

A
SHORT INTRODUCTION
TO
CO-OPERATION
IN THE
MADRAS PRESIDENCY

BY
F. R. HEMINGWAY, I.C.S.

WITH A PREFACE BY
H. E. LORD WILLINGTON

MADRAS

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PREFACE BY HIS EXCELLENCY LORD WILLINGDON.

Co-operation in its very general sense is particularly at this present time a paramount necessity amongst all races, classes and communities in India, if we are to secure the sound, solid and harmonious progress which must be the ideal of all those who have the well-being of this country at heart.

But the benefits of a special form of co-operation with reference to a particular and very numerous body of people who live amongst us, are so well set out in this admirable volume written by the Registrar of Co-operative Societies, Mr. Hemingway, that I warmly commend a perusal of its pages to those who are interested in the health, betterment and welfare of the wage-earners of this Presidency. While I am glad to be able to testify to the interest which some employers take in this city for the comfort of their workers, there is much which can be done both here and throughout the mufassal to remedy the lot of the wage-earning classes and small cultivator. The ordinary worker is generally deeply in debt to the money-lender, and has no feeling of liberty in his life. It is through the principles of co-operation that we hope to improve his life and give him that sense of free citizenship which should be the possession of our humblest citizen.

The Government of Madras are so impressed with the importance of this matter that they have decided largely to increase the scope of the co-operative department in order that the opportunities of taking advantage of co-operation in its various forms may be available in all parts of the Presidency. But we hope that alongside this effort will grow in every district an increasing desire on the part of all those who wish to help forward this great undertaking voluntarily to work for the benefit of their fellowmen.

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APPENDIX i.

THE ROCHDALE SYSTEM OF CO-OPERATIVE TRADE.

SINCE the foregoing pages were printed, it has been suggested to the writer that a rather fuller treatment of the differences between the Rochdale system and the alternative system often followed in Madras of managing a co-operative store would be welcomed by co-operators. The following note is therefore appended :—

It will be remembered that, broadly speaking, there are two methods of fixing the price at which articles are sold by the society to its members. A society may either take the cost price, add a small percentage to cover its own expenses and sell the article at a retail price representing the cost price *plus* the percentage; or it may sell the articles at or about the ordinary retail market price prevailing in the neighbourhood and may periodically, after meeting its expenses and making a provision for reserve fund, divide the profit as a bonus among the various purchasers in proportion to the amount purchased by them during the period. The latter is the Rochdale system devised some seventy years ago, as the result of many years' experiment by English co-operators. Where every other method had failed, this proved completely successful and has stood the test of time. But inexperienced co-operators are often not able to see much attraction in waiting for an advantage which they think may never come and which is, at any rate, remote and cannot be induced to desert the village shop with its specious allurements unless their own society will sell them articles cheaper than they can get them elsewhere. Hence, as remarked on page 28, some of our societies prefer to give their members their profit at once in the form of reduced prices. But this system has its own dangers. All the purchases made by the society are not equally fortunate. Some may be extremely profitable, while others, owing to an unforeseen fall in price, may even result in a loss. And if the profits made over the more fortunate purchase have already been dissipated by selling the articles purchased at cost price, how are the losses incurred over the less fortunate purchases to be recouped? Will the members be willing to buy these articles at a rate higher than the market rate? It is much to be feared they will not. And if they are sold at a loss, what is the position of the society? It is little to be wondered at that some of our stores work at a loss. And how long can a society bear such losses?

Moreover so long as a society works on a system of selling at or near cost price instead of at or near the market retail price, it is difficult to judge fairly whether a society is working properly or not; since a part of the profit goes direct to the members and never appears in the accounts at all. Under the English system, however, the whole of the profit is shown in the accounts and it is possible to see at once the extent to which the society has benefited the members.

It has been stated on page 28, but the point might well be further emphasized, that the Rochdale system has the further advantage of helping the members to save. The importance of stimulating the habit of saving among our co-operators can hardly be overestimated. Our societies live far too exclusively on other people's money, especially on the loans from the central banks. And anything which can stimulate the saving of members is much to be commended.

It should be added that the Rochdale system cannot be worked unless the society rigorously restricts the dividend payable on share capital. In some so-called co-operative institutions, the articles are indeed sold at the retail market rate but the profits are devoted not to giving a bonus on purchases but to giving enormous dividends on capital. This, of course, is not co-operation at all. Fortunately in this Presidency, the principle has long been recognized that the dividends on share capital should be limited, and all societies introduce such a limit in their by-laws. In fact, it is recognized that share capital is only entitled to a certain return—or, as the English co-operators say, to 'the wages of capital.' It follows that the rest of the profits of a store should go to strengthening the society and in distributing deferred profits to those who have dealt with it.

It is probable that the disinclination of some of our Madras co-operators to embrace the English system might be removed if profits were calculated and divided at more frequent intervals. This is usually done once a year. It is probable that a quarterly division would be more popular. Men may be unwilling to wait for a whole year for their deferred profits. Perhaps they would not mind waiting three months.

APPENDIX ii.

Statement showing the progress of co-operation during the years 1914-15 to 1919-20.

Particulars.	1914-15.	1915-16.	1916-17.	1917-18.	1918-19.	1919-20.
1. Total number of societies	1,600	1,800	2,216	2,718	3,676	5,027
Central banks including Provincial bank	10	11	14	20	26	30
agricultural societies	1,442	1,602	1,921	2,292	3,082	4,218
non-agricultural societies	128	167	224	332	465	641
store societies	11	13	15	32	60	87
trading unions .. .. .	..	..	..	..	21	47
weavers' societies	1	1	2	7	12	21
building societies	8	8	10	10	11	14
agricultural purchase and sale societies	8	8	12	17	31	58
agricultural production and sale societies .. .. .	..	..	2	2	2	2
primary societies brought under union control	About 400	804	1,758	2,415	2,826	3,540
2. Total number of members of all societies	116,726	136,286	163,121	191,041	244,297	329,886
Average number of members per society	74.2	75.7	74	72	68	67
3. Number of Assistant Registrars	4	6	7	8	9	18
Inspectors (including chief inspectors)	54	54	54	54	65	247
unions	20	31	57	74	103	138
supervisors employed by unions	12	25	63	76	112	127
4. Working capital of all societies in lakhs	140.89	168.89	204.99	284.92	305.79	394.95
Paid-up share capital of all societies in lakhs	13.69	16.12	20.49	26.13	34.69	50.24
Reserve fund of all societies in lakhs	8.06	8.49	9.62	11.18	14.65	17.42
5. Net profit of non-agricultural societies	RS. 86,958	78,788	1,14,972	1,52,974	1,62,698	1,78,128
Net profit of agricultural societies	1,42,515	43,740	39,018	47,134	16,652	44,659
6. Deposits locally obtained by non-agricultural societies	9,87,780	13,49,998	16,73,141	20,22,622	26,79,668	33,73,500
Deposits locally obtained by agricultural societies	6,22,440	7,29,120	8,52,473	9,00,890	10,76,558	13,09,818
7. Loans from central banks and other non-agricultural societies	1,81,876	1,84,020	2,68,341	3,67,354	5,36,275	8,35,820
to agricultural societies	49,94,254	57,62,772	68,32,215	76,14,076	95,60,777	1,23,30,332
8. Percentage of uncollected balance of principal (current and arrears)	18.77	23.52	14.65	12.27	14.16	10.30
in central banks	10.76	9.41	9.00	9.24	11.11	11.01
.. .. . non-agricultural societies	38.83	31.68	28.76	24.46	24.50	23.78
.. .. . agricultural societies .. .. .	..	..	..	..	..	..
9. Total sales by stores	RS. 7,22,601	8,94,028	6,81,600	8,03,711	18,11,569	23,42,078
10. Total joint purchases by agricultural societies	13,856	3,00,000	6,18,415
11. Total joint sales by agricultural societies	7,125	67,918	1,11,641

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