14 - 11.

In Cochin, the number of stores societies in 1932 was nine. They had a membership of 879 and a working capital of Rs. 17901. Their total transactions amounted to Rs. 462653. A society for the benefit of the Tripponithura

Sanskrit College students has been registered and it runs a small store for supplying provisions to the staff of the college who are also its members. Four student's stationary societies were organised by four High Schools. One such society was organised by a Lower Secondary Girl's School. Excluding this small store, the Registrar remarks that during 1932 about two dozen unregistered Stationery Societies were working in some of the educational institutions of the state for the purpose of supplying school requisites to the students. In one of the High schools, all the library books and sports materials were got down through the agencies of its stationary society. This certainly is a very healthy sign and should serve as an ideal for all the other schools to have their own stationary stores in which the teacher and the taught will have opportunities of practising co-operation. In 1928 the Registrar framed a set of model byelaws for these societies and submitted them to the Government of Cochin for approval. These recommendations, if accepted would have brought these stationery societies under the control of the co-operative department and would have

helped an efficient working. But the Cochin government rejected the proposal on the ground that they would not allow the word 'co-operative' to be used to societies, which are not registered under the Co-operative Act. These unregistered stores are at present being managed by the educational authorities. Teachers cannot be expected to exercise the same efficient supervision and give zealous directions for management as the Co-operative Department, which is always engaged in this particular kind of work

Quite distinct from this type of purchase society, two other kinds of societies are seen in some parts of India. The first of these, more often seen in the Punjab, is organised almost on the same basis and principles with the only exception that its profits are carried to an indivisible reserve. There is neither dividend on shares nor bonus on purchases. A fixed percentage — ordinarily $7\frac{1}{2}$ — of the net profits is set apart for a common — good fund. These societies are formed more commonly for the benefits of agriculturists and students.

The other type of purchase societies often concentrate on the buying and storing of agricultural implements. This type is most prevalent in Bombay. It is very necessary that this sort of societies should be introduced in the states. The primary cause of non productive agriculture that we find among indebted ryots is the failure to use scientific implements for cultivation purposes. Of course, it is not fair to ask the poor ryots to buy these costly appliances solely from their own pocket. Moreover one or a limited number of them will be sufficient for a village. Use of better implements through these societies will certainly have the effect of improving the crop. The managing committee decides what sort of implements is to be bought, the terms of hiring and other particulars. There is no bonus, but profits are divided after carrying a definite percentage to the reserve fund.

These types of purchase societies have not yet been introduced in the states. The only type of purchase society that is seen in the states is the store. We are unable to say that this has become widespread or that it is

showing marked progress. We have seen that in many states, there are no store societies, and even in those where there are, the stores are being worked in a most unsatisfactory state. Perhaps the best store in all the Indian states is the Bangalore city co-operative society. The causes for the failure of the stores society in the states are almost the same as in British India. Want of loyalty of the members to the store is the most common and the most important cause of the failure of the store in India. The consumer must have an all-engrossing interest in his society. He must very closely watch the management of the store. The calculating money lender of the credit side has his counterpart in the accommodating shopkeeper in the supply part. Nothing can be truer than the statement of the Registrar of co-operative societies in the Punjab that the course of easy credit, which has done so much to ruin the country, has provided a powerful factor in undoing supply work.

We now proceed to examine the progress of co-operative disposal of goods in the states. In British India, this branch of co-operation has

developed more than the stores. But the same cannot be said of the states in general. The sale of produce is effected by credit and sale societies, the sale societies, the purchase and sale societies. As has been seen in the case of purchase society, credit plays a prominent part also in the co-operative societies, which are primarily intended for selling the produce of their members. In addition to these, sale is also effected by producer's societies. The credit and sale society is the corresponding institution in the sale section to the credit and purchase society in co-operative supply. This is a normal credit society with the additional function of sale attached to it. These societies are formed for advancing loans to its members, assisting them to produce good articles and securing a profitable market for those produced goods. The liability of these societies may be either limited or unlimited. In all societies of this sort, membership is restricted to a class or occupation. The capital of these societies is derived through shares, loans and deposits. The business of the society is carried on by the managing committee. The profits are divided after allocation of a fixed

percentage, in obedience to the stipulation in the byelaws, to the Reserve Fund. The Reserve Fund is indivisible. There is no evidence to say whether there are such societies in any of the states. There is an equal impossibility in denying the existence of such societies also. No report says anything about such societies under a distinct head.

Sale societies as such are seen in Baroda and Mysore. The objects of these societies are to arrange (1) the purchase of seed, agricultural implements and other requirements for members, (2) the joint sale on commission or otherwise of the agricultural produce of members, & (3) the provision of educational assistance to its members. The membership is open to individuals and co-operative societies. All the other rules regulating membership of an ordinary credit society apply in this case also. Liability is generally limited to the value of the shares of the members and sometimes to double or thrice the value of the shares. The capital is composed of shares, deposits, loans and realised profits. Each member is allowed to have only one share. The supreme authority is vested, as in other cases, in the general

meeting and the ordinary provisions of a co-operative society regarding the rights of the general body of members hold good. There will generally be a managing committee which consists of at least five members. The committee exercises all powers of the society. Their powers are identical with those of the managing committee of other co-operative societies. Due to the peculiar nature of their work, they possess the additional powers of (1) deciding the terms on which agricultural produce shall be received from members and shall be sold, (2) of deciding the terms on which seed, agricultural implements and requirements shall be bought and sold for the use of members, (3) of arranging for the safe custody of all produce and stock and (4) of watching for and guarding against the adulteration of the produce sold through the society and evasion of the duty of members to sell through the society. The rules regarding officers are followed without any change. There are binding rules which provide that the society shall accept from every member all agricultural produce supplied by him if the sales of such produce is customarily undertaken by the

society and it is delivered in good conditions and is suitable to be sold by the society and is delivered at such times as may be warranted by the market conditions. The society will be bound to pay the member a sum equivalent to the price of the produce sought to be sold, in default of the society's acceptance of the produce. No member who has agricultural produce suitable for disposal by the society is allowed to sell to any outsider on penalty of fine. The transactions of the society are to be on cash terms. The committee in special circumstances allows an advance payment against produce deposited for sale upto an amount not exceeding 75 percent of the estimated value. The society charges some commission on sales. The profits are available for division among the members as a rebate on commission sales through the society on goods purchased from the society after setting apart one fourth of the proceeds to the reserve fund, 10% to the payment of bonus to the staff and a percentage fixed by the byelaws for the formation of a building or depreciation fund. The Reserve fund is indivisible and is to be applied as per the provisions of the byelaws.

There were 86 non agricultural credit societies in Baroda, out of which only 17 were sale societies. Even this seventeen were not all working. In 1927 there was only 9 societies. They continue to show good progress and turned out satisfactory work. The other eight societies were registered only towards the end of 1928. Measuring the efficiency of the sale societies of Baroda from the working of the nine societies doing business in full swing, we have no reason to anticipate a disparaging future. The active societies were distributed among the Talukas of Ubbel (there were 2 societies in this Taluka) Antroli Pardi, Haladarn, Kathodra, Vav. Valan, Kapura Taluka Vyara and Pipodra Taluka Mangrol. There is an amount of satisfaction in the co-operative circle of Baroda about the work that has been turned out by these societies. It is clear that the people are appreciating the sort of work done by these societies. The absence of educated men with business capacities among the rural population and the existence of contending factions in the villages, which takes away mutual trust, are serious drawbacks checking the progress of the sale societies.

Sale societies are organised in Mysore for selling cardamom, Areca, cotton and many other produce. There were two cardamom societies in the districts of Hassan and Kadur. These societies were formed with the object of improving the economic condition of cardamom growers by bringing them into direct contact with wholesale dealers and supplying them with funds for their current working expenses. The society of Hassan district was at Achanahalli. It had in 1932 a membership of 169, the membership being distributed among the different parts of the district by name Heggundi, Devalkere, Donagal, Hanabal, Nadhalli, Achanahall etc. The paid up share capital of the society was Rs. 6196. The society has affiliated itself to the Apex bank which financed the society liberally with cash credits. The real object of starting co-operative societies has been achieved here. The sound working of these cardamom societies has closed some middlemen's shops at Sakleshapur. This society did much better work than the other one in the district of Kadur. The society of Kadur district was organised at the close of 1927 - 28. The express objects of the society

are to help the members to clear old debts and to reconstitute their mortgaged lands, to make available funds for initial expenses of cultivation and harvesting purposes and for their subsistence till the disposal of their produce. The society did not do any appreciable work during 1932, partly due to trade depression and partly owing to the indifference of the members. The success of these societies will surely depend on the financial assistance they are able to get from the Apex Bank and the Government.

On the same principles of the cardamom societies, Areca sale societies were organised in the district of Kadur and Shimoga. There were four Areca sale societies in all. But in 1932, only one society was working. In addition to this the credit societies of Kattemane, Halandur and Nemmar are doing sale work. These societies ought have come under the previous section of credit and sale societies. They have been brought down here as nothing more about their work is known. The scheme of forming similar societies and giving crop loans is being appreciated a good deal by the cultivators. The co-operative department of the state made

arrangements to help the agriculturists to hold up their crops and dispose of the same collectively. An experiment in this line tried at Bhimapore was successful.

Besides these Areca and cardamom societies there were two cotton sale societies. They collected the cotton grown by the members by giving them small advances with the help of cash credits from the Apex Bank. The money obtained by the Apex Bank was used by the members for urgent cultivation expenses and they were enabled to go to the money lender for leasing out tender crops in lieu of money borrowed. They sold the produce when the price was favourable. They saved 12 % in the shape of extra interest which ought to have been paid to money lenders. The attention of the co-operators of other states should be drawn to the good and beneficial work done by these societies to sell the produce of the state. Every state will have a staple produce on which many of its people depend for their existence. If the states people join together in selling these produce, they stand to gain much. The successful working of the sale societies of Mysore

and Baroda should serve as an inspiring example to the people of other states.

Some grain banks which have been organised to sell grains have also been classified under this head. We find instances of these banks in Mysore and Travancore. Throughout Mysore, there were 55 banks in 1932. They had in all a membership of 2149 and a total working capital of grain of the value of Rs. 15272. The banks suffered a serious inconvenience in their business owing to lack of granaries for storing the grain. A society still in its experimental stage cannot be expected to make its own arrangement for granaries. Realising the utility of these societies, the Government of Mysore ought to accept the recommendation of the Registrar that the government or the district boards should sanction grants equal to at least half the cost of constructing good granaries. The Registrar is of opinion that the societies aspiring for the conveniences of a granary should be able to bear at least half the cost of constructing these granaries. Compared to Mysore, the grain banks of Travancore are doing poor work. In all

parts of Travancore, these societies are very necessary. Paddy is the chief product of the soil. If sufficient propaganda to make the cultivators realise the benefits of forming grain banks is done and arrangements are made to advance loans on the security of paddy supplied in cases where discretion would advise to wait a little for sale, these societies are bound to capture the imagination of the people.

Hitherto we have been treating co-operative purchase and co-operative sale separately. These are not incompatible and can be easily done by the same society. A marked difference can be noticed in the progress of these combined societies when they are organised in rural and urban areas. A village normally produces almost all its requirements. In a place like that, a society, which would buy all the products and give the villager what he requires instead, will be much appreciated and should hence be regarded as possessing much scope for improvement. But this is not the case with a city or town area. There people do not depend on their own production. Hence their primary necessity is not of a society which would buy

their products. but one which would supply them all what they want. While therefore such societies will undoubtedly be appreciated in towns and cities, they are almost a necessity in the villages especially at those centres where agriculture is getting commercialised. In those areas, where both producer and consumer are the victims of middleman speculation, these societies are most essential. There are only very few societies of this type taken in all the states together. The distinctions between the objects of these societies are so nice that it is difficult to sort them into separate classes. The more ordinary society in this category is a credit society discharging the additional functions of purchase and sale. These societies purchase such raw materials and appliances as may be required for the industry of members, retail the same to members either for cash or credit, grant loans to members for necessary purposes, purchase or receive for sale on commission the finished products of members, sell it to the consumers and act as the agent for the joint purchase of the domestic requirements of the members. There are very few societies of the type in the states. Some supply societies

of Baroda and Mysore and a supply and sale society of Indore are all that are available for illustration of this class. The societies of Baroda are run on an indent system and the chances are that they might in course of time develop into co-operative stores. The attitude of the public towards this line of activity is favourable. There were 48 pure supply societies in 1932 in Mysore. They had a membership of 1147 a working capital of Rs. 76043 and sale proceeds to the value of Rs. 12104. About 265 societies are doing credit, purchase and sale work. They have undertaken purchase and sale of agricultural requirements. Some of them have store sections which deal in kerosine oil, foodstuffs, clothing etc. The Anekal and Goribidnur Taluk headquarters co-operative societies took over the entire agricultural depot work of the respective taluks during the year. This is a great advance in sales co-operation. Other taluk societies are also taking up this example.

The Indore co-operators are very enthusiastic about the work done by the Indore co-operative sale and supply society. At present,

there are 50 grain stores with 3282 maunds of wheat and other seeds in them. The grain is given to the members on the sawan system and realised at harvest time and is the property of the individual member who subscribes to the share of the Chandari. The cultivators are encouraged to put 3 maunds of seed per plough in the event of a good crop. The society helps the cultivators in disposing of their produce in the local markets. To help cultivators to keep their produce when the markets are dull, the Bhicangaon branch of the Indore premier Co-operative Bank Ltd. advances loans on the security of the produce. There are three other societies doing supply and sale work. No figures are available. The report says they are 'going on with their business very well'. In a state like Indore, where credit co-operation itself has not progressed much, nothing better could be expected. Consumer's co-operation (in India) develops only in those places where the credit branch has taken a firm root. Apart from the question of financial stability, which is the basis of every institution's progress, societies of non credit type require highly technical skill and specialised knowledge in their working.

The services of such skilled and competent men are not available and as a consequence the Sanawad Bank, which organised supply of good cotton seed to cotton growers in cotton tracts had to discontinue the work. The committee of enquiry which examined Indore Co-operation has suggested that all central banks situated in areas where cotton is grown should take up the supplying of cotton seed to the members of societies and has outlined a scheme also for the purpose. The scheme is copied below in the hope that it might suggest new openings in other states (a) "The societies should be asked to send indents of cotton seed required by their members.

(b) The bank should arrange to purchase good cotton seed from the gins direct and store them in godowns.

(c) The sale of seed may be for cash the member being provided with funds by their societies, if necessary for purchase of seed."

The societies which have been discussed above under this heading invariably did some

sort of credit work or other and hence were more of credit, purchase and sale societies than pure purchase and sale societies. Pure purchase and sale society takes generally two forms (1) that of a co operative commission shop and (2) a co-operative sale society. The objects of a co-operative commission shop are to arrange (1) the purchase and sale on commission of seed, agricultural implements or other requirements of its members; (2) the sale on commission of the agricultural produce of members; (3) the provision of educational assistance to its members; and (4) the use of pure and improved varieties of seed by members. The fire wood supply society at Sopore in Kashmir is an illustration of this type of society.



NON CREDIT CO-OPERATION.

II

The Vista of co-operative production is very wide, limited, most probably, only by the varieties of agricultural products. The collaboration of the capitalist, the employer, the workman, and the profit earner in one organised body is the conception under which producer's co-operation starts. This branch of co-operation recognises only one entity external to its activities; and that is the consumer. Just as consumer's co-operation has production as its nearest step to the attainment of the co-operative commonwealth, Producer's co-operation has also its ideals of converting the consumer as an agent of production. The difference is not great — only one of ideals. While consumer's co-operation regards the interest of the consumer as primary, producer's co-operation thinks that the interest of the producer is more important. Inasmuch as the ideal of both these is the attainment of a co-operative commonwealth, what little difference there exists bet-

ween the two can be regarded only as one of procedure. The end is the same though the means are different.

In text books on European co-operation, co-operative production is divided as falling into two divisions, 'the magnitude of the change involved in the actual co-operative process to the raw material' being regarded as the main principle of division. Two kinds of productive societies are seen in Europe, as a consequence. These are (1) the pure and simple co-operative productive society — a *Societe de Production* or a *Verwertung—Genossenschaft* of Germany and a simple sale society — A *Societe de vente* or an *Absatz — Genossenschaft*. The *Societe de Production* alters the form as well as the place of the raw material as a dairy, a vintry or a distillery. The second makes a change of the place only, as the egg and poultry society, a corn society or a fruit society. Even those who make this classification do not maintain that the division is hard and fast and impossible. Even otherwise, it is doubtful whether this sort of division would come in a discussion about the kinds of co-operative pro-

ductive societies in India — not to make any mention about the conditions prevailing in the Indian states.

Producer's co-operation is applied in the main, in the whole of India, to cottage industries which survive to this day, owing to its subsidiary character to the main agricultural occupation of the villager. The general conditions, in which cottage industries in India are being fostered, are very depressing. Nevertheless it is not correct to subscribe to the time-honoured view that cottage industries in India are dead or deteriorating. A few years back after an extensive survey on the subject, Mr. A. G. Clow, C. I. E., I. C. S. found out that 'with the possible exception of China, no country can show such activity in respect of cottage industries as India.' This statement is true of the conditions prevailing in the states too. Almost in every state, there is some sort of a bye industry or other, existing, though in a moribund condition. Cottage industries of various states have not received any encouragement from their respective governments except in a few of the most progressive states. But

in spite of this governmental apathy, it is only true to say that they exist even in the most backward of the states in India. Necessity is always the mother of invention and in the case of these small states, it has also been the mother of survival. Those states, which have an industries department are taking up the question of fostering them. In 1929, the administration of Pudukkottah had the condition of the cottage industries of that state examined. No reliable document exists to know the industrial conditions of the states.

The agriculturist has to spend his lazy time for six months after the harvesting season to the next sowing season. If the harvest has been a lean one or next to a famine—as is the case, once at least in five years in India — he has to depend on his productive capacity during this idle six months for his sustenance. Sometimes, therefore, as a means of engaging the time, which he would otherwise waste and of earning a small amount, but mostly of necessity, the agriculturist falls back on his make-penny supplementary occupation. Besides these cultivators, who regard cottage industries

as bye occupations, there is a considerable percentage of the rural population, who look upon the small home industries of his locality as a permanent means of his income. To these and to the members of the first class, who are often forced by nature's caprices to look upon the home industries with as much interest as the others, it will be a great blessing, if measures are taken to improve the condition of the industry in the localities concerned. An attempt to co-ordinate individual efforts at these enterprises will be striking at the root of the problem of the uneconomic condition of the villages. Home industries have as much importance as agriculture itself in the life of an ordinary Indian peasant. Both provides him means of existence for six months each in the year. This fact explains the survival of these small industries in the villages in spite of so many influences operating against them. The attachment to their ancestral home, the love of freedom, the dislike of the discipline and the necessity of keeping regular hours at the factory must be behind the innate vitality with which the home industries cling to our villages with success. It is remarkable to notice the existence

of some kind of small industry in every Indian state. Under the most depressing circumstances, home industries have survived from hilly tracts of the Simla Hill states to the plentiful regions of Travancore. Where unkind autocracies swallow the whole of their agricultural products, it is these industries that keep the ryot lingering on to provide a nice harvest in the coming year for his imperious Patron.

The most popular form of producer's co-operation in the Indian states is the weaver's societies. The Khaddar societies which we find cropping up in quick succession as a result of the national movement also comes under this category. Weaving is so common throughout India that it will be very difficult to find a village where this industry is not carried on even in an indigenous form. Co-operation has found it possible to enter into this industry with some amount of success. In the states we find invariably that some attempt has been made to bring the weavers into the fold of the movement. Gwalior is the only exception to this. But it should be remembered that the

general condition of the co-operative movement there is backward and that the department of that state has not yet begun to widen its scope into non credit activities. A weaver's society is organised on the same lines as an industrial society. In different states we find different forms of organisation in so far as the division of profits of a society is concerned. But the difference is only as regards that particular point. The other details are alike. The objects of an industrial society are to arrange (1) the creation of funds to be lent to its members for necessary purposes, & (2) the purchase of raw material and implements of the craft for supply to its members and the purchase and sale of the finished goods of the members. The rules regarding membership, liability, capital, shares, general meeting, managing committee, registers etc. are same as any other co-operative credit society. Some distinction is noticed in the employment of funds of the society. The funds can be devoted only for the stated objects of the society and for those supplementary objects which have been adopted in the byelaws of the society. Cash loans are not allowed to be made to any person other than a member of full age.

They may be granted for any necessary purpose including (1) purchase of raw material, if the society cannot supply it (2) the purchase of implements of the craft (3) repairs of houses of the members, if necessary, (4) payment of old debts and (5) household and ceremonial expenses. It is not unusual to impose a restriction that loans for the purpose of repairing houses and repayment of old debts are to be granted only to those who have once for all ceased to have any relation with money-lenders. The ordinary loans of the society are given in the shape of raw materials. Cash loans are given only in urgent cases to free a member from debts or to prevent him from incurring unavoidable debts. No loans are given for extravagant expenses or for trade. It is incumbent on the borrower that any amount of money lent to him for a specified purpose should be utilised for the express purpose. On the borrower not obeying this instruction, the society recalls the loan. The rate of interest on loans is usually fixed, according to the normal rate of interest prevalent in the locality. The society gives advances to its members. It is the duty of the members to buy from the society if the material

which they use is in stock. Surplus stock is sold to non members. Advances in excess of the maximum credit is given to members as against finished goods deposited with the society, up to a fixed percentage of the value of the goods. The society usually charges interest on the advances of raw materials. As in a credit society, the borrower has to execute a bond and furnish two sureties. Securities for advances in kind are given only on the borrower offering two permanent sureties who will be liable for all advances taken by their principal debtor. The society, funds permitting, takes up the finished goods of members for sale paying the producer the full price or a fraction of it in advance. It is the duty of every member to sell all his finished goods to the society if the society is willing to receive them and it is the duty of the society to receive all the finished goods of the members, if of satisfactory quality. The buying and selling of goods of nonmembers is left to the option of the managing committee. Some of these societies add to their functions by opening a Compulsory Saving Deposit Scheme. The society makes it compulsory on every member to make a monthly saving depo-

sit with the society. The object for which the deposit is being made should be specified at the time of deposit. The common objects for which the deposits are received are (1) the illness of himself or any relative residing with him (2) the education of any relative (3) the marriage of himself or any other member of his family (4) the purchase of improved implements (5) or the building of a house. Every member is bound to deposit a fixed amount every month and on default in any month, he fails to get the interest on the amount he has already deposited till he pays up the defaulted instalment. This obligation of monthly deposit will not be in force during the period of his unemployment. The rate of interest on the deposit amount will be fixed by the committee according to the normal rate of interest prevalent in the locality. Notice is necessary for withdrawing the amount deposited with the exception that the period of notice will be considerably reduced in the case of a withdrawal necessitated by the illness of the depositor. Besides these departures the industrial society follows in the main the general byelaws of a credit society. Some of these societies do not divide any profit at all. Some

others do. Those that does not carries a percentage to Reserve Fund and allocates the rest to some common purpose.

Though all the seven states, except Gwalior, have weaver's societies, Travancore seems to have advanced more in this respect as besides forming primary societies of weavers, it has also organised a central weaving society, This central weaving society resembles in functions the Central Industrial and Weaver's Bank that we find in British India. Besides opening this central society, the department and the co-operators seems to have done nothing more. The Registrar's report on the working of this society is very disparaging. There were 17 societies of weavers in the state in 1932 with a membership of 1068.

The weaver's societies in Cochin number only 3 and they did not do any useful work. The percentage of the weaving population is almost the same in Cochin as well as in Travancore. Any lack of enthusiasm among the weavers and their indifference towards co-operation must therefore be attributed to absence of

propaganda. In states like Travancore and Cochin, where the percentage of mass education is much greater than in any other state, the principle of co-operation will not find any difficulty in making itself popular if only sufficient propaganda is done.

Co-operation among the weavers in Mysore is comparatively well advanced. It has been stated towards the beginning of this chapter that the important problems that arise for solution in the sound organisation and upkeep of weaver's co-operative societies are those of working capital, provision of raw material and the possibilities of marketing the finished products. If any institution is able to meet all these demands it can be said that the organisation is a boon to the weavers. The organisation of a unitary body for meeting all these questions of importance is not very easy. The arrangement for the marketing of finished products and the supply of raw material are the most difficult of these. It needs sound commercial knowledge besides capital. Capital might come forth from weavers themselves. But they would necessarily have to borrow

business experience from outside. Any central institution which would provide the weavers all these would be very welcome and the Mysore development board is trying the formation of a co-operative yarn emporium for the present at Mandya, an important weaving centre. It would be better if the sale of products also is taken up by this institution. There are 71 weaver's societies in the state. Of these 16 are Adi-Karnataka weaver's societies. The best weaver's societies in Mysore were the Bangalore City weaver's society and the Mysore City Ramalingeswara Chamundeswari Co-operative Society. On the whole, the weavers of Mysore are not doing bad.

There were 75 societies of weavers with 1912 members in Hyderabad. The weaver's societies in common do not show any sign of progress. They are more or less in a state of stagnation while recoveries from members are becoming more and more difficult because the weavers keep on migrating to the centres of weaving industry in and outside the state.

In the small state of Pudukotta, there were altogether only four weaver's societies.

The members of these societies were mainly Panchamas and Sowrashtras. The general impression is that the weaver's societies except the one at Parambur were not working properly. Punctual payment, the Registrar says, is still a desideratum.

The weaver's societies of Indore are not at all working properly and satisfactorily. There were altogether only nineteen societies. All the societies are heavily indebted to the central bank. So much so, the central bank has stopped any advances to the society. The weaving industry in Indore is reported to be declining. The Maheswar products at one time enjoyed wide popularity. The decadent state of Industry has lost it, its reputation. Sufficient propaganda and a quasi technical training will bring the industry of Indore to the level it once enjoyed.

The number of weaver's societies in Baroda during the year was only 36. They are not doing much good work. They simply provide credit to their members. Only very few among these thirty six carry on purchase and sale. Even those societies have found it very difficult

to dispose of their manufactures. It has been suggested that this difficulty will be overcome if the consumer's societies take up the sale of the manufactured articles of these societies or other arrangements are made by co-ordination with the department of commerce. Weaver's societies of Baroda have been mainly formed with the object of relieving them from the burden of usury. It is doubtful whether those societies have been able to succeed in their objects.

Producer's co-operation is well represented in Jammu and Kashmir. The Srinagar societies take into their fold no less than 36 Arts, crafts and avocations. It is said that no single city in British India can probably claim as many societies of arts and crafts as the city of Srinagar. The following is an extract from a list which gives details about all the producer's societies in Srinagar:—

Name of Craft.	No. of Articles.	No. of members,	Working Capital, Rs.
Pashmina weavers.	5	112	5718
Shawl makers.	3	50	2830
Silk weavers.	1	10	3237
Puttu weavers.	2	42	2844
Carpet makers.	2	33	5340

Other forms of Industrial Co-operation — Except weaving, all the other industries are indigenous to particular localities. Co-operative societies have been formed for various small industries in some of the states. The industries department of Travancore has been taking some lukewarm interest in the co-operative societies among the artisan class of the state. The co-operative department were prepared to grant loans and do spade work among the small industrialists. But nothing has as yet been achieved.

In spite of these little difficulties, the atmosphere of Travancore is much more favourable for the growth and development of Industrial co-operation than that of many other states. If only the Industries department would render some more enthusiastic assistance to the co-operative department, Industrial co-operation in the state is bound to have a better future. At Neyyattinkara, a few miles to the south of the capital of the state, a co-operative society for potters was registered. But these people found it difficult to get the raw material of clay necessary for their industry.

There were two industrial societies and one Carpenter Society in Cochin, which falls under this heading. The chief aim of the industrial society is to improve and develop the coir industry in their areas of operation, for which sufficient raw materials can be had from the localities themselves. The promoters intended to open a workshop and do coir work on a daily wages system. Coir industry is one of the most important home industries in Travancore and Cochin and it is a pity so little attention has been paid to this by the co-operative departments. This small industry, if well guided and well developed, will be a great boon to the extremely poor families of the locality and would go a long way to solve the problem of unemployment among these poor workmen. The Carpenter's Society of Cochin aims at the economic amelioration of the carpenters. For the better working of this society and for encouraging the spirit of co-operation among these people, the Registrar has submitted a scheme to the Government. If the Government approves of the scheme, it will go a long way to help the poor and illiterate members of the carpenter community.

Among the miscellaneous forms of producer's society in Mysore, the most important is the Sericulturist's Society. The societies for Gudigars and artisans also come under this class. There were twenty societies with a membership of 403 and a total working capital of Rs. 4062. The silk industry is of importance in Mysore. Efforts therefore should be made to assist the cottage industrialist in all the branches of the industry—silk rearing, silk reeling and the manufacture of silk goods. The supply of improved seeds for silk-rearing can be made through the organisation of co-operative societies formed for the purpose. Inspiration can be had in these matters from Assam, Madras and Burma. In Assam the supply of seeds has been undertaken in connection with the extensive investigations of silk to new areas, seeds have been distributed and peripatetic rearing parties have been employed to assist rearers. Efforts are also being made there by demonstration and training of operatives to introduce modern methods of preparing improved silk yarn. Sericultural co-operation is only in its infancy in Mysore; but the future is very hopeful.

In Hyderabad. the societies of Brass and Silversmiths are the only types of producer's societies other than weaver's societies. Then societies of these smiths were working. The smiths of the state of Hyderabad form a prosperous class among village artisans. Their wares are popular and meet with little difficulty in finding a sale. They are said to be superior to other craftsmen of the state both intellectually and economically. Their societies continued to make headway as self supporting institutions. But these societies did only credit work. The department has recorded that some of these societies did exceptionally good work and their wares had been in constant demand. Co-operative societies among these people should surely flourish. They are having a monopoly of this profession, as it were, as the technique of the industry is known only to those people in the community. They are keeping it as a great secret and attempts so far to induce them to teach it to outsiders have not met with success.

There is no other state in India where co-operation has been spread to so many arts,

crafts and avocations as Kashmir. Almost all the industries in the state are represented by co-operative societies. Srinagar has been famous for its artistic work for centuries and the artisan societies of that city are keeping up the tradition successfully. According to the latest report, there were 41 societies for Embroidery workers, 6 societies for Needle workers, 3 for Papier machine makers, 9 for Woollen Embroidery workers, 1 for Stone Carvers, 2 for Sawyers, 1 for gunmakers, 1 for Motor Drivers, 5 for Tailors, 4 for Boatmen, 2 for Grain Sellers, 2 for Grass Sellers, 1 for Rag Cloth Dealers, 1 for Fruitsellers, 2 for Leatherworkers, 1 for Gold workers, 3 for Carpenters, 1 for Ironsmiths, 1 for Dyers, 1 for masons, 1 for Barbers, 1 for Rope makers and 1 for Copper smiths, Including the societies of weavers, they had a total membership of 2839 and a working capital of Rs. 187845. These artisan societies of Srinagar should be an inspiration to all those small industries of other states left as yet unorganised.

In the discussion of the above societies, two types of producers societies found in the

state of Travancore and Baroda have been left out, as it has been felt that a more detailed treatment of those is necessary. These are the worker's societies of Travancore and the irrigation societies of Baroda. The society of working men producers, known as *Association Ouvriere de production* in France and *Arbeiter-Genossenschaft* or *Produktive Grenossenschaft* in Germany is a unique form of co-operation. All the other forms of producer's co-operation endeavour to bring together in an association individual producers with the object of increasing their economic efficiency. They look at their results from a business point of view. But the worker's societies aim at increasing the efficiency of the various agents (individuals) in their capacity to produce. They make them take upon themselves the functions of management and responsibility. It does not claim that it has got an economic superiority. The society does not aim that. It is an attempt at the achievement of higher ideals. The atmosphere is not merely economic; The society, by inducing the workers to achieve higher things, which they were not used to do till then, aims at a socio-economic ideal. There is yet another peculiarity

to the worker's society. Any one, occupying any position in society, can join a producer's society provided he falls within the qualifications of membership of the society. A rich artisan as well as a poor artisan can be the member of a producer's co-operative society. But such distinction is not possible in a worker's society for the simple reason that there could not be two such widely divergent class among the workers. It is as an alternative to their position as ordinary employees that the workers seek in forming a co-operative society of this type. Robert Owen in England, and Bucher and others in France heralded the associations of working class producers, as the first light of the new industrial age. "But whereas the preaching of the French idealists were put into practice by Louis Blanc, who was at one with his teachers in their desire to launch the new movement on a new revolutionary scale, the mantle of Owen descended upon the Christian socialists who, while remaining idealists, transformed the revolutionary socialism into a mission of Industrial peace, acting amicably under, but independently of, the state. In France the first period of organised association was the

state workshop of 1848, in England, the voluntary association after the model of the Christian Socialists. While both were full of idealism, the French movement looked for help to the state, the English movement to the sympathy of private reformers. In both countries, failure and disappointment followed close on the first glow of excitement, in both countries a period of disintegration succeeded in which the movement lost unity and singleness of aim. In the early eightys an almost contemporaneous recovery took place. At about this time Italy also came into the field, suddenly, brilliantly, and in great measure by its own unaided strength.”*

The worker's societies of Italy are being run on ideal conditions. Those of Travancore have consciously or otherwise a remote resemblance to the some of the small societies of Italy which the writer had occasion to visit. The worker's societies of Italy — *Co-operative di lavoro e pubblici Servizi* — are Italy's peculiar contribution to co-operation. These are voluntary associations of workers grouped together for the purpose of undertaking

* Co-operation at Home and Abroad. C. R. Fay,

contracts and executing them themselves. They have no raw material to be used in their work, the counterpart of raw material being the bodily labour they exert. Some of them use some ordinary implement or tool as a spade or an axe, the use of which is very very little in the execution of their work. The Italian societies are so well developed that some of them have a technical committee, who engage Civil Engineers and similar experts, and who give professional advice on the contracts undertaken by them. All the members of a society find it difficult to be simultaneously employed. When such a contingency arises, some are employed and others are kept on the waiting list. All the members are engaged by rotation within a definite period. The members are allowed to take up work outside the society and in the case of work being undertaken by a society, preference is given to a member who finds it difficult to secure employment outside. The society has got small handy shares of 100 liras each. The principle of 'one man — one share' is followed in the majority of cases. In the distribution of profits, nearly half is allotted to an Accident and Pension Fund and the rest to

the grant of bonus to labour in proportion to wages earned. Occasionally a dividend is given to capital. Two of the most important types of worker's society in Italy are The *Braccianti* and the *Muratori*. The *Braccianti* are day labourers engaged on earthworks and the *Muratori* are those engaged in masonry and brickwork. The work is carried out by squads of fifteen each. In small groups the *esprit de corps* is easier to maintain and mutual supervision is therefore more effective. The work is supervised by a director who is one among the workers. The lack of experience in matters of management of the individual is considered to be the weakpoint in the organisation of the worker's societies. Governmental support to these societies in Italy was obtained by the first law of 1899 which declared "that Government authorities may either by private bargain or public tender, grant to co-operative societies, by they industrial or labour contracts up to 100000 lire in cases in which the cost of labour constitutes the main part of the job" Further amendments and developments in Italy do not interest us as Governmental action in the line in Travancore has come only to this stage. The

Registrar of Travancore writes in his report in the following this connection. "With a view to enable co-operative societies to promote the economic interests of the members and in the case of societies composed of labourers and artisans to provide adequate work to them, Government were pleased to issue a G. O. authorising heads of departments to place contracts for suitable works with co-operative societies." A few societies were doing work of this sort during the year.

A majority of the worker's societies of Travancore had been doing minor irrigation work. The importance of irrigation on any part of India cannot be over emphasised. India being preeminently an agricultural country, its development undoubtedly depends on irrigation. A regular supply of water is of utmost importance to the cultivators. The ryot is dependent on two sources — natural and human — for water for his cultivation. The water that he gets from nature by means of rainfall is very uncertain. Man has therefore been trying his best to keep the ryot independent of nature. It was considered till very lately the duty of the state to provide irrigation facilities for the ryots. This

fact remains true even now. But lately non-official activities have been seen in the field of irrigation. The result of these nonofficial attempts has been manifest in the co-operative Irrigation Society. The power pump irrigation societies and the Sarar Water works societies of Baroda are instances of these. The object of an irrigation society is to irrigate the area of its members. To realise this object, "it may dig, cut, maintain reservoirs, canals, water courses or bunds and hire or purchase modern scientific appliances for lifting water." The co-operative power pump society of Baroda is modelled on the power pump societies of Bombay. The Bombay societies have a modest aim before them. A number of cultivators join together and buy an oil engine to lift water from a well or a tank and manage thereby to irrigate their lands. These societies are limited liability societies with shares. The particular kind of irrigation that is to be done and the rates that are to be charged from the individual members are determined by the general meeting. Of the two power pump societies of Baroda, only one is working satisfactorily. The other society has only just begun work. People in Baroda like

this sort of work to be done individually first before they think of forming themselves in an organisation. The propaganda work in this connection is being carried on satisfactorily by the department. There is one water-works society in the Baroda Taluka. "It supplies water to the village people for domestic purposes at the rates fixed by the managing committee of the society from time to time. It is a great advancement in rural life purged of all the evils attendant upon waterworks in towns and urban life." This is being attempted in other parts of the village.

Production and sale societies also come by right under this chapter. The classification of societies by the various states have been so unscientific and confusing that it has been found that societies which have been classified under this heading virtually belongs to some other category. This kind of societies have made very little progress in the states.



NON CREDIT CO-OPERATION.

III

We have been discussing in the last two chapters the progress of consumers and producer's Co-operation in the states. Besides the types of societies already examined, there are still certain other types the peculiarities of which do not allow them to be placed under the above two heads. They form a miscellaneous group and it has been found convenient to group them so. The most important of these is the section which have applied the principles of co-operation to livestock. In a preeminently agricultural country like India, the part played by livestock is not insignificant. The bullock and the bull buffalo form the chief driving power of cultivation. The feminine counterpart — the milch cow and the female buffalo-gives the cultivator many objects of consumption as Milk, Ghee, Dahi etc. Cattle therefore is most important to cultivator. But the general tragedy of straying from the most essential to subsidiary considerations has not left the cattle

problem of B. India and the Indian states an exception. Though it must be admitted that in recent years some attention has been devoted to the problem, nothing has been done in several states. Even in those states which have moved in the direction of protecting cattle, no attempt has been made for scientific breeding and maintenance of the cattle. This policy has only aggravated the difficulties of the problem. Instead of checking the growth of bad and weak breeds of cattle, it has encouraged the survival of old and feeble cattle and thereby the birth of weak and worthless calves from their loins. Besides these, lack of good pasture and consequent under-feeding leads to the breed of cattle getting deteriorated day by day. All over the states, the breed of cattle of the present day is infinitely inferior to that which existed a hundred years ago. The Punjab Hill states of Suket, Bilaspur, Mandi and Chamba boasted of possessing the best breed of cattle a century before. But the type which we get there at the present time is hopelessly poor. They are neither satisfactory for milk, meat or draught purposes. The milk problem is acute in the cities and big towns of the states as it is in

British India. The quality of milk obtained is very bad. The dairymen are scarcely to blame. The quality can only be proportionate to richness of the fodder with which the animal is fed. The quantity of the milk obtained from a cattle will not be compensatory enough for the amount spent on it. Bad stock of cattle, poor feeding, the maintenance of old female cattle and the encouragement of pairing by old and feeble masculine agencies are the causes of such disparaging results. The religious sentimentalism attached to the killing or casting away old and worn-out oxen and buffaloes encourage their being fed along with useful cattle. They, besides virtually taking bread out of the mouths of the healthy and useful ones, become the cause of weak and rotten issues. The system of herding cattle also occasions covering by weak and immature males which again gives rise to unhealthy and stunted breed. To avoid these dangers, the principle of co-operation has been applied to cattle breeding and fodder storage in many countries.

Though great religious significance is attached to the cattle problem in the states of

India, it has never been approached from the economic or the agrarian point of view. Attempts at improving the breed of the cattle through co-operative cattle breeding associations have not as yet been made even in those states where other forms of co-operation are developing. There is a cattle breeding society in Baroda and a few Dairy societies in Mysore. Attempts at forming these societies are being made in Travancore and Baroda. Nearly 27 milch cattle societies have been formed in Baroda in order to improve the dairy business amongst the agriculturists and to supply pure milk and ghee to the customers. Strictly speaking, these societies are not Dairy societies. They are in reality only credit societies with a special purpose. They aim at being full fledged Dairy societies after passing through the intermediate stage of development of pure milk and ghee supplying societies.

Kashmir also has made some attempt to solve the cattle problem through co-operation. Till 1927, castration and inoculation were considered sacreligious by the country people. These measures have now been introduced

through the agency of co-operative societies. 2071 bulls of members of co-operative societies were castrated in the province of Kashmir in 1928 and nearly eleven villages were relieved of the plague of rinderpest by inoculation. Inoculation and Castration have become now very popular,

HOUSE BUILDING SOCIETIES.

Mysore has formed a few house building societies. House building societies are formed to solve the housing problem. The housing problem is acute only in great and crowded cities. In many of the states, therefore, one is apt to think that this question is not so intense as it is in British India. But this is not a very correct view. True, the acuteness of the situation might vary in degree. The capital cities and trade centres of the states are as crowded as important towns and cities of British India. Even in those places, where no particular reason tends to centralise the housing problem, people live in crowded streets so thick that even though there are vast space towards the outskirts of the centre of the place lying

vacant, the problem of housing still exists where all the people cluster together and reside. This leads naturally to a competitive state of conditions and consequently to a rise in rent. Poor people cannot afford to pay heavy rents and hence they are obliged to live in clustered and insanitary homesteads, which kind of residence dwarfs their material and moral progress. Various causes, the chief among which is the selfishness of the prosperous citizen, who insists on getting his comforts even at the risk of ousting his poorer neighbour, go to complicate the problem and make it well nigh intolerable for the poor man. The high prices do not allow the average man to save anything. Even if he saves anything, the cost of the space where a building could be constructed is very prohibitive. The cost of labour and the price of raw material will also stand in his way. These circumstances are likely to have very disastrous effects on the social and economic life of the citizen. The middle class man suffers most by it. High rents of shops affects retail price of commodities and form a contributory cause of the high prices of commodities. We find therefore that the housing problem

creates a vicious circle of economic evils from which a speedy solution has to be found out. By a process of deduction, it has been found that the evils are the results of a combination of capitalistic house owners, who exploits the weak and unorganised position of the tenant. As a means of fighting these capitalistic combines co-operative housing societies have been formed in many parts of India. Among the states, only Mysore has started housing societies. They are not real house building societies. They are only credit institutions engaged in building new houses and improving and repairing old ones.

CONSOLIDATION OF HOLDINGS.

Ownership and possession of uneconomic holdings are the most serious of evils that stand in the way of Indian agricultural progress. The evils of excessive sub-division and fragmentation of holdings have been reiterated very often by Indian economists. The Hindu System of inheritance which often leads to partition and repartition of estates on the death of the father give rise to small scattered portions in different

parts of the country. These patches are sometimes so small that it will never pay individual cultivations. Often they are so far away from each other that the cultivation expenses are very great and the yield will not repay what the poor cultivator spent. The most difficult manner by which the poor cultivator manages to make some capital for the purposes of cultivation has already been explained. How great will the shock be when he finds that all the hardships and suffering which he endured for cultivating the fragmented portion of his estate has only shown him the way to complete destruction and ruin! The system of one member of the family buying out the shares of the other members and thus making the scattered portions consolidate to a reasonable plot is not in existence in India. A solution for the difficulties arising out of the fragmentation and progressive subdivision of holdings was long sought for by enthusiastic cooperators and at last Mr. H. Calvert formerly the Registrar of Co-operative societies in the Punjab and now the financial commissioner of the Punjab, promulgated a scheme, which has been found to be working very successfully

since. For a detailed study of the subject, the reader is referred to Mr. Calvert's article on "The Co-operative Consolidation of Holdings in the Punjab" in "The Agricultural Journal of India".

The progress of these societies necessarily depend on the development of public opinion in favour of it. The type has been introduced in Baroda. But it does not seem that the public of Baroda has as yet begun to be very enthusiastic over the scheme.

The work of consolidation of holdings was completed in 23 villages in the state of Jammu and Kashmir during the year 1929. The area brought under consolidation measured 4676½ acres, covering 8479 fields, which have been consolidated into 1391 blocks. The average area per field before consolidation was 4.7 Kanals (nearly 9 Kanals make one Acre) while the average area per block after consolidation comes to 22.72 Kanals.

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become popular both in Jammu and Kashmir and there seems to be considerable demand for adequate official guidance which the department is unfortunately unable to supply through want of staff. The work of consolidation can be completed only by the revenue authorities promptly attesting to the mutations. The co-operative department of Kashmir are experiencing considerable difficulties in the successful working of the consolidation of holdings societies through the non-co-operation of the Revenue officials. Some instances of the beneficial results achieved by consolidation in Kashmir has been related in the report which would certainly stand reiteration. "In the Kotli Galla Banan, a village adjoining the walls of Ranbirsinghpura, damage to crops by the stray cattle has been effectively stopped by the fencing of consolidated blocks on one or more sides. Ten members are reported to have put barbed wire some 5421 ft. in length round their consolidated fields. The lands which brought them little or no produce formerly have now been put under "ponda" or sugarcane cultivation — the most profitable crop — and some of the members have con-

structed Kachha sheds for their cattle and pucca houses for themselves on their consolidated blocks. Some of the members are also reported to have purchased improved agricultural implements such as fodder cutter and iron plough. Two other villages Dravats and Mahlu are reported to have constructed Kachha road with strong embankments to drain off the surplus water that was spoiling their crops and lands. Communications have improved in good many villages. In Kondiyal, Koloys and Nijabatpur, the cases for the petition of common lands which had been pending with the Revenue officers for some 3 to 7 years have been filed, their petitions having now been affected by consolidation proceedings. In Gharani 45 Acres of land which had been lying fallow for the last twenty years on account of excessive fragmentations have now been brought under plough and are reported to have yielded a very good crop of rice which can favourably be compared with the best lands of the village. In Kashmir 2380 fruit trees and 3405 trees of all sorts have been planted by the members on their consolidated blocks, which would in course of time bring them substantial income."

Another type of societies commonly seen in the states is the society for the depressed classes. These are nothing but credit societies intended to promote the economic welfare of the backward and depressed classes of the respective states. In Travancore there were twenty four Araya Societies, forty three Vala Societies, twenty six societies for coast fishermen, one hundred and sixteen societies for cheramars and twenty four societies for sambarwars in 1932. These societies were all doing satisfactory work. In Cochin there were eleven societies for the depressed classes. These were organised by the assistance of the Protector of the Depressed classes and his assistant. There is a similar officer like this in Travancore also. The best and surest way of bettering the social and economic condition of the depressed classes is through co-operation. The close and active co-operation of the educational authorities and staff is highly indispensable for this purpose. The work of elevating the social and economic life of the depressed classes of Mysore through co-operation is progressing steadily. Vigorous propaganda is being carried on among these people. Lectures on clean-

liness, sanitation, social hygiene, evils of drink, common diseases, benefits of co-operation and other allied subjects were made to several of the depressed classes — centres under the guidance and auspices of the co-operative department. Also lectures with the aid of magic lantern were delivered. The Adi Karnatakas of Mysore are coming up through the influence of these attempts. They are taking advantage of Government's solicitude towards them and are slowly becoming land holders. Many of them has applied for small tracts of land where they could settle down. The Government instructed their officers to view these applications with great solicitude. As it has been found that granting them lands without providing them the necessary working capital for the purpose of bringing the land under cultivation was practically of little utility, the Government in their order No. 10292 - 301 - C - S - 11 - 27 - 5 dated 5th April 1929 has placed at the disposal of the Registrar of co-operative societies a sum of Rs. 10000 for financing Adi-Karnataka Co-operative Societies to enable them to provide working capital for bringing the lands under cultivation. The loans carry only a small

interest of 3 per cent per annum and their repayment has been arranged to be done within a period of three to five years. For the purpose of affording special facilities to the sanitary huts, the Government in their order No. D. 10173 - 4 - C - S. 63 - 28 - 2 dated 4th April 1929 placed a sum of Rs. 10000 at the disposal of the Registrar of Co-operative Societies. The Registrar finances from this amount the Depressed classes house building societies. The loan is repayable in not more than fifteen years and carries no interest with it. The department of co-operation with its honorary organisers and honorary supervisors are carrying on vigorous propaganda among these depressed class population and as a result as many as thirty seven Adi Karnataka co-operative societies were registered in 1929. There were, in 1929, 244 societies with a membership of 4876 and a paid up share capital of Rs. 39472 and a working capital of Rs. 92144. The department and the Apex Banks granted them loans. The Adi Karnataka societies have accumulated a reserve fund of Rs. 4046. The societies used brass home saving boxes supplied to them by the department and thus practised a system of

thrift and a habit of saving. The Registrar of Co operative Societies was entrusted with a fund for economic development out of which agricultural implements worth Rs. 337 were supplied at half cost to fourteen members of eight Adi Karnataka societies to induce them to adopt modern methods of cultivation. The secretaries of depressed class societies which did good work were encouraged by the grant of bonuses. One of the societies of depressed classes did very well. This society (The Gottigre Adi Karnataka Co-operative Colony Society) drew the house building loan of Rs. 5000 sanctioned to it and built one school building and four dwelling houses. They are manufacturing burnt bricks and supplying joint labour for construction work. It is estimated that each house would cost over Rs. 400 without taking into account the value of labour and the cost of bricks. The total area under cultivation in the colony was about 40 acres. During the year, the lands were divided into fifteen parts. The division gave each family some wet and some dry land. Groundnuts and ragi were the chief crops grown in the colony and the total yield was estimated at Rs. 926.

The value of labour contributed by the colonists for building and other works is estimated at Rs. 767. The society earned a gross profit of Rs. 756. The success of this society has had very valuable effect on the members of the depressed classes. Many are trying to form similar colonies. This has induced the members of the depressed classes to take to modern methods of cultivation, to sheep breeding and poultry farming.

The Rural Development Department of Indore, also, has given serious thought to the question of the amelioration of the depressed classes in Indore. But, limited as their activities and scope of their work are, they have as yet been able to organise only two co-operative societies for the benefit of the depressed classes. It is regrettable to note that co-operation has not been able to influence the betterment of the depressed classes in any other state.

Before we leave the discussion of activities of Non credit Co-operation in the states, we have only to make mention of an insignificantly few societies which have been organised, not very suc-

cessfully, in some of the states. In Baroda, these odd societies which, through some technical reasons, have not fallen under the categories, which we have been discussing till now, are the twenty one thrift societies, the twelve Flood Relief building societies, the Sarar water works society and the Co-operative Better Living societies at Unza (which has been dealt with as a communal society in the first chapter on Primary societies). The Thrift Society encourages thrift and small savings by providing means whereby such savings may receive a reasonable interest without risk, and without being removed from the control of the members and affords relief to members in need by enabling them to obtain loans for really necessary purposes at reasonable interest and with easy terms of repayment. Of the twenty one Thrift Societies of Baroda, fourteen worked well. They had a membership of 366 and savings amounted to Rs. 3263 in 1928. The Sarar water works society supplied water to the village people for domestic purposes at the rate fixed by the managing committee of the society from time to time. It is a great advancement in rural life purged of all the evils attendant upon water works in urban life.

The flood relief societies were organised for re-building and repairing the houses damaged or destroyed by the floods. There were fifty three societies of this type in Baroda and twenty two in the different talukas and districts. These seventy five societies had a membership of 2320. The Government advanced Rs. 546491 to these societies. The better living society of unza is one of the best societies working in Baroda. The better living society aims at reforming bad customs prevalent amongst its members, preventing the waste of money and inculcating habits of thrift, improving the moral and spiritual condition of its members, providing educational assistance to the children of members and promoting other measures designed to encourage in the members the spirit and practice of thrift, mutual help and self help. The unza society introduced a great number of social reforms amongst the members and serves a great moral force to bring about better living.

Among the miscellaneous type of societies in Travancore and Cochin are the societies for Municipal employees, Factory employees, The

education society of Cochin, The Ayurveda society, The Poultry farming society and the Ayurveda society of Cochin. The Ayurveda societies aim at spreading the utilities and benefits of the ancient system of indigenous medicine. The poultry farming society collects and sells on commission or otherwise the eggs and poultry of members, facilitates the production of eggs by the grant of loans for purchase of hens and raises the standard of poultry farming. The education society of Travancore simply conducts rather unsatisfactorily a school.

Kashmir has done much by the way of introducing co-operation into many of the miscellaneous activities of the people. There were twenty three compulsory education societies in the state in 1929. Seven others had adopted compulsory education by law. These societies (thirty in all) had 1220 members and 1002 students. The compulsory Education society arranges the education of the minor boys of members, the compulsory attendance of the pupils and encourages the interest in general primary education. Every member is bound to have his own minor boys and those of whom

he is in charge or guardian, taught up to the end of the fourth class in the school of the society. Then he becomes a member he is to sign in writing or by thumb mark an agreement to the effect that in consequence of being a member of the society, he will have his own boys and those of whom he is guardian or in charge, between ages of six and twelve, taught in the school up to the end of the fourth class and wilfully observe all the byelaws of the society and in the event of breach of any of these conditions will pay a fine fixed by the society. The liability of a member will be fixed. The capital is composed of entrance fees, contribution, donations and fines. The Government of Jammu and Kashmir have granted Rs. 3000 for awarding allowances to the teachers of these societies. In the villages of Kashmir, there is entirely no female education. The compulsory education society of Verinag has taken up the question of female education.

There is an experimental farming society at Nandpura which is doing useful work. The members of this society conducts experiments on their soils by growing different kinds of

vegetables and they are supplying the members of other co-operative societies and public with best seeds produced by them. It has thus raised the standard of vegetable served to the city of Srinagar.



STATUTORY FUNCTIONS.

No monograph on co-operation can be complete without at least a passing reference to the statutory obligations contained in co-operative law. Mention is made in this chapter to a few details regarding (1) the audit and supervision, (2) arbitration and (3) liquidation of Co-operative Societies in Indian States.

AUDIT AND SUPERVISION.

The audit of co-operative societies is a statutory function of the Registrar of Co-operative Societies. Co-operative audit is distinct from company audit in that it is not merely arithmetical or mechanical, but one, which would lead the members to take count of their economic position and to improve their own assets and the assets of the society by better business. The distinction between the company law and the co-operative law in this respect is that while a company is under obligation to have its accounts audited once a year, a co-operative society is not; but while the

company has the choice of its own auditor, the society has not*. This compulsory inspection and audit by a Government Officer were intended to provide against mismanagement and fraud, to give the members and the public confidence in the societies and to justify the privileges conferred upon the societies by the Government. The Maclagan Committee has so ably expounded the scope of co-operative audit in the following words:—

“The terms of the Act expressly require that the audit shall include an examination of overdue debts and a valuation of assets and liabilities. By this latter, we understand not merely the preparation of the balance sheets of societies but also a sufficient check, in accordance with such rules as the Registrar may lay down, of the list of material assets of the members. The audit, in our opinion, should extend somewhat beyond the bare requirements of the Act and should embrace an enquiry into all the circumstances which determine the general portion of a society. It would, for in-

* The Law of Co-operative Societies in India & Burma —
K. V. Brahma.

stance, be the duty of the auditor to notice any instances for which the Act, Rules or Byelaws have been infringed, to verify the cash balance and certify the correctness of the accounts; to ascertain that loans are made fairly, for proper periods and objects, and on adequate security; to examine repayments in order to check book adjustments or improper extensions; and generally to see that the society is working on sound lines and that the committee, the officers and the ordinary members understand their duties and responsibilities."

It can be held from this without fear of contradiction that the system of co-operative audit very nearly approaches the ideal. But on an application of these principles, it will be seen that the general position regarding audit of co-operative societies in the Indian States is very unsatisfactory. Audit, is defective in most cases and does not at all conform to statutory requirements as explained by the Maclagan Committee. This is primarily due to the absence of adequate trained staff. It will not be a misrepresentation of fact if it is said that the Co-operative Departments of all the

states is very inadequately manned. Often the Department has to rely on nonofficial help when the audit season approaches annually. An allround running audit, though a desideratum, is never an accomplished fact in the States. The impossibility of running audit can well be understood if it is remembered that the Departments feel terrible strain for even the seasonal audit of societies. There are instances where audit has not been conducted of all the societies on the rolls simply because of the dearth of sufficient number of hands. In Travancore only 1777 societies out of 1784 societies were audited in 1932. Of these 805 societies were audited by departmental men and the remaining 972 societies by Supervisors of Co-operative Union and honourary auditors. In Cochin, the accounts of 227 societies out of 254 were audited in 1932. The whole audit was conducted by the departmental staff. In Mysore, 92 societies got their accounts audited by certified Auditors and 142 societies by experienced competent local Auditors. The accounts of 1632 societies were fully audited by the Inspectors of Co-operative Societies, during 1932, while those of 138 societies were

partly audited up to the date of the Inspector's visits to them with a view to complete the final audit at the next visit. The accounts of 177 societies had not been audited and those consisted partly of societies, which had transacted no business since the date of last audit and partly of those which had not yet started work properly. In Mysore the need for full and satisfactory audit is being realised by the departmental staff. During the year 1931, audit of 1746 societies was conducted in Hyderabad. This recorded a percentage of 92 for the year. The outturn of audit work during the year was decidedly better than the previous year. The Hyderabad Co-operative Department attempted test audit though not very successful. Only 17 Banks and 1202 societies were audited in 1931 in Gwalior. The whole audit was conducted by the departmental people. The audit work suffers very much in the other States due to want of trained men.

ARBITRATION.

There is very little data available to indicate the amount of litigation between societies

and their members in the states. The law of Arbitration in relation to co-operative societies is as incomplete and vague in the states as it is in British India. There is no knowing whether the Registrar reserves to himself any jurisdiction in a matter referred to him once he appoints an arbitrator. Similarly the question of jurisdiction of Civil Courts in a matter which could be made the subject of reference to the Registrar also demands further elucidation. Times are getting more and more difficult and all suppositious kinds of problems are confronting the Registrars of more than one state in these points. Arbitration, like audit, is done by both officials and non-officials. The Registrar himself takes up certain cases for arbitration. He asks his subordinates to do the same and sometimes he refers the cases to non-official arbitration.

Arbitration proceedings have been on the increase year by year in the states. In 1932, 692 societies referred 11098 disputes for arbitration in Travancore. At the end of the year 12020 references for the Rs. 131105 were pending arbitration. Criminal prosecutions for misap-

propriation and other criminal offences were not rare. In Cochin 258 cases were pending disposal at the beginning of 1932 and 967 cases were filed, bringing the total for disposal to 1225. This worked out an average of 5 cases per society. Of these 1003 were disposed of leaving a balance of only 222 at the end of the year. In Mysore, 2751 suits of the total value of Rs. 478408 were entertained in 1932. Including the pending cases of previous years, the total for disposal was 4216. The Registrar the Deputy Registrar and the Assistant Registrars disposed of a large number of cases so much so there was an appreciable increase in the disposal of the suits during the year. With the worsening of conditions the number of defaulters increased and consequently applications for arbitration went on pouring in in Hyderabad during 1931. 2328 applications for arbitration were pending at the end of the year. The number of arbitration suits and the amount of awards are very high. No details about arbitration are available in respect of the societies of other states.

Execution of Awards is generally done through the Civil Court and the Revenue

Courts. In some states the officers of the Co-operative Department are invested with the powers of the Revenue Courts.

CANCELLATION AND LIQUIDATION.

In states, where the movement has only been introduced lately, there can only be very few societies under liquidation. But still it cannot be said that cancelled societies are absent in the states. In the states of Cochin Travancore, Hyderabad and Mysore, liquidated societies increase year by year. There were 111 societies under liquidation in Travancore in 1932. Hyderabad had 127 and 17 in Cochin. The details relating to other states are not available.

The Co-operative movement is passing through a critical stage of its existence. Co-operation in India — much less in Indian States — has not been an unqualified success. Several reasons have prevented the realisation of the ideal, the most important among them being the failure to adhere to its main principles,

the wrong approach from a joint stock mentality and the rash manner in which it was sought to push forward co-operation in total disregard of the heritage of the peasant's past indebtedness. The Indian States, by attempting to work up the movement, have realised that co-operation is 'the grandest vehicle for serving Humanity and thereby generate the purest happiness'. Let us hope that they will continue to march along the true Co-operative Path, realising the almost prophetic observation of the Royal Commission on Agriculture that "Many millions of peasant proprietors may be led to a better life through a sound co-operative movement.....If co-operation fails, there will fail the best hope of India."

